



RESET

LOUISIANA'S FUTURE

2023

An initiative of:



Louisiana's
Business
Roundtable



Louisiana Needs a RESET

Louisiana ranks 41st in population growth from 2010 to 2020, and a dismal 47th in personal income growth. The state has the second-highest poverty rate in the country and one of the highest incarceration rates. Only half of the state's third graders read on grade level.

Depending on the time period and the benchmark measured, the rankings might shift a few points for better or worse. But the overall picture does not change. It is a story all too familiar to Louisiana's citizens.

The problems seem daunting, almost intractable, but Louisiana can improve. A long history of poor policy choices created this situation. While there is no quick fix, making the right choices can turn this state around. In fact, it is the only way to do so. We need to change how we do business.

In short, we need a RESET.

That is why the Committee of 100, the Council for a Better Louisiana and the Public Affairs Research Council of Louisiana have partnered since 2019 with a goal to inform citizens and candidates about the state's core problems and the improvements needed to tackle them.

We need to improve our education system, enact tax and spending policies that make sense, build better infrastructure and strengthen public safety through thoughtful, evidence-based changes. Louisiana has a host of other problems, but it is hard to imagine significant progress for the state without addressing education, fiscal policy, infrastructure and crime.

Even if citizens and policymakers disagree with our specific recommendations, they can find valuable data and analysis to create their own solutions. Informed discussion and healthy debate are how societies progress.

Our three organizations have been engaged in government reform, accountability and transparency for decades: C100 since 1992, CABL since 1962 and PAR since 1950. We have recommended and spearheaded reform initiatives across those years, and we've got a record of wins together as RESET.

Since 2019, Louisiana has agreed to many of our recommendations.

On state finances, lawmakers and voters backed major tax reforms. On education, officials expanded access to high-quality early learning programs; enacted policies to prepare high school students for the workforce or college; and made targeted reinvestments in higher education. On public safety, the governor and lawmakers invested new dollars to combat recidivism and smooth the reentry process for offenders. On infrastructure, officials made substantial investments in Louisiana's road and bridge needs.

Still, so much more needs to be done.

Now is the time to be bold. Imagine a future where we are not worrying about whether our children will leave the state, but applauding Louisiana as a place where citizens prosper. It is possible. It just requires the right choices.

Executive Summary

STABILIZE THE BUDGET AND PAY FOR PRIORITIES

Though Louisiana's treasury currently is flush, serious financial headwinds arrive next term. A temporary 0.45% state sales tax will expire in mid-2025, lessening tax collections. Meanwhile, a portion of taxes charged on sales of cars and trucks will shift to a transportation fund. Those combined hits will reduce state general fund revenue by nearly \$800 million, shrinking the dollars available to pay for higher education, health services and public safety programs, among other initiatives. Lawmakers have done little to prepare for the fiscal cliff, but should be strategizing for how to address the revenue drop if they don't intend to renew the sales tax.

- Wean the state off new recurring spending to soften the cliff. Spend some recurring dollars on debt payments and other short-term expenditures.
- Don't use one-time money for recurring expenses. Use short-term cash to pay debt and other obligations to place Louisiana on a sounder financial footing before the cliff.
- Eliminate pet project earmarks and focus on the state's broader needs, such as backlogs of deferred maintenance on college campuses, roadwork and other infrastructure.
- Reform capital outlay by increasing the local match required for non-state projects and steering less money to those non-state priorities.
- Eliminate many of the state's hundreds of dedications. Require all statutory funds to sunset, renewed only after legislative scrutiny. Limit the funds in the constitution.
- Closely track federal pandemic aid spending to ensure it's focused on prioritized state needs, with a transparent web portal that updates citizens on the money's use.

CREATE A FAIR AND COMPETITIVE TAX ENVIRONMENT

Louisiana's tax structure is unnecessarily complex and has failed to adapt to changing circumstances. The overall tax burden is low compared to other states, but the system's complications leave the state at a disadvantage. The tax structure resorts to higher-than-needed rates because it lacks a broad base, with too many exemptions, deductions, exclusions and credits. Businesses face a burdensome, decentralized sales tax collection process. Local governments don't have flexibility, leaving them too dependent on the sales tax. Louisiana should create a competitive, fairer tax environment with lower rates, fewer tax breaks and more stability while also ensuring sufficient revenue to pay for government services.

- Centralize and simplify sales tax collections, offering a modernized and uniform system of sales tax administration and auditing.
- Eliminate the corporate franchise tax, a disincentive to business investment.
- Reduce the number of sales tax exemptions. Permanently eliminate sales tax exemptions the Legislature temporarily suspended and stop creating new ones.
- Expand the sales tax base and reduce the tax rate, including taxation of some services.
- Simplify and streamline the Industrial Tax Exemption Program.

- Remove state tax exemptions from the constitution. Require a two-thirds vote to change or remove exemptions or create new ones.
- Give local governments more flexibility for their revenue base and put more emphasis on property taxes. Lower state tax rates in exchange for raising local property tax revenue and decreasing state spending to local governments.

TRANSFORM PENSION SYSTEMS FOR A NEW ERA

Louisiana's state retirement systems are underfunded at levels well below the national average and even further below measures of sound financial health. The situation has a negative impact on government and teacher workforce recruitment and salaries. The state's policies exacerbate the debt and the risk to taxpayers while offering uncompetitive, inadequate plans for most employees. Louisiana should break the cycle of indebtedness and establish a better system.

- Reform the state pension systems to reduce the risk of growing unfunded liabilities.
- Adopt a more portable hybrid system for new employees, combining a traditional defined benefit plan with a defined contribution plan.
- Adopt a better, predictable cost-of-living methodology that doesn't worsen debt.
- Move to more conservative investment earnings assumptions.

DESIGN A MODERN, WORKABLE CONSTITUTION

The Louisiana Constitution has become an unwieldy and restrictive document that governs fiscal matters through narrow rules and restrictions rather than broad grants of authority. This hinders the effective operation of government. The number of detailed restrictions in the constitution has increased, worsening the inability of state officials to address pressing financial concerns or reset priorities. The fiscal complexity should be removed and replaced with provisions that focus on the fundamental operation of government.

- Limit the Louisiana Constitution to general principles, providing a basic framework for the scope and operation of government and leaving policy details to statutory law.
- Allow elected or appointed officials leading individual agencies and institutions to make decisions about how to manage them, rather than cluttering the constitution with operational mandates.
- Streamline the document so it doesn't require constant revision to meet state needs.
- Give lawmakers the flexibility to improve tax and budget rules rather than dictating requirements in the constitution, so Louisiana can compete with other states, focus its limited resources on key priorities, grow the economy and improve the lives of citizens.
- Remove restrictions that limit local governments from raising their own revenues.

EXPAND ACCESS TO FIRST-RATE EARLY CARE AND EDUCATION PROGRAMS

Scientific research recognizes that high-quality learning experiences at an early age enhance children's brain development and have a huge impact on their future success. The lack of these experiences can carry life-long consequences. About 173,000 children in Louisiana need some level of assistance to access a quality child care program, yet the state is currently serving only about 41,000 in its programs from birth to age 4. Quality care is expensive, averaging \$7,000 per year or more for programs that provide enriching educational experiences. For Louisiana to make significant progress to improve student achievement, it

must find a way to increase investment in high-quality early education and learning.

- Commit to appropriating a meaningful level of recurring dollars to expand access to high-quality early childhood care and education, with a focus on birth to age 3.
- Encourage local governments to generate money for early care and education through continued state investment in the Louisiana Early Childhood Education Fund.
- Maintain the emphasis on strong accountability, including a transparent rating system, to ensure that families have a wide array of high-quality early education and care offerings.
- Review existing dedicated funding and trust fund spending to determine if additional revenues could be used to support broader access to quality early childhood services.

FOCUS ON LITERACY, STRENGTHEN ACCOUNTABILITY AND SUPPORT K-12 EDUCATION CHOICES

Over the last two decades, Louisiana has done much to improve education. The state has raised academic standards, increased the expectations of students, given parents more school options for their children and provided greater accountability to the public. Though student performance improved dramatically over time, progress in some areas has since stalled or fallen. The state's accountability system has become less transparent. Too many high school graduates are not prepared for college or career training. And Louisiana still lags the country in academic achievement. To move forward the state must build on the policies that are working and sharpen its focus on areas that still need attention.

- Strengthen the focus on early literacy as a foundation for long-term academic success.
- Improve Louisiana's school and district accountability system to make it more transparent for parents and taxpayers, reflective of true school performance and a stronger catalyst to prepare students for college and career training.
- Increase access to opportunities for all students to earn postsecondary credit and credentials while still in high school.
- Strengthen efforts to recruit qualified educators into the teaching profession and retain them. This should include raising teacher pay to the Southern regional average and providing a differential pay component in future salary increases to address areas of critical need.
- Monitor the expenditure of federal pandemic aid to ensure districts are using a significant share of those dollars to combat COVID-19 learning loss and improve student outcomes.
- Develop a strategy to address chronic truancy and absenteeism issues that have worsened since the pandemic and threaten the futures of thousands of Louisiana children.
- Continue to offer a wide array of school choice options while providing appropriate accountability and oversight.

INCREASE HIGHER EDUCATION ATTAINMENT AND IMPROVE OUR WORKFORCE

One overarching issue faces Louisiana when it comes to postsecondary education – the imperative to raise the educational attainment of citizens. The state's colleges must improve graduation rates, increase the number of students enrolling in postsecondary education and educate more working-age adults who either

have no postsecondary credential or need additional skills training. That will require the creation and maintenance of affordable pathways for students of all ages and a concerted effort to close equity gaps. The effort is critical to improve economic opportunities for citizens, expand the workforce and build a stronger and more prosperous state.

- Commit to the Board of Regents' goal of ensuring 60% of Louisiana adults have a high-value credential or postsecondary degree by 2030.
- Continue reinvestment in higher education with a focus on improving quality, meeting workforce needs, supporting targeted research and maintaining affordability.
- Improve access to postsecondary education for all students through ongoing support of need-based financial aid.
- Remove barriers that make it difficult for students to transfer credits between institutions, a problem that increases costs and delays completion.
- Guarantee all students a minimum number of dual enrollment course options at no charge.
- Increase the number of high school graduates enrolled in teacher preparation programs and close equity gaps.
- Strengthen the focus within postsecondary education to meet the workforce and knowledge needs of a more diversified, modern and changing economy.

BUILD AN EFFECTIVE CRIMINAL JUSTICE SYSTEM THAT IMPROVES PUBLIC SAFETY

Violent crime has increased in Louisiana since the COVID-19 pandemic began, just as it has across the country. The only way to tackle the problem is with evidence-based policies. Louisiana historically sent more people to prison and held them for longer than other states. The state started to reverse course with sentencing changes through legislation enacted before the coronavirus outbreak. Policymakers are questioning whether the reforms exacerbated crime, but they should let data-driven research determine if changes are justified. Meanwhile, the state often keeps people behind bars beyond their release dates, raising concerns that constitutional rights are being violated while the state is spending unnecessary dollars on incarceration. After their release, offenders who have served their time face a variety of barriers to successful reentry into society. While many public safety responsibilities rest with local governing authorities, the state has a significant role to play through criminal justice laws and financing. Louisiana doesn't have enough money to waste on solutions that don't work. Officials need to smartly allocate resources to maximize the chances of reducing crime, improve the reentry process and use better data and technology to be effective.

- Continue ongoing reform work aimed at using prison space for those who pose a public safety threat, strengthening our systems of community supervision, lowering barriers to successful reentry and reinvesting the savings to reduce recidivism and support victims.
- Avoid undermining well-researched reform efforts because of hearsay, politics and fear of crime. Focus on research-based work that uses proven ideas from other states.
- Create a prison-to-workforce pipeline in specific industries (such as construction and agriculture) that connects offenders with skills training needed by that sector and works with employers facing labor shortages to encourage them to hire people exiting prison.
- Improve data collection efforts through technology, including the creation of a statewide clearinghouse that allows stakeholders in the criminal justice system to share crime data. Address

problems of systemic over-detention of offenders with a consolidated state web portal that can be used by sheriffs, clerks of court and others.

- Fund the state's courts and public defenders without counterproductive fees and fines on offenders that create a perverse structure inhibiting successful reentry into society.
- Follow evidence-based practices to reduce recidivism.
- Invest dollars in job training programs, mental health services, rehabilitation programs and other efforts to smooth reentry for offenders leaving prison and to better prepare them for the workforce and society.
- Expand drug courts with targeted programs aimed at keeping people out of prison and offering them needed treatment services.

MODERNIZE OUR INFRASTRUCTURE FOR THE 21ST CENTURY

For years, Louisiana's transportation system has ranked among the worst in the country. Low fuel taxes and historic lack of investment have created a nearly \$19 billion backlog of unmet needs for roads and bridges and inadequate funding for billions more in high-priority mega-projects. Recently, the state made its most significant ongoing transportation investment in decades, and billions of one-time dollars for infrastructure also have become available from Congress. Still, the legislative auditor has found that revenues in the state Transportation Trust Fund – which also supports flood control, ports, aviation, public transit and parish roads – will be insufficient to address future infrastructure needs. This does not include other infrastructure priorities such as coastal restoration, deteriorating local water systems and broadband access. Addressing these major issues will require both long-term planning and added transparency.

- Develop a state plan for increasing long-term investment in transportation infrastructure that considers the decreasing purchasing power of the gasoline tax caused by inflation and changes in fuel efficiency.
- Create a comprehensive database that shows how much money has been allocated to state infrastructure projects, how much has been spent and where projects stand in terms of construction.
- Explore ways to make local water and sewerage systems more cost efficient, such as consolidating districts and allowing personnel to service systems in multiple jurisdictions.
- Identify ways to sustain long-term state financing of coastal restoration projects that go beyond the current reliance on surplus and excess revenues.
- Continue to prioritize investment in rail to diversify transportation options and encourage economic development.
- Develop plans to spend federal dollars for expanding access to high-speed internet that ensure service is affordable for most citizens and people are equipped with the digital skills needed to take advantage of the opportunities enhanced connectivity provides.
- Ensure that infrastructure spending is based on state priorities and not parochial interests or politics.

Early Childhood Education

Send All
Children to
Kindergarten
Ready to Learn

Louisiana should expand access to high-quality early care and education programs for all at-risk children in Louisiana from birth through age 4.

Louisiana faces many challenges when it comes to the educational achievement levels of public school students. Much has been done to try to address that by raising academic standards, providing greater accountability, offering additional educational choices for parents and focusing on the quality of teachers and school leaders. These efforts have yielded positive results for students, yet challenges remain. Chief among them: Fewer than half of children in Louisiana arrive in kindergarten meeting critical benchmarks.

Research clearly shows that developmental experiences in the earliest years of a child's life are a strong determinant of future learning and behavior. High-quality early learning opportunities enhance a child's brain development in positive ways, while the lack of those experiences can weaken development with life-long educational and social consequences.

This profoundly impacts working parents searching for child care that is both high-quality and affordable. In Louisiana, more than 60% of mothers with infants are in the labor force, and two-thirds of children from birth through age 5 have both parents, or their only available parent, working. The quality of care these young children receive helps shape their future success in school and life.

Louisiana has been successful at expanding access for economically disadvantaged 4-year-olds through a number of pre-K programs financed with state and federal funds. Today, more than 90% of these 4-year-olds can access a publicly funded pre-K slot, and most are of high quality.

By contrast, for children under age 4 in Louisiana, especially economically disadvantaged children, high-quality early care and education is extremely difficult to access. Only 15% of youngsters under age 4 have access to any publicly supported program.

That support is critical because the average cost of child care in Louisiana is about \$6,900 for a 4-year-old, and \$7,700 for an infant. That amounts to 13% to 14% of median household income for one child in a state with the second-highest poverty rate and where almost a quarter of children live in poverty.

Without some level of public assistance, that is a huge obstacle for many working families and one of the reasons many turn to unlicensed child care providers where quality and basic safety expectations cannot be

measured. The inability to access quality child care impacts not only children and working families, but the workforce, businesses and economic development.

A recent survey of parents with young children conducted by the Louisiana Policy Institute for Children suggested that accessing child care was a major concern for parents and, in many cases, the parents' ability to work was adversely affected because of child care issues.

An earlier report concluded that employee absences, turnover and loss of productivity due to challenges with child care cost Louisiana businesses more than \$800 million annually.

Over the years, Louisiana has made significant policy advancements in early education. Most notable was the passage of Act 3 by lawmakers in 2012. Among other things, it established a unified quality rating system and higher program standards for child care centers. That improved accountability and transparency. But the challenge has been increasing access to higher quality care.

To boost participation, Louisiana has created several initiatives using a combination of state resources and temporary federal dollars. As of October 2022, more than 41,000 children from birth to age 4 were enrolled in publicly-supported early childhood programs outside the federal Head Start program. All of these provide a degree of financial support to assist families with the cost of early education and care.

Louisiana also offers an innovative portfolio of School Readiness Tax Credits for families, child care providers, child care staff and businesses, all providing incentives to boost options for quality care. The state has also begun investing in an Early Childhood Education Fund which offers matching dollars to local entities that expand access to quality early care for children birth through age 3.

Still, overall funding hasn't been sufficient to meet the need. The state's Early Childhood Care and Education Commission estimates Louisiana must spend an additional \$115 million per year compounded over the next decade to provide child care subsidies for about 92,000 more children with the greatest need. While the Legislature has recently appropriated record amounts of both state and non-recurring federal dollars toward early education, it has fallen far short of that target.

Louisiana also lacks any sort of strategic plan for reaching that goal. As a result, new funding requests must be made each year. Because of that, the level of investment varies annually. Early education does receive some dedicated funding from sports wagering, fantasy sports contests and CBD products, but these revenues fall far short of needs.

Expanding access to quality early learning for thousands of children might seem an unreachable goal, but it is worth noting that two decades ago, the vast majority of economically disadvantaged 4-year-olds in Louisiana had no access to high-quality pre-K programs. With the creation of the state's LA 4 early childhood program, the prioritization of federal dollars and implementation of partnerships with local school districts, Louisiana closed that gap to the point where the state now has near universal access to pre-K.

Despite the price tag for full investment in early childhood education, mounting evidence shows whatever Louisiana puts into high-quality early education reaps a significant return. A recent study of outcomes in the LA 4 pre-K program indicated that children who participated in the program performed better on standardized tests, had fewer special education placements and graduated high school at higher rates than children who did not participate in the program.

LA 4 Program Outcomes Compared to Students With No Pre-K

	Outcome	Impact of LA 4	
Long-Term Education Impact	Ontime Graduation	↑	4.3% higher
	Qualify for TOPS Tech	↑	9.3% higher
	Qualify for TOPS Opportunity	↑	10.7% higher
Academic Achievement	Algebra	↑	12.1% higher
	English 2	↑	7.8% higher
	English 3	-----	No measurable impact
	Geometry	↑	8.4% higher
	Biology	↑	9.3% higher
Students with Special Needs	Special Education Placements	↓	45% lower

Source: Council For A Better Louisiana, Louisiana Department of Education and the Rockhold Family Foundation

National studies also suggest that children who have access to high-quality early learning develop fewer chronic health problems and are less likely to enter the criminal justice system. All of these represent clear savings to the state and society.

The data demonstrates very clearly that for Louisiana to function as a modern state with a diverse and forward-looking economy, it must raise the educational attainment of its citizens. That means lowering dropout rates, increasing high school graduation rates and ensuring that those who graduate are college- and career-ready and transition to jobs with high wages that strengthen the economy.

The RESET

It is difficult to see Louisiana achieving those goals without making a part of its state mission to broaden access to high-quality early learning for children from birth until the time they start kindergarten. To accomplish this Louisiana should:

- **Commit to appropriating a meaningful level of recurring dollars to expand access to high-quality early childhood care and education, with a focus on birth to age 3.**
- **Encourage local governments to generate money for early care and education through continued state investment in the Louisiana Early Childhood Education Fund.**
- **Maintain the emphasis on strong accountability, including a transparent rating system, to ensure that families have a wide array of high-quality early education and care offerings.**
- **Review existing dedicated funding and trust fund spending to determine if additional revenues could be used to support broader access to quality early childhood services.**



K-12 Education

Louisiana should maintain a strong school accountability system, rigorous K-12 academic standards and a focus on early literacy, while building upon a wide and dynamic array of education choices for students and parents.



Advance K-12 Education Policies that Work

It would come as no surprise to anyone that Louisiana for years has faced significant challenges in education. What many might not realize, though, is the state has been a leader in enacting innovative policies to improve student outcomes and, over the last two decades, Louisiana has seen significant progress.

Louisiana was a pioneer in enacting school accountability measures that helped provide a better understanding of what was really happening in public schools. Among other things, the system made it possible to meaningfully measure student performance; provide early interventions for students who were falling behind; provide more transparency for parents and taxpayers with school and district letter grades; and create incentives for high schools to offer more career choice options for students.

Over the years, Louisiana also created a wide range of choices for parents and students beyond traditional public schools. The state has more than 87,000 students enrolled in public charter schools – the third highest percentage in the country – and strong charter school laws. New Orleans is the only city in the country where all of its schools are charters.

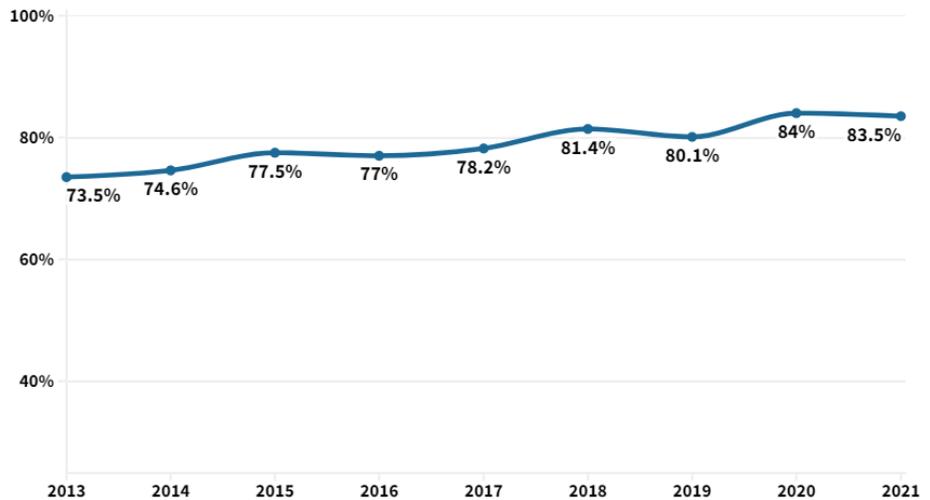
Louisiana also has a modest “voucher” program that awards scholarships to children in low- to moderate-income families to cover tuition costs at participating nonpublic schools. State funding for the program has been stagnant for many years, and it now serves about 6,200 students.

And, through a variety of programs, students now have more choices than ever to access skills training for a postsecondary credential, take highly specialized classes or earn college credit while still in high school. Within this policy environment, the state has seen measurable progress:

- The percentage of fourth-grade students performing at or above “Basic” in English on state LEAP tests has improved from 55% when the school accountability program began in 1999 to 72% just prior to the pandemic. Improvement came while the state raised the bar for achieving that designation multiple times.
- The percentage for fourth-grade math performance similarly grew from 42% to 68% over that same period.

- In recent years the state raised academic standards and expectations, so the goal is no longer to have most students scoring “Basic” on the LEAP tests, but instead at the higher level of “Mastery.” Since 2014, the percentage of students scoring “Mastery” and above in English has risen from 28% to 44% pre-COVID. In math it improved from 25% to 34%.

Louisiana High School Graduation Rates



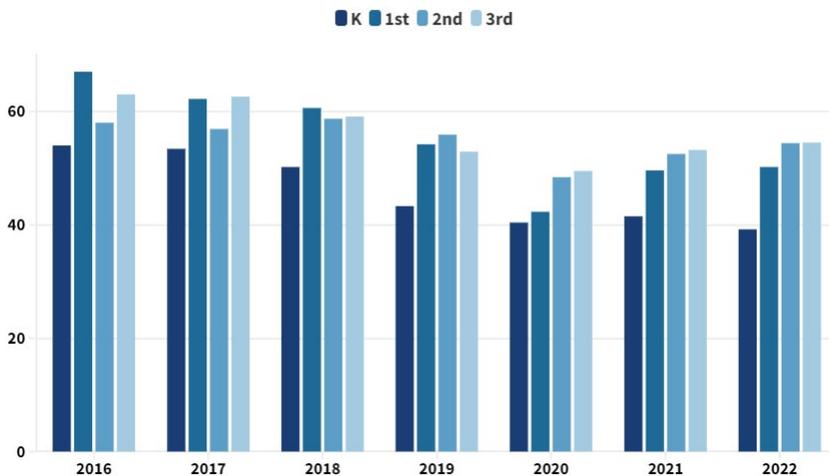
Source: Louisiana Department of Education

- Graduation rates have improved almost every year, with more than 83% of students earning a degree in 2021, up from below 75% a decade ago.
- More than 53% of students are earning college credit or an industry-based credential while still in high school.

Yet, despite the improvements, there are causes for concern. Louisiana still performs poorly on national tests for reading and math, and ACT scores have been on a decline since 2017. On state tests, the rate of improvement has plateaued or even fallen from historic highs. Of particular concern is a recent decline in reading proficiency. In 2016, 63% of third graders were reading at or above grade level. The number fell to 53% by 2019, the year before the COVID-19 outbreak, and below 50% immediately after that.

Literacy Assessment

Percent of Students Reading At or Above Level



Source: Louisiana Department of Education

Perhaps it is no coincidence that during much of this same time Louisiana experienced a shortage of qualified teachers in the classroom. In 2021 enrollment in state education preparation programs was down almost 30% from a decade earlier, and the number of completers was off by close to 500. Statewide, almost 20% of teachers in Louisiana classrooms were uncertified or teaching classes outside their field in 2020. The highest percentages were for science and math teachers.

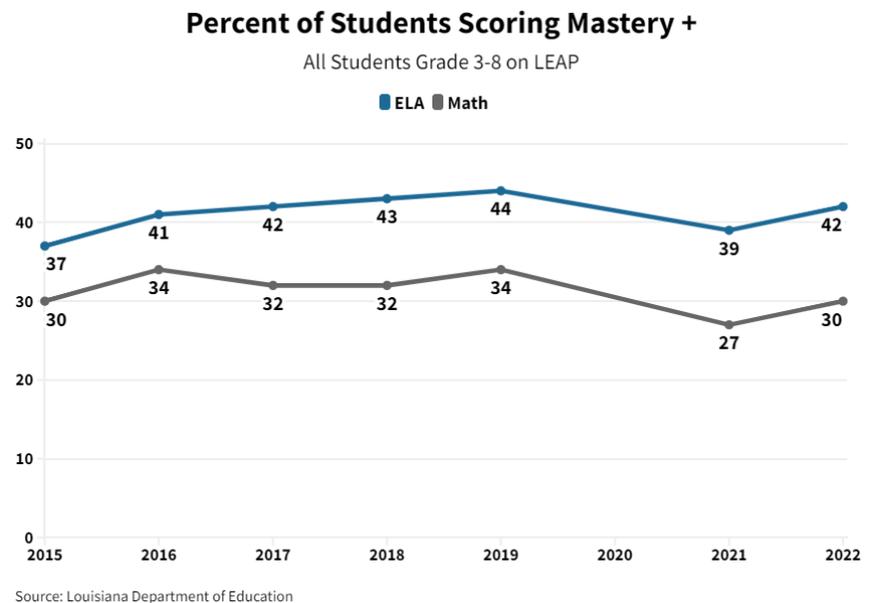
Louisiana has historically had one of the highest poverty rates in the country and among the highest percentages of children living in poverty. That continues to this day, with the state ranking 49th in both categories. This is significant because the link between poverty and low educational achievement is well-established. Children who grow up in economically-disadvantaged households are less likely to be prepared

for kindergarten or school, more likely to have behavioral issues or special needs and at greater risk of dropping out.

Despite the progress the state has made in improving educational outcomes, the challenge of educating all children in Louisiana remains greater than in almost every other state.

That does not mean that poor children cannot succeed in school. Louisiana has many inspiring success stories where schools with high percentages of economically-disadvantaged students are seeing impressive academic results. But in a state where the challenges are greater, Louisiana must do even more to ensure that every child has a chance to succeed.

COVID-19 has created other challenges, but Louisiana seems to have responded to the pandemic better than many states. Scores plummeted as they did everywhere between 2019 and 2021. While they have not returned to pre-pandemic levels, they are trending back in that direction. Ironically, Louisiana's state ranking actually improved significantly in the National Assessment of Education Progress for both fourth and eighth grade reading in 2022. But that was not because of significant improvement in scores, but because other states seem to have experienced greater learning loss during the COVID outbreak.



A troubling finding in the aftermath of the pandemic is that Louisiana, like many states, has lost students from pre-COVID levels. A recent national study suggests almost 20,000 public school students fell off the education map in the state between 2019 and 2022. These are students who have disappeared from school rosters but they are not enrolled in private schools or homeschools and haven't left the state.

Louisiana has always had a problem with excessive truancy, but it seems that COVID-19 and possibly recent hurricanes have exacerbated a situation that already was serious and in need of greater attention. Solutions in education are often difficult to pinpoint, and progress can come at a frustratingly slow pace, but Louisiana can make changes to improve student outcomes and opportunities. Already, state education leaders and the Legislature have enacted new policies to address the declines in early reading proficiency. Initial signs suggest they are having a positive impact.

Louisiana's school accountability system has served students well for many years, but like all policies it should be reviewed and updated as needed. Because of changes over time, it has lost some of its transparency. A prime example is that approximately 41% of Louisiana's elementary and middle schools earn letter grades of A or B, compared to about 70% of high schools. Clearly, an alignment issue needs to be addressed.

At the same time, it has become increasingly clear that to really understand how well a school is performing requires looking at more than just test scores. A school with a D letter grade that is bringing students who are two years behind up to near grade level may actually be doing a much better job than a B school that is merely helping less challenged students get by. The state must do a better job of recognizing the growth in performance students achieve, in addition to their score on standardized tests.

Louisiana should also provide further incentives in its accountability system to offer students postsecondary education opportunities while they are still in high school. Whether it is dual enrollment in a university, Advanced Placement courses, career and technical education or apprenticeships, it is critical that the state connect more students to enhanced education and training opportunities before they graduate from high school.

The RESET

To help improve outcomes and create more opportunities for students, Louisiana should:

- **Strengthen the focus on early literacy as a foundation for long-term academic success.**
- **Improve Louisiana's school and district accountability system to make it more transparent for parents and taxpayers, reflective of true school performance and a stronger catalyst to prepare students for college and career training.**
- **Increase access to opportunities for all students to earn postsecondary credit and credentials while still in high school.**
- **Strengthen efforts to recruit qualified educators into the teaching profession and retain them. This should include raising teacher pay to the Southern regional average and providing a differential pay component in future salary increases to address areas of critical need.**
- **Monitor the expenditure of federal pandemic aid to ensure districts are using a significant share of those dollars to combat COVID-19 learning loss and improve student outcomes.**
- **Develop a strategy to address chronic truancy and absenteeism issues that have worsened since the pandemic and threaten the futures of thousands of Louisiana children.**
- **Continue to offer a wide array of school choice options while providing appropriate accountability and oversight.**

Higher Education/ Workforce

Louisiana should reset the focus of postsecondary education with the specific goals of providing affordability for Louisiana students, equitably increasing the education attainment levels of its citizens and enhancing the competitiveness of its institutions.

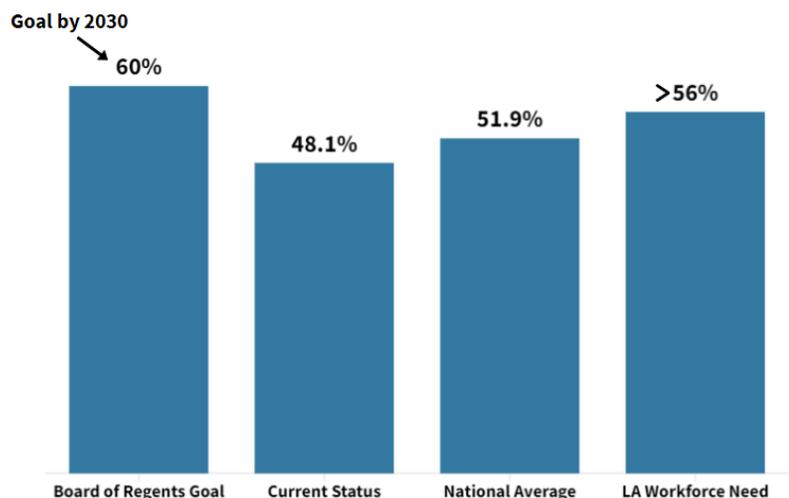
Increase Higher Education Attainment and Improve the Workforce

One overarching issue faces Louisiana when it comes to postsecondary education – the imperative to raise the educational attainment of the state’s citizens. There are many facets to this challenge and many other important things Louisiana’s colleges and universities must provide. But if officials are serious about transforming the state and addressing the issues that keep Louisiana languishing near the bottom of so many negative lists, they must increase the level of education that citizens attain.

Not only is this about improving opportunities for people, but also about expanding the workforce and building a stronger and more prosperous state.

The Board of Regents has embraced a goal of having 60% of Louisiana’s working-age population attain a quality postsecondary education credential by 2030. According to state data, Louisiana’s current attainment rate is 48%. In 2021-22, Louisiana public colleges awarded nearly 44,000 degrees, credentials or certificates. Reaching the 60% goal will require higher education institutions to almost double that total by the end of the decade.

Louisiana Adults with Quality Postsecondary Credential



Source: Board of Regents, Georgetown University Center on Education & Workforce

Part of the urgency involves the significant gap between the workforce needs of Louisiana and the education attainment level of its residents. A widely recognized study by the Georgetown University Center on Education and the Workforce estimated that in 2020, 56% of the jobs in Louisiana would require some sort of postsecondary credential. Three years beyond that projection, Louisiana still falls far short of having the educated workforce to fill that need.

Part of the reason is the sheer number of undereducated adults in the state. Currently, about 1.2 million adults ages 25 to 64 – more than half the working-age population – lack a postsecondary credential of any kind. Nearly half of those adults live in poverty, they have higher rates of unemployment than others and their wages are lower.

There is also an equity gap. More than half of adult African Americans in Louisiana have a high school degree or less. That compares with 42% of whites. Only 16% of African Americans have a bachelor’s degree or higher.

The issues facing Louisiana are clear. The state’s level of education attainment is low. Its population lacks the education and training to meet workforce needs. Its low education attainment perpetuates high levels of poverty. And African Americans, both young and older, are disproportionately impacted by all of this. Clearly, the way to address these issues is to get more people – particularly adults and African Americans – into higher education. To do that, Louisiana must employ multiple strategies. One is expanding access to dual enrollment and other pathways that allow students to graduate from high school with college credits or a career training credential.

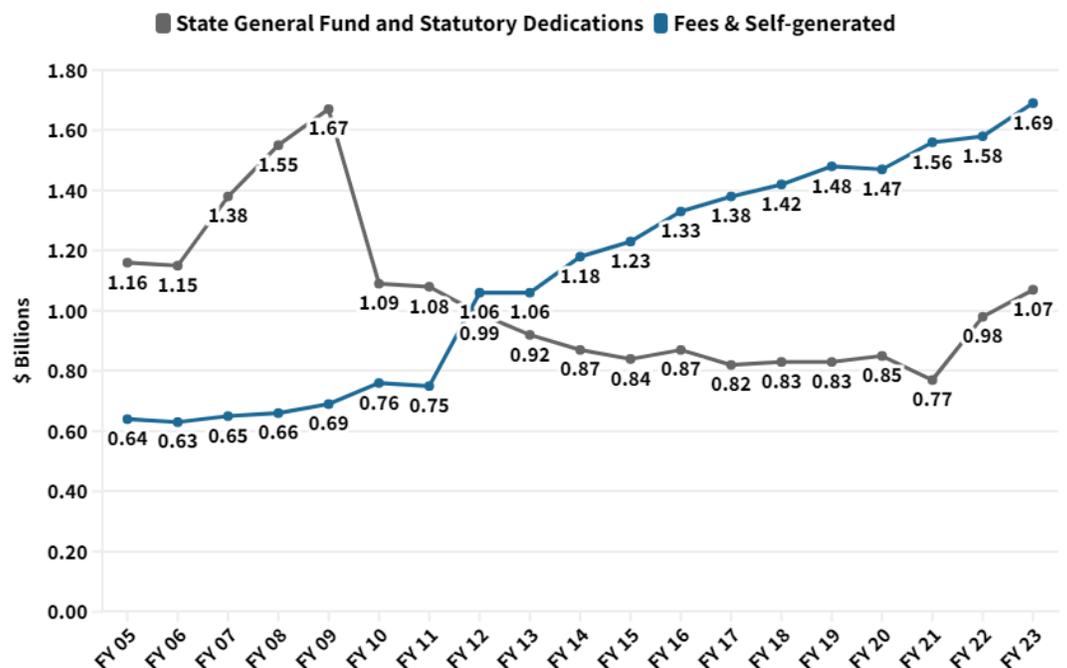
Louisiana has seen measurable improvement in this area in recent years. A record number of more than 28,000 students participated in dual enrollment courses in the 2021-22 school year. The latest data indicate that 31% of recent high school graduates took at least one dual enrollment class and 89% passed with a grade of C or higher.

The Great Recession of 2008 upended funding for higher education across the country, especially in Louisiana. For decades college costs in the state were among the lowest in the country. While the costs remain generally in the middle of the pack compared to peers, they have become much less affordable in a state with close to 1 million people living in poverty.

During the recession, state support for postsecondary education fell from an all-time high of \$1.67 billion in 2009 to just over \$1 billion dollars 2023. As a result, student tuition and fees skyrocketed, increasing by a total of \$1 billion dollars over that same time period.

What that means is that in the last 15 years the funding mechanism for

Historical Spending on Higher Education



Source: House Fiscal Division

Louisiana colleges and universities has radically changed. In 2009 student tuition and fees made up about 27% of the total cost of postsecondary education. Today it is about 60%. That has created new barriers to access for many students, particularly students of color who are more likely to come from economically-disadvantaged backgrounds.

That increase in student costs has also driven increases in financial aid. From 2008 to 2022 funding for TOPS, which primarily benefits middle- and higher-income families, increased from about \$131 million to more than \$300 million. For most of that time, the state's need-based GO Grant program for economically-disadvantaged students actually declined or remained virtually flat. More recently it has grown from about \$29 million two years ago to \$55 million in 2023. Though that has increased both the number of students receiving assistance and the size of the awards, the program remains much smaller than TOPS.

If the state's goal is to increase educational attainment for all citizens, especially for those who are the most economically-disadvantaged and in greatest need of opportunities for education and training, Louisiana must continue its ongoing investment in need-based financial aid or develop additional strategies to ensure affordability and access to postsecondary education.

The state's demographics and education pipeline indicate that reaching the Board of Regents' 60% attainment goal cannot be achieved by simply graduating more students from high school and enrolling them in college or a training program. Success will require a concerted effort to reach the hundreds of thousands of adults who are working without a postsecondary credential.

This is complicated by the high number of citizens in Louisiana – more than 370,000 working-age adults – who never completed high school.

Typically, they work in low-paying, low-skills jobs and have not been eligible for the type of financial aid available to younger students when they graduate from high school. Because of this, they often cannot afford the education and training needed to move up the job ladder and remain trapped in a limbo of under-employment.

The Legislature created the M.J. Foster Promise Program in 2021 to specifically target this segment of the workforce. It is currently funded at \$10.5 million and helps Louisiana residents 21 years or older pursue education or training in a community college aligned to high-demand, high-wage jobs in growing industry sectors. These include fields such as construction, health care, information technology, manufacturing and transportation/logistics.

The state's four-year schools are also reaching out to adults. The University of Louisiana System has launched an initiative called Compete LA aimed at the more than 600,000 people in Louisiana who have some college credits, but no degree. The UL System is offering more than 50 degree programs, many available online, that are designed to make it easier for working citizens to access higher education and finish a degree on a timeline that works for them. The state's historically black colleges are also undertaking efforts to bring working adults back into postsecondary education.

While workforce needs are important, it should be noted that higher education in Louisiana is a critical incubator of research and innovation. Its medical schools produce physicians, and universities develop the

talent needed to fill the jobs of the future. Louisiana's economic mix of energy, manufacturing, agriculture and maritime has served the state well, but that landscape is changing. Universities must produce the talent Louisiana will need to adapt.

The RESET

If Louisiana is going to meet the workforce needs of today, produce the talent to fill the high-tech jobs of the future and improve the socio-economic status of its people, the state must increase its level of education attainment. To accomplish this Louisiana should:

- **Commit to the Board of Regents' goal of ensuring 60% of Louisiana adults have a high-value credential or postsecondary degree by 2030.**
- **Continue reinvestment in higher education with a focus on improving quality, meeting workforce needs, supporting targeted research and maintaining affordability.**
- **Improve access to postsecondary education for all students through ongoing support of need-based financial aid.**
- **Remove barriers that make it difficult for students to transfer credits between institutions, a problem that increases costs and delays completion.**
- **Guarantee all students a minimum number of dual enrollment course options at no charge.**
- **Increase the number of high school graduates enrolled in teacher preparation programs and close equity gaps.**
- **Strengthen the focus within postsecondary education to meet the workforce and knowledge needs of a more diversified, modern and changing economy.**



Taxes

Louisiana should provide a fair, simple and competitive tax environment for individuals and businesses that produces sufficient and stable revenue for essential government operations and services.



**Create a Fair
and Competitive
Tax
Environment**

Louisiana's tax system lacks fairness, simplicity and competitiveness and has failed to adapt to changing circumstances. The overall tax burden is low compared to other states, but the system's complications leave Louisiana at a disadvantage. Simply put, this is the worst of possibilities.

The tax structure resorts to higher-than-needed rates because it lacks a broad base, with too many exemptions, deductions, exclusions and credits. Businesses face a burdensome, decentralized sales tax collection process. Local governments don't have financial flexibility, leaving them too dependent on the sales tax.

Louisiana made huge strides in addressing problems with its tax structure when lawmakers and voters agreed in 2021 to detangle state income tax collections from federal tax payments. The package of tax changes removed personal income tax and corporate tax deductions for federal income taxes paid in exchange for lowering overall income tax rates, ending a link to federal taxes that made Louisiana's tax collections volatile and hard to control. The tax restructuring effort also eliminated the corporate franchise tax for small businesses, lowered the franchise tax rate for others and ended most excess itemized deductions for individual income taxpayers.

But much work remains to be done to improve Louisiana's tax system.

A state's tax structure shapes expectations about who should pay, while setting up government dependence on certain revenue streams. Changing it is hard. Even if tax restructuring creates a fairer overall system, the changes are likely to be felt unevenly among taxpayers and might distribute revenue differently for state and local agencies.

Louisiana's state rankings for average tax burdens on citizens and businesses tend to be close to the national average or even low, but some of its top tax rates are higher than many other states. The actual average tax bill is often at or below average because of a long list of tax breaks and incentives that lessen the overall tax burden. But industries are treated differently, giving some companies a more advantageous tax position than others.

Meanwhile, the state and local sales tax bases are treated so disparately that it makes compliance for businesses who work across multiple parishes quite tricky.

That is the picture of a broken system.

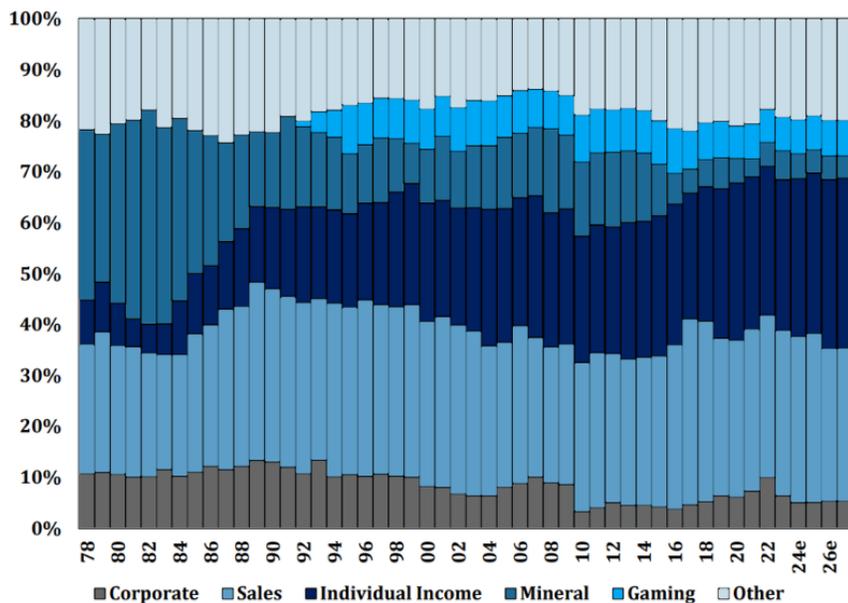
High tax rates are a disincentive to live, invest and hire workers in Louisiana. Because of the complex system that mixes some higher-than-average rates with tax breaks, Louisiana’s tax and business climate rankings nationally are mixed. The state scores well in Site Selection magazine’s tax rankings and poorly on Forbes’ “Best States to Start a Business” list.

The top income sources for Louisiana are the sales tax and the individual income tax, with gambling taxes providing significant sums as well, according to the state Department of Revenue. Oil and gas revenue fluctuates widely, depending on energy prices, and provides a much smaller share of Louisiana’s income collections than in prior decades.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Change (since 2015)
Sales & Use (General and MV)	3097.0	3348.4	4356.1	4390.0	3910.1	3769.6	4207.3	4970.8	60.5%
Individual Income	2886.1	2877.8	2959.5	3268.6	3719.4	3780.3	3956.6	4556.1	57.9%
Mineral Revenue	1015.1	586.8	516.4	618.1	721.4	552.7	408.8	709.4	-30.1%
Gaming	886.8	906	893.7	890.3	897.5	780.5	915.2	1000.2	12.8%
Gas and Fuels	606.4	622.2	634.9	601.8	635.5	581.2	609.9	621.2	2.4%
Premium Insurance Taxes and Fees	517.1	595.5	952.8	962.3	986.7	1029.5	1121.0	1204.1	132.9%
Corporate Collections	300.1	248.8	388.4	477.6	630.5	578.5	805.4	1402.1	367.2%
Other	1158.8	1214.9	1233.8	1164.5	1138.8	1170.5	1208.4	1138.5	-1.7%
Total Taxes, Licenses and Fees	10468.4	10400.4	11935.6	12373.2	12639.9	12242.8	13232.6	15602.4	49.0%
Less Dedications	2059.2	2503.7	2508.3	2486.9	2599.0	2411.4	2767.8	3867.5	
SGF Revenues	8409.2	7896.7	9427.3	9886.3	10040.9	9831.4	10464.8	11734.9	39.5%

Source: Division of Administration

Percent of Gross State General Fund Revenue by Fiscal Year Taxes, Licenses and Fees



Source: Division of Administration

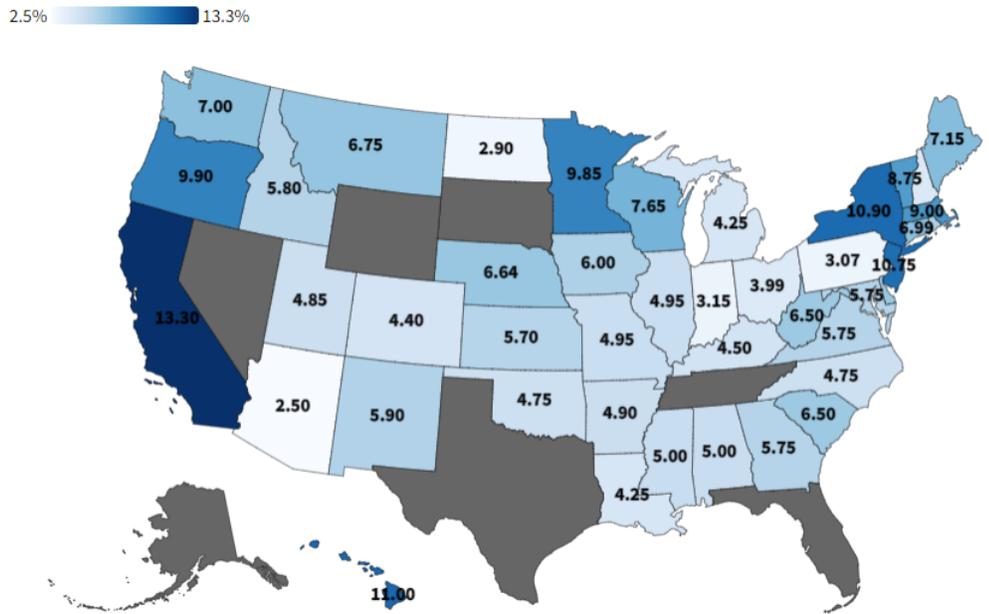
With large credits and exemptions, corporate income and franchise taxes usually account for a small portion of overall net state tax revenue, but those tax collections have ticked upward during the COVID-19 outbreak as corporate profits surge amid the recovery, an overheated economy and inflation. Businesses pay far more than income and franchise taxes to government, including about half of all sales taxes, most property taxes, revenue from businesses filing through the individual income tax and regulatory fees, according to a recent study of Louisiana’s tax system and the Council on State Taxation.

At 9.55%, Louisiana has the highest average combined state and local sales tax rate in the nation, according to the Tax Foundation. That is only a fraction above Tennessee, which has no income tax except for investments. Louisiana has more than 200 sales tax exemptions, according to the state Department of

Revenue, though about 100 continue to be suspended temporarily as part of a short-term tax and budget deal struck in 2018 that expires in 2025. Exceptions to the sales tax narrow the base and place upward pressure on rates.

Top Marginal State Individual Income Tax Rates by State

As of January 3, 2023



Source: Tax Foundation

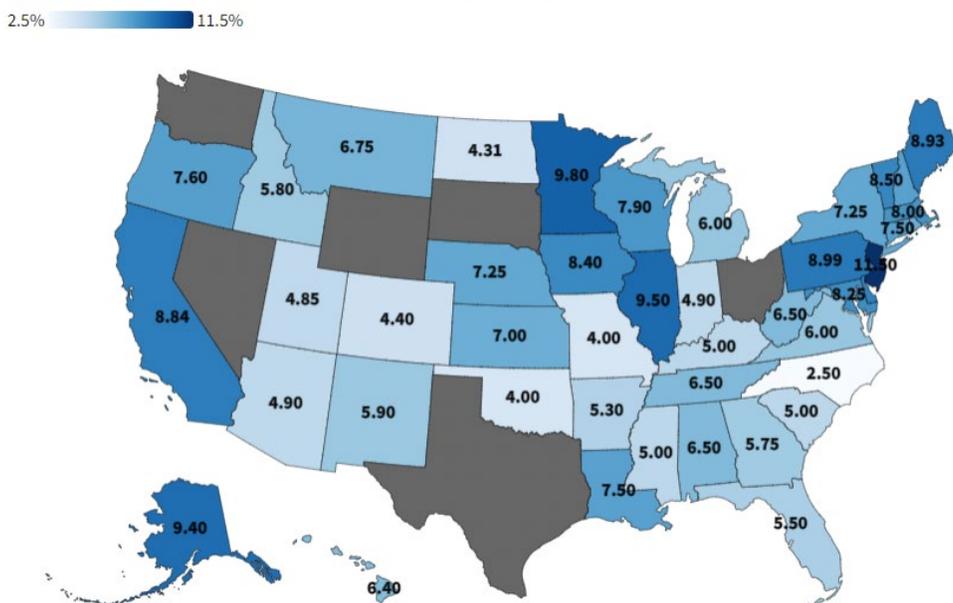
Louisiana is one of few states where local governments collect the sales tax, a system that places businesses at a disadvantage because of multiple rates, a lack of uniformity, different rule interpretations and multiple audits. Efforts to create a more uniform and centralized system of sales tax administration received passage from lawmakers in 2021, but voters rejected the constitutional change required to enact it.

In a bright spot, with the income tax changes passed by lawmakers and voters, Louisiana’s top individual income tax rate of 4.25% is lower than 35 of the 41 states that levy a personal income tax on wages and salaries – including all other states in the Southeast that collect the tax, according to the latest data from the Tax Foundation. Those numbers will change slightly as planned tax cuts enacted in states like Mississippi and Iowa are phased in over

several years, according to information from the National Conference of State Legislatures.

Top Marginal Corporate Income Tax Rates by State

As of January 1, 2023



Source: Tax Foundation

On the business side of the ledger, of the 44 states that have a corporate income tax, Louisiana’s upper rate of 7.5% ranks 15th in the country and above other states in the South. The higher-than-average rate is lessened by tax credits, net operating loss offsets and exemptions, but it creates the strong perception of a barrier to economic development.

And while Louisiana significantly reduced its corporate franchise tax and eliminated it entirely for small businesses, the continuation of any such tax is widely recognized as

discouraging investment and inhibiting economic development. If lawmakers want to identify replacement revenue to eliminate the franchise tax, they could look to the corporate income tax, certain tax credits and utility bill sales taxes as potential trade-offs.

Several states are debating whether to eliminate their income taxes entirely, a discussion that has started in Louisiana as well. The personal and corporate income taxes are expected to bring in more than \$5 billion to the state treasury in the 2023-24 budget year. That's about 44% of the \$11.4 billion in state general fund money Louisiana is forecast to collect in the year.

Without replacement money, the loss of the income tax would devastate government programs and services, blowing a massive hole in the state's budget. Any effort to repeal the tax would need to be closely tied to an alternate plan to pay for state services. But removing the tax also wouldn't be a panacea for Louisiana's problems without other changes to improve the quality-of-life issues (education, health care, infrastructure) that are critical to drawing people to and keeping them in a state. At best, removal of Louisiana's income tax would only make the state marginally more attractive unless other core problems are addressed.

On the local level, Louisiana's property tax rates are relatively low, with a large homestead exemption, an assessment freeze for the elderly and additional breaks. The state has one of the nation's lowest property tax burdens, according to the Tax Foundation.

Thirty-one of Louisiana's 64 parishes have half or more of their homesteads 100% exempted, according to a 2022 report from the Louisiana Tax Commission. Seventy percent of homesteads are entirely exempt from property taxes in nine parishes. That leaves local governments far more dependent on volatile sales taxes, creating revenue difficulties in areas. In certain rural parishes, the proportion of totally exempted homes is vast and retail sales are scarce.

The RESET

Louisiana should create a competitive, fairer tax environment with lower rates, fewer tax breaks, greater alignment between state and local tax bases and more stability, while also ensuring sufficient revenue to pay for services. To improve the tax structure, Louisiana should:

- **Centralize and simplify sales tax collections, offering a modernized and uniform system of sales tax administration and auditing.**
- **Eliminate the corporate franchise tax, a disincentive to business investment.**
- **Reduce the number of sales tax exemptions. Permanently eliminate sales tax exemptions the Legislature temporarily suspended and stop creating new ones.**

- **Expand the sales tax base and reduce the tax rate, including taxation of some services.**
- **Simplify and streamline the Industrial Tax Exemption Program.**
- **Remove state tax exemptions from the constitution. Require a two-thirds vote to change or remove exemptions or create new ones.**
- **Give local governments more flexibility for their revenue base and put more emphasis on property taxes. Lower state tax rates in exchange for raising local property tax revenue and decreasing state spending to local governments.**



Budget

Louisiana should make budget decisions that put the state on sound fiscal footing and ready for any financial problems on the horizon.



**Stabilize the
Budget and
Pay for
Priorities**

Whatever issues policymakers want to tackle, whether education, crime, infrastructure or something else, they all run through the budget.

State government budgets are statements of priorities. They should focus spending on critical services, areas of need and programs that improve residents' quality of life and move the state forward.

Louisiana hasn't always followed that roadmap with its budgeting tactics but will need to chart such strategies to respond to the pressures facing policymakers next term.

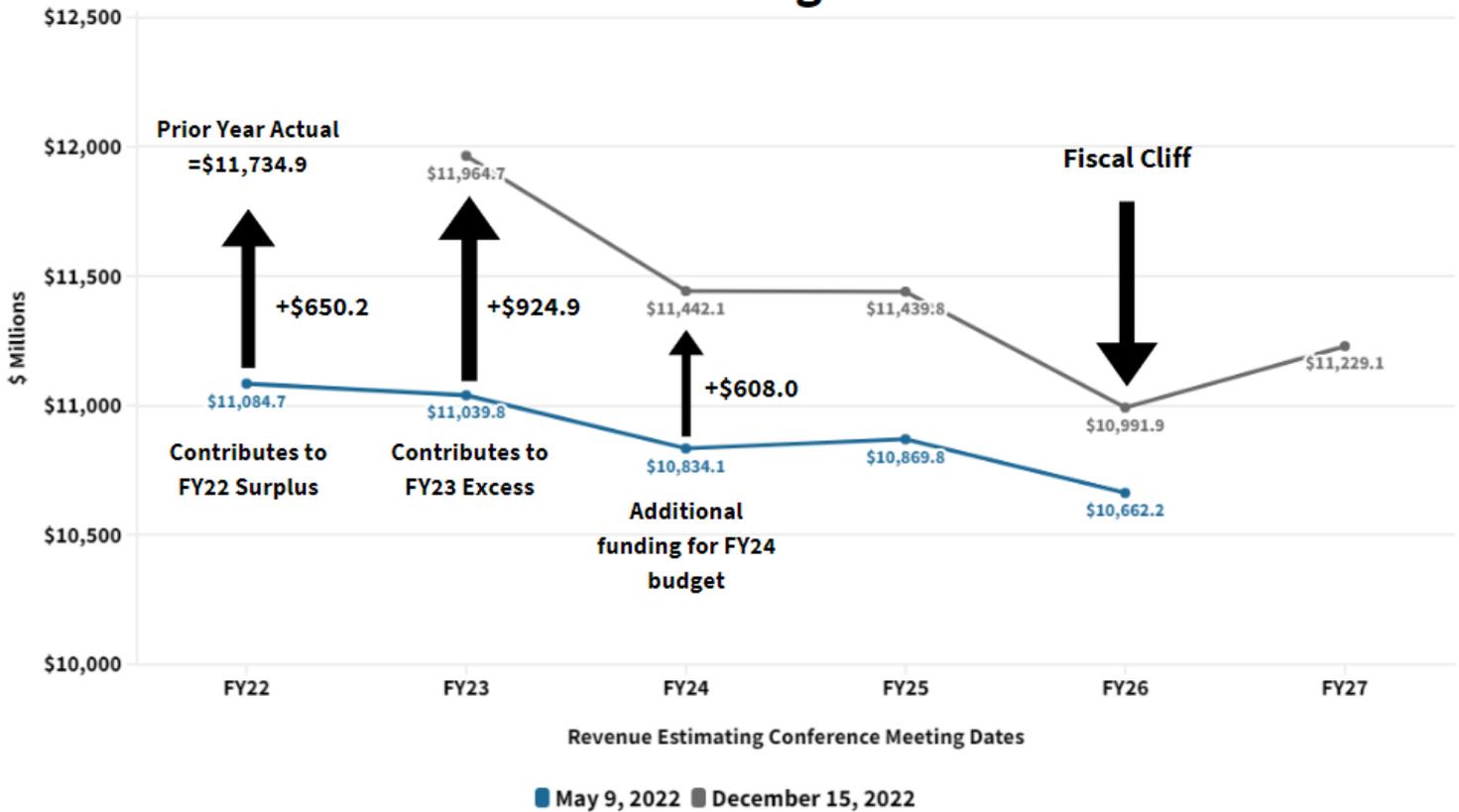
Rather than see state finances hobbled by the coronavirus pandemic and disasters, Louisiana experienced a recent budget boom. In fact, Louisiana has repeatedly seen surpluses since Gov. John Bel Edwards and lawmakers struck a seven-year tax deal in 2018 to balance the budget. Billions of dollars in federal pandemic aid and more from state tax collections that repeatedly top forecasts have given the governor and Legislature the luxury of divvying up a largesse instead of grappling with the cuts of years past.

But serious financial headwinds arrive next term, threatening vital services that state government provides. Federal pandemic aid is ending, and national economic uncertainty has ripple effects that could impact state tax collections. In addition, Louisiana officials' decisions will lessen the money available for general government programs.

The temporary 0.45% state sales tax enacted in 2018 as part of the budget deal will expire in mid-2025, lessening tax collections for the state general fund by an estimated \$460 million a year, according to the Legislative Fiscal Office. Meanwhile, a portion of taxes charged on sales of new cars and trucks will shift to a transportation fund, starting with an estimated \$164 million in the 2023-24 financial year and \$338 million a year later.

Those combined self-created hits will reduce state general fund revenue by nearly \$800 million, shrinking the dollars available to pay for higher education, health services and public safety programs, among other government initiatives without dedicated income from taxes or fees.

State General Fund Changes and Fiscal Cliff



Source: House Fiscal Division

Growth in other tax collections is projected to increase enough to offset some, though not all, of the cuts to the general fund. And if the governor and lawmakers expand spending now for ongoing programs, then the size of the gap will worsen.

Louisiana has an unfortunate history of squandering its money or making poor decisions when unexpected dollars arrive. With the temporary influx of state and federal money this term, lawmakers and Edwards have made wise investments in water and sewer upgrades, education improvements, road and bridge work and debt payments that won't balloon recurring annual costs to the budget. They've socked away dollars into savings accounts. But they've also wasted millions on pet projects chosen behind closed doors.

Lawmakers also have done little to prepare for the fiscal cliff, but should be strategizing for how to address the revenue drop if they don't intend to renew the sales tax. They'd do well to learn the lessons of the post-Hurricane Katrina era, when then-Gov. Bobby Jindal and lawmakers cut individual income taxes based on a short-term budget boom caused by an infusion of hurricane recovery spending and other temporary sources of cash. Those tax cut decisions came without any plans for dealing with the lost revenue. Jindal and the Legislature then made significant cuts to public colleges, health services, child welfare programs and other areas. They didn't make strategic choices or craft any sort of well-developed plan for how to handle the budget gaps.

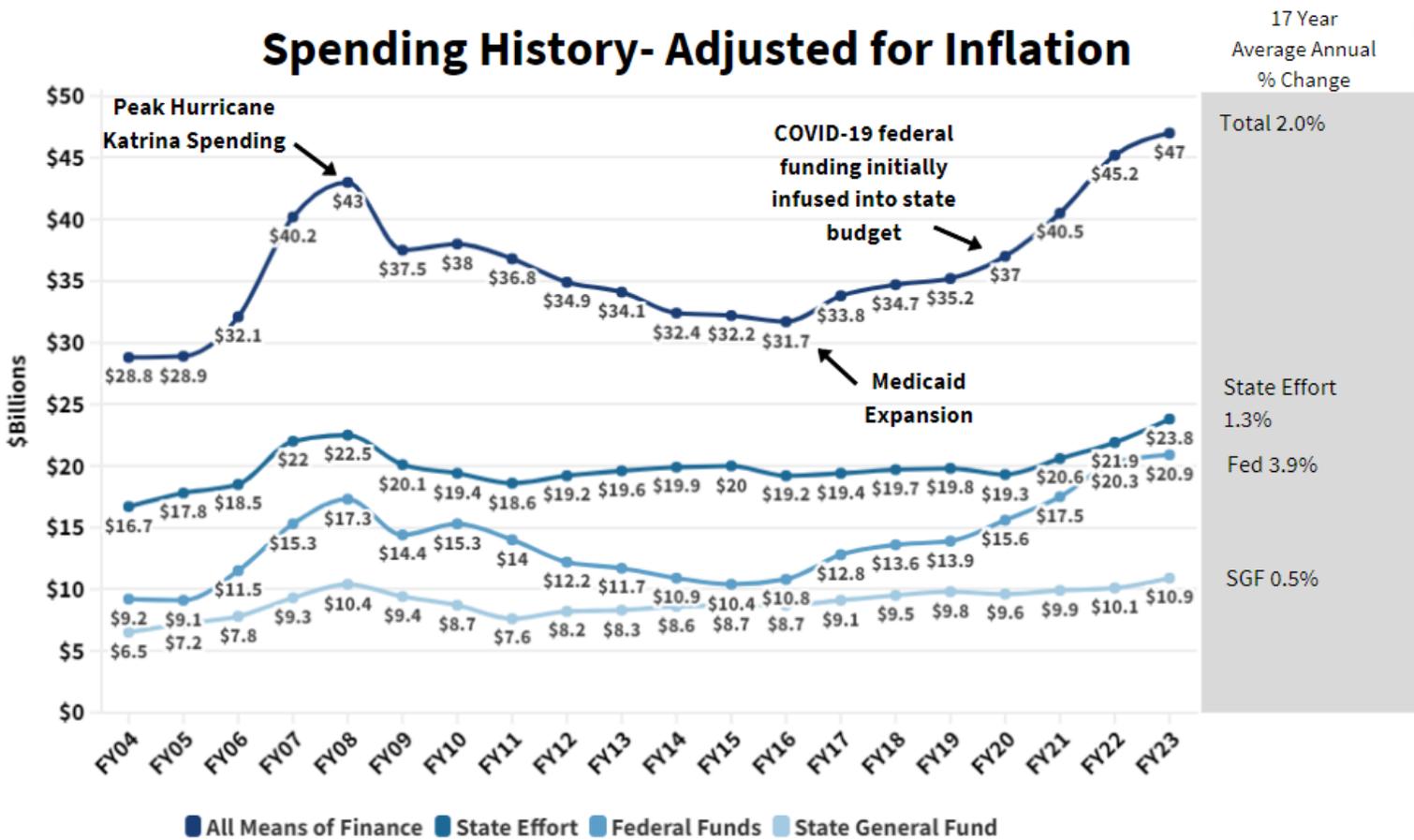
If the next governor and lawmakers don't want to reup the expiring sales tax, they need to stop growing government spending on new, ongoing programs and find a way to account for the tax dollars that will be lost – rather than waiting until the cliff hits and scrambling for solutions.

Policymakers shouldn't try to stockpile the short-term cash they have to plug shortfalls in future years because that won't solve their problems. Using gimmicks to patch together budgets for one year with money that disappears a year later creates constant cycles of unnecessary financial crises, a repeated problem during Jindal's tenure.

Such an irresponsible approach leaves a governor and legislators struggling to pay for basic services on which people rely, fostering widespread worries about cuts to necessary programs. It creates fear and stops the state from having broader conversations about the types of smart spending that would address critical needs, protect vital government services and put Louisiana on a better path for the future.

Louisiana's state spending on government programs and services has grown by an average of 3.3% annually over the last two decades, according to the House Fiscal Division. When adjusted for inflation over the same period, the number declines.

But the state also receives significant sums from federal sources, such as dollars for the Medicaid program, hurricane recovery money and pandemic aid. That federal money accounts for about 44% of the current year's budget.



Source: Office of Planning and Budget

The RESET

To put the state on a sound financial footing and ready for the financial problems on the horizon, Louisiana should:

- **Wean the state off new recurring spending to soften the cliff. Spend some recurring dollars on debt payments and other short-term expenditures.**
- **Don't use one-time money for recurring expenses. Use short-term cash to pay debt and other obligations to place Louisiana on a sounder financial footing before the cliff.**
- **Eliminate pet project earmarks and focus on the state's broader needs, such as backlogs of deferred maintenance on college campuses, roadwork and other infrastructure.**
- **Reform capital outlay by increasing the local match required for non-state projects and steering less money to those non-state priorities.**
- **Eliminate many of the state's hundreds of dedications. Require all statutory funds to sunset, renewed only after legislative scrutiny. Limit the funds in the constitution.**
- **Closely track federal pandemic aid spending to ensure it's focused on prioritized state needs, with a transparent web portal that updates citizens on the money's use.**



Pension Reform

Louisiana should improve the state pension system to reduce the risk of increasing debt, better serve the state's workforce recruitment needs and provide a more competitive system for employees.

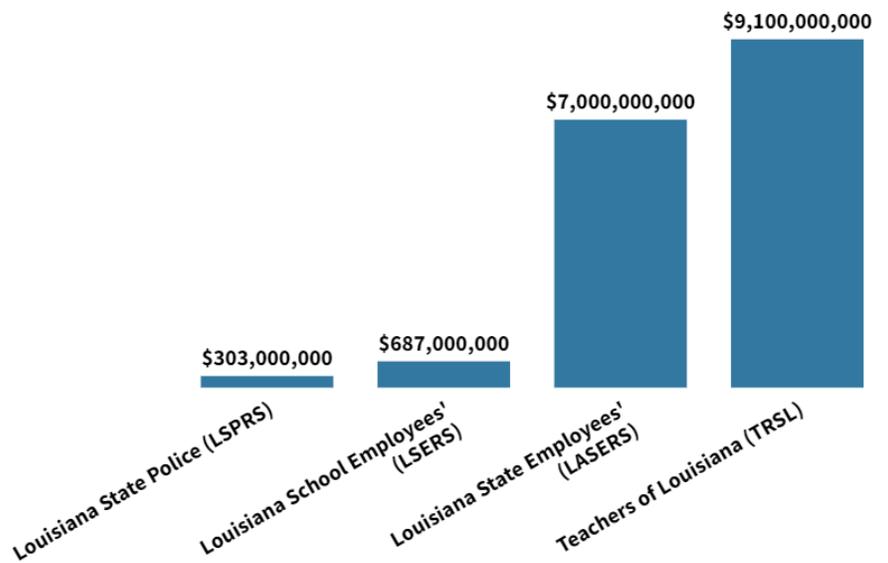
Transform
State Retirement
Systems for a
New Era

Louisiana's statewide retirement systems are underfunded at levels below the national average and well below measures of sound financial health. State policies exacerbate the debt problem and risk to taxpayers while offering uncompetitive, inadequate plans for many employees.

Actuarial reports from 2022 show the state's four major retirement systems have a total debt, or unfunded accrued liability (UAL), of \$17 billion. That's the gap between how much the retirement systems need to pay promised benefits minus assets such as stocks and bonds.

The two largest state retirement systems – the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana – have only 66% and 74% of the money needed to meet their long-term obligations to retirees.

Unfunded Accrued Liability by Retirement System



Source: Actuarial Reports Filed With the Louisiana Legislative Auditor

By comparison, the national funded ratio for state and local public pension funds was estimated to be 77% in 2022, according to the New York-based Equable Institute, which tracks public retirement systems. Only 15 states had a lower funding level than Louisiana for its statewide retirement plans and large municipally managed plans, the data shows.

Through taxpayer dollars and fees, the state and its public school districts are responsible for meeting these debts. Louisiana's debt payments – at more than \$1 billion annually – take dollars away from priorities such as education, health care and public safety. Meanwhile, these payments siphon away dollars that could otherwise pay for higher salaries or new employees.

Most Louisiana government workers and teachers are enrolled in a defined benefit plan, where employees receive a guaranteed monthly income for the rest of their lives after they retire. The income is based on a

formula that includes an employee's years of service and the average salary of the employee's highest-earning years.

This system, while providing protection for employees, places the full financial risk on state agencies and school districts. If investments nosedive or anything goes wrong with actuarial assumptions, the result is larger pension debts and a corresponding higher annual payment from the government.

To pay for the retirement plans, the state assesses agencies, public school systems and colleges a charge for each employee or teacher. The current charge per teacher is about 26% of salary, with more than four-fifths of that amount paying for debt, according to the Louisiana Legislative Auditor's Office. For state workers, the charge is 41%, according to the Louisiana State Employees' Retirement System. Unfortunately, even these big charges are inadequate.

For Louisiana's retirement systems to work properly, the state must anticipate how much retirement money will be needed and then invest enough annually to keep up with those predictions and prevent a ballooning debt load. Over the past three decades, politicians and retirement system officials wisely made and stuck to payment plans. Unfortunately, the state adopted a too-rosy outlook on investments and the payment plans have been inadequate.

Problems with the pension systems stretch back for generations.

Louisiana's retirement systems started off in debt as soon as they were created decades ago, paying benefits to retirees almost immediately without properly funding them. Then, lawmakers and governors worsened the problems by increasing pension benefits for some, adding more retirees into the systems and making insufficient payments.

Until 1989, the systems were not financed according to actuarial projections, creating a massive debt. A constitutional amendment adopted in 1987 required that accumulated retirement debt to be paid off by 2029. Louisiana is currently making those payments.

The 40-year payment plan, however, started out low and increased over time, shifting the heaviest costs to the future. The state arranged for payments in the early years that were less than the interest charged on the balance, so the debt grew.

Louisiana is on track to retire the initial debt on schedule in 2029. But the old debts are only part of the problem. A new unfunded accrued liability has grown, driven largely by investment performance.

The retirement systems do not need to lose money in their investments to create debt; they just need to earn less on their investments than they assumed. The state retirement systems haven't done a poor job of investing, but their expectations have been too optimistic.

For many years, the state's expected rate of return over time was above 8%. The state has finally made some strides in this area, dropping to a current expected rate of return of about 7%. That's equivalent to the median long-term assumed rate of return among the nation's large public retirement systems in 2022, according to the Reason Foundation. Louisiana's two largest statewide retirement systems must reach a

7.6% return on their investments to avoid incurring additional debt. Many systems around the country are more conservative in their assumptions.

Investment losses are complicated by the odd way the state handles cost-of-living-adjustments (COLAs), which are given to retirees to help cover inflation. COLAs are a necessary part of a sound retirement plan, but Louisiana's system for providing them is unreliable.

Louisiana pays for COLAs through a mechanism created in 1992. When retirement systems have particularly good investment returns, some investment earnings are credited to a separate account, called the "experience account." When that account builds to a certain level, a COLA may be given. Because market gains are siphoned off in good years to pay for future cost-of-living adjustments, fewer dollars are available to offset losses from bad years. When investment gains don't stay far enough ahead of the losses, more debt accumulates. Louisiana's method for COLAs is rarely used elsewhere and is widely criticized by pension analysts.

Changes to the COLA system would not eliminate the current unfunded liability but would benefit retirees and taxpayers by reducing the risk of generating additional retirement debt.

The retirement plan structure also gives Louisiana state workers and teachers no investment portability. The less time workers spend in public service, the bigger the problem. A 2018 Louisiana State Employees' Retirement System estimate showed only 5% of state government employees in the pension program work long enough to receive full benefits while 70% will get no retirement benefit because they leave government service before qualifying and simply receive a refund of their contributions.

While not accruing a useful pension is problematic enough, it is worsened because state employees and teachers in Louisiana are among a very small percentage of American workers who are not enrolled for benefits through the federal Social Security program.

In other words, the state punishes employees or teachers who work only a few years in government service before changing jobs, leaving them with no employer-funded retirement plan or Social Security benefits. In the private sector and the public systems of many other states, retirement plan portability and an agile workforce are recognized facts of life.

In recent years, the state has made improvements. For example, lawmakers placed limits on salary spikes and the use of overtime pay toward final average compensation calculations. New employees must wait until they are 62 before collecting retirement benefits. Still, the state continues to carry the entire financial risk of the pensions.

The RESET

To break the cycle of indebtedness and establish a better system, Louisiana should:

- **Reform the state pension systems to reduce the risk of growing unfunded liabilities.**
- **Adopt a more portable hybrid system for new employees, combining a traditional defined benefit plan with a defined contribution plan.**
- **Adopt a better, predictable cost-of-living methodology that doesn't worsen debt.**
- **Move to more conservative investment earnings assumptions.**



Constitution

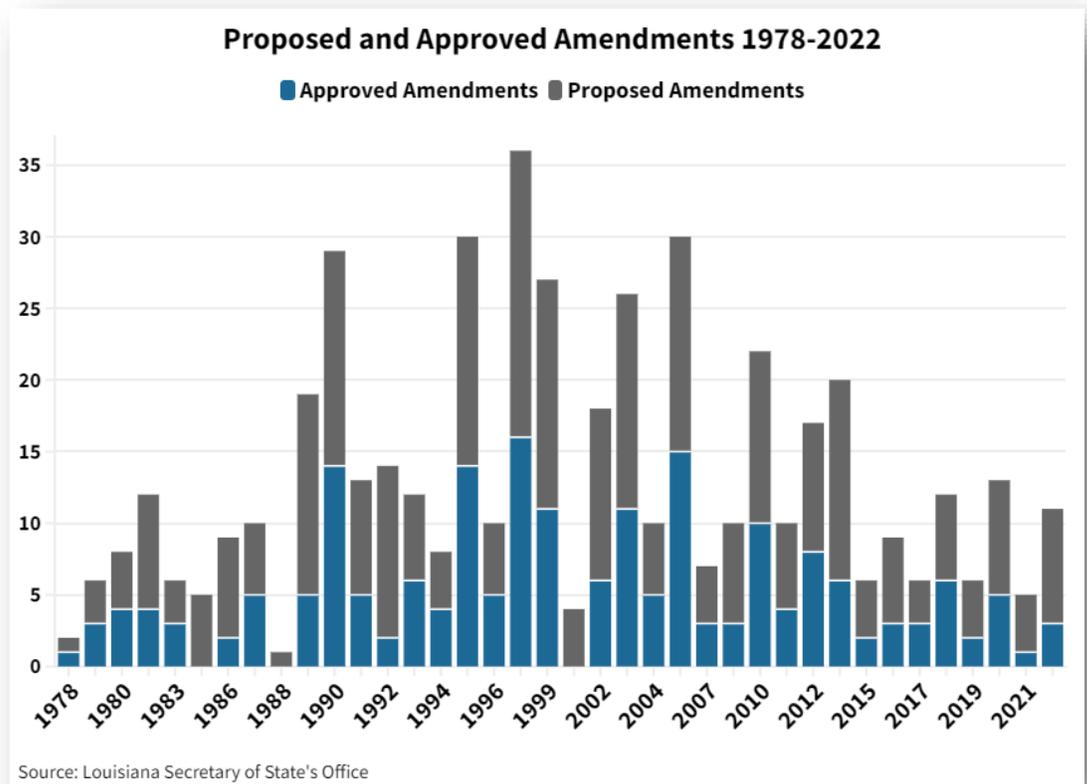
Louisiana should simplify the state constitution to increase fiscal flexibility, allow improvements to tax and spending policies and modernize state and local relations.

Design a
Modern,
Workable State
Constitution

The Louisiana Constitution is an unwieldy and restrictive document that governs financial matters through narrow restrictions rather than broad grants of authority. This approach hinders the effective operation of government and the ability of elected officials to meet the current needs of citizens, particularly to address fiscal concerns or reset priorities.

At more than 83,000 words, the Louisiana Constitution is nearly 11 times longer than the U.S. Constitution, which is about 7,600 words. It's the fourth longest state constitution in the country, according to a study from the University of Texas at Austin.

Since voters ratified the Louisiana Constitution in 1974, lawmakers have asked them to decide 308 amendments, a number that grows nearly every year. Of those, 209 changes have won approval. Lawmakers most frequently seek to amend Article VII, which covers revenue and finance matters, including the state budget process and taxation. To reach the ballot, each amendment requires a two-thirds vote of the House and Senate.



By comparison, the U.S. Constitution has been amended 27 times, only 17 of those since 1791.

The frequency of amendments to the Louisiana Constitution demonstrates the problems with the document's effectiveness. As the number of constitutional funds and detailed restrictions increases, so does the inability of the state and lawmakers to address current and pressing fiscal concerns, such as reforming the tax system.

Broadly speaking, the Louisiana Constitution authorizes state and local governments to impose and collect certain categories of taxes, including income, sales and property taxes. Yet, the document also imposes limitations on government's ability to adjust revenue, primarily through mechanisms like numerical caps on the level of taxation and mandatory exemptions, credits and deductions that are available to many categories of individual and corporate taxpayers.

Whether consensus exists on the value of each of the many tax breaks, there is a benefit to removing the vast majority from the constitution and providing the Legislature with more ability to adjust or restructure the tax system to fix problems and respond to changing circumstances.

For local government agencies, the state constitution contains many restrictions that limit the ability to manage their own financial affairs, leaving local entities to rely on state government subsidies to offset lost potential revenue. The Louisiana Constitution limits opportunities to reform the state-local relationship in ways that would build more sustainable communities, create a better environment for economic development and allow a broad tax restructuring.

Less detail in the Louisiana Constitution would help achieve greater flexibility. Lawmakers could revamp the document in multiple ways. It doesn't require the calling of a constitutional convention, though that is an option.

The House and Senate could tackle the problem through a package of amendments to make a combination of changes at one time, with each piece placed individually before voters statewide to decide. Alternatively, an entire article could be rewritten through the amendment process and put before voters as a single ballot proposal.

The more sweeping option is a convention, with the Legislature determining the specifics and delegate selection. The governor has influence with veto power over legislation creating a convention, unlike with constitutional amendments that don't go to his desk. If a convention succeeds in devising a new constitution, the document would be placed before voters on a statewide ballot.

The Louisiana Constitution does not provide for a "limited" convention, though advocates of a convention have outlined ways it might focus on fiscal matters. That likely would face legal scrutiny, however.

The RESET

To make the Louisiana Constitution more understandable and accessible to citizens, the state should:

- **Limit the Louisiana Constitution to general principles, providing a basic framework for the scope and operation of government and leaving policy details to statutory law.**
- **Allow elected or appointed officials leading individual agencies and institutions to make decisions about how to manage them, rather than cluttering the constitution with operational mandates.**
- **Streamline the document so it doesn't require constant revision to meet state needs.**
- **Give lawmakers the flexibility to improve tax and budget rules rather than dictating requirements in the constitution, so Louisiana can compete with other states, focus its limited resources on key priorities, grow the economy and improve the lives of citizens.**
- **Remove restrictions that limit local governments from raising their own revenues.**



Public Safety

Louisiana should create an effective criminal justice system that focuses prison space on those who pose a public safety threat and uses evidence-based practices to reduce recidivism.



Build an Effective Criminal Justice System that Improves Public Safety

Protecting citizens is one of the highest priorities of any government. Louisiana deserves policies that prioritize public safety and ensure that limited tax dollars are used effectively.

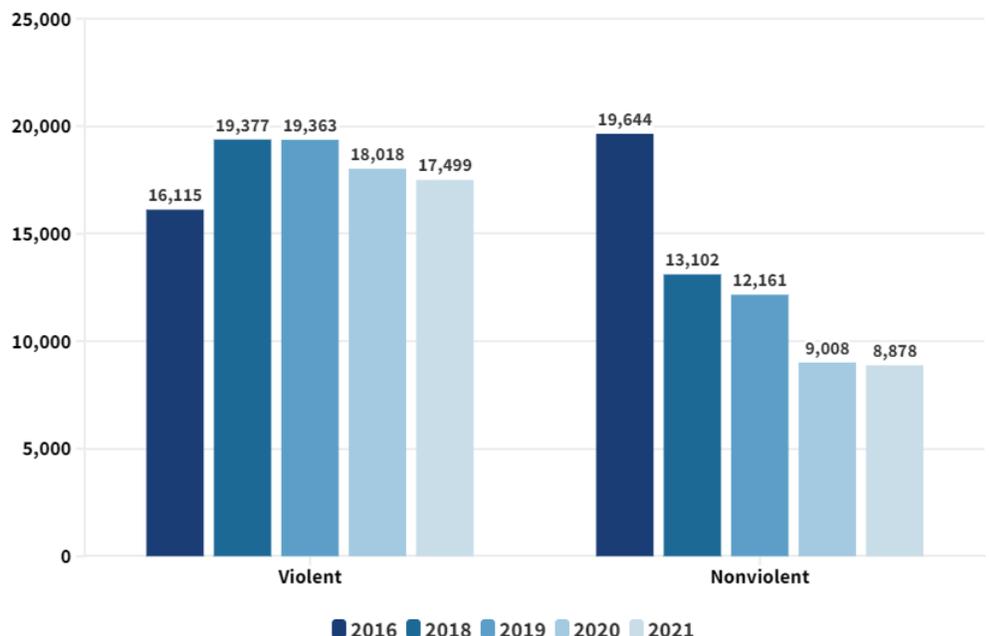
Louisiana historically sent more people to prison and held them for longer than other states, particularly for nonviolent crimes, consistently earning the title as the state with the highest per-capita incarceration rate in the United States. That's all while Louisiana routinely had higher crime rates than the rest of the nation. Something isn't working.

Research suggests such "tough on crime" stances don't make states safer, but they do drain states' budgets. Keeping tens of thousands of people incarcerated for long stretches of time costs taxpayers hundreds of millions of dollars annually to house offenders in state prisons and parish jails run by local sheriffs.

Following best practices of other states such as Texas, Louisiana started to reverse course in 2017, backing a 10-bill package of sentencing law changes and other adjustments recommended by the Louisiana Justice Reinvestment Task Force.

The changes expanded probation and parole opportunities and reduced sentences, mainly for nonviolent offenders. They eased some financial burdens inmates face upon release. And they required most of the savings from the reduction in prison population to be spent on treatment and training programs aimed at keeping exiting inmates from returning to crime.

Prison Population by Violent and Nonviolent Crimes



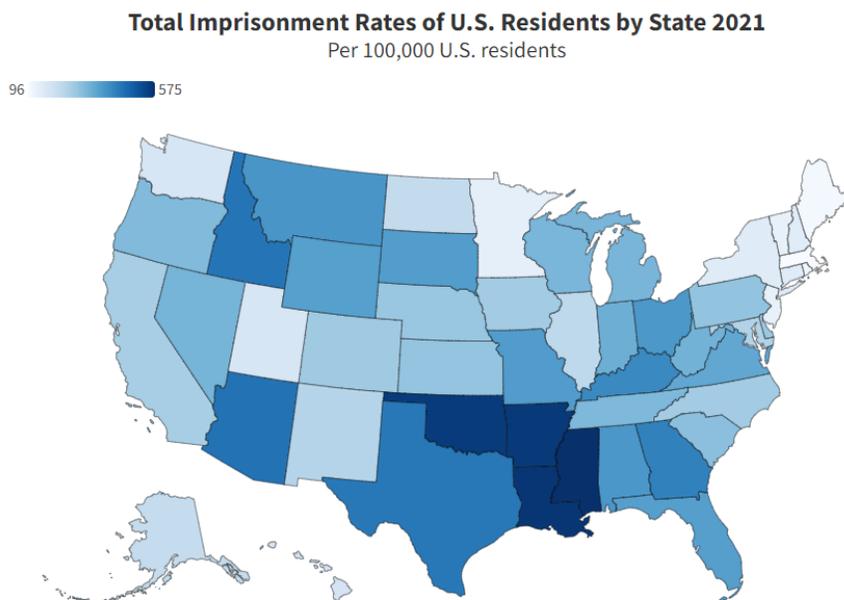
Source: Louisiana Department of Corrections

The goal was to focus state inmate beds on those who pose a serious threat to public safety and reinvest other corrections dollars into evidence-backed prison alternatives and reentry programs aimed at helping people return to the workforce and society through rehabilitation, rather than getting locked into a continuous cycle of imprisonment. The revamp effort won bipartisan support from a wide-ranging coalition that included faith-based groups, conservative organizations, business leaders and the American Civil Liberties Union.

Since the criminal justice overhaul passed, the number of state inmates in Louisiana has fallen 23%, from 35,702 at the start of 2017 to 27,405 in 2022, according to numbers from the state Department of Corrections. The drop is almost entirely driven by keeping fewer people in prison for nonviolent crimes.

In addition, the number of people on community supervision has declined, shrinking the caseloads for overloaded probation and parole agents and giving them more time to focus on the remaining offenders they oversee.

The Department of Corrections also said it is seeing drops in the number of people returning to prison after release, though the recidivism data available so far is more limited for comparison.



Source: Bureau of Justice Statistics, Federal Justice Statistics Program, 2021

Still, Louisiana's 2021 incarceration rate of 564 inmates for every 100,000 residents remained well above the national average of 350 prisoners. But it no longer ranked as the highest in the country. Instead, Louisiana was second to Mississippi, which had 575 people imprisoned for every 100,000 residents, according to data from the U.S. Department of Justice's Bureau of Justice Statistics. Only four states – Mississippi, Louisiana, Arkansas and Oklahoma – incarcerated more than 500 people per 100,000 state residents, the data showed.

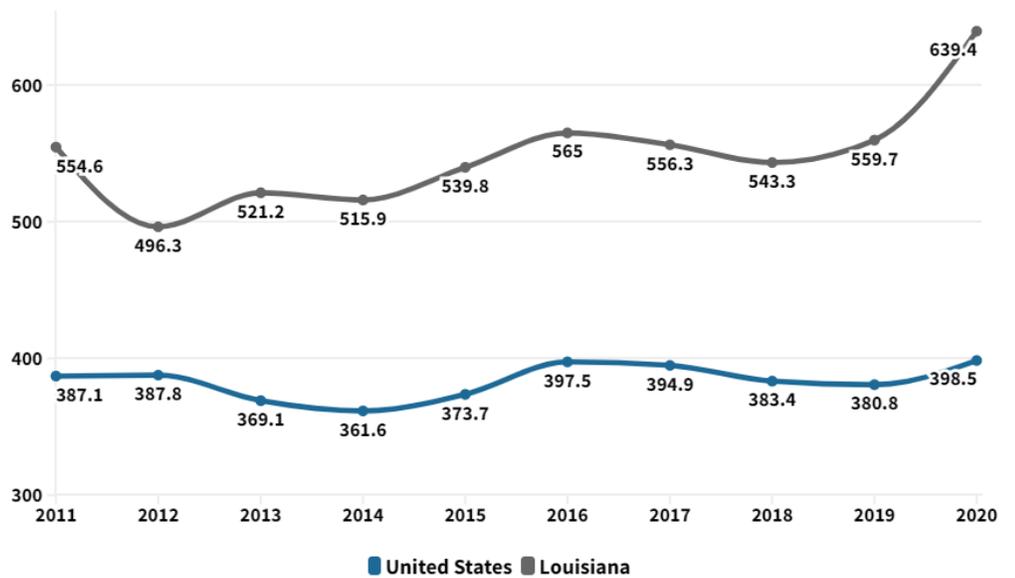
Incarcerating such large numbers of people and supervising them when on probation and parole carries a hefty cost for the state budget and for taxpayers. The Department of Corrections is budgeted for \$696 million in the current financial year – not counting the \$177 million separately paid to sheriffs to house the state's adult offenders in local jails. Nearly all of that comes from the state general fund.

Only education and health care receive larger general fund appropriations than corrections in Louisiana. When they revamped the criminal justice laws in 2017, state lawmakers required 70% of the savings from incarcerating fewer people to pay for recidivism reduction efforts through reentry and education programs, alternatives to prison and crime victim assistance. More than \$26 million has been redirected and spent on those efforts since the requirements began, according to state Senate budget analysts. But policymakers are now questioning whether the reform efforts exacerbated crime.

Violent crime rates increased in Louisiana during the COVID-19 pandemic, just as they have across the country. The rates of violent crime in Louisiana were higher than the national average in 2020, the last year of FBI data available – a rate of 639 violent crimes in Louisiana for every 100,000 people, compared to 399 nationally. Louisiana's homicide rate in 2020 was more than double the national average. Property crimes, meanwhile, have continually decreased in Louisiana over the last decade, just like in other states, the data shows.

Rate of Violent Crime Offenses by Population

Rate per 100,000 people, by year



Source: Federal Bureau of Investigation Crime Data

However, Louisiana's violent crime rate remains below rates seen from 2006 through 2009, even as it remains higher than nearly all its neighboring states except Arkansas, according to the FBI data, which includes murder and non-negligent manslaughter, rape, robbery and aggravated assault statistics to determine a state's violent crime rate.

Evidence does not support the idea that criminal justice reforms enacted before the pandemic have led to Louisiana's increases in violent crime. It seems far more likely the primary driver is the economic and societal upheaval caused by the COVID-19 outbreak.

Policymakers should let data-driven research and best practices from other states – rather than political calculations – determine if changes to the reform measures are justified, particularly whether there's evidence to indicate that reductions to sentencing requirements somehow are tied to violent crime spikes. Many criminal justice researchers say that years of data don't indicate that higher imprisonment rates lessen violent crime rates.

Taxpayers deserve a better system.

Even as Louisiana publicly focused on lessening its nation-leading incarceration rate, the state often has kept people behind bars beyond their release dates.

Federal DOJ investigators conducting a two-year review said in January that the Department of Corrections is violating the constitutional rights of offenders, while also wasting millions of dollars annually for improper incarcerations, not counting the costs of settlements for over-detention lawsuits. Corrections officials have known of the problem for at least a decade. The legislative auditor's office has pointed out the problem multiple times in its reports.

In a review of more than 4,100 people released from Louisiana state custody between January and April 2022, DOJ found 27% of the inmates were held longer than they should have been. The median number of days inmates were held past their release dates was 29. Federal officials said the state paid parish jails about \$850,000 in fees over the period to hold people beyond their sentences, estimating that over-detention costs Louisiana more than \$2.5 million a year. These are dollars that could be used to tackle crime or, better yet, prevent it in the first place.

The DOJ review cited the state's lack of a centralized, uniform and computerized system for receiving sentencing documents from local officials as a primary problem, along with deficiencies in staff training, oversight and sentencing computation processes.

The Department of Corrections attempted to shift to a new offender management system in 2015, but it failed within six weeks of its rollout. The state then returned to using its decades-old, antiquated system. The corrections agency is currently undergoing a new technology upgrade that it says will include a mechanism for submitting sentencing documents electronically, though the completion of that new computer system remains years away.

After their release, offenders who have served their time face a variety of barriers to successful reentry into society, such as hefty fees and fines that exceed their financial means and counterproductive constraints that limit opportunities to secure work. Worse, these fees are often imposed by entities that rely on them to pay for their operations. Fees can be a useful tool when used as an alternative to incarceration for nonviolent offenders, but they should not be the mainstay of judicial budgets.



The RESET

Louisiana doesn't have enough money to waste on solutions that don't work. Officials need to smartly allocate resources to maximize the chances of reducing crime, improve the reentry process and use better data and technology to be effective. To improve safety through the criminal justice system, Louisiana should:

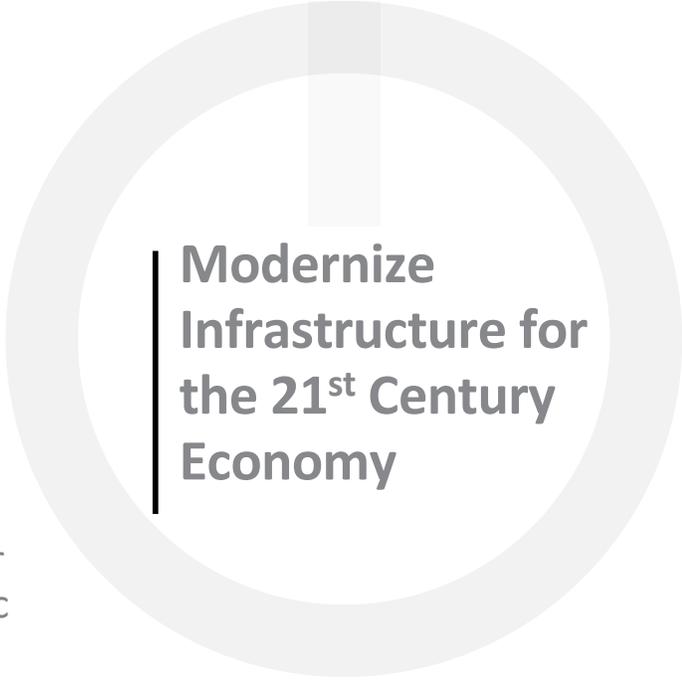
- **Continue ongoing reform work aimed at using prison space for those who pose a public safety threat, strengthening our systems of community supervision, lowering barriers to successful reentry and reinvesting the savings to reduce recidivism and support victims.**
- **Avoid undermining well-researched reform efforts because of hearsay, politics and fear of crime. Focus on research-based work that uses proven ideas from other states.**
- **Use a statewide collaborative of best-practice programs that maximize crime prevention and crisis response alternatives to incarceration.**

- **Create a prison-to-workforce pipeline in specific industries (such as construction and agriculture) that connects offenders with skills training needed by that sector and works with employers facing labor shortages to encourage them to hire people exiting prison.**
- **Improve data collection efforts through technology, including the creation of a statewide clearinghouse that allows stakeholders in the criminal justice system to share crime data. Address problems of systemic over-detention of offenders with a consolidated state web portal that can be used by sheriffs, clerks of court and others.**
- **Fund the state's courts and public defenders without counterproductive fees and fines on offenders that create a perverse structure inhibiting successful reentry into society.**
- **Follow evidence-based practices to reduce recidivism.**
- **Invest dollars in job training programs, mental health services, rehabilitation programs and other efforts to smooth reentry for offenders leaving prison and to better prepare them for the workforce and society.**
- **Expand drug courts with targeted programs aimed at keeping people out of prison and offering them needed treatment services.**



Infrastructure

Louisiana's transportation infrastructure should be an asset, not a liability. The state should significantly invest in its transportation infrastructure, including ports and waterways, enhance public safety, relieve congestion in major urban areas and support commerce and economic development.



**Modernize
Infrastructure for
the 21st Century
Economy**

For years there hasn't been much on the positive side to say about Louisiana's transportation infrastructure. High percentages of state roads and bridges are deficient, congestion in major cities is among the worst of similarly sized urban areas and drivers spend a disproportionately high amount of money on vehicle repairs caused by highway hazards.

Much of this is well-documented in various national studies. U.S. News & World Report ranks Louisiana's transportation infrastructure 48th in the nation. The Reason Foundation's Annual Highway Report puts Louisiana at 45th for structurally deficient bridges, 43rd for rural interstate pavement condition and 49th for urban condition.

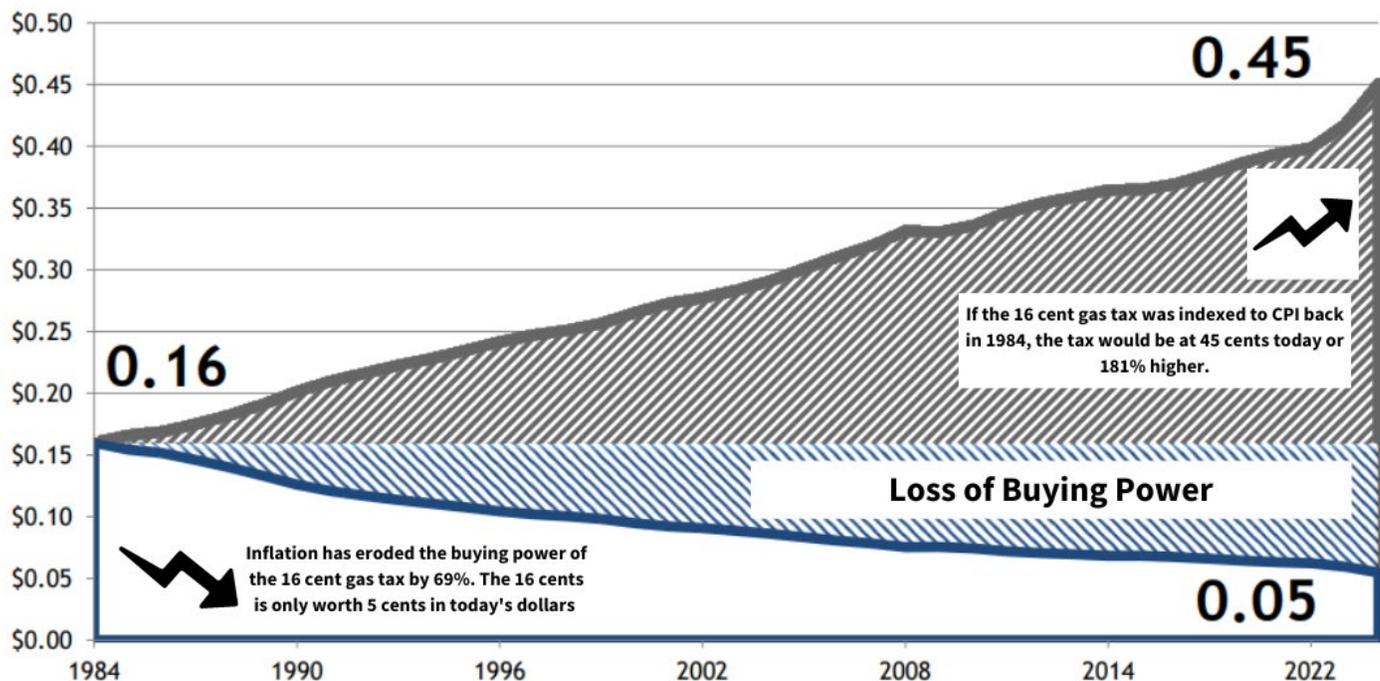
The state Department of Transportation and Development estimates Louisiana's backlog in highway and bridge needs now totals about \$18.8 billion. The problem has been years in the making, thanks in large part to a lack of ongoing investment in infrastructure.

The state portion for maintenance and construction of roads and bridges in Louisiana comes almost entirely from a 16-cent fuel tax in place since 1984. Those revenues are constitutionally dedicated to the Transportation Trust Fund, which limits their use to infrastructure projects.

Voters in 1990 approved another 4-cent fuel tax that could only be used to fund 16 constitutionally required projects in the state's TIMED building program. Two of those projects have yet to be completed, and the entire 4-cent levy is dedicated to debt service on TIMED projects, unavailable for other uses. In addition, a portion of the state's 16-cent gasoline tax is being used to service that debt. As a result, a growing amount of the state's transportation resources are paying bills for decades-old TIMED projects that are complete.

Besides a backlog in road and bridge maintenance needs, the state also has a list of multibillion-dollar capacity-building projects it has been trying to fund for years. These include such high-profile mega-projects as a new Mississippi River bridge in Baton Rouge, a replacement bridge over the Calcasieu River in Lake Charles, completion of Interstate 49 north and south and a new Red River bridge connecting Shreveport and Bossier City.

Inflation Impact on Louisiana's 16-Cent Gas Tax



Source: House Fiscal Division

Louisiana is one of only a handful of states that has not adjusted its fuel taxes in more than 30 years and, as a result, those taxes are 43rd lowest in the nation. Since then, much in the world of transportation has changed.

The purchasing power of the state's gasoline tax has deteriorated significantly in the face of steady increases in highway construction costs. Fuel efficiency standards have continued to increase. And the growth in the use of electric and hybrid vehicles has meant that more and more drivers have been paying significantly less in fuel taxes toward maintenance of the state roads they use.

Though Louisiana has not raised gasoline taxes in decades, it has recently taken steps to place more state revenues in the Transportation Trust Fund. Lawmakers in 2021 agreed to eventually direct 60% of the money from vehicle sales taxes into the fund resulting in a projected increase of more than \$300 million annually by the 2024-25 budget year, according to the Legislative Fiscal Office.

The Legislature in 2022 imposed a road usage fee on hybrid and electric vehicles designed to offset the loss of gasoline taxes resulting from greater use of those types of cars and trucks. For drivers, that amounts to a new \$110 annual fee on electric vehicles and a \$60 fee on hybrids.

A report by the Louisiana Legislative Auditor found the new fees on electric vehicles should offset the loss in fuel tax collections, but would fall somewhat short of making up the losses from greater use of hybrid vehicles. The report concludes in its primary finding that revenues coming into the Transportation Trust Fund have been insufficient to meet the state's transportation needs and suggests that will continue.

Despite that, Louisiana recently has seen an unprecedented influx of federal dollars and state revenues targeted to transportation and other infrastructure. The state dollars come from surpluses and other short-term sources of cash, and the federal funding comes primarily from pandemic relief legislation and the bipartisan infrastructure law passed by Congress.

The Legislature appropriated approximately \$1.3 billion to transportation projects in 2022 from a variety of sources. Just over half is earmarked for the state's high-priority mega-projects with the remainder going to the state highway program, local roads, passenger rail and federal match dollars. Up to \$5.9 billion could be available from the federal infrastructure bill over the next five years if the state is able to provide matching funds. Louisiana also will be able to compete for \$30 billion more through bridge repair and mega-project programs.

Though these are huge investments that could accelerate progress on some of the state's most in-demand projects, they still do not cover all the costs of big ticket items like the Baton Rouge and Calcasieu bridges or the I-49 expansion. To fully pay for those, the state will have to consider other funding strategies which would likely include public/private partnerships and tolls.

While all these dollars will provide a much-needed boost, they will not be enough to meet the state's long-term operational and maintenance needs. That will require a more comprehensive strategy and a plan to ensure that state funds are available to meet the federal matches many of them will require.

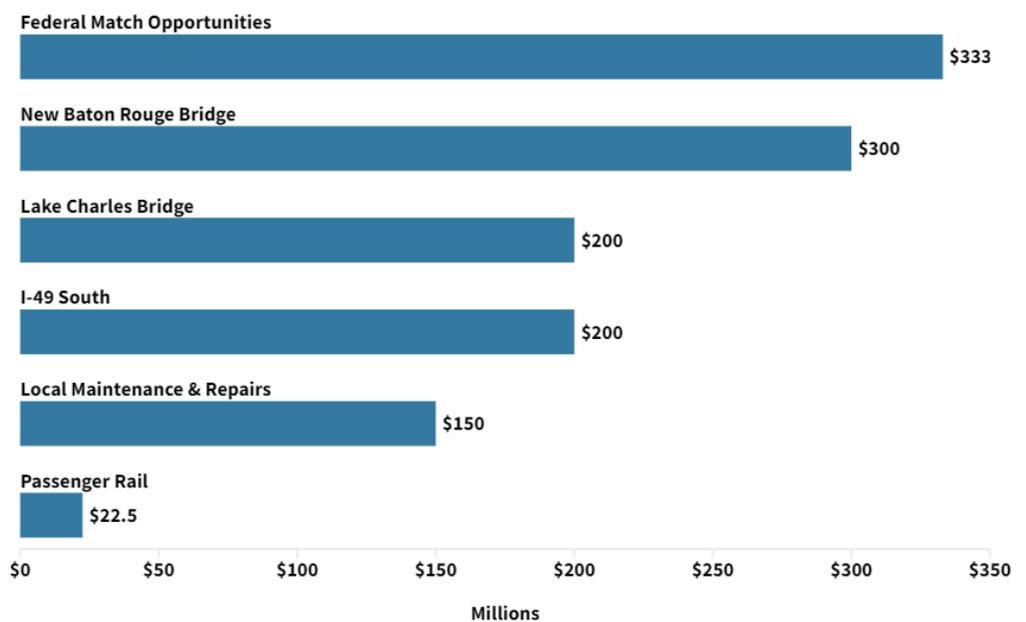
Other states are experiencing this, too. The legislative auditor notes that states across the country are looking at ways to diversify their funding sources for transportation or modernize

their existing ones. Some of the ideas being considered include:

- Automatic adjustments to fuel taxes based on the national Consumer Price Index or the state's rate of inflation.
- Tying gasoline taxes to improvements in fuel efficiency standards.
- Adjusting gasoline taxes based on population growth.
- Fee systems based on how many miles a motorist drives.

It is important to note these mechanisms by themselves would likely do little to address Louisiana's major infrastructure needs, but they could serve as a hedge against further erosion of the transportation funding base.

Major Louisiana Transportation Appropriations 2022



Source: Louisiana Department of Transportation and Development

Beyond the direct maintenance and construction of roads and bridges, the state Department of Transportation and Development has various responsibilities involving ports, airports, railroads, rivers and levees. They include activities involving construction, maintenance and inspections.

Ports

The biggest of these areas is water transportation. While the state does not fund the operating costs of its 40 deep-water and shallow ports, it is a critical source of funding for capital improvements. That is significant when considering the five ports along the lower Mississippi River in Louisiana together make up the largest port complex in the world. The state's port system combined handles a quarter of the nation's waterborne shipping and 60% of its grain, and it is a primary supporter of the state's energy and manufacturing industries.

In recent years, Louisiana has spent on average nearly \$40 million annually in the Port Priority Program to help fund expansions and modernizations and maintain competitiveness with other Gulf ports. Lawmakers also have steered some state construction budget dollars and federal pandemic aid to the effort. Despite recent increases, the DOTD Transportation Plan says that level of funding is inadequate and recommends continuing to increase the amount to help meet more than \$7 billion in identified needs over the next 30 years.

Rail

Railroads make up a major portion of Louisiana's inter-modal transportation infrastructure. The state is served by six Class I rail carriers that together move cargo across much of the North American continent. The Port of New Orleans is the only deep-draft port in the country to be served by six major railroads. Together, they originate or terminate about 144 million tons of cargo in the state each year over about 2,600 miles of track.

While freight is a huge economic driver, most of the recent discussion has been about passenger rail. Louisiana is only sparingly served by Amtrak passenger service, and New Orleans is its only hub. Three major routes connect the city to Chicago, New York and Los Angeles. Trains stop in a handful of Louisiana communities along the way, but otherwise there is little in-state passenger rail service.

Recently, talk has intensified of expanding passenger rail service in two parts of the state.

One is a connection between Baton Rouge and New Orleans that has not had passenger service since 1969. The project is part of a potentially wider expansion that could see passenger travel from New Orleans to Mobile resumed for the first time since Hurricane Katrina. That could eventually result in access to a completed route tying Louisiana to the entire Gulf Coast.

Further north, interest exists in passenger service along the Interstate 20 corridor. Currently, Amtrak provides an east-west route between Atlanta and Meridian, Mississippi. A new plan being considered would take it from there, across all north Louisiana, and into Fort Worth.

The Legislature set aside \$10 million in 2022 for the north Louisiana project and \$12.5 million for the Baton Rouge to New Orleans leg. Both projects would require significantly more funding, but the state dollars could be used to match funds in a major federal transportation program. Progress on both initiatives is farther along than ever before.

Other Infrastructure

Other aspects of infrastructure do not deal with transportation but are of critical importance.

Coastal Restoration: Louisiana’s coastal issues are well known and documented. The state’s coastal restoration initiatives are spearheaded by the Coastal Protection and Restoration Authority, created in the aftermath of Hurricanes Katrina and Rita.

The CPRA has developed a \$50 billion master plan with the goal of improving flood protection, recreating the natural processes that originally built Louisiana’s delta and ensuring the continued economic viability of Louisiana’s coast. The agency has completed 150 projects at a cost of almost \$15 billion since 2007.

Between 2024 and 2026 it projects to spend more than \$4.6 billion on initiatives as part of its ongoing flood mitigation and coastal protection efforts.

Those dollars come primarily from state and federal funds and proceeds from the Deepwater Horizon oil spill settlement. This combination of

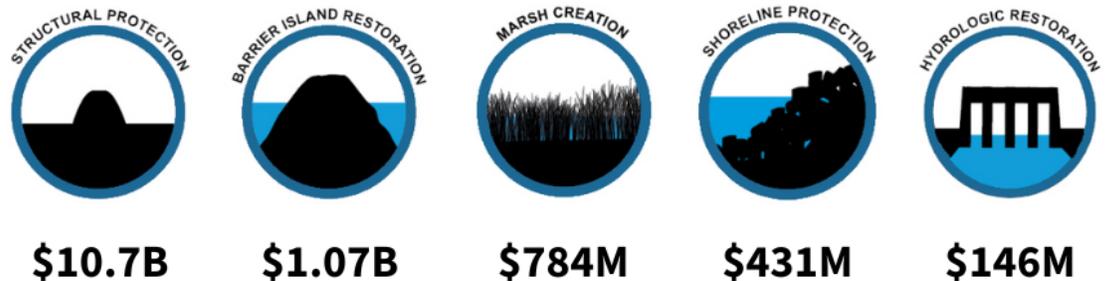
resources has allowed Louisiana to make historic investments in coastal projects, but that level of income will not last forever. Federal pandemic relief and infrastructure payments, extraordinary levels of state surplus and short-term cash and oil spill payouts are only temporary. They will mostly disappear within the next decade.

While some recurring dollars will remain, they will fall far short of current investments for the foreseeable future. State leaders should begin developing plans now to address the coming drop in financing to ensure the vital work of coastal preservation and flood protection can continue at the pace needed.

Broadband: Many people may not have considered high-speed internet connectivity a part of the infrastructure discussion, but the pandemic was quick to change that.

Timely data is difficult to obtain in an area that is undergoing such tremendous change. But information

Major Coastal Projects Completed Since 2007



Source: Coastal Protection and Restoration Authority, 2024 Annual Plan

from national sources suggests Louisiana ranks somewhere in the middle of the pack of states when it comes to the availability of very high-speed or “gigabyte” internet. Yet, that is in no way uniform across the state. Urban, suburban and parishes with higher concentrations of industry appear to have relatively good access to high-speed internet. But broadband deserts exist in many rural parishes, particularly in north Louisiana, where access can be extremely limited.

While that is a significant problem, affordability seems to be a bigger issue. Even if good internet connections are available, state data indicate that nearly 45% of Louisiana households lack access to low-cost, high-speed internet. This is backed up by national data that show Louisiana ranks near the bottom for broadband subscription rates.

Seeking to make improvements, the state established the Broadband for Everyone in Louisiana Commission in 2019, with a goal to ensure universal access to at least a mid-level of high-speed internet by 2029. That will come at no small cost. Estimates to achieve that are in the range of \$1 billion. The commission is working to leverage about half of that amount using federal dollars already allocated through grants and other programs to help local communities and providers build out additional internet infrastructure. Those grants include incentives to make internet subscriptions more affordable.

Digital literacy is another major issue in Louisiana. An analysis by the state’s broadband commission suggests as many as 460,000 Louisiana residents ages 18 to 64 lack the basic computer skills needed to fully use internet services.

The goal for Louisiana must be to continue to improve access, develop strategies to make high-speed internet costs more affordable for a poor population and ensure that citizens have the skills they need to take advantage of the opportunities connection to broadband offers.

Water Systems: The Louisiana Department of Health oversees more than 1,300 water systems across the state. The vast majority are community water systems that provide drinking water to people from major urban areas to the state’s smallest towns and villages. The viability of many of those systems is at risk.

The health department this year issued its first letter grades for more than 950 of the community water systems, based on factors including water quality violations, infrastructure and maintenance. Of those, 138 received grades of either D or F. Though most of those with major issues are in small rural communities, collectively they serve more than 230,000 people.

The grades provide a quantitative look at a problem in the making for years. The American Society of Civil Engineers issued a warning about the state’s water systems in 2017, noting at the time that about 58% of them were more than 50 years old. Old water systems increasingly run into problems with frequent breakdowns and issues with water quality. On average, Louisiana records 1,600 to 1,700 boil water advisories per year.

Sustainability is also a problem. Small water systems are often less efficient to operate because they can require many workers to serve a tiny base of customers. This has led to discussions about consolidating systems to spread personnel over larger service areas and calls for studies to determine if the rates being charged are adequate to keep these systems viable.

The influx of federal pandemic relief dollars has provided a major source of revenue to begin addressing the problem. Lawmakers have steered \$750 million since 2021 to water and sewer projects. While that's more than ever before, state health officials still see it as little more than a down payment on work expected to cost as much as \$7 billion over the next 20 years.

The RESET

To address the state's many infrastructure needs, Louisiana should:

- **Develop a state plan for increasing long-term investment in transportation infrastructure that considers the decreasing purchasing power of the gasoline tax caused by inflation and changes in fuel efficiency.**
- **Create a comprehensive database that shows how much money has been allocated to state infrastructure projects, how much has been spent and where projects stand in terms of construction.**
- **Explore ways to make local water and sewerage systems more cost efficient, such as consolidating districts and allowing personnel to service systems in multiple jurisdictions.**
- **Identify ways to sustain long-term state financing of coastal restoration projects that go beyond the current reliance on surplus and excess revenues.**
- **Continue to prioritize investment in rail to diversify transportation options and encourage economic development.**
- **Develop plans to spend federal dollars for expanding access to high-speed internet that ensure service is affordable for most citizens and people are equipped with the digital skills needed to take advantage of the opportunities enhanced connectivity provides.**
- **Ensure that infrastructure spending is based on state priorities and not parochial interests or politics.**





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