legislative bulletin

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THE UNIQUE 1988-89 RECOMMENDED STATE BUDGET: "CLEAN, LEAN AND MEAN"

The first recommended budget of the new administration has been characterized by the Governor as "unique" and also "clean, lean and mean." There is good reason for the state to break with the past and live within its means. To do so requires a "lean and mean" budget which offers new ways to organize and operate state government.

Louisiana state government has been operating under "crisis management" for decades—hoping that each year's budget would end in balance. Tax increases have been the main solution when sagging state revenues were unable to keep up with demands for increased spending. Despite tax increases, the state/local revenue structure remains basically the same—the initial impact falls most heavily on business rather than individuals, revenues are centralized at the state level to the detriment of local governments, and the state remains overly dependent on oil and gas which results in shrinking state revenues. State spending policies have remained essentially unchanged also—a plethora of programs and a large amount of state aid to local governments.

For the past three years, "crisis management" has meant managing to ignore the crises. As shown in Table 1, the state's three-year cumulative general fund deficit is expected to total $788.7 million. Because of imprudent fiscal policies, the state has had a cash flow problem dating back six years, to fiscal 1982-83. To meet the general fund obligations, cash was borrowed from special dedicated funds until those reserves became exhausted. To resolve these budget deficit and cash flow problems, this administration recently issued $250 million in revenue anticipation notes (RANs) which are to be repaid by the end of this year on an accrual basis (August 12, 1988); $280 million in RANs were issued earlier this year by the previous administration. Also planned is a long-term (no more than 15 years) $1.3 billion debt consolidation loan to be issued and repaid through the newly created Louisiana Recovery District—a subdivision of the state.

Numerous statutory dedications were repealed by Act 5 of the 1988 special session to provide greater flexibility in use of state money. According to the *Executive Budget* document, dedications were reduced from $723.6 million in fiscal 1987-88 to $134.4 million in fiscal 1988-89—a $589.2 million decrease. Also, self-generated revenues (primarily user fees to pay for various services provided businesses, individuals and local governments) are to increase from $976.4 million in fiscal 1987-88 to $1,156.3 million in fiscal 1988-89—a rise of $179.9 million, with about half of this increase apparently due to elimination of statutory dedications rather than real increases. This will free some tax money needed to finance services for which recipients could not or should not pay.

TABLE 1. Cumulative State General Deficit

End of Fiscal Year	Millions
1985-86	$244.2
1986-87	201.4
Subtotal	$445.6
1987-88 (Estimated)	343.1
Total	$788.7

SOURCE: 1988-89 *Executive Budget*.

Revenues

The 1988-89 recommended budget is the first to use consensus revenue estimates, mandated by Act 814 of 1987. The act requires that the official estimates are to be by unanimous decision of the participants—the governor, Senate president, House speaker or their designees and an expert university faculty member selected by the other three members. The governor is required to use these estimates in preparing and submitting the recommended state budget to the Legislature. The recommended appropriations in the general appropriation bill cannot exceed the official revenue estimates, i. e., the recommended budget must be balanced. The budget enacted by the Legislature also must be balanced with the official revenue estimates.

Act 814 also requires that official revenue estimates be based on current law. As a result, revenue estimates for fiscal 1988-89 do not include continued suspension of exemptions on one cent of the four-cent sales tax ($155 million-160 million) and the education credit suspension on the personal income tax ($16 million). The constitution provides that suspension of laws can remain in effect for only a year.

The recommended budget does not anticipate increased taxes to balance the budget—also in conformance with Act 814 which stipulates that should a governor propose to "enhance revenues" beyond those estimated on the basis of current law and administrative procedures, these added revenues must be itemized separately and be presented apart from the executive budget. In an April 12 appearance before the Joint Legislative Committee on the Budget, the Governor warned that "every item we add back will require new taxes at a time when our economy is in a full depression." He did note, however, that some additional money could be made available if suspension of exemptions on the one-cent sales tax were extended. The Governor said he would support use of additional money only to restore the 40-hour workweek for state employees and to provide transition money for local governments.

The 1988-89 revenue estimates are pegged to $16 a barrel oil—far more realistic than the $21 a barrel basis for financing the 1987-88 state budget. As shown in Table 2, direct state mineral revenues estimated for fiscal 1988-89 total $649.7 million—almost $1 billion less than in the "boom" 1981-82 fiscal year. Declining production is a major factor as well as a drop in oil prices.

Table 3 indicates that state revenue from all sources is estimated to increase in fiscal 1988-89 over fiscal 1987-88 by $277.4 million, or 3.7%. One reason for the increase is inclusion, for the first time, of bond proceeds to finance capital construction; if this money were excluded, state revenues would increase next year by only $156.1 million, or 2.1%.

The state derives most of its money from various taxes, licenses and fees. As noted, the 1988-89 estimates do not include continued suspension of sales and income tax exemptions. [For comparability, PAR added for the current and prior year the interest revenues received from the 8 (g) settlement and dedicated to education support and also reimbursement to the state for its debt service payments for ports and levee districts.] Revenue from taxes, licenses and fees is estimated to decline by $113 million, or 2.8%, in fiscal 1988-89 compared to the current 1987-88

TABLE 2. Erratic Mineral Revenues (In Millions)

Fiscal Year	Mineral Revenues: Severance Tax[a]	Royalties[a]	Rentals	Bonuses	Total[a]	Total State Taxes, Licenses and Fees[b]	Percent of Total
1976-77	$492.9	$152.4	$ 6.6	$46.6	$ 698.5	$1,944.9	35.9%
1977-78	474.1	167.5	13.8	89.4	744.8	2,270.5	32.8
1978-79	466.3	182.0	17.4	47.1	712.8	2,502.5	28.5
1979-80	522.8	223.1	23.5	275.6	1,045.0	3,047.1	34.3
1980-81	813.0	326.6	39.7	128.6	1,307.9	3,476.3	37.6
1981-82	980.4	478.9	54.1	120.4	1,633.8	3,970.1	41.2
1982-83	868.4	459.8	42.1	42.5	1,412.8	3,747.1	37.7
1983-84	836.7	422.5	21.2	52.3	1,332.7	3,754.3	35.5
1984-85	718.9	422.7	20.8	59.5	1,221.9	4,389.9	27.8
1985-86	657.6	369.6	20.5	29.8	1,077.5	4,263.3	25.3
1986-87	451.1	246.7	8.0	12.0	709.8	3,733.2	19.0
1987-88 (Est.)	477.7	240.3	6.8	28.5	753.3	3,916.9	19.2
1988-89 (Est.)	399.6	229.1	6.0	15.0	649.7	3,799.8	17.1

a Includes a small percentage (less than 5%) of non-mineral severance taxes.
b Does not include interest from 8 (g) funds or bond reimbursement added in the 1988-89 *Executive Budget* which total $50.1 million.

TABLE 3. State Revenues (In Millions)

Revenues	1986-87 (Actual)[a]	1987-88 Budgeted[b]	1987-88 Revised[c]	1988-89 Estimated[c]	Increase, 1987-88 (Rev.) Over 1986-87 (Actual) Amount	Increase, 1987-88 (Rev.) Over 1986-87 (Actual) Percent	Increase, 1988-89 (Est.) Over 1987-88 (Rev.) Amount	Increase, 1988-89 (Est.) Over 1987-88 (Rev.) Percent
Taxes:								
Alcoholic Beverage[d]	$ 19.25	$ 20.83	$ 18.08	$ 18.80	$ -1.17	-6.1%	$ 0.72	4.0%
Beer	34.50	34.95	33.70	33.70	-0.80	-2.3	0.00	0.0
Corporation Franchise	236.00	247.29	244.00	244.00	8.00	3.4	0.00	0.0
Excise License	147.20	149.90	138.12	147.70	-9.08	-6.2	9.58	6.9
Gasoline	303.60	314.78	309.56	313.00	5.96	2.0	3.44	1.1
Gift	2.50	2.23	2.30	2.10	-0.20	-8.0	-0.20	-8.7
Hazardous Waste	3.00	3.16	2.85	3.30	-0.15	-5.0	0.45	15.8
Income: Corporate	195.40	238.69	185.71	222.00	-9.69	-5.0	36.29	19.5
Individual	454.90	548.34	530.00	561.00[e]	75.10	16.5	31.00	5.8
Inheritance	37.60	38.38	39.41	38.50	1.81	4.8	-0.91	-2.3
Natural Gas Franchise	9.20	12.17	10.42	10.80	1.22	13.3	0.38	3.6
Public Utilities	23.10	31.29	31.76	29.80	8.66	37.5	-1.96	-6.2
Reforestation	0.10	0.13	0.10	0.12	0.00	0.0	0.02	20.0
Sales (includes vehicles)	1,190.40	1,284.79	1,270.15	1,143.10[f]	79.75	6.7	-127.05	-10.0
Severance	451.10	545.86	477.74	399.60	26.64	5.9	-78.14	-16.4
Soft Drink	10.60	11.72	10.63	11.70	0.03	0.3	1.07	10.1
Special Fuels	54.60	54.38	54.43	55.20	-0.17	-0.3	0.77	1.4
Tobacco	78.80	75.26	74.55	73.00	-4.25	-5.4	-1.55	-2.1
Vehicle License	46.50	46.55	49.01	42.50	2.51	5.4	-6.51	-13.3
Total Taxes	$3,298.35	$3,660.70	$3,482.52	$3,349.92	$184.17	5.6%	$-132.60	-3.8%
Nontaxes:								
Royalties	$ 246.70	$ 310.91	$ 240.30	$ 229.10	$ -6.40	-2.6%	$ -11.20	-4.7%
Rentals	8.00	11.65	6.82	6.00	-1.18	-14.8	-0.82	-12.0
Bonuses	12.00	15.00	28.52	15.00	16.52	137.7	-13.52	-47.4
Conservation Fund	4.90	5.37	5.40	5.00	0.50	10.2	-0.40	-7.4
Rockefeller Fund	5.80	6.00	6.27	6.25	0.47	8.1	-0.02	-0.3
Marsh Island/Russell Sage Fund	0.40	0.47	0.53	0.65	0.13	32.5	0.12	22.6
Interest on Investments	15.10	30.26	19.43	20.00	4.33	28.7	0.57	2.9
Education Support [8 (g)]	19.24[g]	34.00	35.00[g]	40.14	15.76	81.9	5.14	14.7
Bond Reimbursement[h]	11.00[g]	11.00[g]	11.00[g]	10.00	0.00	0.0	-1.00	-9.1
Other	141.90	192.97	127.11	167.83	-14.79	-10.4	40.72	32.0
Total Nontaxes	$ 465.04	$ 617.63	$ 480.38	$ 499.97	$ -15.34	3.3%	$ 19.59	4.1%
TOTAL TAXES, LICENSES & FEES	$3,763.39	$4,278.33	$3,962.90	$3,849.89	$199.51	5.3%	$-113.01	-2.8%
Self-Generated Revenue	781.16	428.60	976.38	1,156.26	195.22	25.0	179.88	18.4
TOTAL STATE REVENUE	$4,544.55	$4,706.93	$4,939.28	$5,006.15	$394.73	8.7%	$ 66.87	1.4%
FEDERAL GRANTS	1,885.92	2,022.58	2,108.47	2,199.40	222.55	11.8	90.93	4.3
INTERAGENCY TRANSFERS	360.27	380.60	403.93	402.27	43.66	12.1	-1.66	-0.4
TOTAL OPERATING REVENUE	$6,790.74	$7,110.11	$7,451.68	$7,607.82	$660.95	9.7%	$ 156.14	2.1%
Bond Sales for Capital Construction	155.42	41.69	41.69	162.90	-113.73	-73.2	121.21	290.7
TOTAL ALL REVENUES	$6,946.16	$7,151.80	$7,493.37	$7,770.72	$547.21	7.9%	$ 277.35	3.7%

a Collection from taxes, licenses and fees as presented to Revenue Estimating Conference on November 6, 1987. Other sources as shown in 1988-89 *Executive Budget* or added by PAR for comparability.

b As shown in the enacted State of Louisiana Budget, Fiscal 1987-88. Based on $21 a barrel oil.

c As shown in the *Executive Budget*, Fiscal 1988-89. The estimates are those unanimously adopted on April 25, 1988 by the Revenue Estimating Conference and are total collections. Based on $16 a barrel oil.

d Includes alcoholic beverage tax, fees and permits.

e Does not include continued suspensions of education credit ($16 million).

f Does not include continued suspension of exemptions on one cent of four-cent tax ($155 million-$160 million).

g Added by PAR for comparability on basis of information provided by Department of Treasury.

h Reimbursement to state for its payment of bonds for certain entities, primarily ports and levee districts.

year. In contrast, there was an increase of $199.5 million, or 5.3%, in fiscal 1987-88 as compared to the prior 1986-87 year.

Expenditures

The Governor's message in the *Executive Budget* document states: "It is a balanced budget." Data in the summary section indicates the budget recommended for fiscal 1988-89 is balanced—with only $11,865 to spare.

One item not included is the first installment next year of $150 million for the contemplated $1.3 billion debt consolidation issue of the Louisiana Recovery District—a subdivision of the state created by Act 15 of the 1988 special session. Before such long-term debt can be issued, two events must occur: (1) determination by the courts as to constitutionality, and (2) pledge by the Legislature to the district of revenue from one cent of the state sales tax to secure repayment of its debt. Continuing suspension of the exemptions on the one-cent sales tax may have to occur just to cover this item.

The Governor has characterized his first recommended state budget as "unique, unlike anything Louisiana is used to." Drastic and bold changes are proposed to solve the state's monumental financial problems. Unfortunately, information in the budget document is not sufficiently explicit to comprehend many of the recommended changes which include eliminating some programs and services, retaining but reducing others, transferring and consolidating some components from one agency or department to another, and eliminating most dedications and sometimes replacing them with general fund money or self-generated user fees. In most instances, programs to be eliminated or increased are enumerated but without denoting the dollar impact. The Governor has indicated that the "view of the big picture will expand as we explain the component parts."

The administration indicated a $756 million gap in fiscal 1988-89 between estimated revenues and a "standstill budget." In Louisiana a standstill budget does not mean the same amount of dollars will be spent the following year as in the current year. Rather, "standstill" means all existing programs and services would be retained with allowance for inflation, employee step increases and perceived increases in the number of persons receiving services. According to the administration, the $756 million gap was closed by cancelling $351 million the state general fund borrowed from special funds as authorized by the 1988 special session, $186 million by providing no additional funding for inflation and step pay raises, and cutting spending by a net of $219 million.

The recommended budget not only includes selective and extensive cuts, but also increases in such areas as teacher pay, nurses' and doctors' salaries, economic development and environmental protection. Some agencies received the same amount of dollars as the current year.

The Governor has indicated his major budget policies:

1. Assuming no inflation. Agencies are to manage their funding.
2. Providing no funding for merit (step) increases for state employees. Agencies must provide for this.
3. Reducing the state employee workweek from 40 hours to 36 hours—equivalent to a 10% pay cut.
4. Reducing the number of state employees by several thousand through "aggressive attrition." The state's unemployment compensation payments are to increase by $4.9 million due to anticipated layoffs.
5. Improving the state's cash flow problem for the current year by postponing certain scheduled payments to next year. This includes one two-week pay period for state employees; delay of state contributions for state, teachers' and school employees' retirement systems ($3.5 million in interest is recommended), and postponement of income tax refunds ($3.2 million in interest).
6. Eliminating half the road maintenance funding on non-federal routes.
7. Closing 28 of the 83 motor vehicle offices.
8. Tightening administration and management of charity hospitals and entering an agreement for the W. O. Moss Hospital in Lake Charles to privatize certain functions.
9. Eliminating state funding for elementary-secondary education programs and employees not directly related to classroom instruction.
10. Closing smaller vo-tech schools.
11. Closing Delgado Junior College in New Orleans and converting it to a community college.
12. Reducing state aid to local governments.

Total Recommended Spending

State spending proposed for fiscal 1988-89 totals $7,769 million—$405 million less than the current 1987-88 revised budget. For comparability, PAR added $46 million to 1987-88 expenditures [8 (g) education support and bond reimbursement by levee boards and ports]. Increases in user fees are expected to help balance the budget.

Some of the major recommended spending changes are discussed next.

Education Changes

Proposed cuts for all levels of education approximate $427 million—$382 million for local schools, $41 million for higher education and $4 million for postsecondary vo-tech schools. There also are some increased areas of spending for school aid and college campuses.

Elementary-Secondary Education: The recommended budget proposes reducing state aid to local schools by $382 million but adding $71 million for teacher pay increases, smaller classes in the lower grades, and the consequent increase in retirement.

Many of the proposed changes are in the Minimum Foundation Program (MFP) which is the major source of state school aid. According to a 1987 constitutional amendment, only the State Board of Elementary and Secondary Education (BESE) can recommend changes in the MFP and the Legislature can only say "yes" or "no" to BESE's recommended changes. If the Legislature rejects change, the last approved formula (1984) remains in effect. Whether it is the present or a new formula, the Legislature must fund the MFP at 100%. After enactment, a governor can cut MFP funding if the act appropriating the money provides the means and if approved by written consent of two thirds of the legislators. HB 626, the general appropriations bill for 1988-89, prohibits the governor from cutting MFP funding. The Governor's recommended changes and hence the funding of the MFP must first gain approval of BESE and then the Legislature.

There is a $51 million cut recommended in MFP funding, but much of this is due to changes in the components. As shown in Table 4, textbooks, teacher retirement and foreign language teachers previously financed outside the MFP have been added; state funding of items in the MFP which are not directly related to classroom instruction have been eliminated and are to be shifted to local financing, and direct classroom expense has been increased through hikes in teacher pay and lowering of class size in kindergarten through the third grade. Items eliminated total $237 million while "enhancements" for teacher pay and smaller classes total $71 million.

Other state school aid financed outside the MFP is recommended for elimination: $48.8

TABLE 4. Proposed Changes in State Aid to Local Schools (In Millions)

	1987-88 (Actual)	1988-89 (Recommended)
Minimum Foundation Program		
Cost		
Regular Education:		
Teachers	$ 569.3	$ 572.0
Principals, assistant principals, instructional supervisors, visiting teachers	53.6	53.8
Transportation	108.3	0.0
Sabbatical and sick leave, workers' and unemployment compensation	20.3	20.3
School maintenance and upkeep	47.4	0.0
Salary supplements, noninstructional employees—adminstrative, clerical, maintenance, custodial	77.4	0.0
Teacher 5% pay increase	0.0	40.9
Increase pay steps to 15	0.0	13.1
Reduce pupil/teacher ratio from 22 to 20, grades K-3 (add 1,270 teachers)	0.0	16.1
Foreign language teachers	*	5.0
Textbooks	*	20.6
Teacher retirement	*	81.4
Total Regular Education	$ 876.3	$ 823.3
Special Education:		
Teachers, supervisors, aides, appraisal personnel, social workers, therapists	$ 160.9	$ 164.2
Bus attendants	3.8	0.0
Total Special Education	$ 164.7	$ 164.2
Total Cost	$1,041.0	$ 987.5
Less Local Support (5.5 mills)	-59.7	-57.0
Total	$ 981.3	$ 930.5
Adjustments due locals	1.0	0.7
TOTAL MFP STATE AID	$ 982.3	$ 931.2

* Previously funded by the state outside the MFP.

million for school lunch and salaries of lunchroom workers in public and private schools; $64.4 million for group health insurance of teaching and non-teaching local school employees; $26 million for retirement costs of non-instructional school employees; $3.6 million for non-public school administrative costs, and $2.5 million for school nurses. These cuts total $145 million.

Higher Education: Institutions and boards of higher education would receive a $41 million net reduction after transfers are considered. The cuts include $14.4 million for the 36-hour workweek; $5.7 million due to attrition of employees; $1.1 million of merit raises to be absorbed, and $10.5 million in non-formula items such as organized research.

No appropriations are recommended for the higher education boards—Regents, LSU, Southern and Trustees. Rather, their costs of operation are to be assessed against budgets of institutions under them. Certain non-degree programs at stipulated campuses are recommended for elimination, but the dollar impact is not stated. Budgets are increased to include funding of a "27th" pay period postponed to 1988-89.

Delgado Junior College is recommended to be closed; the Board of Regents would receive $7.7 million for distribution to other public colleges and universities to take care of increased enrollments due to the Delgado closure. Delgado is to receive $2.3 million for termination pay and to secure the closed facilities.

The LSU-Baton Rouge campus budget is expanded to include the law and agriculture centers which previously received separate appropriations, while the LSU Medical School would be divided into 10 separate budget units and remain outside LSU-Baton Rouge administration.

Vo-Tech Schools: Funding for vo-tech schools would be cut sharply for the fourth year in a row. The $46.3 million budget reflects a net reduction of $4 million in state general fund and self-generated revenue. The budget would close nine branch or satellite campuses, downgrade nine area schools to branch status, and cut 155 positions with another 23 slated for attrition.

Agriculture and Forestry

The recommended budget for this department would be reduced from $48.7 million to $30.7 million, an $18 million cut. No funds are provided for the ethanol subsidy.

Public Service Commission

This budget would be reduced by $1.1 million—from $4.1 million to $3 million. Its statutory dedications would be converted to user fees. Staff would remain virtually intact but salaries would be cut by $0.4 million and acquisitions reduced by $0.3 million. The PSC has $0.4 million in unallotted dedicated money which would not be continued as a means of financing.

Economic Development Increases

Economic development is to get a boost through increased funds to advertise the state and to attract foreign investment. The Department of Commerce is to receive $0.2 million additional for advertising and the Department of Culture, Recreation and Tourism, an additional $1 million. Commerce also is recommended for a $1 million increase for international trade.

Non-education Aid to Local Government

Parish and municipal governments can expect sharp cuts in state aid under the administration's proposed budget. Non-education aid programs would be eliminated or greatly reduced except where protected by constitutional dedications. The major non-education aid programs which affect many local governments have been cut back each year since fiscal 1984-85 when they totaled $301.7 million. For fiscal 1988-89, only $158.9 million is proposed for these selected programs. (See Table 5.) The constitutionally protected state revenue sharing, severance tax and parish royalty fund distributions are not affected.

Supplemental pay for police, sheriffs' deputies and firemen would be cut more than half from the estimated current year expenditures. A number of traditional state aid programs which totaled $96.1 million in fiscal 1984-85—parish road fund, mass transit aid, tobacco tax distributions to municipalities, horse racing dedications and fire insurance premium tax funds—would be cut to zero.

In addition to those shown in Table 5, several programs affect individual governments. In 1988-89, the state would keep hotel-motel tax receipts formerly dedicated to tourism programs in New Orleans and Jefferson Parish and to the New Orleans Exhibition Hall.

A number of programs formerly included in various departmental budgets are slated to be eliminated including the Public Improvements Fund, Tourism Matching Grants to Municipalities, State Aid to Public Libraries, payments for volunteer firemens' mileage and fire reports, and Industrial Development Fund (tax credits to local governments owning electric generating plants). The Public Improvements Fund (often referred to as the governor's "slush fund") permitted the governor to fund capital projects, mostly of a local nature, in communities of his choosing. Budgeted at nearly $22 million in 1986-87, the fund was cut in half for fiscal 1987-88.

In several cases the proposed budget would shift costs to local governments. Reimbursements by local governments for various election expenses are budgeted at $3.8 million more than in 1986-87. The costs of municipal fire and police civil service examinations no longer would be paid by the state, but local governments would either have to assume the function or reimburse the nearly $400,000 annual cost. The Louisiana Tax Commission would be expected to pass on about $1.3 million in assessment-related costs to local taxing bodies.

The cumulative effect of proposed cuts in non-education aid and other program funding changes apparently will be a cost to local governments of somewhere in excess of $60 million in fiscal 1988-89.

New aid programs and increases in old ones are difficult to find; however, a $2.5 million appropriation is proposed to fund a new revolving loan program to help municipalities match federal grants for wastewater treatment plants.

Comments

The Roemer-recommended state budget is not "clean" enough to comprehend how and where all cuts are made and to assess the ramifications of all proposed changes. Of necessity, it is "lean" and some cuts might be characterized as "mean."

The Governor, even before he took office, began "scrubbing" the budget which he views as a necessary first step before increased taxes are considered. Cuts made for the last quarter of the current 1987-88 fiscal year total $40 million which will save more than $100 million next fiscal year, according to the Governor.

The gap between estimated revenues and a "standstill" budget for fiscal 1988-89 is said to be $756 million. To carve that amount out of state spending would necessitate a reduction of 20%, based on the $3.8 billion expected from taxes, licenses and fees. If the Governor had budgeted another $150 million to service the $1.3 billion debt consolidation loan, the reductions would amount to a 23.5% cut in order to achieve a balanced budget.

Dramatic changes are proposed in the way state government operates in order that it can be streamlined and made more efficient. Some changes already have been made as a result of authority granted in the 1988 special session.

A restructuring in state/local responsibilities and financing also is on the agenda in order to wean local governments away from dependence on state aid and give them the authority and opportunity to raise their own money to finance their services. This abrupt turnaround may require a transition period and/or transition money, coupled with a freeing of local taxing authority and a broader local tax base.

The state repealed its "zero-based" budgeting law which was never implemented. This administration apparently used this concept to assess

TABLE 5. Major Non-education Programs of State Aid to Local Governments (In Millions)

Aid Program	Actual 1984-85	Estimated 1986-87	Projected[a] 1987-88	Proposed Budget 1988-89
State Revenue Sharing	$ 90.1	$ 90.0	$ 90.0	$ 90.0[b]
Severance Tax	28.2	26.5	25.2	26.0[b]
Parish Royalty Fund	40.6	23.9	26.3	22.9[b]
Supplemental Pay	46.7	47.6	43.9	20.0
Police	(15.8)	(15.8)	(14.9)	(6.9)
Sheriffs' Deputies	(18.4)	(19.9)	(17.0)	(7.8)
Firemen	(11.8)	(11.7)	(11.6)	(5.3)
Parish Transportation Fund	44.9	15.3	11.0	0.0
Mass Transit	7.2	3.1	0.0	0.0
Tobacco Tax	32.0	13.4	11.4	0.0
Horse Racing Dedications[c]	6.7	5.7	4.5	0.0
Fire Insurance Premium Tax	5.3	6.6	4.8	0.0
Total Selected Programs	$301.7	$232.1	$217.1	$158.9

a As projected by Legislative Fiscal Office (1/15/88) less cuts by Executive Orders BR 88-1 through 11.
b Constitutional dedications.
c Not all funds dedicated to local governments.

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how all state dollars have been spent. Act 814 of 1987 requires that another budgeting concept be implemented, program budgeting, in order that "expenditure priorities can be established and knowledgeable spending decisions can be made and implemented . . . ." Initially, institutions of higher education were to be converted to a "programmatic budget format"; the colleges and universities now are funded through a formula which provides little detail as to how their money is budgeted and spent.

The Governor is to be commended for his "Herculean" efforts to balance next year's budget. State law requires that this be done, and so does the state's prospects for a better future. The state must put in place sound and prudent fiscal policies by living within its means, set spending priorities on what it can and cannot afford, and shift more responsibility to local governments. This is what the Governor's recommended budget seeks to do. The Legislature has this 85-day session to accept the Governor's recommendations or to propose alternate solutions. One alternative is unacceptable—making no changes in how state government operates.