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Commentary

The Public Affairs Research Council of Louisiana

2022 Legislative Session: Focus on Finances

Latest budget boom drives session agenda as fiscal cliff awaits next term

Louisiana lawmakers completed a three-month regular session more likely to be remembered for the post-pandemic spending spree, record-setting education increases and significant infrastructure investments than for sweeping policy changes.

Finishing their main budget plans weeks before session's end, the House and Senate made few strides to address the looming financial cliff that hits next term. However, they prudently spent a [short-term budget boom](#) on debt payments, road and bridge work and other one-time projects, rather than on growing government operations.

Across education, lawmakers modestly expanded school choice options for students, poured new money into learning initiatives from birth through college and made a new push to improve childhood literacy.

The non-fiscal session limited the allowable tax debates that lawmakers could have. A second attempt to seek voter approval to start the process for centralizing Louisiana's sales tax collections fell apart amid disagreements with local government agencies that currently do the collection work. Voters rejected a similar proposal on the ballot in a close election last year.

Gov. John Bel Edwards, in his second-to-last regular session before term limits force him out of office, had a limited agenda outside of his spending priorities. The Democratic governor won support for most of his budget proposals, though the teacher pay raise backed by lawmakers fell short of his full request.

Budget Boom

Louisiana stayed flush with cash for a second year, as the state recovers from the pandemic economic slump, inflation drives up the costs of purchases and a glut of federal COVID-19 aid remained available. But economists cautioned against assuming the hefty income boom will continue.

Lawmakers passed a nearly \$40 billion state operating budget for the financial year that begins July 1, an \$832 million increase over the current year, much of it from federal cash for things such as hurricane recovery. The total state spending plan – when the judicial, legislative and other ancillary budget bills are included – is \$47 billion.

The budget contains pay raises and spending hikes across education, a one-time increase to the salary supplement given to local law enforcement and rate hikes for Medicaid service providers.

Meanwhile, the House and Senate spent most of \$3.7 billion in short-term state and federal cash on a

backlog of maintenance needs, debt obligations and mega-projects – an approach the Public Affairs Research Council of Louisiana suggested would be the best use of the money.

They steered hefty sums to water and sewer system upgrades, coastal protection, road work and payments to the Federal Emergency Management Agency for storm recovery costs that stretch back years. They paid the second installment of a debt to the federal government for upgrades made to the New Orleans-area storm protection system. And they bolstered the state’s unemployment trust fund to ensure it remains solvent.

Debt Payments/Savings

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|-----------------------------|---------------|
| Unemployment trust fund | \$500 million |
| New Orleans area levee debt | \$400 million |
| FEMA storm recovery | \$226 million |
| Rainy day fund | \$175 million |
| Retirement debt | \$70 million |

Source: Legislative Fiscal Office

Dollars were set aside for big-ticket road and bridge projects on the drawing board for years: \$300 million for a new Mississippi River bridge in the Baton Rouge region, \$200 million for a new I-10 bridge in Calcasieu Parish and \$200 million for I-49 South.

Infrastructure Highlights

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|----------------------------------|---------------|
| Water/sewer system upgrades | \$450 million |
| New bridge in Baton Rouge region | \$300 million |
| I-49 South | \$200 million |
| I-10 bridge in Calcasieu Parish | \$200 million |
| Coastal projects | \$120 million |
| Road preservation | \$100 million |
| Lawmakers pet projects | \$101 million |
| Hurricane Ida recovery | \$33 million |

Source: Legislative Fiscal Office

But while lawmakers spent much of the largesse wisely, they also unfortunately sent more than \$100 million to [pet projects back home](#), deciding which favored earmarks would receive financing through a backroom process that offered no transparency to the public.

Edwards already has signed the major budget bills into law, with few line-item vetoes.

Lawmakers did little to respond to a financial drop on the horizon that will further shrink the general fund dollars available to the governor and lawmakers elected in 2023.

Louisiana’s temporary 0.45% state sales tax enacted in 2018 to balance the budget will expire in mid-2025. Ahead of that, a portion of taxes charged on sales of new cars and trucks will shift from the general fund to a transportation fund for spending solely on road and bridge work.

After both changes hit, the state general fund that pays for education, health services, public safety programs and other government operations is forecast to drop to under \$10.7 billion in the 2025-26 budget year – \$423 million less than this year.

Legislative efforts to pay down state debts and a decision to spend some recurring money on short-term projects rather than ongoing programs will help put Louisiana on a better fiscal footing to address the coming revenue drop. But Senate leaders preferred to leave decisions about how to handle the bulk of the cliff to next term. The House sought to phase out the temporary sales tax over three years, rather than all at once. Senators rejected the approach.

Education Prioritized

The budget includes a \$1,500 pay hike for K-12 public school teachers and a \$750 salary increase for school support workers, costing \$148 million. It’s the fifth teacher pay raise across Edwards’ two terms, though Louisiana continues to lag the regional average.

The spending plan contains historic levels of new cash for public colleges, to give faculty a raise, cover mandated health and retirement increases, provide need-based aid to students and pay for new initiatives. The Board of Regents called the \$159 million boost the largest net increase to higher education operations in state history. Millions also were invested into early childhood education programs in a sizable gain for the critical spending area.

Education Highlights

The House and Senate placed new priority on reading skills. They created a book delivery program for students reading below grade level and increased the literacy testing required for students in kindergarten through third grade, with required improvement plans for those who perform poorly. A broader effort to stop promotion to fourth grade if third-graders show deficiencies on reading assessments failed to win final passage, however, rejected by senators.

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|-------------------------------------|---------------|
| Pay raises for k-12 education | \$148 million |
| Higher education increases | \$159 million |
| College building maintenance | \$50 million |
| Early childhood education increases | \$84 million |

Source: Legislative Fiscal Office & Board of Regents

A program to let second- and third-graders who read below grade level and students with disabilities take state aid that would cover public school education to instead pay for private school tuition, textbooks or other educational expenses reached the governor. But a push to include many more students in the "education savings account" program stalled, and Edwards suggested he's likely to veto the two bills that reached his desk.

Public Records and Meetings

The drumbeat to expand virtual meetings continued this session. Senators agreed to a PAR proposal [creating a study group](#) to make recommendations for consistent policies for state government entities seeking to meet online or through teleconference. PAR will sit on the Task Force on Remote Operations of Public Entities when it starts meeting later this year.

Lawmakers made permanent a 2020 law that gave the Bond Commission the temporary ability to hold virtual meetings, with strict guidelines that could be strong starting points for discussion of a broader template. In addition, the Louisiana Gaming Control Board received approval to hold some emergency meetings remotely.

The House and Senate agreed to rewrite Louisiana public records law to spell out that information stored electronically and in databases is subject to release and to allow custodians to deny providing records if the person hasn't paid fees from a prior request. The measure also tweaks the ability to reject public records requests deemed overly burdensome but "only after reasonable attempts to narrow or specify the request."

Legislators voted to shield from public view any documents that college student athletes with deals to make money off their name, image and likeness disclose to their schools that reference the terms and conditions of the financial contracts. In another unfortunate step, the House and Senate voted to remove details about the household incomes of families getting free college tuition through TOPS in the program's annual report.

A bill to keep mugshots of people arrested for crimes from being released publicly before someone is convicted or pleads guilty was watered down before it received final passage. The House and Senate carved out a list of exemptions that allow publishing the photos of people arrested for violent crimes, sex offenses and certain other charges.

A Glut of Constitutional Amendments

Lawmakers passed so many constitutional amendments for voters to consider this fall that the Secretary of State's Office successfully asked the House and Senate to split them across the Nov. 8 and Dec. 10 ballot, rather than cramming them all onto one. Combined with those approved by the Legislature last year, voters will consider more than a dozen constitutional changes. As always, PAR will cover these proposals in greater depth this fall in a guide to the constitutional amendments.

They include proposals to adjust property tax collection rates, require Senate confirmation of gubernatorial appointees to certain commissions, adjust the rules for attempting veto overrides and explicitly declare that people who aren't U.S. citizens cannot vote in Louisiana.

Senators killed an administration-backed effort to constitutionally dedicate any federal revenue that Louisiana receives from alternative energy sources generated from the Outer Continental Shelf, such as wind and solar energy production, to the state's coastal protection fund.

Other Issues

Dozens of bills sought to limit COVID-19 requirements and vaccine mandates, but few made it to final passage. Those that did may have difficulty escaping a veto. Edwards did agree to remove the COVID-19 immunization from the list of shots required to attend school after strong legislative resistance that came despite parents' ability to opt students out of the requirement.

Lawmakers rewrote the state's abortion ban, ensuring Louisiana would immediately outlaw abortion, except to prevent the death of a pregnant woman, if *Roe v. Wade* is overturned.

Proposals to remove permitting and training requirements to carry a concealed handgun, ban the death penalty and limit how issues of race and gender can be taught in schools failed. Efforts to strip oversight of the Capitol complex from the governor's Division of Administration were shelved after senators brokered a compromise that will put a renewed focus on repairs.

Lawmakers again sent the governor a bill prohibiting transgender athletes from competing on girls' sports teams at schools. But rather than issue a veto as he did last year, Edwards announced he's allowing the measure to become law without his signature. The House and Senate voted to shift oversight of medical marijuana growers from the agriculture department to the health department and to expand the number of dispensaries, largely by letting existing marijuana pharmacies open satellite locations. They also sought to chip away at changes enacted a few years ago that reduced criminal sentences.

What's Next?

Edwards still must make decisions on most bills passed this session. Lawmakers then will determine whether to hold the third veto session of this term in July.

Next year's shorter regular session will be more limited in scope, focused mainly on financial matters. Meanwhile, Edwards will enter the last year of his second term, and the statewide election cycle will be underway in 2023, with lawmakers running for reelection or new jobs.

All of that will make efforts to enact sweeping change even more difficult and unlikely.

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