REFORM FOR LOUISIANA’S FUTURE
It could be argued that Louisiana suffers from a “curse of riches.”
...with a Poor Structure
Which has lead to poor performance. (1)

<table>
<thead>
<tr>
<th>Best States Overall Rankings 2018</th>
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<tr>
<td>Overall Rank</td>
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The ranking of Louisiana in the Best States Overall Rankings 2018 is 50, which indicates poor performance in various categories such as Healthcare, Education, Economy, Opportunity, Infrastructure, Crime & Corrections, Fiscal Stability, and Quality of Life.
…with a Poor Structure
Which has lead to poor performance. (2)

Per Capita Real GDP by State *

Source: U.S. Bureau of Economic Analysis
(chained 2009 dollars)
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In order to fundamentally improve our performance, we need to:

- Create a more diverse economy
- Create a more reliable and competitive business environment
- Evolve a tax structure that supports economic growth
- Stabilize state and local budgets, while increasing flexibility
- Ensure all Louisianans are trained and ready for job opportunities
- Support the physical infrastructure needed for people and commerce
- Ensure the future physical viability of Louisiana as a place to work and live
- Improve the brand of Louisiana
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The Vision

To create a State where our kids and grandkids can stay and prosper.
Reform for Louisiana’s Future

Reform for Louisiana's Future is based on a set of ten interrelated “planks”:

- Tax Structure
- State Constitution
- Economic Development
- Education
- Workforce Development
- Infrastructure
- Litigation Environment
- Coastal Restoration
- Pension Reform
- Criminal Justice
Louisiana currently has the “worst of both worlds” – we look expensive but are actually cheap (5th lowest taxes in the USA*). Louisiana should move towards a “Texas Model” of zero income tax, with higher property tax – in a revenue neutral swap.

**Current**

- Louisiana: 6.0%
- Tennessee: 7.6%
- Texas: 7.3%
- Florida: 8.9%

**Future**

- Eliminate Federal deductibility; Cap Excess Item. Ded @50%
- Lower personal income tax to 3.5-4%; repeal corp. income tax
- Streamline sales tax collection

**Benefits**

- Nothing sells like “zero”!
- Property taxes are preferred to income (local control)
- Will keep C-suite executives, and hence HQs

* The Tax Foundation
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State Constitution

The Louisiana Constitution does not guide the state, it constrains. Containing key elements of Louisiana’s tax policy and hundreds of dedications, it limits policymakers to only making cuts in critical areas: education, healthcare and public safety.

<table>
<thead>
<tr>
<th>Current</th>
<th>Future</th>
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<tr>
<td>1787</td>
<td>1973</td>
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<tr>
<td>27 amendments</td>
<td>190 amendments</td>
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<tr>
<td>Guides</td>
<td>Constrains</td>
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</table>

Constitutional Convention?

- Limited to Articles VI, VII, X, XIII
- Fiscal reform only
- Remove tax policy from constitution
- Return control/responsibilities to locals
- Remove provisions that limit budget flexibility
- Require Legislature to periodically review constitutional funds
Economic Development

With Louisiana experiencing historic success in economic development, now is the time to recommit to smart economic development. **Job creation is the key to growth.**

**Current**

**Future**

**Smart Economic Development**

- Protect effective incentives:
  - Digital Media
  - Angel Investor
  - Quality Jobs
- Streamline ITEP
- Promote Opportunity Zones
- Commit to long-term economic development diversification
- Commit to demand-driven workforce development (esp. STEM jobs)
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Education

Louisiana has also cut spending to higher education more than any other state in America since 2008 – nearly $5,000 per student. Quality education must be supported at all levels, beginning with early childhood.

**Current**

- Insufficient early childhood funding
- Lack of rewards for relevant credential programs
- LA's per student funding 42% below the southern average

**Future**

- More resources for B-3 education
- HS graduates earn credentials leading to meaningful employment or post-secondary options
- State higher ed funding from 30% to stable 50% (was 70%)
- University control over tuition and curricula to best meet market needs
- TOPS modified to reward excellence and need
Louisiana has a robust system of public and private higher education, but schools need to do a better job producing the “workforce of the future.” One option is adopting the “GNOu” model of demand-driven workforce partnerships.
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Transportation & Infrastructure

Louisiana has neglected infrastructure, with significant needs for roads ($20B backlog), ports and other key elements of our economy. Most urgently, Louisiana must follow other states and raise the gas tax, in order repair and build critical infrastructure.

<table>
<thead>
<tr>
<th>Current</th>
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<tr>
<td>Gas Tax</td>
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<tr>
<td>• Gas tax has not been raised since 1990</td>
<td>• Provides dedicated funding for projects in each region (bridges, highways, ports)</td>
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<td>• Over half of other states have recently raised their gas tax</td>
<td>• Allows state to meet match for federal transportation dollars</td>
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<tr>
<td>• No mass transit option for NO-BR</td>
<td>Public-Private Partnerships</td>
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Coastal Restoration

Louisiana must continue its commitment to the Coastal Master Plan, in order to ensure the future viability of coastal and Mississippi River economies. Critical is protecting the Coastal Trust Fund, and determining other financing options.

### Current

**Initial Progress**

- $20 billion secured for protection & restoration projects in 20 parishes
- 130 million cubic yards of fill utilized
- 41,305 acres of land benefited
- 297 miles of levee improvement
- 60 miles of barrier islands & berms constructed or under construction

### Future

**Protected**

- 2M people along coast
- Largest port complex in the world
- Billions in energy infrastructure
- 26% of US commercial fisheries
- 20% of US waterborne commerce
The litigation environment in Louisiana is often perceived as unfair to both companies and individuals. This imposes both real costs, and hinders the economy.

- #2 highest auto insurance in USA
- ILR ranks LA last in legal climate
- ”Legal Environment” is cited as #2 greatest weakness in LA business climate *

Current

Future

- Business courts created for complex commercial litigation [Donahue]
- Key industries supported by elected officials; work to end legacy lawsuits against Energy
- Mitigation of exceptional practices (e.g., highest jury trial threshold in nation)
- “Board-room” impression of litigation environment improves

* 2018 GNO, Inc. Stakeholder Survey
Louisiana’s existing unfunded liability payments for the state’s retirement systems approach $20 billion.

**Current**

- 60% Funded (14th worst in nation)
- Original UAL paid by 2029; creating new unfunded liability now
- Unfunded liability per taxpayer = $4,200

**Reformed**

- Move new state employees to hybrid defined contribution plan instead of strictly defined benefit (similar to private sector 401k)
- Stop creating debt and pay down/refinance existing pension debt
- Decrease the risk of state accruing unfunded liabilities
Although Louisiana no longer has the ignominious (and expensive) title of “Incarceration Capital,” further work must be done to ensure that savings are reinvested in community support programs.

**Current**
- LA #2 highest incarceration rate
- Prison pop. down from 41K to 33K
- $12M saved to-date

**Reformed**
- Savings must be reinvested in evidence-based prison alternatives, victim services, and recidivism-reduction programs
- Reforms must be continually monitored and adjusted to ensure effectiveness and safety
- Prison population expected to decline 12% over decade
- Louisiana adopts modern standards (e.g., unanimous juries)
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Over time, these reforms will create jobs, wealth and improved quality of life for all Louisianans.

- Abundant job opportunities
- Robust growth in household incomes
- Improved educational outcomes
- Increased private sector activity
- Healthy tax revenue growth without increasing tax burdens\(^1\)
- Net population in-migration
- More Congressional Seats

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- Limited job opportunities
- Sluggish growth in household incomes
- Little improvement in educational outcomes
- Lackluster private sector activity
- Tax revenue growth substantially trailing other states
- Net population out-migration
- Fewer Congressional Seats

\(^1\)For full realization, assumes fiscal/tax reforms strengthen linkages between state tax structure and the state’s economy
Reform for Louisiana’s Future

But ideas are not enough…

It is not enough to have the right ideas to “fix Louisiana.” It will require the right people, and the right politics. Specifically, fixing Louisiana will require legislative leadership with key qualities including:

- A clear understanding of the problems
- A genuine commitment to the answers
- Energy, courage & optimism
- A paramount commitment to the long-term future of Louisiana
- The full support of the Louisiana business and civic community

Get involved, and help create a state where our kids and grandkids can stay and prosper.