



LEAGUE OF WOMEN VOTERS®
OF LOUISIANA
SAFEGUARDING DEMOCRACY®

STRUCTURAL BUDGET RECOMMENDATIONS

1. OVERVIEW OF POSITIVE CHANGES TO THE BUDGET AND REVENUE PLANNING
 - a. Budget pro-actively, rather than reactively
 - b. Focus on Long-term planning and budgeting, rather than focusing on only balancing the budget through the next year
 - c. Determine Budget Policy goals and work towards them accordingly
 - d. Maintain the Constitution as fundamental law, not as a legislative alternative
 - e. Use majority rule for tax measures, not supermajority of 2/3's vote
 - f. Strive for an adequate and flexible general fund for legislative decisions
 - g. Adopt equitable taxation based on ability to pay or benefits received and eliminate non-productive tax breaks
 - h. Use a progressive, graduated income tax to establish reliable revenue
 - i. Adopt broad-based sales tax with exemptions for food and medicine
2. STEPS TO CHANGE FROM A REACTIVE BUDGET TO PRO-ACTIVE BUDGETING
 - a. Apply accurate assessments to all budget related proposals
 - i. Give enough leeway time before voting to calculate the long-term consequences of reducing or increasing a government department or agency's funding
 - b. Recognize the impacts of changes to one agency, program or services on other agencies, programs or services For example: Reduction in funding to subsidies to quality childcare and pre-K education will force parents to exit the work force and create a greater demand on services such as food stamps and Medicaid.

- c. Recognize that selectively increasing revenues for better outcomes is a tool toward a sound budget
- d. Plan revenue-raising measures which will smooth the boom and bust cycles by protecting the tax base through good and bad times. Do not reduce taxes or refund taxes in good times. Instead, increase the Budget Stabilization Fund, “the Rainy Day Fund.”
- e. Recognize that federal funding makes up to 40% of the state’s budget plus disaster aid and that those federal dollars are declining
- f. Louisiana does five- year estimating for revenue resources. Long term forecasting should be established for spending, as well.
- g. Use real costs of the current levels of services for the long-term spending forecasts. These should include calculating school enrollments; prison populations; social services agencies; long-term public obligations, such as public employee pension and health plans; capital needs; gross domestic product; employment; personal income; prices of goods and services; bonded debt; and other economic data.
- h. Ensure that the agencies provide detailed current services estimates to show the full impact of any funding change.
- i. Adopt legislative budget policy decisions
- j. Encourage decisions within agencies which would reduce expenditures in the longer term. Also recognize that selectively increasing revenues for better outcomes is a tool toward a balanced budget. Examples:
 - i. For instance, if the minimum wage is raised, some families should no longer need state assistance.
 - ii. An example of an agency decision within their mission that could stretch their funding is the search for alternate funding for hepatitis drugs by the Department of Health and Hospitals for treating Medicaid patients.
 - iii. The criminal justice reforms will curb future criminal justice expenditures.
 - iv. An aggressive program under Medicaid to reach women with at-risk pregnancies would ensure the birth of healthy infants and reduce the numbers of premature infants needing expensive neonatal intensive, expensive care paid for with Medicaid dollars.
 - v. Increasing the budget for foster care to prevent placing children with unsuitable foster parents, and to provide parenting

instruction and assistance. This should ease the more intensive costs for health care, justice system, and homelessness.

- vi. Increasing subsidies for quality childcare and pre-k education to allow parents to enter the work force and increase school readiness to reduce the achievement gap

3. FOCUS ON LONG-TERM BUDGET AND PLANNING

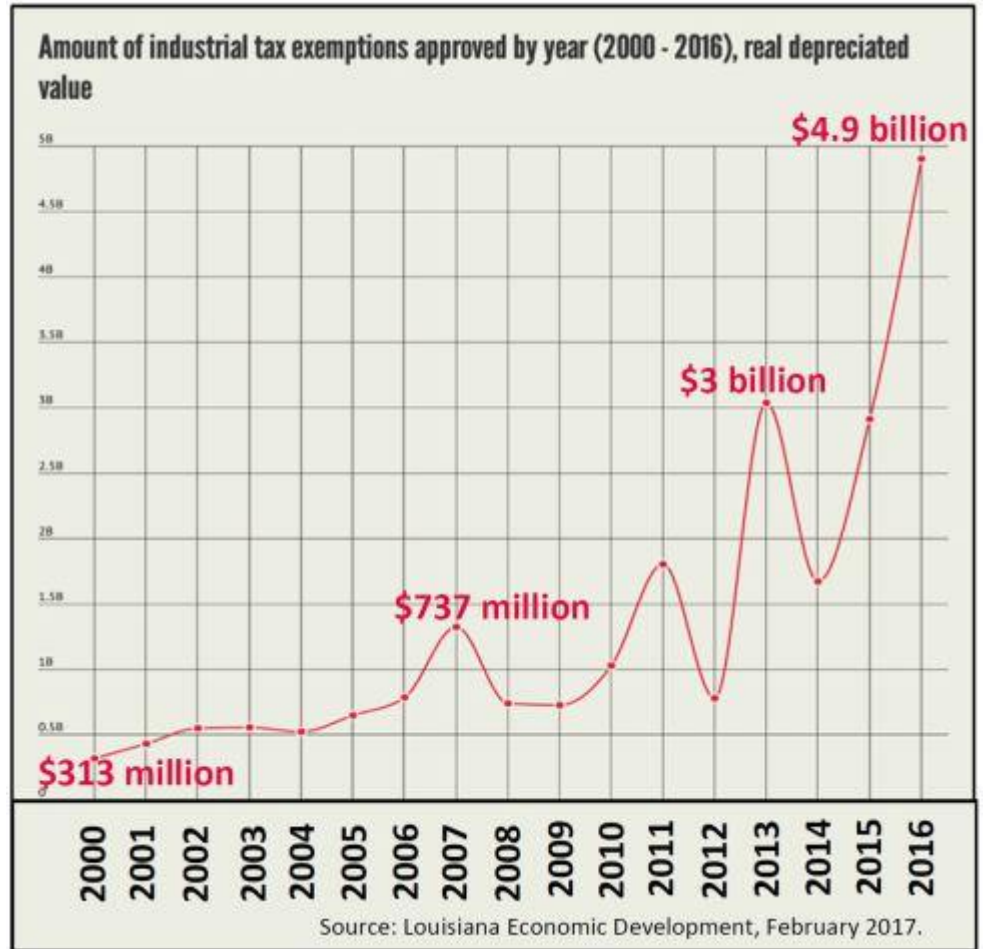
- a. Advantages
 - i. Maintain good fiscal standing
 - ii. Limit effects of economic cycles
 - iii. Control maintenance costs of assets
 - iv. Avoid short term fixes

- b. Set clear timelines for goal

- c. Include annual maintenance costs of capital assets

4. FLEXIBILITY

- a. In order for the Legislature to have flexibility in budget planning, there must be more unrestricted money in the general fund to allocate to agencies based on policy decisions.
- b. To achieve more unrestricted money, the collective impact of all the exemptions, credits, and incentives must be assessed and the unproductive measures dropped.
- c. The use of constitutional amendments to create trusts and other dedicated funding limits the legislature's efforts to maintain stable funding for public services in tough economic times.
- d. Every tax free day, exemption, credit, rebate or incentive is revenue lost and, therefore, should be recognized the same as a budget item.
- e. Rapid growth of industry exemptions in recent years has contributed extensively to the short-fall in revenue. Together Louisiana reported Louisiana by 2016 granted \$4.9 billion in industrial tax exemptions that contributes to the current budget crisis.



- f.
 - g. Cease using the Constitution as a substitute for legislation.
 - i. The Legislature should exercise its taxing authority without passing tax decisions to the voters.
 - h. Cease agency over-reliance on fees to fund their missions.
 - i. Fees should be levied according to the services rendered.
 - ii. The fees should go into the general fund.
 - iii. The agencies should be funded from the general budget based on the programs they are administrating.
5. ADDRESSING THE \$1.4 BILLION FISCAL CLIFF AND ESTABLISHING STABLE REVENUE
- a. Adopt a progressive, graduated income tax that establishes reliable revenue.
 - b. For example: A major recommendation from The Task Force on Structural Changes in Budget and Tax Policy would be to eliminate the federal income tax deduction for state income tax.
 - c. Of the 41 states with state income tax systems, only 6 allow the full deduction and 3 other allow partial deductions.

- d. Use the reserve funds as part of a remediation plan to reach structural balance and make replenishing reserves part of the plan.
- e. Protect the tax base through good and bad times by not reducing or refunding taxes in good times.
- f. Consider any unusually high revenues or disaster funds as non-recurring.