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New Governor's First Budget

Landry's spending proposal steers more money to crime-fighting and longer prison terms

Gov. Jeff Landry's first set of budget recommendations as governor prioritizes increased spending on Louisiana's prison system and an expansion of the State Police force while keeping spending largely flat on most other programs and services.

No new education or economic development investments were among the governor's suggestions in the \$44.2 billion state operating budget presented to lawmakers Thursday, and a recent pay supplement given to public school teachers and support workers this year could be heavily reworked so some employees may see less money in their paychecks.

The Landry administration did make some attempts to start tackling the fiscal cliff that looms in mid-2025 when a temporary state sales tax is slated to expire. The Public Affairs Research Council of Louisiana supports financial policies that seek to address the impending drop in revenue, if lawmakers and the governor don't intend to renew all or part of the tax. But some of the efforts to reduce the impact of the tax expiration are offset by proposals to boost spending on putting more people in prison and keeping them locked up for longer sentences.

To be clear, Landry ran as a tough-on-crime candidate, and he's following through on those promises. Those policies will drive up state government costs, however.

A Murky Financial Future

Landry had limited time to pull together the budget proposal for the 2024-25 financial year that begins July 1. Much of the budget work by state agencies started when former Gov. John Bel Edwards and his cabinet secretaries were still in office. Landry's term as governor began in January, only a month before his budget recommendations were due.

The new Republican governor inherited a mixed financial picture. The state has a \$325 million surplus from last year, \$90 million in unspent tax dollars from this year and more than \$3 billion in savings accounts. That's the good news.

The budget largesse, however, is drying up. State income projections are flat from the current budget year to the upcoming one that Landry's spending proposals would cover. A year later, general state tax income (known as the state general fund) is forecast to fall by nearly \$420 million with the sales tax expiration, and that doesn't count inflationary pressures that continue to drive up costs. Meanwhile, billions of dollars in federal pandemic aid have largely ended.

State General Fund



Source: Revenue Estimating Conference

The governor's spending proposal is nearly \$3.3 billion less than the state operating budget for the current year, but much of the reduction stems from the disappearance of short-term federal dollars, largely for COVID-19 assistance but also for hurricane recovery.

The Spending Plans

Under the governor's budget proposal, state spending on the Department of Corrections, the Louisiana State Police, the court system and the Attorney General's Office would grow to pay for plans to enact harsher penalties and prison sentences for crimes; expand state troopers' presence in New Orleans; hold two cadet classes to increase the ranks of troopers; increase the use of specialized drug courts; and cover the costs of the attorney general's increased involvement in New Orleans criminal investigations and prosecutions.

Spending on early childhood education, after this year's sizable increase in state funding, would remain flat. While PAR would like to see more dollars steered to early learning programs, such an idea is made more difficult by the fiscal headwinds that loom.

In higher education, Landry's budget proposal would fully cover all students eligible for the TOPS free college tuition program and continue the current level of financing for the Go Grant need-



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based aid program for college students. The governor's administration removed dollars being spent this year on one-time investments that lawmakers made for specific campuses.

Likely to draw intense interest during budget negotiations is the governor's approach to K-12 education. The budget proposal would keep the public school funding formula flat and does not envision making permanent the \$198 million in stipends given to teachers and school support employees, such as teacher aides and cafeteria workers.

Lawmakers granted \$2,000 stipends to teachers and \$1,000 stipends to support staff in the current budget year, with many lawmakers saying they wanted to make those permanent pay raises.

Landry, however, doesn't approach it that way. He recommends another round of \$198 million in spending on stipends for the upcoming budget year, but he isn't committing to divvying up the money into across-the-board payments to teachers or support workers. Instead, the Landry administration said it would consider structuring the stipends to prioritize attracting educators to high need teaching areas or regions.

PAR supports efforts to steer education dollars to districts that have greater teacher shortages or fewer resources. However, taking away dollars that all teachers have been receiving undermines the recruitment and retention benefits of pay raises by creating uncertainty.

Also, the governor doesn't want the stipends folded into the K-12 school financing formula, which would make the spending permanent. The administration said it's unclear if the state can afford the pay increases long-term because of the sales tax expiration.

Meanwhile, while Landry said he supports the expansion of school choice programs, he didn't propose any new spending on such initiatives.

In health care, Landry's budget would shrink overall spending on the Medicaid program. The administration said in budget documents that the adjustment accounts for enrollment drops and other changes as the state resumed eligibility checks after federal COVID-19 regulations that kept ineligible people on the Medicaid rolls expired. More detailed budget hearings will be useful to get additional information about those planned reductions.

Fiscal Cliff Preparations

Landry's budget architects said they proposed a near-standstill budget for next year to acknowledge the fiscal cliff and expiring sales tax.

The governor is asking his cabinet secretaries and agency leaders to look at ways to cut spending, reduce contracts and find savings with an eye toward the looming shortfall if the governor and lawmakers decide not to renew the tax.

Research provided by the Public Affairs Research Council of Louisiana. For more information, please call 225-926-8414 or visit www.parlouisiana.org.



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The Landry administration said outside of public safety and corrections programs, it denied nearly all requests for spending increases and removed any add-on initiatives funded by lawmakers this year that were seen as one-time investments. The governor also is considering agency consolidations to trim spending, though no such proposals were included in his budget.

The budget Landry submitted would use \$127 million in state tax dollars for new equipment purchases, facility repairs and vehicle replacements and send \$21 million to state transportation districts to invest in smaller local road and bridge projects. Such one-time spending can be a smart investment in needed items that won't be required again next year.

The governor's administration sees that \$148 million and possibly the \$198 million on teacher and support worker stipends as dollars that could fall out of the budget a year later when the state will have less money to spend if the sales tax expires. But the boosted spending on prisons and other criminal justice programs backed by Landry could balloon other parts of the budget at the same time.

PAR doesn't believe cutting education spending is the solution to the fiscal cliff. Educational investments are critical to improving the long-term trajectory of the state. They should not be targeted to balance the budget when other options are available.

Short-term Cash

Beyond next year's state operating budget, the governor and lawmakers have more than \$415 million in short-term cash available to spend: \$325 million from a state surplus when the books were closed on last year's budget and \$90 million in unspent, better-than-expected tax dollars from the current budget year.

The surplus has constitutional restraints. A \$32.5 million portion of the money must pay down retirement debt while another \$81.4 million must go to the state's "rainy day" fund, a deposit that will boost that savings account to more than \$1 billion. Landry proposes using the remaining \$211.5 million in state surplus cash on roads and bridges, coastal restoration work and other construction projects.

No strings limit the spending of the \$90 million available in the current budget year. PAR recommends using such short-term cash, however, on one-time initiatives that don't grow government spending long-term.

Landry proposes using some of the money on short-term items such as expenses related to last year's wildfires, a savings account for responding to future emergencies, new voting machines and equipment for state troopers and the corrections department. Other dollars, however, would go to ongoing expenses at adult and juvenile prisons and to expand the State Police.

Next Steps on Budget Negotiations

The unveiling of the governor's budget proposal to the Joint Legislative Committee on the Budget was a high-level overview. Lawmakers will soon launch hearings to take a deeper dive into the governor's proposals and how they impact individual state agencies and services.

Those hearings and debates will continue throughout the regular legislative session that runs from March 11 until June 3.

The package of budget bills likely won't pass until the final days of the regular session.

Before that session, Landry has called lawmakers into a crime-focused special session that will begin Feb. 19 and must end by March 6. Decisions made in that session will drive how much increased spending will be needed in the budget for any new or expanded public safety programs and tougher corrections policies that pass.

One problem lawmakers apparently won't face this year is a debate over whether to exceed a constitutionally set cap aimed at limiting the annual growth in government spending. With large infusions of short-term federal pandemic recovery money gone and the state's surpluses smaller, the Landry administration believes it has enough room to remain under the spending limit and pay for all its budget recommendations.

As lawmakers work through the spending proposals, PAR hopes they use short-term financing for one-time key investments and end the recent trend of wasteful earmarks for favored pet projects that don't address broader state needs. Any proposals that expand government programs and spending requirements should get careful review with an understanding of the fiscal headwinds on the horizon.

More Information

Governor's budget proposal: https://www.doa.la.gov/media/hzspiph3/exec_bud_2-6-2024_final.pdf

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