

February 21, 2025

New Budget, With Questions

Latest Louisiana budget cycle begins with murkiness at federal, state levels

The release of [Gov. Jeff Landry's budget proposal](#) to lawmakers came with a cloud of uncertainty.

A combination of unanswered questions about state and federal financing sources is driving unpredictability for piecing together the spending plans for the 2025-26 fiscal year that begins July 1.

Some ambiguity will disappear once the fate of a sweeping rewrite of the budget and tax section of the Louisiana Constitution is settled in the March 29 election.

Separate questions about the true financial impact of a massive package of tax changes approved in the November special session will take a little longer to shake out, but lawmakers have managed such changes before and revised budgets as needed to account for them.

However, murkiness about financing decisions being made in Washington and their impact on Louisiana's budget could continue to drive unpredictability throughout the budget work of the legislative session – and beyond. Roughly half of Louisiana's budget relies on federal money, particularly health care, education, disaster recovery and social service programs.

The Landry administration offered its required budget proposal to lawmakers Thursday, while acknowledging some outstanding question marks about how much money will be available to spend. The recommendations followed the current state income forecast and the traditional expectations for federal financing, both of which could change.

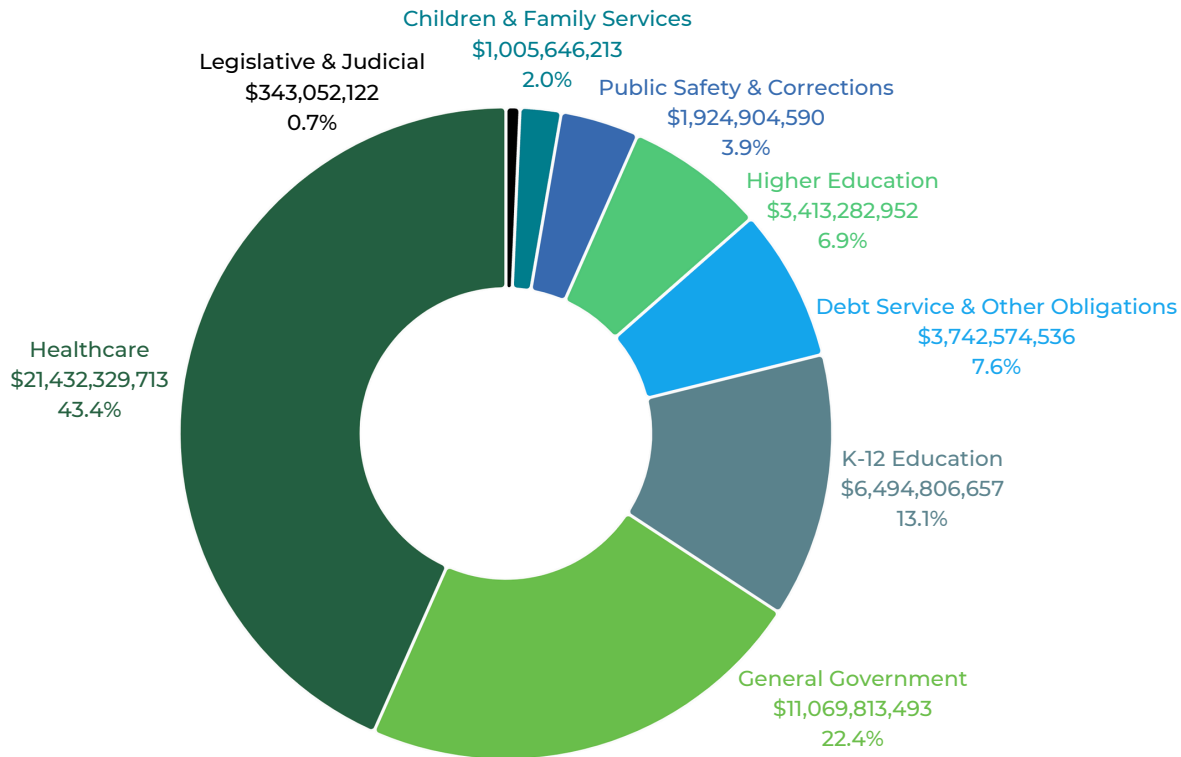
The Republican governor proposed a nearly \$45 billion operating budget that would shrink overall spending by \$430 million, largely because one-time dollars are falling away – including short-term state cash used on construction and repair projects and federal pandemic aid.

The total state budget with spending on legislative, judicial and other ancillary agencies included would reach \$49.4 billion.

What Landry Proposed

Landry recommended steering new dollars to education vouchers, juvenile justice and economic development work. He's also included increased financing for certain health care programs in Medicaid as required by law.

Total Budget Breakdown



Source: Louisiana Division of Administration

For most other agencies and programs, the governor's proposing largely standstill financing, with only modest adjustments.

Lawmakers provided nearly \$250 million to several K-12 public school programs in the current budget year. They didn't put those increases in the school funding formula, however, so they weren't guaranteed to receive financing year after year. Landry proposed continuing money next year for tutoring services, student apprenticeships and targeted stipends for teachers in high-need areas.

But across-the-board \$2,000 stipends that public school teachers and \$1,000 stipends that school support workers (such as bus drivers, cafeteria workers and teacher aides) have received for two years at a cost of \$198 million aren't included in the governor's spending plan.

Instead, Landry is encouraging voters to pass a constitutional amendment in March that would help provide permanent pay raises up to \$2,000 for teachers and \$1,000 for support workers to get the money back into the budget.

One area where the governor would increase education spending is on a new voucher program that lawmakers created last year – also known as [education savings accounts](#) – that will allow parents to use state tax dollars to pay for private school tuition, homeschool materials or other education expenses outside of the public school system.

The program, called LA GATOR, will continue to provide the \$46 million that has paid for 5,500 students to attend private schools for years through a prior voucher program that was eliminated and rolled into the new initiative.

Landry is proposing to add another \$50 million to include about 5,300 more students. To be eligible, the student would have to be entering kindergarten, have attended a public school in the previous year or be in a family whose income is below 250% of federal poverty guidelines (\$80,375 for a family of four.)

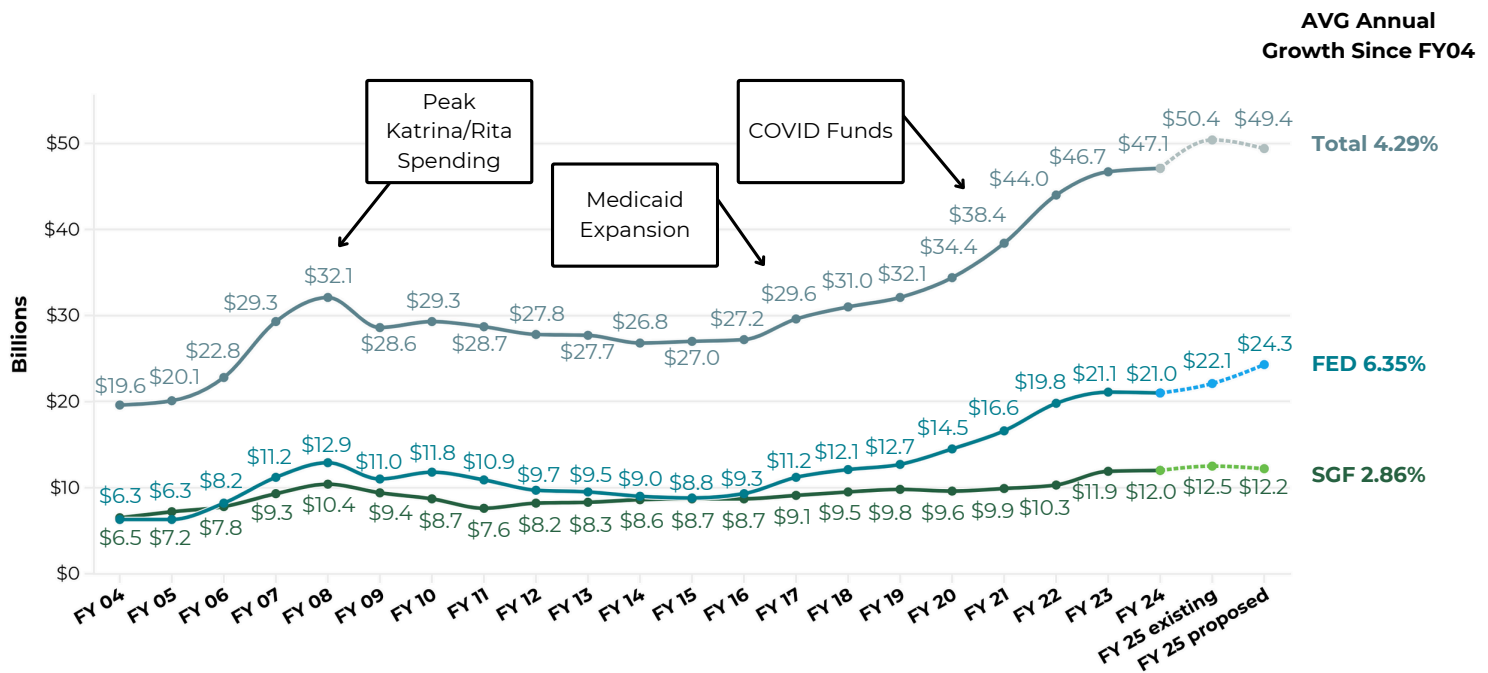
In early childhood education, the governor suggested keeping the same level of financing as in the current year, which was a \$9 million cut from the prior year and a loss of access for 800 students. Higher education would receive money to cover a health insurance increase, but few of its other requests for additional spending.

For health care programs, Landry’s proposal would give more money to nursing homes that care for Medicaid patients and increase reimbursement rates for the private companies that manage care for others in Medicaid. Both are required by law and help to drive a nearly \$1.5 billion increase in proposed spending in the Louisiana Department of Health, much of it anticipated to be financed with federal money.

The governor also wants to boost spending on the state’s economic development agency, adding dozens of new employees, and to expand the state’s juvenile justice facilities.

The Landry administration didn’t outline a specific set of requests for how to spend a \$595 million surplus beyond the required \$149 million deposit into the state’s “rainy day” fund and the required \$149 million payment of retirement debt. For the remaining \$297 million, the administration said it will work to craft ideas with lawmakers in compliance with constitutional limits.

Historical Spending



Source: Louisiana Division of Administration

Impact of Special Session

The governor and lawmakers eliminated deep budget gaps that had been forecasted for the upcoming budget year with a [package of tax changes](#) adopted in a November special session. Lawmakers lowered and flattened income tax rates for people and businesses in exchange for raising sales taxes and newly charging those sales taxes on digital goods and services. They eliminated the corporate franchise tax, removed many tax breaks and temporarily diverted tax dollars dedicated to road and bridge work to general government operations instead. Many of the tax changes took effect Jan. 1.

The actions gave lawmakers largely flat state general fund financing for the upcoming budget year. The general fund is comprised of taxes and fees that are flexible and can be spent how the House and Senate choose.

But a separate constitutional amendment (Amendment 2) that lawmakers have placed before voters on the March 29 ballot would give them millions of additional dollars to spend if passed. Among many changes, the amendment would pay down retirement debt, merge state savings accounts and help provide money for a permanent teacher pay raise to replace the one-time stipends.

The governor's budget doesn't include any money that could be provided with passage of the amendment. If approved by voters, lawmakers would add that money later.

The Public Affairs Research Council of Louisiana will have a detailed guide explaining the constitutional amendment for further information.

Next Steps

The presentation of the governor's proposal to the Joint Legislative Committee on the Budget kicks off a months-long discussion among lawmakers and the administration before a final package of spending bills will be completed.

House and Senate budget committees will soon launch hearings to take a deeper dive into the proposals and how they impact individual state agencies and services.

Louisiana's income forecasting panel will meet in early May to revise the forecast that lawmakers use to build the budget. The Revenue Estimating Conference will need to account for any money from the constitutional amendment if it passes and modify tax collection estimates as the impacts of the special session become clearer. The forecast likely will require significant adjustments.

Meanwhile, the White House has been slashing certain types of federal grant programs and spending initiatives that will impact some state agencies and services. The full impact on Louisiana's budget remains uncertain. Separately, Congress is considering cuts to federally financed programs, including Medicaid and food stamps, that could sizably impact the state budget and the programs the state provides.

Lawmakers will need to rework the budget as federal financing streams change. The regular legislative session begins April 14 and must end by June 12. PAR will track the budgetary action as it develops and work to keep citizens informed.