



legislative bulletin

Vol. 35, No. 4 Public Affairs Research Council of Louisiana, Inc. May 26, 1987

THE 1987-88 PROPOSED STATE BUDGET: ABDICATION OF EXECUTIVE RESPONSIBILITY

The state budget proposed for next year, fiscal 1987-88, is the last of the current administration and the third in a row out of balance. The first proposed budget of this four-year administration, for fiscal 1984-85, was balanced by a large tax increase approved in a special session preceding the 1984 regular session. Budgets proposed in the following three years were out of balance due to downward revision of executive revenue estimates but without offsetting spending cuts; last year there was also an attempt to balance the proposed budget with new revenue sources, i. e., gambling and a state property tax.

Proposed 1987-88 Budget

The *Executive Budget* document proposed a 1987-88 state budget "precariously balanced." The state general fund, the main indicator of the state's financial condition, was projected to end next year with a surplus of \$24,525.

Recent revisions by the administration mean the proposed 1987-88 budget is \$118.3 million out of balance, even with still overly optimistic revenue estimates. More conservative revenue estimates would put the deficit at \$360.1 million:

<u>Administration Action</u>	<u>Millions</u>
Downward revision in revenue estimates (detail not released)	\$120.0
Downward revision in proposed state spending (shown in general appropriations bill)	-1.7
Total	\$118.3
LFO estimate of revenues after \$120 million administration revision	241.8
Grand Total	\$360.1

Cumulative State Operating Deficit

The only state plan to deal with a deficit is the 1986 special session act to pay off the 1985-86 deficit by pledging state revenue for the next four years. The Governor recently acknowledged the state would end the current fiscal year, 1986-87, with another deficit, pegged at \$100 million or more by the Legislative Fiscal Office (LFO). Unless a plan is devised for preventive action, the state's cumulative operating deficit at the end of 1987-88 could total \$603.9 million:

<u>Fiscal Year Deficit</u>	<u>Millions</u>
1985-86	\$201.6
Less \$57.8 million budgeted for 1987-88	-57.8
Total	\$143.8
1986-87 estimate (minimum)	\$100.0
1987-88 administration revisions and revenue overestimates	\$360.1
Grand Total	\$603.9

Revenues Estimates, This Year and Next

State revenue is pegged to the state's economy. There is little to support assumptions that the

TABLE 1
Estimated Collections, Taxes, Licenses and Fees^a
(In Millions)

	<u>1986-87</u>	<u>1987-88</u>
Budget Office	\$3,923.8 ^b	\$4,212.6 ^c
Legislative Fiscal Office ^d	3,821.4	3,970.8
Difference	\$ 102.4	\$ 241.8

- a Excludes dedicated agency collections, federal funds and inter-agency transfers.
 b Revision as shown in 1987-88 *Executive Budget* document.
 c As shown in 1987-88 *Executive Budget* document less \$120 million in announced revision.
 d Latest estimate. Fiscal 1987-88 estimate based on \$19.25 per barrel oil.

economy and related revenue will escalate rapidly. Table 1 compares latest revenue estimates by the Governor's Budget Office and the Legislative Fiscal Office.

BALANCING THE BUDGET

The Legislature in the 1986 regular session made significant cuts in the 1986-87 proposed executive budget in an effort to balance that proposal. These cuts included the following:

- elimination of the state cash subsidy to the school lunch program;
- elimination of reimbursements to parents who transport their children to school;
- elimination of funding for the state remediation program in elementary education, and
- a \$15.6 million reduction in the tobacco tax allocation to municipalities.

However, the proposed executive budget for 1987-88 is again drastically out of balance and the burden for avoiding deficit spending has again been dropped on the Legislature. A budget-cutting goal of \$250-\$300 million should be adopted and discussions held on what should be done to eliminate the \$100-\$150 million projected deficit for the current year. This is in addition to the \$202 million 1985-86 deficit which is to be eliminated over the next four years as a result of legislation from the December 1986 special session. Elimination of these deficits is critical as Louisiana will not be able to pay its bills in the very near future unless drastic action is taken.

TABLE 2
State Employment

1986	Employees Hired	Employees Separated	Net Change In Employment Numbers
January	1,043	1,350	(307)
February	1,386	1,193	193
March	1,060	1,147	(87)
April	1,231	1,176	55
May	1,294	1,076	218
June	1,181	909	272
July	1,084	1,655	(571)
August	1,523	1,740	(217)
September	1,321	1,632	(311)
October	1,843	1,675	168
November	714	1,221	(507)
December	666	1,172	(506)
Total	14,346	15,946	(1,600)

NOTE: During the 1986 calendar year, 15,946 employees left state government and 14,346 were hired. Nine out of every 10 classified positions that became vacant were filled.

Cuts of this magnitude will require major policy decisions by the Legislature. The following represent some steps that could be taken.

Number of State Employees

Studies by PAR and others continue to show that state and local governments in Louisiana employ more persons per capita than most other states. As the majority of state expenditures are for employee salaries, related benefits, insurance and other expenses directly related to their employment, this area must be addressed.

• The Legislature should direct the Division of Administration to reduce the number of employees by 4,000 by June 30, 1988. This could be accomplished with minimal impact on individual employees and services due to the tremendous monthly turnover in state employment. (See Table 2.)

• There is a common belief that state employees are not receiving salary increases and while it is true that those at the top of their pay scales are not, many are. (See Table 3.) A freeze for the next year on step increases and title changes would result in significant savings.

Other savings relating to the cost of employment could be realized with the cooperation of the Department of Civil Service.

• State employees are able to be paid for up to 300 hours of annual leave upon separation from state government service. This should be reduced to 100 hours.

• A reduction in the number of holidays would save considerable overtime costs as well as increase productivity.

• Creation of a personnel office to relate jobs to manpower needs would assure reductions based on need. Implementation of the Personnel Control Act would assure no more employees were employed than authorized, by designated positions.

State Aid to Local Governments

One of the most important steps that is needed to solve the fiscal problems is to decentralize government by turning over more responsibility to local governmental units. It is virtually impossible to solve the state's fiscal problems without also solving the fiscal problems of local governments. The state should move immediately to begin the removal of the constitutional and statutory restrictions that limit governments from raising revenues at the local level. Local governments, with the approval of the voting public, should be able to better utilize property, income and certain other taxes. It makes no sense for such decisions to be

TABLE 3
Salary Increases

<u>1986</u>	<u>Step Increases</u>	<u>Title Change</u>
January	3,878	257
February	3,459	258
March	3,082	135
April	4,693	184
May	3,258	178
June	3,562	152
July	2,642	143
August	2,652	203
September	2,183	126
October	3,122	150
November	1,641	87
December	1,587	140
Total	35,759	2,013

NOTE: During the 1986 calendar year, 35,759 employees received a step increase and 2,013 classified employees incurred a title change.

prohibited at the local level. At the same time, the state should take the following actions to reduce state expenditures. It is important to note that if services were funded at the local level and more taxes collected at the local level rather than the state level, local service accountability and performance would be enhanced.

- Eliminate state supplemental pay for deputy sheriffs, municipal police and firemen. At the very least, the state should begin phasing out by continuing payments to existing recipients only. New employees would be paid by local government.

- Eliminate group insurance payments for local employees of school boards. As mentioned above for supplemental pay, an alternative would be to phase out this program.

- Eliminate the Parish Transportation Fund.

- Eliminate the tobacco tax allocation to local governments.

- Require all parishes to pay 50% of the operating costs of parish health units.

- Reduce payments to sheriffs for keeping state prisoners in parish jails, from \$18.25 per day to \$12 per day.

- Eliminate the school nurse program.

- Limit state funding for school board employees' salaries to nine months.

- Eliminate state funding for such nondirect classroom employees as school guidance counselors, librarians, psychologists and social workers.

- Provide transportation only for high school students who live more than two miles.

- Eliminate state funding for teacher sabbaticals and sick leave.

- Reduce state contributions to local school boards for workers' compensation and unemploy-

ment compensation to encourage more local monitoring.

Aid to Private Schools

There is no doubt that private K-12 schools play an important role in the education of Louisiana children. However, it is also important to realize that individuals choosing to place their children in private schools have decided to pay for the cost of that education. State aid to private schools has decreased considerably in the past few years. However, an estimated \$10 million remains for such items as:

- nonpublic school administrative costs,
- nonpublic school lunch employees' salary increases,
- transportation, and
- special education.

Closure of State Facilities

The state can no longer afford to operate the number of facilities that it currently does. It is time to make the difficult decisions to close those that serve the fewest numbers of individuals, are no longer necessary or are located in areas where other similar facilities are within a reasonable distance. Included should be the following:

- driver's license offices,
- one of the two largest mental hospitals,
- vo-tech schools and
- mental health clinics.

Subsidies

There are several areas in the budget where the state has established procedures for subsidizing a particular industry or charity. These should be eliminated or reduced:

- gasohol and
- private charities.

Fee Increases

During the last few years, the Legislature has made significant advances in bringing fees in line with the cost of providing services. However, several areas remain for consideration:

- Institute tolls on certain bridges and ferries.
- Increase tuition at vo-tech schools to cover at least 25% of the costs.
- Repeal free tuition at state colleges and universities for the National Guard and others.
- Charge for sanitary inspections by the Office of Health.

Other Areas

- Eliminate the Governor's Public Improvement Fund (slush fund).



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- Turn the state meat inspection program over to the federal government.
- Expand the probation/parole activities to reduce emphasis on incarceration.
- Eliminate the funding for the extended employment of agriculture teachers.
- Increase emphasis on home health care for the elderly in lieu of institutionalization.
- Privatize the management of the charity hospital system.
- Consolidate boards of higher education into one.
- Implement a diagnostic related group payment system (DRG) for inpatient hospital services.
- Eliminate councils for the development of French and Spanish.
- Eliminate 1,000 additional state vehicles.
- Reduce telephone expenses by an additional 10%.
- Reduce travel by an additional 25% except for those activities related to revenue generation and economic development activities.
- Implement a 10% reduction in professional services.
- Consolidate the departments of elections and state.

- Eliminate the Department of Urban and Community Affairs (DUCA).

PROPOSED HIGHWAY SUPER SLUSH FUND GUTTED

SB 268, which would have gutted the long-range highway priority program, has been stripped of those provisions. (See PAR "Legislative Bulletin" of May 12, 1987.) SB 729, a substitute for SB 268, would retain provisions of the original bill to establish a new master plan with a five-category classification system for highway maintenance and construction, based on characteristics of all state-maintained highways through a condition type summary. This would be one step in meeting federal requirements for better highway maintenance in order for the state to continue to receive federal highway money. SB 729 would not institute a new priority system and apparently would not affect the long-range highway construction priority program nor would it divert dedicated funds for that program. SB 729 gives no clue as to a funding source for the proposed master plan for highway maintenance, but the state faces a cutoff of federal funds unless some source is found—and soon.

The House Appropriations Committee began voting this week on amendments to the general appropriations bill. Included in its list of cuts is a reduction in the number of employees by 2,000 and several others recommended in this "Bulletin."