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Commentary

The Public Affairs Research Council of Louisiana

Budget Negotiations: A Smart Start

Governor kicks off budget talks with focus on education, roads and debt payments

Louisiana lawmakers are entering their latest regular session [flush with cash](#) and no shortage of ideas for spending it.

Gov. John Bel Edwards started the annual budget negotiations by sending the House and Senate a package of spending recommendations to bolster education programs, pay down debts and make dents in the state's transportation backlog.

The governor's recommendations offer a strong starting point for legislative budget talks and follow several guiding principles PAR suggested.

The Democratic governor proposed a \$38.6 billion state operating budget for the 2022-23 financial year that begins July 1 and offered suggestions for spending \$2.9 billion in short-term cash from federal pandemic aid, last year's surplus and this year's unbudgeted cash.

The recommendations offer a strong starting point for legislative budget talks and follow several guiding principles from the Public Affairs Research Council of Louisiana for the largesse.

Edwards wisely proposes using most of the short-term cash for one-time expenses, rather than growing government and creating future budget gaps. He suggests making key investments to help more students access early learning programs. He wants to pay off obligations that have lingered for years, lessening the debt burden for future governors and legislatures. And he's seeking to move long-needed infrastructure improvements from the drawing board to reality.

Education

With an increase expected in Louisiana's tax collections in the upcoming budget year, the governor wants to boost spending across education programs.

The spending plan would add dollars in the critical area of education for children from birth through prekindergarten, a particular priority for PAR because research shows early childhood education is proven to improve health, life and employment outcomes. The governor proposes \$43 million in new funding to increase rates paid to early learning program providers, to bolster quality and teacher retention. In addition, Edwards seeks to steer \$50 million in leftover cash from this year's K-12 school financing formula to a fund that gives matching dollars to local school districts for early childhood education programs.

For K-12 public schools, Edwards proposes a \$1,500 salary hike for teachers and a \$750 pay bump for support staff such as cafeteria workers and teacher aides. The raises would cost \$148 million a year. The governor wants to boost the teacher pay increase to \$2,000 if Louisiana’s income forecast grows further.

Edwards suggests \$111 million in increases across higher education. He wants new dollars to pay for faculty raises, mandated cost increases in health care and retirement, a youth obesity pilot program at the Pennington Biomedical Research Center and offices that track compliance with federal Title IX laws. Spending on need-based aid for college students would grow, along with dollars for training programs at community and technical colleges. The TOPS college tuition program would cover all eligible students, with flat financing at \$331 million. Recent enrollment declines at college campuses might mean that full amount won’t be needed.

Infrastructure

Edwards recommends spending more than \$1 billion of the \$2.9 billion in short-term cash on road and bridge projects: \$196 million from last year’s surplus, \$543 million from unspent cash in this year’s budget and \$275 million in federal pandemic aid.

Among the big-ticket items would be \$500 million for a new Mississippi River bridge in Baton Rouge, \$100 million to replace the Interstate 10 bridge in Lake Charles and \$100 million for work on Interstate 49 South. Other dollars would help pay the state’s match for new federal cash available through the bipartisan infrastructure bill passed by Congress.

Federal Pandemic Aid (Proposed)

Water/sewer projects	\$559 million
Unemployment trust fund	\$550 million
Lake Charles I-10 bridge	\$100 million
I-49 South	\$100 million
Other transportation projects	\$75 million

Source: Louisiana Division of Administration

The governor wants to pour another \$559 million in federal coronavirus assistance into a program to make improvements to Louisiana’s water and sewer infrastructure. Lawmakers earmarked \$300 million in federal cash when they created the program last year, but that’s only made a dent in repair and upgrade needs estimated to reach into the billions.

The budget proposal would use \$150 million in surplus cash for coastal protection projects and \$109 million to chip away at maintenance needs at state buildings and public colleges.

Debt payments and savings accounts

Edwards wants to use \$550 million in federal COVID-19 aid to replenish Louisiana’s unemployment trust fund, which was drained during the pandemic to pay jobless benefits. At its current financing levels, the infusion of cash would boost the fund above \$750 million. If it doesn’t reach that benchmark by September, that could force an increase in taxes on businesses and decrease in payments to unemployed workers – unless lawmakers suspend those legal provisions as they have done since the early days of the coronavirus outbreak.

Last Year Surplus (Proposed)

Transportation projects	\$196 million
Rainy day fund	\$175 million
Coastal protection projects	\$150 million
State/college building repairs	\$109 million
Retirement debt	\$70 million

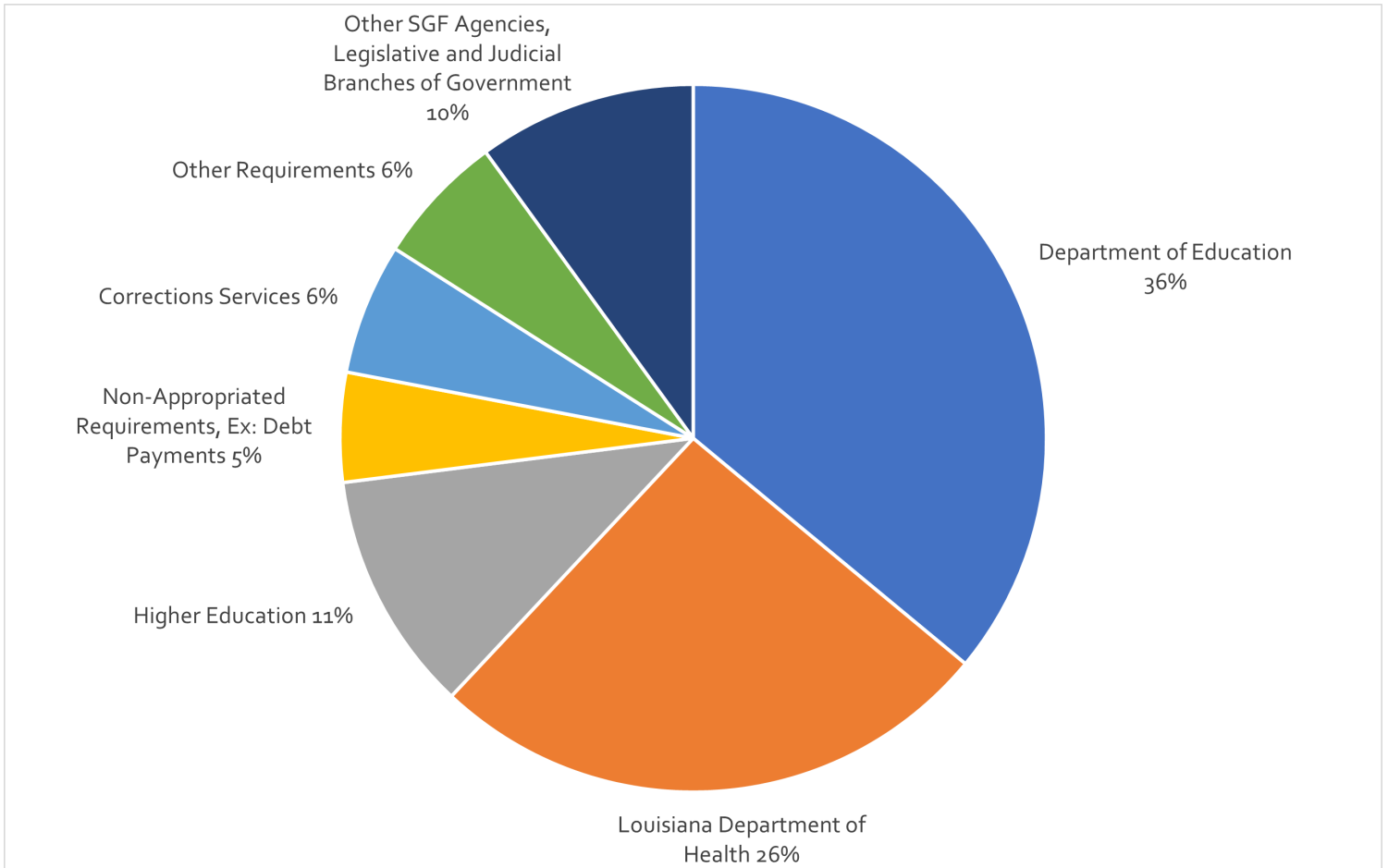
Source: Louisiana Division of Administration

The governor’s spending plan recommends using \$450 million in available money from the current budget year to pay off a long list of debts owed to the Federal Emergency Management Agency for Louisiana’s share of recovery costs related to hurricanes, storms and flooding stretching back years. The governor also wants

to set aside \$65 million in this year’s unspent cash to cover legal judgments against the state.

Under the Louisiana Constitution, \$70 million of last year’s surplus must pay down retirement debt and \$175 million must flow into the Budget Stabilization Fund, known as the “rainy day” fund. With this deposit, the fund will grow to \$721 million, after falling below \$300 million during Edwards’ first term. At its peak a decade ago, the account held more than \$850 million.

State General Fund Spending (Proposed)



Source: Louisiana Division of Administration

Next steps

Lawmakers have started digging into the details of the spending proposals and will continue those hearings for weeks, with a final package of budget bills likely to be negotiated in the waning days of the regular session that starts March 14 and must end by June 6.

Republican and Democratic legislators have applauded the focus on using one-time dollars on one-time expenses. But they’ve questioned some of Edwards’ transportation plans, particularly the proposal to set aside so much money for a new Baton Rouge bridge when a route hasn’t been chosen and construction is years away. They’ve raised concerns about adding new, long-term expenses such as large teacher pay raises to the budget when the state will see its revenue drop after a temporary state sales tax falls off the books in mid-2025.

The level of one-time spending proposed could require a two-thirds legislative vote to breach the state's constitutional cap on expenditures, which could add complications to the debate.

Meanwhile, the Edwards administration and lawmakers are waiting to see if expanded federal Medicaid coronavirus aid will continue into the next budget year. The governor's spending proposal assumes the extra Medicaid assistance will end and the state will have to put up a greater share of the cost for the taxpayer-financed health insurance program.

As the Legislature begins to craft its version of the budget, PAR would like to see a continued focus on using short-term financing for one-time projects and needs, an approach that looks to the broader needs of the state rather than parochial projects and spending plans that focus on targeted goals and improved outcomes for Louisiana's citizens.

More information

Governor's executive budget proposal:

https://www.doa.la.gov/media/udofwlfv/fy23_execbudget.pdf

More details about the executive budget:

<https://www.doa.la.gov/doa/opb/budget-documents/executive-budgets/fy23/>

House Fiscal Division budget tracker:

<https://house.louisiana.gov/housefiscal/current-budget-info>

Senate Fiscal Services budget presentations:

https://senate.la.gov/Sen_Staff/FiscalServicesPresentations

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