

LOUISIANA

ECONOMIC RECOVERY

TASKFORCE

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Public Affairs Research Council of Louisiana

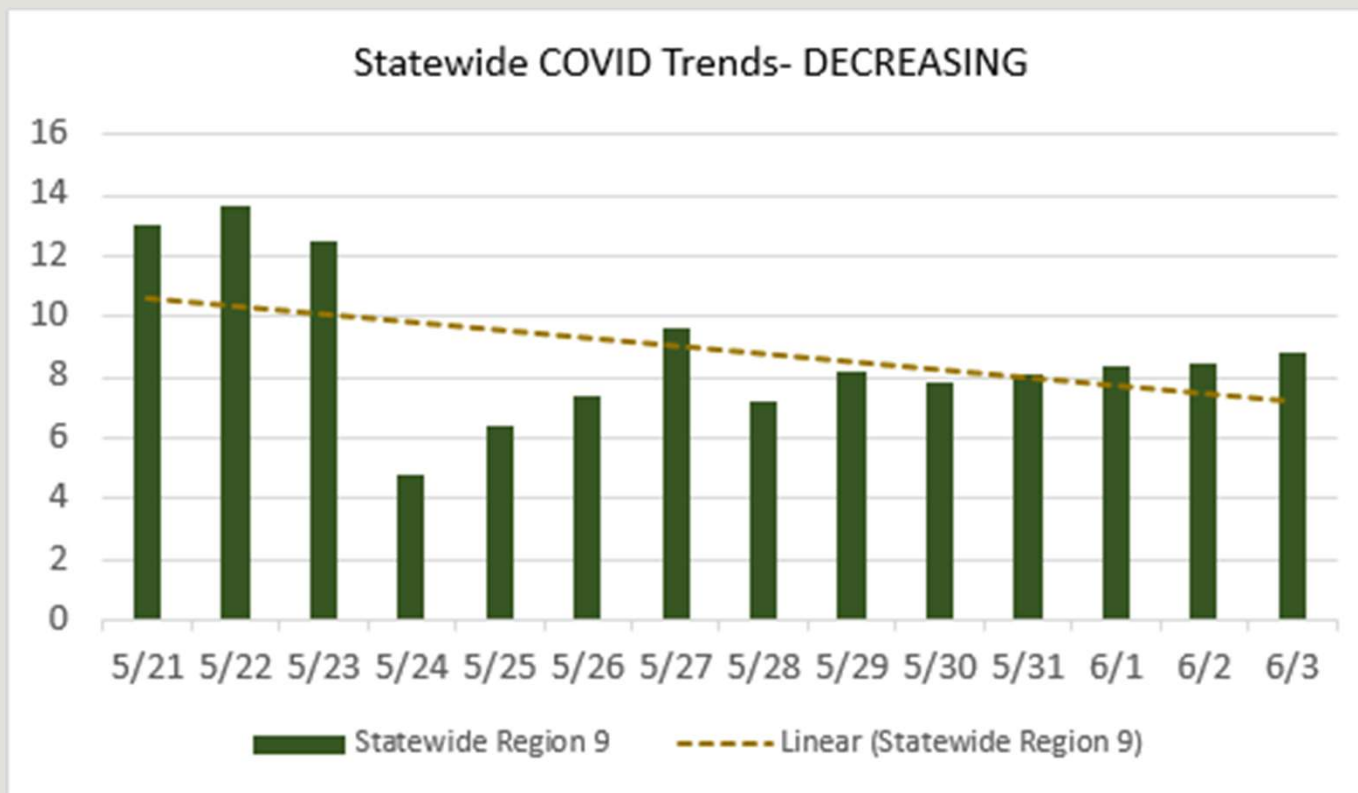
Louisiana Economic Recovery Task Force

June 4, 2020

Robert Travis Scott, President

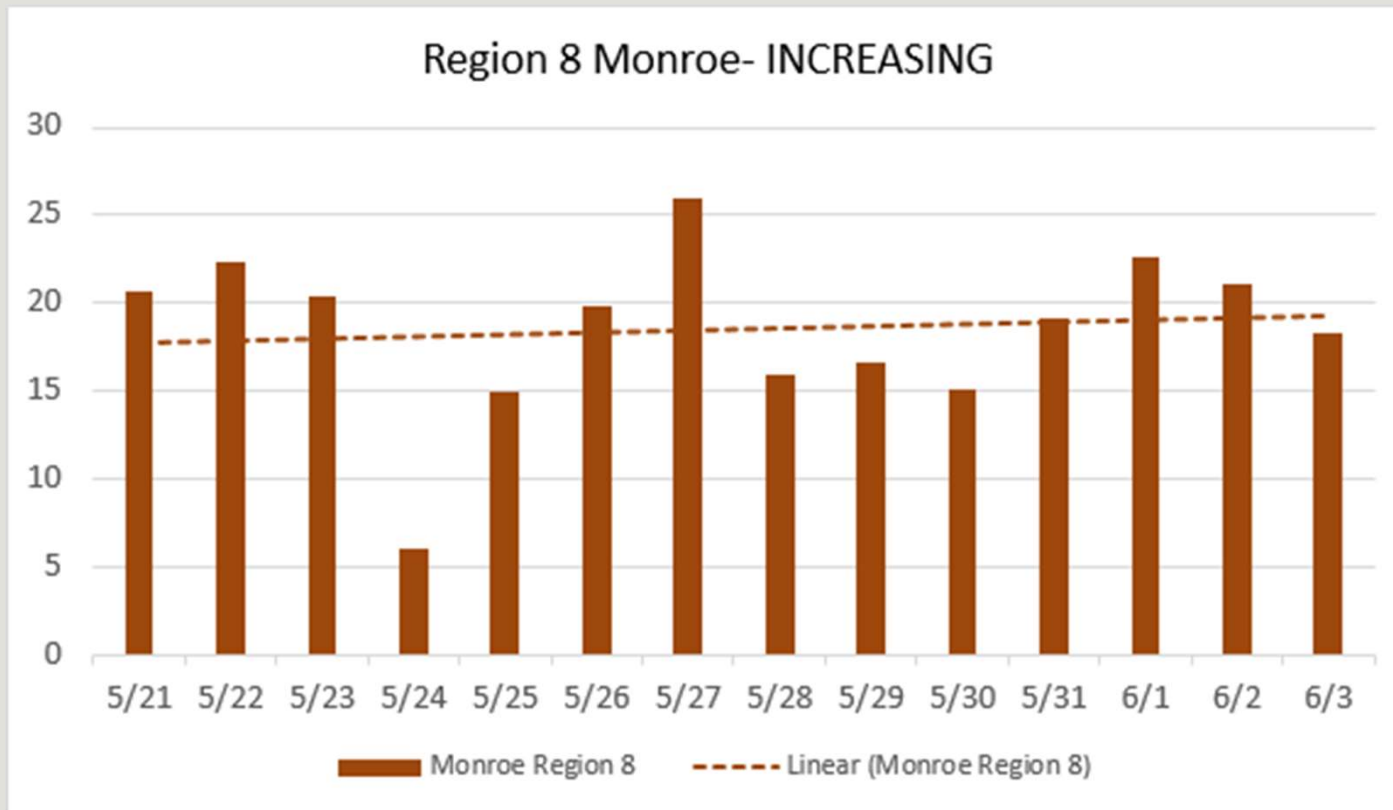
It could be worse...





New Cases 3-day Average per 100,000 residents

parlouisiana.org/covid-19

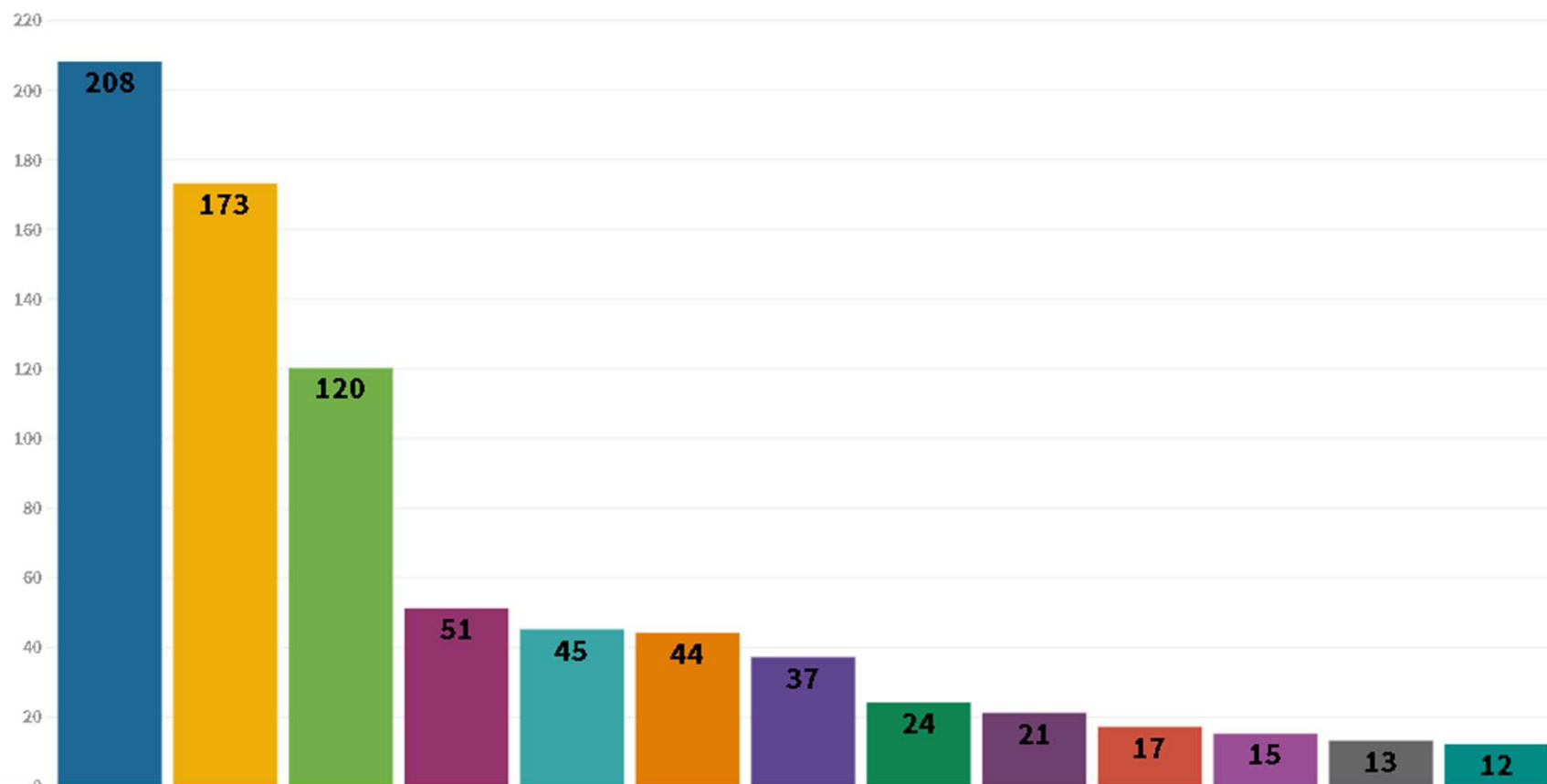


New Cases 3-day Average per 100,000 residents

parlouisiana.org/covid-19

COVID-19 vs. the historic causes of death in Louisiana Week of May 23-30

Heart Disease Cancer COVID-19 Accidents Lower Respiratory Diseases Stroke and Aneurysm Alzheimers
Diabetes Kidney Diseases Septicemia Suicide Homicide Influenza and Pneumonia



Job Sectors

STAND UP EMPLOYMENT SECTORS:

What can we do to affect these areas in the near term?

- Education / Government (*Immediate impact*)
- Health care (*Safety the main issue*)
- Infrastructure work (*Near-term spending impact*)
- Insurance / Financial & Business Services
- Retail & Manufacturing (*Safety, economy & legal*)
- Restaurants / Hospitality / Tourism (*Safety, economy, travel, large gatherings & legal*)
- >New Orleans

Economic Development

- Workforce development
- Regional development
- Environment for innovation and entrepreneurship
- Encourage capital & entrepreneurial investment
- Tax reform
- Government accountability, efficiency & regulations
- Early Childhood Education



NOTHING CHANGES WHEN WE WAIT.

RESET is a targeted, nonpartisan effort led by The Committee of 100 (C100), Council for A Better Louisiana (CABL), and the Public Affairs Research Council (PAR) focused on four essential issues: education, state finances, criminal justice/public safety, and transportation infrastructure.

Priority Recommendations for the Immediate Term

May 2020 – June 2020

COVID-19 has created a public health and economic challenge in 2020 the likes of which has not been experienced in the United States in over 100 years. Louisiana government's response to help meet this historic challenge will unfold in phases including an immediate term (May through June) period during which the Louisiana Legislature and the Administration must enact legislation and state and local agencies must adopt policies required to responsibly start the new state fiscal year that begins July 1, 2020.

During the 2019 election cycle, the RESET Coalition developed a set of strategic priorities to improve Louisiana's long-term outlook in Education, State Finances, Criminal Justice/Public Safety, and Transportation Infrastructure. Given the COVID-19 challenge we currently face, RESET has developed the following priority recommendations for the immediate term.

Recommendations: Workforce Development

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 citizens, it must increase the level of education attainment in the state. Louisiana cannot do that without a vibrant postsecondary education system.

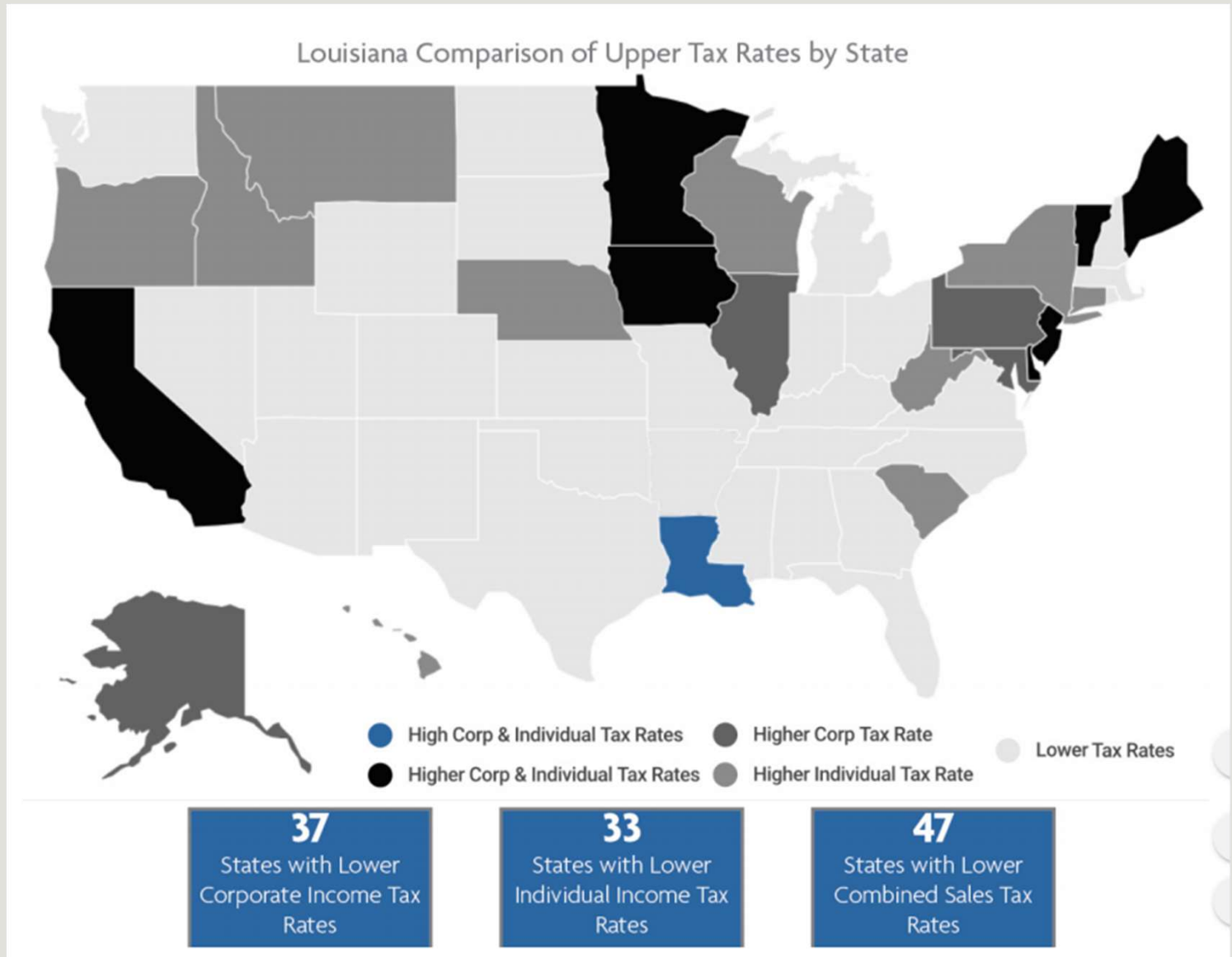
- **Louisiana should commit to the Board of Regents goal of ensuring 60% of Louisiana's adult population has a high-value credential or degree by 2030.**
- **Louisiana should begin a targeted reinvestment in postsecondary education, tied to measurable goals, that improve the lives of citizens and help meet the workforce demands of today, as well as those of the future. It should start with a focus on affordable pathways for all students, balancing needs-based aid, merit awards, and financial assistance for adults.**
- **Louisiana should work toward measurable outcomes on short and long-term goals that include more high-value credentials, closing the equity gap, increasing the number of adults earning a credential, increasing income, lowering poverty levels and meeting workforce needs.**
- **Louisiana should undertake innovative approaches for leveraging existing resources to remove obstacles to raising Louisiana's overall education attainment.**

Recommendations: Early Childhood

The data show that, for Louisiana to function as a modern state with a diverse and forward-looking economy, it must raise the educational attainment of our 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 our economy. It is difficult to see Louisiana achieving those goals without making it a part of our state mission to broaden access to high-quality early learning for children from birth until the time they start kindergarten^{xi}.

- **Louisiana should undertake a process to expand access to high-quality early childhood care and education for its most disadvantaged children and families particularly from birth to age 3.**
- **Louisiana should commit to appropriating a meaningful level of State General Fund revenue as an investment in working parents and their children.**
- **As part of this, the state should support the creation of local governance models to: 1.) assess the early childhood needs in communities, 2.) identify early learning programs that are performing well and those that need improvement, 3.) coordinate and leverage all available funding resources and 4.) drive improvements in services to ensure that all children birth to age 3 have access to high-quality early education programs.**
- **Louisiana should consider early care and education as one of the top priorities for new revenue sources.**
- **Louisiana should conduct a review of existing dedicated funds to determine if they remain a priority or whether they could be redirected to early childhood services through the appropriations process.**

Taxes



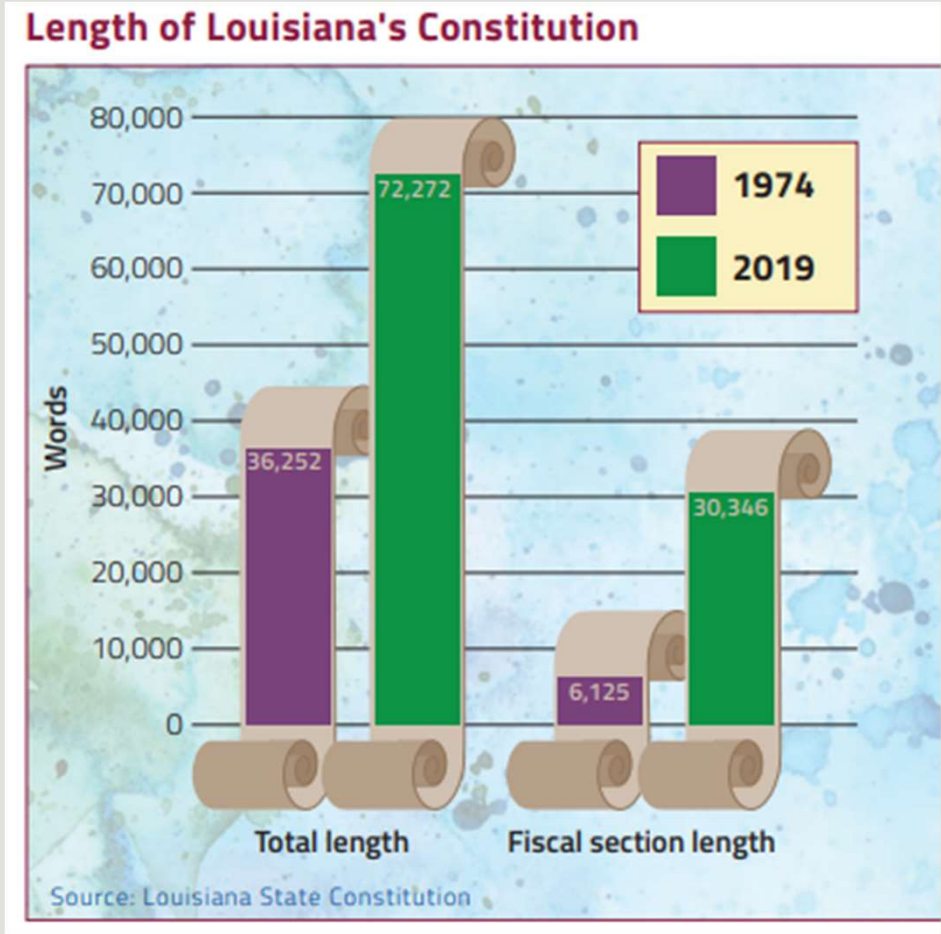
Recommendations: Taxes

- Louisiana should adopt a better tax system. It is not about increasing or decreasing taxes, it is about how the state collects taxes. Louisiana should continue to expand the sales tax base and reduce the sales tax rate, including the taxation of some services, such as those taxed in Texas.
- Louisiana should permanently suspend the 100 sales tax exemptions the Legislature has temporarily suspended.
- Louisiana should implement a more uniform and centralized system of sales tax administration, collection and audit that respects and protects local revenue streams and businesses. Collection of tax from Online and shipped sales should be consistent with federal law and court rulings.
- Louisiana should eliminate the deduction for federal income taxes paid on individual and corporate income taxes – accompanied by appropriate state tax rate reductions.
- Louisiana should phase out, eliminate or restructure the corporate franchise tax.
- Louisiana should weigh the overall tax environment, the manufacturer's return on investment for capital expenditures, predictability and stability, the broader regional job impact and the overall competitive nature of the Industrial Tax Exemption Program (ITEP).
- Louisiana should expand the use of Payment-In-Lieu of Tax arrangements for local governments considering property tax exemptions to attract economic development.
- Louisiana should consider lowering sales tax or the individual income tax rates while raising property tax revenue for local governments, and then decreasing some state spending allocated to the local governments.

Recommendations: Franchise Tax

- Harmful to economic development and complex and costly for compliance and administration
- Louisiana moving opposite the national trend
- Elimination with offsets is challenging but achievable
- Lifting the floor of the taxable base would benefit tens of thousands of companies at low cost to the state

Constitutional Reform



Recommendations: Constitutional Reform

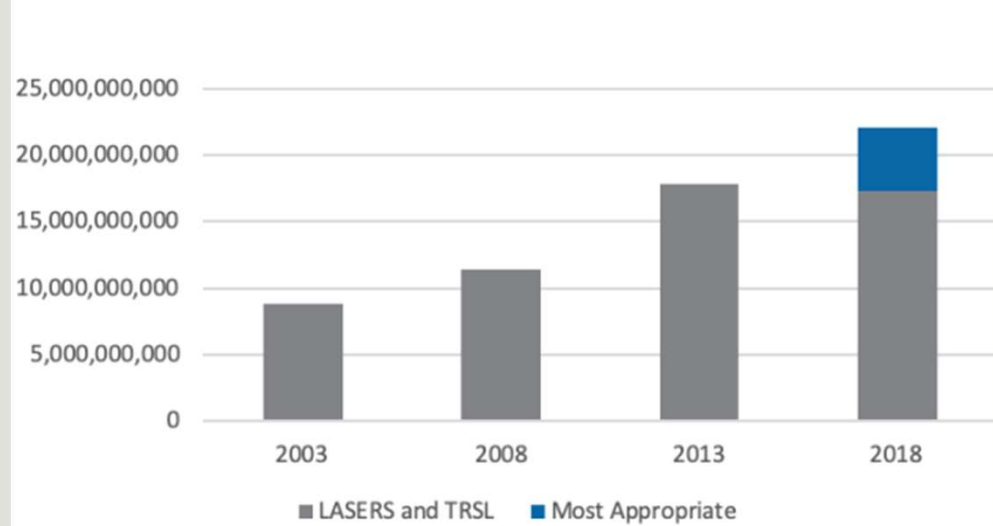
The Louisiana Constitution should be understandable and accessible to Louisiana citizens. Its fiscal complexity should be removed and replaced with provisions that focus on the fundamental operation of government rather than specifying details better left to statutes. It should give lawmakers the flexibility to improve Louisiana's tax and budget rules so the state can compete with other states by focusing limited resources on key priorities and set the stage for growing our economy and improving the lives of citizens.

Before changes to the Louisiana Constitution are sought, key principles must be established if reform is to be successful. In other words, the first principle is to have good principles. The following principles are based on the notion that a state's constitution should be a foundational document that defines basic rights guaranteed to a state's citizens and outlines the powers and responsibilities granted to the state's branches of government.

- **Louisiana's Constitution should be brief and limited to general principles rather than specific provisions. In other words, it should provide a basic framework for the scope and operation of government but should leave policy details to be defined in statutory law.**
- **Louisiana's Constitution should grant authority to specific institutions but leave decisions regarding how those agencies and institutions exercise that authority to individuals elected or appointed to public office.**
- **Louisiana's Constitution should provide for orderly change but should not be written in such a restrictive way that requires continual revision to meet contemporary needs.**
- **Louisiana's Constitution should be a stable document that reflects long-term, enduring values of the state. Policy provisions that reflect shifting attitudes or are responses to temporary external factors should generally be placed in statute. The Louisiana Constitution should enable Louisiana to be economically competitive and flexible enough to respond to the needs of its citizens.**

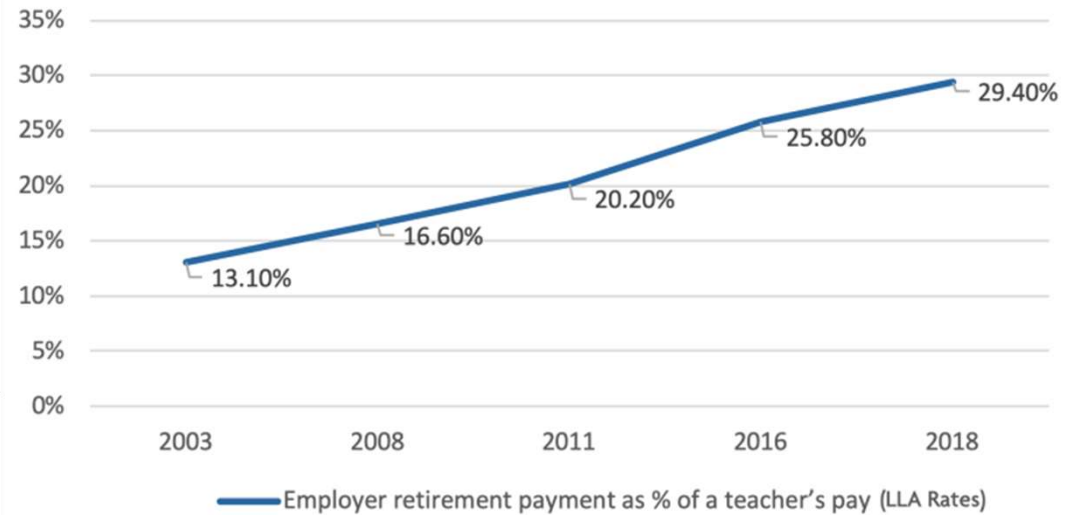
Pension Reform

Retirement Debt



Source: Louisiana Legislative Auditor

Employer retirement payment as % of a teacher's pay



Source: Louisiana Legislative Auditor

Recommendations: Pension Reform

Louisiana should seize the opportunity to lower taxpayer risks in the long run by adopting more conservative assumptions for investment returns, raising the retirement age further for new employees and fixing the broken COLA system.

Ultimately, the state should create a new type of retirement plan for the next generation of state workers and teachers. A complete conversion to a 401(k)-style investment plan is not advisable so long as Social Security is not an option to public employees in Louisiana. A hybrid plan could be a good option for Louisiana, if well designed and sufficiently protective of employee and taxpayer interests.

- **Louisiana should modernize retirement systems for shorter-term employees and teachers to keep a competitive job market.**
- **Louisiana should use realistic assumptions about investment returns and payment toward the unfunded accrued liabilities in the retirement systems.**
- **Louisiana should eliminate the broken “experience account” method for cost-of-living adjustments.**
- **Louisiana should consider the Louisiana State Employees Retirement System’s (LASERS) proposal for a more portable hybrid system for new employees combining a traditional defined benefit plan with a defined contribution plan, plus moving to a better cost-of-living adjustment process and a higher retirement age.**

THE BIG TAKEAWAY

- Make Economic Development – in all its dimensions – the priority and culture of Louisiana



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Early Childhood Education

1. **Ensure that childcare centers can operate at a capacity** that supports Phase I reopening of the economy. To make certain the childcare sector can accommodate the reopening of businesses, the state should offer additional guidance to provide for the safety of childcare staff and children, necessary PPE¹ for all, and modified instruction options for early education teachers.
2. **Continue to provide subsidies to assist low-income workers** in placing their children in high-quality childcare settings and consideration should be given to expanding them to include those looking for work.

K-12 Education

1. **Require in every school district a continuing learning plan** that includes daily outreach and communication with students and continued delivery of nutritious meals to students in need. Also include remediation plans to mitigate learning loss and contingency plans for another acute infectious outbreak.
2. **Establish in every school district a technology plan** that facilitates quick access to federal dollars that will be available to support greater broadband connectivity in rural areas, Online and distance learning, and meeting the state goal of having a 1:1 ratio of laptops or tablets for students.
3. **Provide district-level transparency reports** indicating how many students are touched daily by school, how many devices are in student hands to facilitate learning, and what districts are doing to identify students who are behind and need to catch up.

1. Personal Protective Equipment

Postsecondary Education/Workforce

1. **Provide quick-turnaround workforce training many citizens will need to get back into the workforce.** At a time when approximately 350,000 workers remain unemployed and many are considering upgrading their skills to move into more sustainable jobs, Louisiana should prioritize federal stimulus dollars and other state resources (such as Rapid Response funds) to fund highly-focused workforce development initiatives. Training should be aligned to regional workforce needs and consider new-demand jobs that are a direct result of the COVID-19 crisis.
2. **Target investments in technology with federal recovery funding earmarked for education.** These investments include broadband connectivity and devices, and strong professional development for instructors that promotes Online learning best practices.

State Finance/Business Recovery

1. **Encourage businesses and workers rising to the challenge of economic recovery by establishing appropriate and temporary incentives and protections.** The state should pursue strategically conceived support for job creation and the removal or delay of regulatory fees where practical with an emphasis on small business. Companies should be protected from liabilities for conditions and circumstances they did not create or control. Approved recovery incentives should be temporary, and the incentive costs should be limited in consideration of other priority obligations weighing on the revised state revenue outlook.
2. **Pursue tax changes that improve the chances of recovery and are measured by their impact on state revenues and long-term reforms.** Tax relief or incentive programs should be short term with a defined objective and should emphasize small businesses and imminently distressed employment sectors. Remove multiple duplicative tax regimes by unifying state and local sales tax collections, tax administration, and tax bases under an independent, state-local commission to access increased sales tax revenues collected on remote transactions. The Legislature must pass a responsible FY 2021² budget by June 30 that should take into consideration the anticipated impact of tax changes. The budget process should be clearly informed about the impact of emergency appropriations and allocations of federal recovery dollars.

Criminal Justice/Public-Safety

1. **Continue sentencing reform progress.** The Louisiana Legislature enacted a breakthrough package of reform measures in 2017 designed to lower Louisiana's incarceration rate and criminal justice costs without impairing public safety. Early results of this reform effort are positive. The Legislature can approve additional measures now to further secure reform progress, including improving parole efficiency and addressing fines and fees that represent unreasonable burdens on the poor.

Transportation and Other Infrastructure

1. **Maximize state surplus spending on transportation and other infrastructure projects.** Louisiana has a \$534 million surplus from the previous state fiscal year (FY 2019)³. State surplus spending is restricted to a few categories including contributions to the Rainy Day fund, paydowns on state retirement debt, and one-time expenses such as transportation and other types of infrastructure/construction projects. The Legislature and the Administration should prioritize state surplus dollars on high-value infrastructure projects of all types that create quality jobs. Louisiana's elected leaders should also urge Louisiana's congressional delegation now to include substantial infrastructure project funding in any additional federal recovery aid packages.

*Priority Recommendations for the Immediate Term available at
RESET-LOUISIANA.com*



Questions?

Robert Travis Scott, President
Dr. Steven Procopio, Policy Director

www.parlouisiana.org



Upcoming Task Force Meeting Dates

- Task Force Meetings—Thursdays, 8:30 am
- Work Group Meetings—
Mondays and/or Tuesdays (TBD by Chair of
Work Groups)

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