



Louisiana Fiscal Focus

Public Affairs Research Council of La., Inc.

State/Local Spending: How Louisiana Compares

As Louisiana citizens prepare to consider a constitutional revision of the state's tax structure, it is useful to know government spending in the state compares nationally. Interstate spending comparisons must include both state and local governments to account for differences in the level at which a service may be provided. In Louisiana, 47.9% of all state and local spending was at the state level in fiscal 1990, compared to a national average of 40.1%.

This report compares Louisiana, the 15-state southern region and U.S. spending trends overall and in selected major service areas for fiscal years 1980 through 1990. Table 1 ranks all states by per capita spending in selected areas for fiscal 1990. Table 2 provides a similar ranking for southern states. Comparative data for fiscal 1990 is the latest available.

The data includes spending by state and local governments from their own sources and inter-governmental aid, including federal funds. The spending categories selected for ranking and trend comparison represent approximately 80% of all spending. The totals, however, include spending categories not shown separately such as libraries, other education, air and public

transportation, natural resources, parks and recreation, housing and community development, and sewerage and solid waste.

Total Direct General Expenditures

Louisiana ranked 29th in the nation and fourth in the South in total direct general state and local government spending per capita in 1990.

About This Report...

This is the second in a series of PAR reports on Louisiana taxes and expenditures. In this report, Louisiana's state and local government spending levels over a 10-year period are compared with those of the southern states and the U.S. as a whole.

Demographic and other factors are examined to help explain current spending levels and trends for selected governmental functions.

The state's total per capita spending grew rapidly in the state's oil boom years, exceeding both U.S. and southern-state averages from 1981 to 1984. However, during the state's economic downturn from 1982 to 1988, per capita spending slowed, falling below the national average in 1986 and to nearly the southern average by 1988. The state's spending began rising at a quicker pace in 1989 and again in 1990. (See Figure 1.)

When adjusted to remove the effects of inflation, per capita total spending in Louisiana rose less than 20% in 10 years, compared to nearly

Total spending exceeds southern average, below U.S.

26% for the nation and over 27% for the southern region. (See Figure 2.)

A dramatically different comparison is made using spending per \$1,000 of state personal income. (See Figure 3.)

This type of comparison often is used to indicate the effort made to fund services relative to the resources available in the state. By this

TABLE 1
States Ranked By Per Capita State/Local Government Spending Amounts: 1989-90^a
(Amounts in Dollars)

Rank	Direct General Expenditure	Higher Education	Elementary/Secondary Education	Public Welfare	Hospitals	Health	Highways	Police	Fire	Corrections	Interest on General Debt	Rank
1	AK	DE	AK	DC	DC	AK	AK	DC	DC	DC	AK	1
2	DC	NY	NY	NY	GA	DC	WY	AK	NY	AK	DE	2
3	NY	WY	NY	NY	GA	DC	WY	AK	NY	AK	WY	3
4	WY	AK	NY	NY	GA	DC	SD	NY	MA	NY	WY	4
5	CT	VT	AK	NY	AL	DE	SD	CA	MA	NY	WY	5
6	HI	AK	NY	CA	MS	MA	MT	NJ	CA	DC	DC	6
7	MI	NM	VT	CA	MS	MA	CT	NJ	CA	NY	NY	7
8	NJ	UT	ME	ME	SC	RI	CT	AZ	CT	RI	RI	8
9	MA	OR	MN	WI	IA	NY	MN	FL	NY	MA	NJ	9
10	DE	AZ	OR	RI	NE	WA	VT	WY	OR	CT	CT	10
11	CA	WI	WA	CT	NE	WA	VT	CT	OR	CO	NV	11
12	RI	ME	OH	OH	TN	FL	DE	MD	VA	DE	AZ	12
13	VT	ME	MT	MT	NC	CA	IA	MA	NH	DE	MA	13
14	AZ	CO	ME	VT	NC	WY	NE	IL	FL	GA	HI	14
15	MD	KS	MI	PA	MA	NC	KS	DE	WI	MI	MN	15
16	NV	HI	PA	PA	MA	NC	NM	DE	VA	CT	FL	16
17	WI	NC	NH	PA	MA	NC	NM	DE	VA	CT	FL	17
18	WA	OR	VA	PA	MA	NC	NM	DE	VA	CT	FL	18
19	OR	WA	VA	PA	MA	NC	NM	DE	VA	CT	FL	19
20	ND	CA	TX	TX	TX	TX	TX	TX	TX	TX	TX	20
21	MI	CA	TX	TX	TX	TX	TX	TX	TX	TX	TX	21
22	NM	VA	CA	TX	TX	TX	TX	TX	TX	TX	TX	22
23	ME	NE	CA	TX	TX	TX	TX	TX	TX	TX	TX	23
24	CO	SC	RI	CA	TX	TX	TX	TX	TX	TX	TX	24
25	IA	MS	GA	TX	TX	TX	TX	TX	TX	TX	TX	25
26	FL	OK	GA	TX	TX	TX	TX	TX	TX	TX	TX	26
27	VA	OK	GA	TX	TX	TX	TX	TX	TX	TX	TX	27
28	MT	MD	FL	TX	TX	TX	TX	TX	TX	TX	TX	28
29	LA	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	29
30	NE	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	30
31	GA	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	31
32	KS	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	32
33	IL	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	33
34	PA	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	34
35	NH	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	35
36	OH	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	36
37	UT	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	37
38	SC	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	38
39	NC	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	39
40	SD	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	40
41	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	41
42	IN	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	42
43	AL	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	43
44	OK	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	44
45	ID	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	45
46	KY	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	46
47	TN	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	47
48	WV	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	48
49	MS	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	49
50	MO	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	50
51	AR	TX	TX	TX	TX	TX	TX	TX	TX	TX	TX	51

^a Includes District of Columbia.

^b Includes amounts not shown separately.

SOURCE: U.S. Bureau of the Census, Government Finances in 1989-90.



TABLE 1
Southern States Ranked By Per Capita
State/Local Government Spending Amounts: 1989-90
(Amounts in Dollars)

Rank	Direct General Expenditure ^a	Higher Education	Elementary/Secondary Education	Public Welfare	Hospitals	Health	Highways	Corrections	Interest on General Debt	Rank
1	MD 3,478.94	NC 358.92	VA 538.32	MD 397.55	GA 393.33	SC 119.97	VA 320.52	MD 131.44	LA 159.65	1
2	FL 3,159.98	VA 333.65	MD 928.42	KY 388.67	AL 343.69	FL 118.55	MD 315.56	FL 113.36	FL 246.49	2
3	VA 3,150.79	AL 332.69	TX 920.56	TX 353.14	MS 347.60	NC 110.88	WV 269.51	GA 105.17	KY 225.07	3
4	LA 3,063.12	SC 314.47	GA 786.78	OK 350.40	SC 306.67	VA 105.67	TX 249.29	VA 95.87	WV 209.54	4
5	GA 3,033.08	MS 307.69	FL 774.79	AR 335.71	LA 306.77	MD 100.24	OK 246.99	SC 86.14	TX 203.72	5
6	SC 2,859.26	OK 305.88	SC 752.54	GA 333.42	TN 249.11	AL 99.12	LA 224.96	TX 83.06	MD 203.12	6
7	NC 2,823.23	MD 305.15	NC 742.77	LA 320.37	NC 230.95	TN 78.57	TN 241.67	VA 82.56	VA 159.82	7
8	TX 2,780.37	TX 296.81	LA 636.03	NC 309.75	OK 221.77	GA 74.31	NC 227.92	NC 80.12	OK 144.36	8
9	AL 2,689.52	KY 290.19	WV 670.98	TX 289.51	TX 190.60	WV 70.33	GA 222.78	TN 69.02	TN 141.19	9
10	OK 2,679.11	TN 281.21	OK 669.15	FL 288.16	FL 184.05	LA 64.01	KY 218.85	OK 67.17	AL 134.56	10
11	KY 2,606.65	WV 260.49	MS 617.61	VA 283.87	VA 177.00	AR 59.79	MS 217.58	KY 63.36	MS 120.06	11
12	TN 2,604.79	AR 250.71	AR 593.55	MS 276.22	AR 167.15	KY 59.62	AL 216.58	AL 52.65	AR 117.66	12
13	WV 2,590.31	LA 239.77	AL 578.48	AL 265.98	KY 131.84	MS 59.46	FL 213.38	AR 42.94	SC 116.32	13
14	MS 2,562.30	GA 231.33	TN 546.16	VA 256.97	WV 126.23	OK 53.51	AR 207.97	MS 41.15	GA 111.75	14
15	AR 2,276.39	FL 205.69	KY 542.37	TX 253.38	MD 68.78	TX 51.65	SC 165.16	WV 25.95	NC 93.44	15
Southern Region	2,893.63	282.85	736.46	298.90	222.04	83.65	240.24	85.74	182.89	
La. as % of South	105.9%	84.8%	99.2%	107.2%	138.0%	76.5%	102.0%	80.5%	202.2%	

^a Includes amounts not shown separately.
 SOURCE: U.S. Bureau of the Census, Government Finances in 1989-90.

measure, Louisiana's spending "effort" has been about 20% higher than the average for all states. The southern-state average typically has been below that of the nation.

While Louisiana ranked 29th among states and the District of Columbia in per capita spending in 1990, it ranked eighth in spending related to income--higher than any other southern state.

This seemingly high spending effort in Louisiana is due partly to the state's relatively low per capita personal income (78% of the U.S. average in 1990) and its ability to export a relatively large share of its tax burden.

Mineral revenues have allowed Louisiana a higher level of spending than would be possible with an average mix of revenues and an average personal tax burden. While Louisiana government spending as a share of income is 20% higher than average, individual Louisianians do not contribute 20% more of their income to state and local taxes. To the contrary, interstate comparisons typically have found Louisiana family state/local tax burdens substantially lower than national averages.

Spending by Function

A comparison of spending by selected major service categories reveals a number of significant differences between spending in Louisiana, the other southern states and the nation.

In comparing spending, this report uses per capita measures in part because many of the spending differences tend to be population-related. Also, as explained above, income-related measures tend to give an inflated impression of the cost borne by individual Louisiana taxpayers. However, per capita measures also have drawbacks. They ignore substantial regional variations in the cost of providing services and obscure differences in tax burdens.

Elementary/Secondary Education Spending

Louisiana rapidly increased per capita education spending in the boom years of the early 1980s, but lost ground to the U.S. and southern averages until 1988. In spite of sharp increases after 1988 as a three-year teacher pay raise was phased in, Louisiana still trailed both the U.S. and South by 1990. (See Figure 4.)

*School spending
reflects low priority*

While Louisiana's per capita spending on schools was about 85% of the U.S. average in 1990, its spending per pupil (in average daily attendance) was even lower--about 78% of the U.S. average (\$3,881 compared to \$4,975). This difference was due largely to Louisiana's higher than average percentage of school-age population. In 1990, 21.2% of Louisiana's population was of school age (five-17) compared to an 18.2% national average.

One factor acting to slow the growth in school spending in Louisiana has been the decline in the number of school-age children--an 8% drop between 1980 and 1990. However, one national projection shows a turnaround in enrollments during the 1990s, rising 11% in Louisiana by the year 2000--the ninth highest growth rate among the states.

Nationally, Louisiana ranked 44th in both spending per pupil and average teacher salaries. Louisiana's lower than average spending per student reflects its lower average teacher salaries (78% of the U.S. average in 1990) and higher pupil/teacher ratio (16.4 compared to 15.9 for the U.S.). Louisiana's average teacher salary ranked it ninth in the South in 1980, but it fell to 12th by 1990.

A new Minimum Foundation Program (MFP) formula for state funding allocations, approved in the 1992 regular legislative session, will increase funding equality for poorer

districts. It also will increase the overall state cost by hold-harmless provisions for wealthier districts.

Higher Education Spending

Per capita spending on higher education in Louisiana reached the U.S. and southern averages in the early 1980s. However, as one of the major funding categories in the 30% of the state budget considered discretionary or cuttable, higher education suffered between 1984 and 1989. In spite of an increase in 1990, higher education spending lagged well behind the U.S. and the South at the end of the period. (See Figure 5.) At the same time, tuition and fees rose dramatically in all southern states. In 1991, Louisiana ranked fifth highest in the South in undergraduate tuition and fees.

Louisiana was last among the 15 southern states in 1989-90 appropriations per full-time equivalent (FTE) student in both doctoral and master's

*Higher education
funding gap widens*

universities. Louisiana's appropriation per FTE for doctoral universities was approximately 60% of the southern-state average (\$3,165 compared to \$5,230).

A recent report indicates Louisiana ranked 49th among the states in the change in higher education appropriations during the 10 years ending in 1992. Adjusted for inflation, the state's appropriations actually fell 15% during the period.

Roughly 51% of recent high school graduates in Louisiana and the South went on to college in both Louisiana and the South. The national rate has been just slightly higher. However, 84.7% of Louisiana's four-year college enrollment was in public institutions in 1988, compared to 77.5% for the South and 67.3% for the nation. Louisiana's total FTE enroll-

ment in public postsecondary institutions was about 3% of the state's population in fall 1989, or slightly above the 2.8% average for the South.

Despite a decline in the number of high school graduates in recent years, college enrollments have grown modestly due to increased student retention, recruitment and nontraditional enrollments. The projected 16.6% growth in high school enrollments by year 2000 should affect college enrollments as well.

Social Services and Medicaid

The census data used in this report compiles social services spending by major functions, including public welfare, hospitals and health. Medicaid program spending is not shown separately, but is counted as welfare if payments are made to private service providers, and as hospital or health spending when Medicaid pays for services provided by public agencies. This explains much of the difference between Louisiana and the national averages in the following comparisons of welfare and hospital spending.

Louisiana has a unique system of state-operated charity hospitals serving the medically indigent, and Medicaid pays about 80% of those indigent service costs. Nationally, a greater portion of Medicaid money is used to reimburse private services and is reported as welfare rather than hospital spending.

*Medicaid drives growth
in social service spending*

Medicaid is a joint federal-state program, with the basic federal share ranging upward from 50% depending on state poverty conditions. Louisiana, the funding match in 1990 was 75% federal and 25% state. In addition, the federal program over-reimburses medical services in hospitals serving a disproportionately large share of medical indigents.

Louisiana's Medicaid spending in 1990 totaled \$1.3 billion, or 14.4%, of total state spending. Louisiana state funds were 27.5% of total Medicaid spending that year, compared to a national average state share of 42.8%.

Medicaid has grown rapidly and probably will continue to do so due to recent federal program expansions--for long-term care, and for pregnant women and children in poverty--and to the fact that Medicaid now covers less than 50% of those potentially eligible in Louisiana.

Public Welfare

The South consistently spent less on public welfare than the national average through the 1980s. Louisiana approached the U.S. average in the early 1980s and then fell back to about the southern level of spending. (See Figure 6.)

High poverty rate contrasts with low welfare payments

Louisiana ranked 34th in the U.S. in 1990 in per capita welfare expenditures. However, the state's Aid to Families with Dependent Children (AFDC) average monthly payments per recipient were the third lowest in the nation in 1989--\$55.76 compared to \$132.40 for the nation as a whole.

While Louisiana's welfare payments are low, the number of recipients is high. U.S. Bureau of the Census data shows that Louisiana's overall poverty rate rose from 18.6% in 1979 to 23.6% in 1989, with nearly one million of the state's citizens living below poverty level. By contrast, the 1989 national poverty rate stood at 13.1%. Among the states, only Mississippi exceeds Louisiana's poverty rate.

Nearly one third (31.2%) of Louisiana's children lived in poverty in 1989, compared to 17.9% nationally. Louisiana's poverty rate for the elderly, at 24.1%, was nearly double the national rate (12.8%). Not surprisingly, Louisiana was the second

highest state in the percentage of its population receiving public aid--9.2% compared to the U.S. average of 6.1% in 1989.

Health and Hospitals

Louisiana's per capita spending for health and hospitals consistently exceeded the averages for the U.S. and the South through the 1980s. (See Figure 7.) In 1990, Louisiana was 23% above the nation. As explained

Medically indigent and charity system boost hospital spending

above, this higher spending level reflects Louisiana's unique system of charity hospitals (which serves as the primary source of health care for most uninsured citizens), the higher rate of federal Medicaid matching, and the way Medicaid spending is counted.

The higher spending also reflects the higher level of demand for public medical services. One recent study estimated that 22% of Louisiana's residents under age 65 were without medical insurance in 1990. This rate of noncoverage was one third again higher than the national average rate of 16.6%. Louisiana has been ranked in the top five states in the rate of uninsured by various recent studies.

Louisiana ranked ninth in 1990 per capita public spending on health and hospitals, but ranked far lower (33rd) in estimated per capita spending on health care from all sources, public and private. Per capita health spending from all sources in 1990 was \$2,185, or nearly 10%, lower than the national average of \$2,425.

The pressure on public health and hospital services will continue to grow. The number of uninsured appears to be growing and includes more middle-income families who no longer can afford the rising cost of insurance. Medical costs rose at more than twice the rate of inflation during the 1980s and show no signs of abating.

Louisiana's charity hospital system provides the medical safety net for as many as 900,000 uninsured persons, as well as for many of the half-million persons covered by Medicaid. This system has been allowed to decline in recent years. Operating funds have been cut and facilities and equipment have deteriorated.

Highway Spending

Louisiana's spending on highways has been erratic during the 1980s. Well above the U.S. and the South until 1986, per capita highway spending then fell sharply before rebounding in 1990 to about the national and southern averages. (See Figure 8.)

The dedication of gasoline taxes to a new state Transportation Trust Fund began phasing in during fiscal 1990, private auto license fees were raised

Dedications secure highway funding

and dedicated to the new fund, and the Parish Transportation Fund was guaranteed funding. A new four-cents per gallon gasoline tax was added and dedicated to a highway construction program. These revenue dedications should provide a more consistent level of funding for highways in the future. However, those revenues no longer will be available to support other general fund programs.

While its per capita highway spending was at the U.S. average in 1990, Louisiana had 11% fewer highway miles per capita than the national average (13.9 compared to 15.6 miles).

The state's high per capita spending on highways in the past has been attributed by some to higher costs to build and maintain roads in wetland areas. In 1990, Louisiana had less than 2% of the U.S. population, but nearly 10% of all the bridges over 20 feet in length in the nation.

FIGURE 1
Total General Expenditure Per Capita

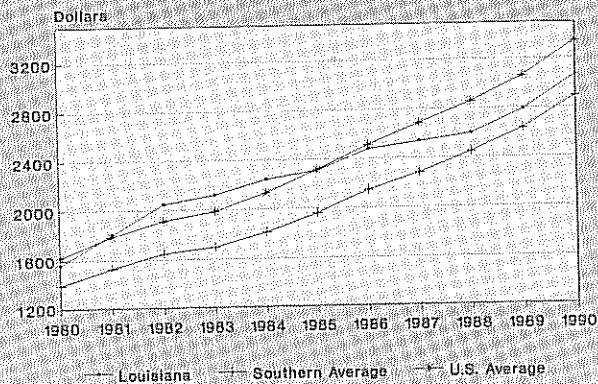
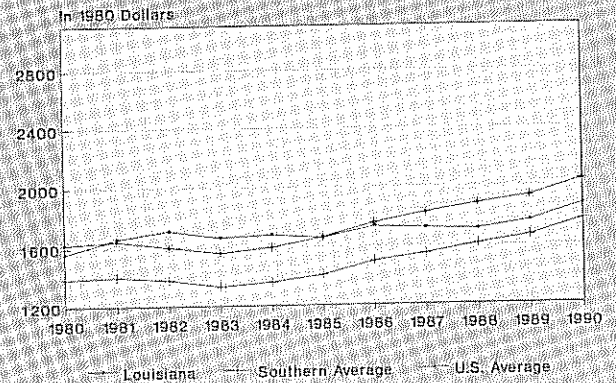


FIGURE 2
Total General Expenditure Per Capita
Adjusted for Inflation*



*Deflated using Implicit Price Deflator for GNP.

FIGURE 3
Total General Expenditure
Per \$1,000 Income

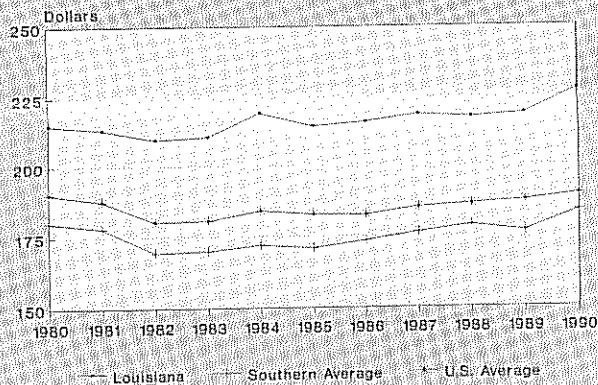


FIGURE 4
Elementary/Secondary Education
Spending Per Capita

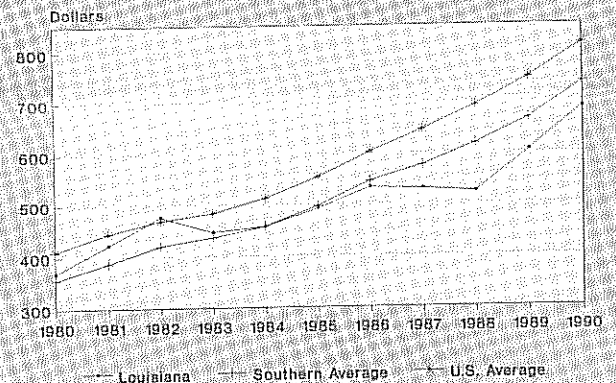


FIGURE 5
Higher Education Spending Per Capita

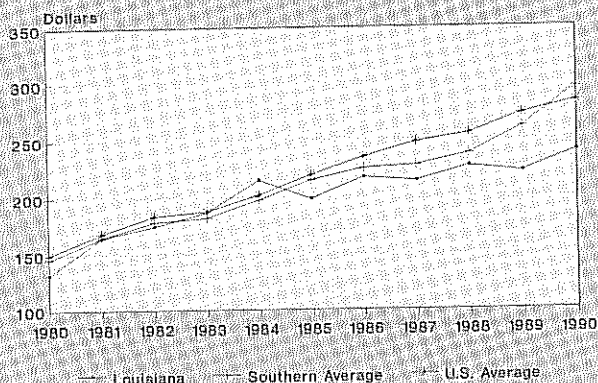


FIGURE 6
Public Welfare Spending Per Capita

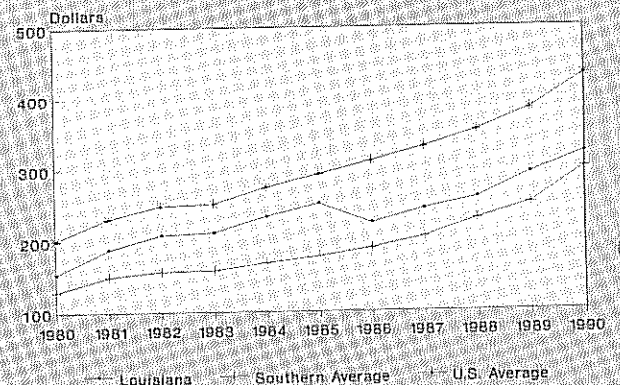


FIGURE 7
Health and Hospital Spending Per Capita

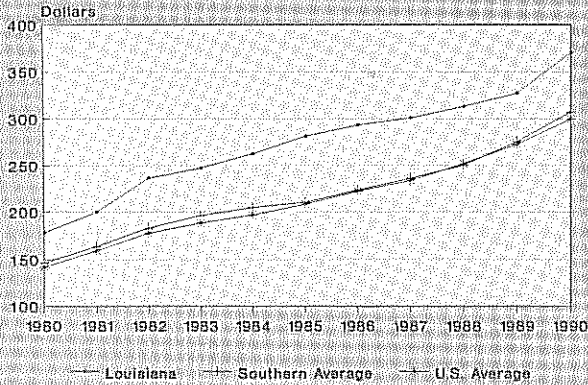


FIGURE 8
Highway Spending Per Capita

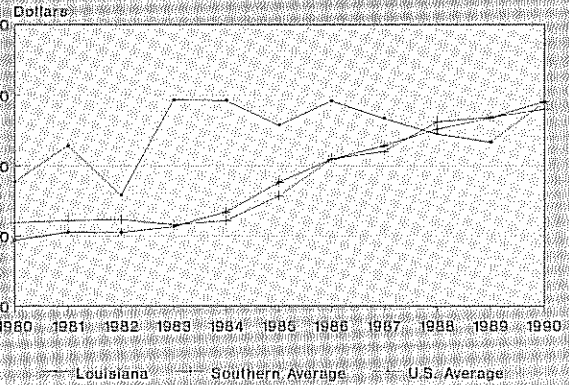


FIGURE 9
Corrections Spending Per Capita

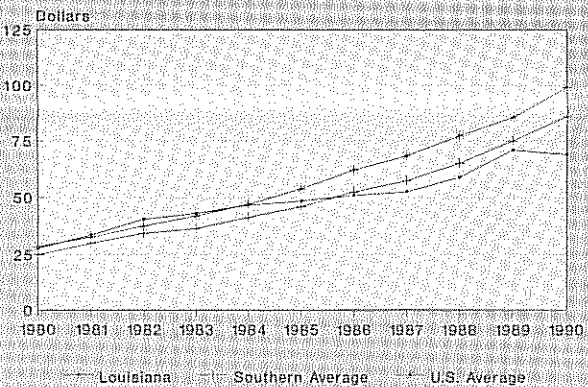


FIGURE 10
Governmental Administration Spending Per Capita

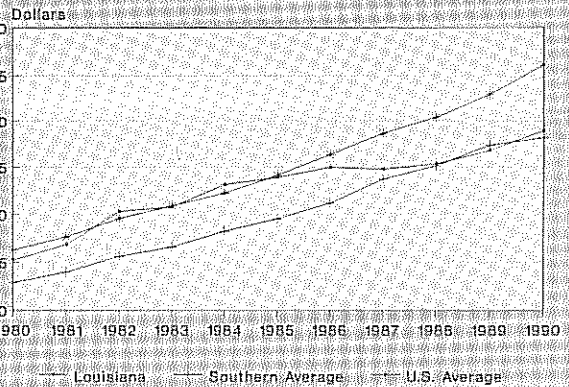


FIGURE 11
General Debt Interest Spending Per Capita

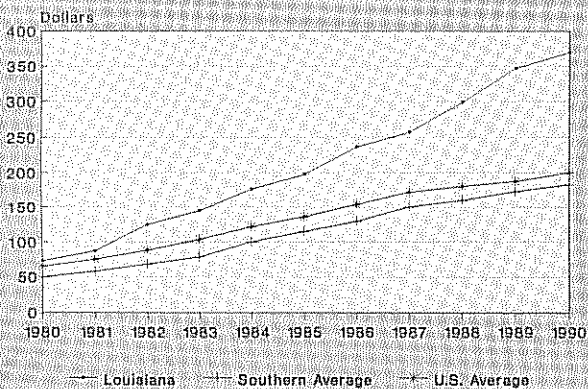
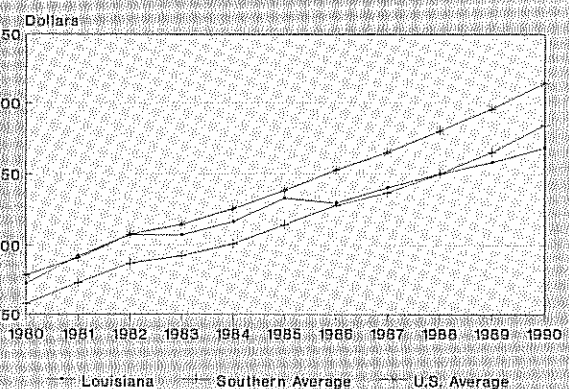


FIGURE 12
Total FTE Salary and Wage Spending Per Capita



Corrections

The major public safety expenditure at the state level is in corrections. The bulk of police, fire and emergency services are handled at the local level, which also shares in corrections spending.

In the first half of the 1980s, Louisiana's per capita state/local spending on corrections kept pace with the national average, which was slightly higher than the southern average. (See Figure 9.) By 1990,

Louisiana had fallen well below the nation and the South, but only because its spending had not increased as rapidly. The state's per capita corrections spending rose 148% over 10

Low prison spending belies incarceration rate

years, compared to a 96% growth in its overall spending. At the same time, the U.S. average per capita spending on corrections rose a phenomenal 248%.

Nationally, the incarceration rate doubled during the 1980s, due largely to stiffer sentencing policies. The number of state and federal prisoners in Louisiana also doubled in the 1980s, while the state population remained nearly unchanged. In 1990, Louisiana ranked third highest among the states with 427 inmates per 100,000 people in state and federal prisons, compared to a U.S. average of 293. These numbers rose again in 1991 to 434 and 303, respectively. Louisiana is one of 41 states under court order to ease prison overcrowd-

TABLE 3
State and Local Government Full-Time Equivalent Employment
Per 10,000 Population, October 1990

<u>Function</u>	<u>U.S.</u>	<u>Louisiana</u>	<u>Difference</u> <u>La. - U.S.</u>
All Functions	525.9	568.8	42.9
Total Education	260.8	298.5	37.7
Higher Education	61.9	62.3	0.4
Elementary and Secondary	194.8	223.0	28.2
Other Education	4.1	8.2	4.1
Total Functions Other Than Education	265.1	275.3	10.2
Libraries	3.8	3.8	0.0
Public Welfare	18.7	14.7	(4.0)
Hospitals	42.9	65.1	22.2
Health	13.0	12.5	(0.5)
Social Insurance Administration	4.1	3.5	(0.6)
Highways	22.1	24.7	2.6
Air and Water Transportation and Terminals	1.8	2.9	1.1
Police Protection	28.1	27.8	(0.3)
Fire Protection	10.2	9.0	(1.2)
Corrections	20.2	21.5	1.3
Natural Resources	7.3	13.9	6.6
Parks and Recreation	9.2	7.6	(1.6)
Housing and Community Development	4.2	2.9	(1.3)
Sewerage	4.8	5.4	0.6
Solid Waste Management	4.4	3.7	(0.7)
Judicial and Legal	11.5	12.3	0.8
Financial and Government Administration	22.1	21.3	(0.8)
Water Supply	5.7	6.0	0.3
Gas and Electric	3.7	1.8	(1.9)
Public Transit	8.1	0.9	(7.2)
All Other	19.1	14.1	(5.0)

SOURCE: U.S. Bureau of the Census, Public Employment in 1990, September 1991.

ing. Higher standards of prisoner care have increased costs greatly.

Louisiana's crime rate was 8% below the U.S. average in 1980, but rose to more than 11% above the U.S. average by 1990 (nearly 23% higher for violent crimes). The rising crime rate, continuing citizen pressure for policies to "get tough on crime," and the need to meet federal standards portend even higher corrections spending in the future.

Government Administration Spending

The government administration category covers many of the "overhead" costs of operating state and local governments. Included are financial administration, judicial and legal costs, public building maintenance, governing body activities, chief executive office, central staff services, and agencies dealing with personnel, records and planning.

Government overhead mirrors South

Louisiana's per capita spending on government administration tracked the U.S. average for half of the 1980s, leveled off for several years, and then began tracking the southern average, which consistently has been about 20% lower than the U.S. average. (See Figure 10.)

General Debt Interest

Per capita interest payments on the general debt of Louisiana state and local governments rose 408% between 1980 and 1990, or nearly twice the rate of growth for the nation. (See

Debt costs soar

Figure 11.) The bulk of this growth was at the state level, which comprised 47% of Louisiana's total state/local debt cost in 1980 but rose to over 61% by 1990. Louisiana ranked fourth highest nationally in

per capita debt interest in 1990 and first in the South.

A recent report by Moody's Investors Service ranks Louisiana seventh highest in per capita tax-supported debt for 1991 (\$934 compared to a U.S. average of \$364).

At the state level, general fund debt service alone rose from \$164.1 million to \$387.6 million between 1980 and 1990, or from less than 6% to over 9% of general fund expenditures during the same period.

State/Local Payrolls

State and local governments are labor-intensive operations. Salaries and wages alone comprise more than one third of the total direct general expenditures, not counting health and retirement benefit costs. Louisiana's per capita spending on government

More public employees, but paid less

payrolls nearly matched the U.S. average and exceeded that of the South from 1980 to 1985. However, Louisiana's relative spending on

wages dipped sharply in 1986 and fell well below the U.S. and the South by 1990. (See Figure 12.)

In 1990, Louisiana's state and local FTE employment per 10,000 population was 569, or about 8%, above the U.S. average of 526. (See Table 3.) The state's ratio had been up to 14% above the U.S. in 1985. While Louisiana typically has had more government employees than average, it has paid them less and thus kept its per capita payroll costs at or below the U.S. average.

Louisiana's higher than average public employee ratio can be accounted for entirely by its higher ratios of K-12 education employees and public hospital employees. These higher ratios reflect the state's higher than average shares of student-age population and medical indigents coupled with the state's unique public charity hospital system.

In most other functions, Louisiana's government employment ratio was near or below the national averages. The state was relatively high in natural resources employees and only slightly higher in several other areas, including highways and corrections. On the other hand,

TABLE 4
Change in Spending 1990 Louisiana State/Local Spending
If Spent at Southern and U.S. Per Capita Levels
(In Millions of Dollars)

	Amount Spent	Amount + or -	
		If at South	If at U. S.
Total General Expenditure	\$12,926*	\$ -715	\$ +1,238
Higher Education	1,012	+182	+234
Elementary/Secondary	2,895	+213	+534
Welfare	1,352	-91	+523
Hospitals	1,293	-356	-438
Health	270	+83	+141
Highways	1,034	-20	+2
Corrections	291	+71	+127
Debt Interest	1,561	-788	-717

* Includes amounts for functions not shown separately.

Louisiana had far fewer employees in public welfare (about 25% below the norm) and public transit, but was only slightly lower in police, fire protection, parks, health, utilities and general administration.

If State Spent at U.S. or Southern Averages

Spending averages do not equate necessarily with appropriate spending levels. Even wide variations in state spending may be reasonable depending on the circumstances. However, if Louisiana's state and local governments had spent at the southern per capita average in 1990, their total outlay would have been reduced by \$715 million. (See Table 4.) On the other hand, matching the U.S. per capita average would have raised spending by \$1.2 billion.

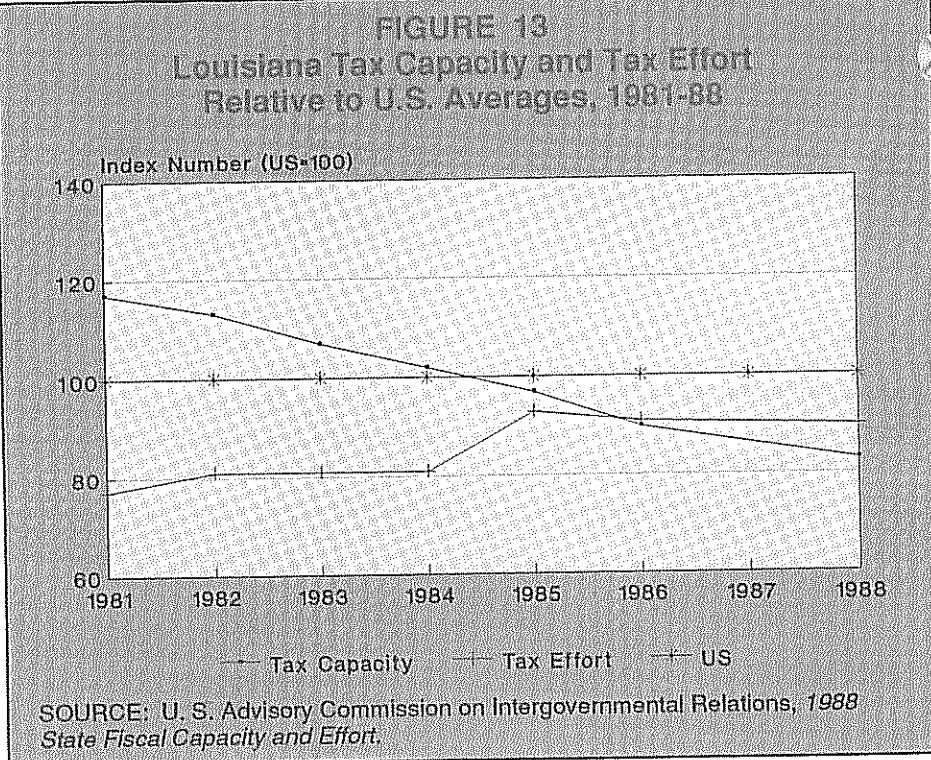
The most significant impact of spending at the per capita averages would be in interest on debt. Spending at the southern average on debt alone would save Louisiana enough to drop it below the South in overall per capita spending. At the U.S. average, the savings on debt would close most of the overall spending gap between Louisiana and the nation.

Louisiana's high spending for hospitals should be tempered by combining it with health and welfare to look at the net spending for social services. Spending at the southern averages would give Louisiana a net savings of \$364 million on social services combined. Spending at the U.S. averages would cost the state \$226 million more.

Tax Capacity and Tax Effort

Public spending levels may be viewed in terms of the ability (tax capacity) and willingness (tax effort) of a state's citizens to pay for those services.

The U.S. Advisory Commission on Intergovernmental Relations (ACIR) computes the relative tax capacity and tax effort for each state. Tax capacity



is the revenue a state would raise by levying national average tax rates on 26 major tax bases. (See Figure 13.) At the height of the oil boom in 1981, Louisiana's tax capacity reached 117% of the U.S. average. By 1988 (latest data computed), its tax capacity had declined sharply to 83%. In attempting to maintain spending levels during the same period, the state increased its tax effort from 77% to 90% of the U.S. average. The median southern state tax effort was 89%. (Tax effort is the ratio of the state's actual tax collections to its tax capacity.)

Increases in sales, gasoline and other taxes since 1988 may result in a higher computed tax effort for Louisiana. While Louisiana over-taxes some tax bases relative to the U.S. and underuses others, the overall result in 1988 was a tax effort similar to the rest of the South and well below the nation.

Conclusion

Louisiana's overall per capita public spending was higher than most other southern states in 1990. In addition, its spending--relative to total personal income--was quite high, but

exportable mineral revenues and comparatively high federal aid have allowed individual tax burdens to remain fairly low.

Spending comparisons indicate that Louisiana has given education in general, and higher education in particular, a low priority. Considering the state's incarceration and poverty rates, corrections and welfare apparently have been a low spending priority as well.

Hospital spending, on the other hand, has enjoyed a relatively high priority. In 1990, highway spending began to regain the high priority it received prior to cutbacks in the late 1980s.

The apparent low welfare priority and high hospital priority, as explained above, has much to do with the way Medicaid is used. Louisiana's per capita spending for welfare, hospitals and health functions combined was nearly the same percentage (92.8%) of the U.S. average in 1990 as was the state's total per capita spending (91.3%).

The state's addiction to debt financing has resulted in one of the largest per capita expenditures in the

nation for debt service. Louisiana led the South in debt service, at double the southern average and 50% higher than the next state. Debt service is a fixed cost in the short run but can be reduced over time by limiting the growth of debt. Louisiana's debt service requirements cut deeply into revenues available for other services. On the other hand, a pay-as-you-go policy would require current revenue expenditures.

Louisiana's functional spending patterns and priorities differ widely from other southern states. For example, North Carolina ranked last in the South in debt spending but first in higher education spending. In contrast, Louisiana was first in debt

spending and ranked near the bottom in per capita spending on higher education.

If Louisiana's per capita interest on debt were at the North Carolina level, the savings would be enough to allow Louisiana to rank first in the South in both higher and elementary/secondary education spending.

Unfortunately, none of the functional areas examined in this report offers any promise of reduced spending pressures in the near future. In fact, the state's demographic trends indicate increased pressure in most areas. Tight budgets at both the state and local levels since 1985 already have forced governments to operate

more economically. Spending cut-backs in the late 1980s accelerated facility depreciation and salary disparities in some areas which create additional pressure for spending.

Significant cost reductions can be achieved only through major policy changes in existing programs (such as alternative sentencing or expanded parole to depopulate prisons) or in eliminating some programs altogether. If Louisiana citizens wish to continue state and local programs at their current service levels, further spending growth can be expected. However, the experience of the 1980s indicates the state's present tax structure may not be adequate to meet the anticipated spending demands.

Primary author of this report is Ty Keller, Senior Research Associate

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