

**A STUDY OF THE RELATIONSHIP BETWEEN  
LOUISIANA STATE AND LOCAL GOVERNMENT  
IN THE FUNDING AND DELIVERY OF SERVICES TO  
ITS CITIZENS**

**PRESENTED TO THE LOUISIANA LEGISLATURE**

**BY  
THE LOUISIANA ADVISORY COMMISSION ON  
INTERGOVERNMENTAL RELATIONS**

**JANUARY 31, 2003**

January 31, 2003

The Honorable John J. Hainkel, Jr.  
President of the Senate  
State Capitol Building  
P.O. Box 94183  
Baton Rouge, LA 70804

The Honorable Charlie DeWitt  
Speaker of the House of Representatives  
State Capitol Building  
P.O. Box 94062  
Baton Rouge, LA 7084

Gentlemen:

The Louisiana Advisory Commission on Intergovernmental Relations submits to you the report entitled "A Study of the Relationship Between Louisiana State and Local Government in the Funding and Delivery of Services to its Citizens." This report was prepared pursuant to the directives of the legislature to the commission set forth in House Concurrent Resolution No. 148 of the 2001 Regular Session and House Concurrent Resolution No. 18 of the 2002 First Extraordinary Session.

Sincerely,

Ronnie C. Harris  
Chairman

cc David R. Poynter Legislative Research Library  
Representative Jerry Luke LeBlanc

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# **EXECUTIVE SUMMARY**

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## EXECUTIVE SUMMARY

### Overview

This study by the Louisiana Advisory Commission on Intergovernmental Relations (ACIR) began in February 2002 per House Concurrent Resolution 148 of the 2001 Regular Session and House Concurrent Resolution 18 of the 2002 First Extraordinary Session. The Louisiana Legislature adopted these resolutions in response to the findings of the Report from the House Select Committee on Fiscal Affairs (SCOFA) of March 23, 2001. The SCOFA Report directed the legislature to “delineate the fiscal responsibilities between state and local government” according to the guidelines for a “sorting out process” recommended by the National Conference of State Legislatures (NCSL).

### The Role of the ACIR in this Sorting out Process

The ACIR, created by statute in 1987, is charged with the responsibility of conducting studies of the existing, necessary and desirable allocation of state and local fiscal resources and to serve as a forum for discussion and resolution of intergovernmental issues to make recommendations for improvement. A July 1997 report of the NCSL, *Critical Issues in State - Local Fiscal Policy, Sorting out State and Local Responsibilities*, provided the guiding principles used in this “sorting out process” of state and local responsibilities to determine the following:

- ? What services should be provided by government?
- ? Which level of government should finance each of those services?
- ? Which level of government should deliver those services?

Per the SCOFA recommendations, the ACIR responded, where applicable, to the recommended guidelines of the NCSL listed on page two of this report. The ACIR examined issues determined to have the greatest fiscal and service impact on the state.

### The Sorting Out Process

At the conclusion of this twelve-month study, the ACIR has achieved certain objectives it sought. This report is significant, not only as a thorough study of the very complex roles and responsibilities of state and local government, but as a document that will educate and enlighten. This study will support some of the findings of the SCOFA Report and clarify other contentions. This process has provided clarity for the ACIR members in some areas which have been problematic or unclear in the determination of fiscal and service responsibilities. Through this process, the ACIR heard many hours of testimony from more than forty presenters from state and local governments followed by discussions from its members. The ACIR examined current studies of these issues and comparative data on peer states to find models for successful solutions to similar problems in Louisiana; therefore, the recommendations in this report represent a consensus of thought from these various sources. These observations and recommendations were then approved by the ACIR members for inclusion in this report. It is the intent of the ACIR to continue to monitor the recommendations of this report to distinguish this study as one with high expectations for implementation.

## The General Conclusions of the Sorting Out Process

This report includes the ACIR's general observations and specific recommendations for action or future study by the legislature or entity empowered to act. The ACIR findings indicate that a greater, fundamental problem exists relative to the responsibility and accountability for the delivery of services. Specifically, the state system is a problem, not simply the lack of control over how state funds are spent on local services or the relationship between state and local government in providing services. An additional problem is the significant economic disparity among the state's parishes where population and the tax base continue to decline. Per capita, the poorest city and parish/county in America are in Louisiana, surrounded by the poorest region in the country. Consequently, where there is no population or individual wealth, there is no tax base to support services. Our state system is antiquated and inadequate to fund and deliver services in the best interest and welfare of all the citizens needed to provide the quality of life which is available in the year 2003.

While some attempts at reform have been successful in areas such as education and in the recent passage of the Stelly Plan, Louisiana continues to operate in many areas according to practices and laws which are decades old. For example, Louisiana is distinct in its operation of a Charity Hospital System still run by 1930's practices. A 1929 practice, rather than policy or law, dictates the provision of local school facilities. The state has had the same dedicated fuel tax since 1989 to fund transportation needs. Today, 5,000 out of 16,000 state miles do not qualify for federal funds and remain in a state of disrepair. In the area of economic development, small businesses, as the foundation of an economy, need new forms of tax relief and development assistance from the state. New, high tech industries are reluctant to locate in Louisiana due to practices of the past and fiscal uncertainties of the present.

These problems are most evident in the comparisons of Louisiana to its peer states. Rapid technological changes and global events further mandate changes if Louisiana is to compete with the rest of the nation economically and socially in providing quality Pre K-12 and higher education and professional job opportunities. Reportedly, the state is failing to maintain or attract its share of college graduates and professionals as well as the nation's most affluent populations, the baby boomers and retirees. Indicators show that the state is losing members of these populations as some retirees follow their children to other states seeking better jobs and tax benefits.

## The ACIR Response to the NCSL Guidelines in this Sort Out Process

In response to these problems, the ACIR applied the NCSL guidelines to sort out state and local responsibilities and reached the following general conclusions as supported by the specific recommendations of this study:

1. There is general agreement as to the provision of services for the citizens of the state to assure a standard quality of life for all as supported by the following NCSL guidelines:
  - a. "assigning services to the lowest possible level of government unless there is an important reason to do otherwise," as in the areas of community health care and public education.
  - b. "assume state responsibility for programs where uniformity or statewide benefits will result," as in the roles and responsibilities of constitutional officers and the courts, transportation, public safety, civil defense,



environmental quality, corrections, and economic development in partnership with local governments.

2. There is general agreement as to the agencies that can best fund services to its citizens and “the need for accountability for all transfer funding for these functions “ as supported by the following NCSL guidelines:
  - a. “consider the fiscal effects of state mandates on local governments to either assume financing responsibility, allow local discretion and implementation, or to repeal them,” as with funding the courts or restricting grandfathered mandates, school boards and civil service systems from exemption by the 1991 constitutional prohibition against unfunded mandates.
  - b. “provide state financial assistance to local governments that have the lowest capacity to raise their own revenue,” as with the 57 out of 64 designated rural parishes in the state with substantial social and infrastructure needs.

### Constitutional Reforms

In response to these profound issues, the ACIR requests a Constitutional Convention to specifically address the fundamental fiscal problems of the state deemed necessary to provide long term remedy for the concerns cited by SCOFA and as determined by the ACIR through this “sorting out” process. Furthermore, the ACIR determines the following as necessary if this recommendation is to be accomplished:

1. That the new Governor should lead the charge to secure a Constitutional Convention to address the problems of the state system;
2. That state legislators and local government leaders put aside individual political concerns and collaborate to support a Constitutional Convention in the best interest of the entire state.

Without rational, constitutional reform, the ACIR concludes that the recommendations of this and other studies will only continue to provide temporary remedies to permanent problems. The subcommittee findings in this report provide more specific recommendations for service delivery and accountability. For the purpose of this Executive Summary, the following conclusions profile key subcommittee recommendations.

### **Recommendations from the Subcommittees**

#### Recommendations of the Subcommittee on Education, Health, Social Services, and State Fees

Annually the state contributes \$2.3 billion to fund the Minimum Foundation Program (MFP) formula of education; therefore, discussions and recommendations in this area were the most extensive, including, but not limited to, the following:

### Education:

1. Currently, the federal government only funds 15% of its promised 40% portion committed to the state for providing services for children with disabilities. The ACIR recommends that the legislature urge Congress to fully implement the 40% promised federal funding commitment for local education and to enact all mandates of the U.S. Department of Education's "No Child Left Behind" plan.
2. Louisiana's accountability program goals should form the basis for the Board of Elementary and Secondary Education (BESE) to determine the total cost of a minimum foundation program of education for Louisiana as stipulated in the Constitution. BESE should keep foremost in mind these student academic performance goals, as well as the varying cost of students having different needs, when developing and adopting the formula for the MFP. The MFP formula should provide maximum flexibility to local school boards, with their individual and specific needs, to successfully meet the student academic performance goals contained in Louisiana's accountability program.
3. If BESE includes a specific expenditure requirement in the MFP, it should do so within the framework of the MFP, with state funds allocated in accordance with the relative fiscal capacity of each local school system.
4. Both legislative bodies should consider the MFP formula adopted by BESE and submit it to the legislature. If the formula is not approved, both the House and Senate should approve any recommendation(s) for change before returning it to BESE.
5. No expenditure requirement to local school boards outside of the MFP formula should be mandated unless sufficient state funds are appropriated outside the MFP to fully compensate each school board for the cost of the mandated expenditure. As an example, state reimbursement for group insurance has been moved to the MFP without additional funding to provide for such expense.

Health: Local governments play a limited role in the delivery of the Department of Health and Hospitals (DHH) services. DHH services are financed, primarily, by state and federal funds. Preliminary findings indicate that Louisiana is one of the few states that delivers mental health, developmental disabilities and substance abuse services directly. In most other states, the state is the contractor, not the employer, thereby setting and assuring compliance for the use of state funds by local service delivery systems. In a presentation before the ACIR, the Legislative Fiscal Officer reported that Louisiana is second in the nation in patient expenses for hospitals and second in the nation on a per capita basis in spending for in patient care, yet Louisiana is 50<sup>th</sup> in the nation in results. The Legislative Fiscal Officer recommended possible solutions such as regionalizing the health care system to better determine actual service providers and a guaranteed southern average formula for funding which is demographically based to address the dire needs of some areas. The subcommittee suggested following NCSL guidelines if an attempt is made to expand delivery of health services through multi parish models.

Social Services: Recommendations in this area included the following actions: developing local children and family cabinets to maximize services; funding grant writing programs for local citizens for grant writing and acquiring a better knowledge of available services to facilitate interaction; providing state funds to assist the Department of Social Services (DSS) to meet the state

mandates from local courts for social services and treatment for children; formalizing partnerships to address social problems in the school system, thus creating a common interest in at-risk and special needs children between social services and schools; and finding ways to protect budget cuts which create a drain of professionals from DSS; and providing state run group homes which are now operated through contracts administered by private and nonprofit organizations.

State Fees: Recommendations in this area included the following:

1. Restricting grandfathered mandates from exemption by the 1991 constitutional prohibition against unfunded mandates. School boards and civil service systems were exempted from the prohibition.
2. Providing ways of standardizing fines and fees statewide.
3. Defining the duties of the state versus local government relative to fees so that funding can be provided for services by the appropriate provider.

### Recommendations of the Subcommittee on General Services

Economic Development: That the Department of Economic Development (DED) should work toward greater collaboration with local governments due to locals concerns about the 10-year ad valorem tax exemption for new businesses. The exemption presents economic concerns for local areas due to competition, infrastructure costs, and the impact of businesses leaving when the exemption expires.

The ACIR supports local governments having greater accessibility to funds from the Governor's Office of Rural Development and the Office of Urban Affairs for local economic development projects. The ACIR urges the state to better define and clarify criteria for funding projects through the Governor's Rural Development Office and/or the Office of Urban Affairs, while also providing a more equitable distribution to local governments.

Workforce Training: Contributing to the state's economic problems is the lack of a well-trained workforce. Another problem exists at the local government level where local officials might lack certain professional skills to effectively manage the complexities of government. The ACIR found that the Department of Labor provides assistance to state citizens for employment and training for business and industry through the Incumbent Worker Program. The state Division of Administration funds education programs for state employees and leaders by contract through LSU. There is no state support for training and education for local leaders, especially in those areas with the greatest needs. Recommendations from the Subcommittee include the following:

1. Conducting a survey of existing education and technical resources for local governments to find ways to assist in the delivery of these programs.
2. Examining the Governor's Office of Rural Development and the Office of Urban Affairs as possible sources of funding for municipal and rural government assistance in this area, as these funds have been used for this purpose in the past.

Elections: The ACIR recommends legislation to allow for the coordination of elections to coincide with federal elections at the next possible election cycle. The ACIR encourages local governments to better coordinate elections to lower costs at the local level.

Retirement: The ACIR recognizes that certain factors determine a healthy retirement system, specifically, such variables as employer and employee contributions and high yields on investments. The state should strive to achieve these standards and to increase the period of time to fully fund the unfunded accrued liability for all state and state wide retirement systems, which is currently at Year 2029.

Emergency Response and Civil Defense: The state provides for emergency services through various agencies. The new Homeland Security agency of the federal government will affect many of the funding and service operations relative to emergency responses. The state is in process of adapting existing plans to meet new standards and programs. The ACIR concludes there is a need for greater coordination among agencies that provide federal, state and local emergency services. The state has budgeted \$10 million in FY2003 for Homeland Security Initiatives.

### Recommendations from the Subcommittee on Public Works and Judicial System

Public Works/ Highways/Roads/Streets: According to the Louisiana Department of Transportation and Development (DOTD), the state lags behind its peers in terms of how much money is raised for funding, and the state burden responsibility for transportation is disproportionate. Louisiana's transportation revenues are within the bottom third of all states. The state has had the same dedicated fuel tax since 1989. Louisiana has 16,000 state miles of highway funded by a 16-cent gasoline tax for every gallon of gasoline sold in the state. By comparison, Florida has 10,000 state miles funded by a 26-cent per gallon gasoline tax. The subcommittee recommends the following objectives as ways to address the state and local transportation problems:

1. To examine other user indexing and non traditional funding sources for transportation such as the Governor's Office of Rural Development and the Office of Urban Affairs funds for transportation infrastructure and federal grants.
2. To further recommend that there be a redefinition of the state's core transportation, flood control, and other public infrastructure responsibilities with appropriate funding.
3. To increase the road and bridge funding to DOTD and provide the option to fund local government services with locally raised revenues.
4. To recommend a special session to address the comprehensive issues of transportation and the Transportation Trust Fund, as there are about 5,000 out of 16,000 state miles that do not qualify for federal funds.

Prisoners and Corrections: Institutional growth is down in Louisiana. Three years ago institutional growth was increasing at a rate of 3,000 per year. Last year, that rate decreased to about 800 inmates per year. This decrease is good for the state, but not for local governments and communities where some local parishes struggle to pay the debt service on institutions they have constructed to house prisoners. It should be noted that Louisiana's prisons, once under a federal Consent Decree, have met the standards for accreditation as set by the Decree. The ACIR recommends the following:

1. That the state should retroactively pay for the costs of incarceration for a person charged with a state crime who is convicted of a state crime from the start of his confinement. This should be accomplished in a "phase-down"

system in which the state would assume responsibility for a portion of the payment for such expenses over a five-year period.

2. That the state should further study the governance and maintenance of parish prisons and of regionalizing incarceration facilities/prisons, especially for state prisoners.

**Coroners/Constitutional Officers:** The ACIR recommends further study of constitutional officers, their roles and responsibilities; the funding of these officers to clarify vague terms in the law relative to funding and providing for these officers; and regionalizing coroner offices to make these state-funded offices for more uniformity among the offices.

The ACIR recommends legislation to provide judicial immunity for legitimate activities of coroners as provided other officials with similar liabilities.

**Judicial System and Court Costs:** The primary concerns in this area are for a needed definition or standardization of reasonable expenses for the district court system, including the following recommendations:

1. To urge the Special Committee on Court Costs to conduct a complete and comprehensive study of court costs.
2. To study the feasibility of local governments sending money to support a “big fund” formula to better distribute court costs.

### **ACIR Recommendations of Items for Future Study**

This study does not exhaust the examination of all issues affecting the funding and service relationship between state and local governments. The ACIR recognizes that some areas are more complex and require more extensive study before complete recommendations can be made. Current studies relative to the judicial system, the courts and funding for public education were not complete or fully available at the conclusion of this study. The most substantial recommendation for study and action is that of how to address the state’s fiscal problems. The ACIR has recommended a Constitution Convention for fiscal reform and notes the importance of further study to determine priority issues to be addressed in that process. The ACIR urges the Special Committee on Court Costs to conduct a complete and comprehensive study of court costs. The ACIR recommends additional study in the following areas: the roles and responsibilities of constitutional officers; the determination of coroners as statewide officials; state funding for local government training to better prepare them as partners in economic development and efficient government management; itemized reporting of court costs to the local parish with responsibility for funding those courts; and the establishment of a centralized mechanism with uniform criteria for local government reporting of annual revenues and expenditures.

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**THE RESPONSIBILITIES OF LOUISIANA  
STATE AND LOCAL GOVERNMENTS TO  
PROVIDE AND FUND SERVICES TO ITS  
CITIZENS**

**BACKGROUND/PURPOSE OF STUDY**

**ROLE OF THE ACIR**

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# THE RESPONSIBILITIES OF LOUISIANA STATE AND LOCAL GOVERNMENTS TO PROVIDE AND FUND SERVICES TO ITS CITIZENS

## Background and Purpose of Study

**Report of the House Select Committee of Fiscal Affairs:** The findings of the Report from the House Select Committee on Fiscal Affairs (SCOFA) of March 23, 2001 concluded that “in Louisiana there is no delineation of fiscal responsibilities between state and local government.” Furthermore, SCOFA findings were that state spending on local functions totals more than \$2.5 billion annually which consumes nearly 28% of the state’s own source revenues. More than 90% of this \$2.5 billion comes directly out of the state general fund. The largest portions of this spending are for funding local elementary and secondary education; supplemental pay for local fire and police; state pay for housing state prisoners in local jails; the monthly salaries of parish and municipal judges, constables, and justices of the peace; revenue sharing; parish road funds; and mass transit (see Figure 1).

The SCOFA report contends, “the state has little control of how these funds are spent. Such huge transfer funding by the state of traditionally local functions presents problems of accountability, engenders questions about the adequacy of the state and local government revenue bases, and creates barriers to efficient delivery of services at both the state and the local level.” The SCOFA report recommended the legislature establish a special committee task force or to use an existing administrative entity to bring the various state and local groups together to begin the sorting out of process of state and local responsibilities.

In response to the broad SCOFA recommendations, the Louisiana Legislature enacted House Concurrent Resolution 148 of the 2001 Regular Session and House Concurrent Resolution 18 of the 2002 First Extraordinary Session. These resolutions direct the ACIR to conduct a systematic and thorough study of the responsibilities of state and local government to provide and fund services to citizens as recommended by the SCOFA report.

**The Role and Function of the Louisiana ACIR:** The ACIR was created by statute in 1987. The ACIR is charged with the responsibility of conducting studies of the existing, necessary and desirable allocation of state and local fiscal and serving as a forum for discussion and resolution of intergovernmental issues to make recommendations for improvement. This report is the outcome of a twelve-month study of meetings and hearings conducted by the ACIR on the respective responsibilities of state and local government. This report reflects priority issues brought forward by the ACIR as recommendations for additional study or for specific action by the legislature or other empowered agency.

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**THE PROCESS  
OF  
STUDY**

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## **The NCSL “Sorting Out Process”**

In 1987, NCSL convened the Task Force on State Local Relations, to examine critical issues in state-local relations. A July 1997 report of the NCSL, *Critical Issues in State - Local Fiscal Policy, Sorting out State and Local Responsibilities*, builds on the Task Force work and develops a set of guiding principles to evaluate the sorting out of state and local responsibilities to determine the following:

- What services should be provided by government?
- Which level of government should finance each of those services?
- Which level of government should deliver those services?

Pursuant to HCR 148, the ACIR considered the following five principles defined in the NCSL report as guidelines for the hearing process for this “Sorting Out” process:

1. Provide the clearest possible separation or responsibility between state and local governments.
2. Assign program responsibility to the lowest possible level of government unless there is an important reason to do otherwise.
3. Consider the fiscal effects of state mandates on local governments to either assume financing responsibility, allow local discretion and implementation or to repeal them.
4. Assume state responsibility for programs where uniformity or statewide benefits will result.
5. Provide state financial assistance to local governments that have the lowest capacity to raise their own revenue.

These five principles define an ideal relationship between state and local governments in the provision of services. National events and concerns have created unexpected challenges in addition to those traditionally facing state and local governments as defined in the NCSL report. Expected differences exist among all 50 states such as varied population, demographics, social economic issues, and legislation which also affect the relationship between state and local government service and funding.

## **Challenges to State and Local Governments**

The NCSL report highlights the challenges now facing state and local governments stating that “the changing legislative and economic environment of the late 1990's has brought new urgency to the challenges facing state and local governments.” These challenges include the following:

New federal laws revamping the welfare system and human resource delivery, shifting fiscal and program responsibility to state and local governments.

The health care industry is transforming through managed care and cost containment efforts and this will intensify in the next five years. Even if current Medicaid programs are restructured, state and local governments will have major roles in financing and service delivery.

Federal deregulation of telecommunications and electric utility industries will have implications for how state and local governments deliver services and raise revenues to pay for services.

New technology which is altering how Americans shop and do business with implications for how state/local governments raise revenues.

State and local governments face more constitutional and statutory constraints on their ability to tax and spend.

### **ACIR Responses to Challenges Facing State and Local Government in 2003**

Nearly six years ago, the NCSL identified these issues as urgent. The events of the past two years alone, present critical challenges to governments in the wake of 9/11/2001, a weakened confidence in the economy as a result of recent corporate scandals, and the resulting downturn in the stock market. It becomes obvious, in fact imperative, that state and local governments reexamine priorities and current tax and funding structures to cooperatively assist one another in meeting these challenges. In the following report, the ACIR supports the need for a Constitutional Convention to remedy the current system and challenges the new governor to lead this charge.

In FY03, Louisiana will spend \$10 million on Homeland Defense Initiatives, an expenditure not even conceived less than two years ago. Now, more than ever before, it is imperative that state and local governments work cooperatively to secure and develop new partnerships and collaborative efforts if basic and emerging new services required to preserve our quality of life are to be funded.

Furthermore, state and local governments are challenged to pursue new and innovative resources and principles for governing using successful models operating in peer states. State and local governments must plan cooperatively to cope with these current and immediate challenges, putting aside individual and political concerns whenever possible to reexamine investments and retirement systems, to set priorities for homeland security, and to determine new sources of revenue for services.

In light of these challenges, the ACIR is committed to the ongoing study of the relationship between state and local governments in the delivery and funding of services to its citizens. To continue the successful effort initiated by this twelve-month study, the ACIR will continue to provide active and open forums for the discussion of those issues of concern to all groups and citizens relative to the relationship between state and local governments. The ACIR will seek to collect and collaborate ongoing studies related to these relationships and provide support for implementation of approved recommendations and define guidelines for future study.

### **The Subcommittee Process**

Following the recommended guidelines of the NCSL, the ACIR examined issues determined to have the greatest fiscal and service impact on the state. The LSU Office of Government Programs facilitator worked with the Louisiana State Senate staff to conduct the twelve-months of hearings and to process the information gathered through testimony for this report. Two surveys developed by LSU encompassed the guidelines posed by the SCOFA report from the NCSL and were distributed to the ACIR membership during its February 21, 2002, organizational meeting. The surveys are included in Appendix A.

Having approved this facilitation process, the ACIR members were assigned among three subcommittees. Once the subcommittees determined topics to be heard in testimony, the respective agency representatives were notified and asked to appear before the subcommittees. To provide consistency among the groups reporting before the ACIR, a letter was sent in advance to the identified presenters requesting the information outlined in the surveys as requested in the SCOFA

report. The subcommittees of the ACIR were created as follows:

Education/Health/Social Services and State Fees  
Public Works and Judicial System  
General Services

Appendix B includes each subcommittee assignment and the selected chairperson to conduct and report on these hearings before the general meetings of the ACIR. The ACIR and/or its subcommittees met on the second Thursday of the month from February 2002 through November 2003 to hear and question subcommittee reports, approve minutes from the previous month, and determine if follow up testimony was needed before breaking into subcommittees for additional hearings. A listing of the speakers providing information and testimony is included in Appendix C. In November 2002, the ACIR met to hear final testimony before breaking into round table discussion groups. The ACIR received a draft of their recommendations for this report to review in preparation for its January 2003 meeting.

On January 9, 2003, the ACIR met as a full commission to discuss and amend or approve recommendations for action and future study. The final draft was presented to the ACIR on January 23, 2003 for final approval for submission to the Legislature on January 30, 2003.

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**GENERAL FINDINGS AND  
RECOMMENDATIONS OF THE ACIR**

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## **GENERAL FINDINGS OF THE ACIR**

### **The Origin and Purpose of Government**

Article I, Section 1, of the Louisiana Constitution defines the origin and purpose of government stating, “all government, of right, originates with the people, is founded on their will alone, and is instituted to protect the rights of the individual and for the good of the whole. Its only legitimate ends are to secure justice for all, preserve peace, protect the rights, and promote the happiness and general welfare of the people. The rights enumerated in this Article are inalienable by the state and shall be preserved inviolate by the state.”

**The Delineation of Responsibility and Accountability for Local Services:** The ACIR acknowledges that the Constitution is clear as to the responsibility of all government in the state. The actual process of delineating in every situation the origin and purpose of government’s responsibility for providing and funding services that protect the rights of the individuals for the good of the whole is complex. The concerns of state and local government leaders for providing and funding services are valid. Government simply must provide certain basic and necessary services in the interest of the public. Relative to costs and services, it is logical to assume that the levels of control over spending are functions of the availability of funds for implementation of services. As less funding for mandated services are available to local governments, the expectation would be that the state would have less control over how those services are implemented. If funding is to be removed, the ACIR recommends that the process be gradual until the goal is accomplished.

The ACIR’s general conclusions support the following principle of the NCSL guidelines with regard to state and local responsibilities: “to consider the fiscal effects of state mandates on local governments to either assume financing responsibility, allow local discretion implementation or repeal them.”

**The ACIR’s General Response on Responsibility and Accountability:** The findings of this report underscore a greater, fundamental problem in the responsibility and accountability for the delivery of services: the state system itself, rather than the relationship between state and local government, is antiquated and inadequate to fund and to deliver services in the best interest and welfare of all the citizens needed to elevate the state to a quality of life equal to its peer states.

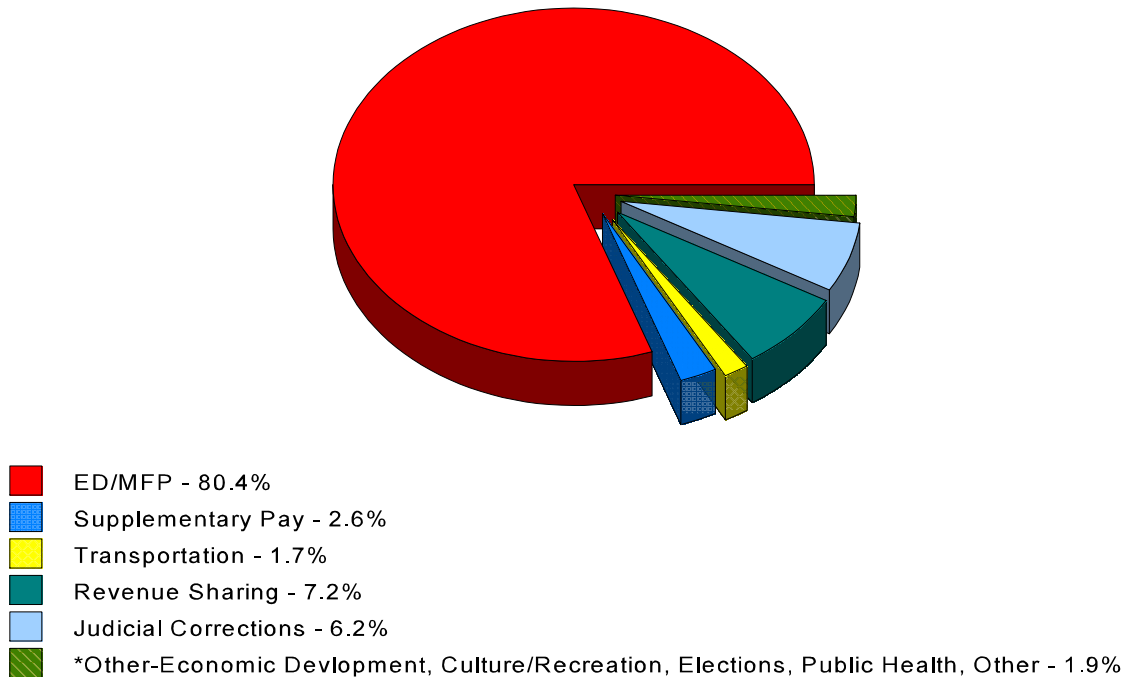
In response to a primary contention of the SCOFA report that “the state has little control of how these [state] funds are spent. Such huge transfer funding by the state of traditionally local functions presents problems of accountability,” the ACIR concludes the following:

1. There is general agreement on the services that should be provided to all the citizens of the state to assure a standard quality of life for all. These primary services are addressed in the findings of this report.
2. There is general agreement with the NCSL recommendations on the agencies that can best provide and fund services to its citizens and the need for accountability for all transfer funding for these functions. Agencies currently delivering these services are listed in this report.
3. The ACIR agrees that a Constitutional Convention for fiscal reform is necessary to provide long term remedy to the concerns defined in the SCOFA report and those identified through this sorting process.
4. Therefore, the ACIR requests a Constitutional Convention.

5. The ACIR challenges the next Governor to initiate the process to hold a Constitutional Convention to correct the system.
6. The ACIR challenges the state legislature and local government leaders to support this action by putting aside individual political concerns for the overall welfare of the entire state.
7. The ACIR concludes that until such time as rational, constitutional reform occurs, the recommendations of this and other studies will only provide temporary remedies to permanent problems.

**The Current Delineation of State Funds for Local Services:** The SCOFA report contends that the state has little control over funds spent on local functions. While this delineation of state and local responsibility might be unclear in some areas, the ACIR submits that the greater problems are a lack of common understanding of all sources to which state funds for local expenditures are allocated and a lack of financial assets in some local areas to support or to supplement services not provided by the state. In Louisiana, only seven parishes are not designated as rural, and in many of these areas the population and tax base are inadequate to support local services. In FY 2001-2002, state allocations for transportation and infrastructure amount to less than 2% of the total allocation. These represent the funds for which local government has the most control. The MFP funding formula accounted for approximately 80% of the allocation of state funds for local governments. The remaining allocation included \$65 million to supplement the salaries of parish and municipal law enforcement and fire protection officers employed by local government. That allocation was constitutionally secured in the November 2002 election. The remainder of the state allocation includes state pay for housing state prisoners in local jails; the monthly salaries of parish and municipal judges, constables, justices of the peace; funding revenue sharing; parish road funds; and mass transit. Figure 1 shows the FY2001 allocation of \$2.9 billion as reported in the update to the SECURE Report.

**\$2.9 Billion State Fund Payments to Local Governments FY 2001**



**Figure 1** Figures are reported from the FY 99-00 budget provided by the update to the SECURE Report.

Updated FY 2002-2003 budget information extracted from highlights of the 2003 budget is listed in the endnote section of this report.<sup>1</sup> The chart below provides the actual amounts and percentages figures shown in Figure 1 as reported in the update to the SECURE Report.

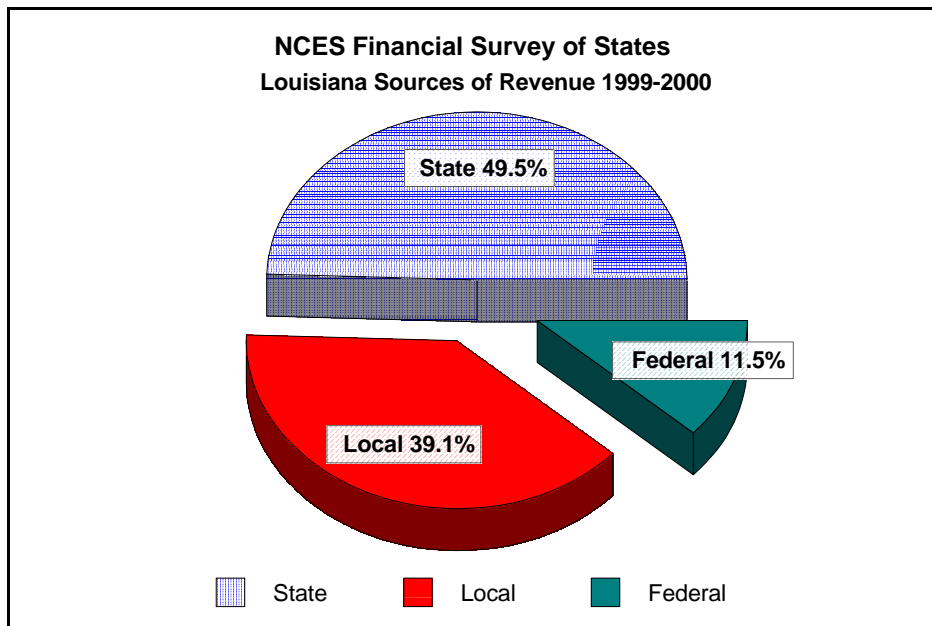
Source	Amount of State \$	% of total
Public Education	\$2,353,541,299.00	80.4%
Government operations (Revenue Sharing)	\$210,357,855.00	0.072
Judicial System and Corrections	\$182,139,883.00	0.062
Public Safety	\$76,602,509.00	2.6%
Infrastructure and Transportation	\$49,700,000.00	1.7%
Economic Development	\$27,350,789.00	0.9%
Culture and Recreation	\$18,619,897.00	0.6%
Elections- Registrar of Voters	\$4,362,588.00	0.1%
Public Health	\$1,793,562.00	0.1%
Other	\$4,737,500.00	0.2%
Total	\$2,929,205,882.00	100%
Capital Outlay Assistance General Obligation Bonds	\$335,000,000.00	N/A

**Local Revenue Sharing Concerns:** Relative to local revenue sharing, local government now receives \$90 million in state aid to replace monies lost due to the homestead exemption. Local governments lose approximately \$750 million through the homestead exemption. This is perhaps the most critical fiscal reform area to be addressed by a Constitutional Convention. Louisiana stands out among its peer states in having this exemption.

The state's ability to exempt business from ad valorem tax without local government input has also created a concern for local government leaders in that local governments lose approximately \$550 million on tax exemption to business. The ACIR acknowledges that certainly local governments must consider the economic opportunities presented as new business locates in the municipality or parish as a balance or advantage to this exemption. The ACIR also acknowledges the importance of these exemptions in remaining competitive in attracting business to Louisiana. The ACIR, therefore, recommends that the concerns of local governments could be balanced through a more active involvement and partnership between the DED and local leaders in new business developments. The ACIR report recommends that this tax structure of the state be reexamined as a source of new revenues for state and local governments.

**Sorting Out Expenditures and Revenues for Education:** While the allocated \$2.3 billion of state funds for public education represent approximately 80% of the total allocation for local governments in FY 01-02, the ACIR concludes it is important to sort out the additional amount of federal, state and local revenues and expenditures involved in public education. According to the Department of Education statistical report of 2000-2001, the total expenditure for school functions statewide was \$5.381 billion. The total of all state revenue sources (MFP plus grants) for public education was \$2.425 billion with \$1.987 billion from local revenue and \$579 million coming from federal revenue. Similarly, an National Center Education Statistics (NCES) financial survey summarizing revenue sources for all state elementary and secondary education systems, compares all states according to revenue received as shown in Figure 2. Louisiana ranks 44<sup>th</sup> among the 50

states and the District of Columbia in total revenues received from all sources state, local, and federal for a total of \$6.487 billion. The state ranked 36<sup>th</sup> in state sources (\$3.208 billion); 35<sup>th</sup> in local sources (\$2.535 billion); and 9<sup>th</sup> in federal sources (\$744 million).<sup>2</sup>



**Figure 2** *NCES Financial survey of States*

# **CONTRIBUTING REPORTS**

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## **CONTRIBUTING REPORTS**

In this “sorting out process” the ACIR recognizes the importance of examining ongoing contributing studies to determine shared concerns and consistent recommendations among these studies. The ACIR requested each presenter to cite known completed studies or those in process on similar issues for collaboration and/or to avoid overlap or conflict when possible. Several studies and reports were significant as supporting data for various recommendations for action and future study such as an update of the SECURE report, a report before the ACIR from the Legislative Fiscal Officer, and a current, but not yet completed, study by the School Finance Review Commission.

### **An Update of the SECURE Report**

In response to the ACIR’s request for information for review in the sorting out process, the Louisiana Association of Business and Industry (LABI) submitted a May 2001 report updating the SECURE report developed by KPMG Consulting. The LABI requested the update to “provide recommendations as well as to analyze the funding resources and service responsibilities between state and local government.” The ACIR did not receive this update until its last session on November 14, 2002; therefore, ACIR was unable to thoroughly examine and discuss these recommendations as they relate to the ACIR report. Further examination of this report and others will be a task for the ACIR in the future.

A conclusion of this study determines that Louisiana differs from its peer states in state funding to local governments. Peer states provide funding support to local governments for public education, local roads and bridges, economic development, and cultural and recreation activities. Peer states share a portion of their state’s general sales tax revenue and severance taxes, where applicable, with local governments. Noted in the report are the concerns of the LABI and the business community that the state budget deficit of \$80.6 million in FY2000 and the potential for additional taxes could jeopardize the state’s ability to attract and retain businesses and could severely restrict the progress toward economic development.

The report concludes that Louisiana stands out from its peer states in these areas:

1. Supplemental pay for law enforcement.
2. Collection of local sales tax where, in peer states, the responsibility for collecting local sales tax is retained at the state level.
3. Charity hospital system - peer states do not operate statewide charity hospital systems.

Noting that Louisiana spends \$690 million annually to support its programs and functions, the report further denotes the following areas as those in which Louisiana differs from its peer states relative to funding:

1. Public Safety - Supplemental pay to local fire and police.
2. Revenue Sharing - Homestead exemption (reimbursement to local governments for loss of property tax revenues due to homestead exemption).
3. Public Health - Charity hospital system, (state’s portion of the Medicaid and Uncompensated Care, and general fund support).
4. Capital Outlay - (General obligation bond portion only) funding support for capital projects that are considered to be “local” projects.

A concern for declining revenues and income throughout the state is expressed in the report noting that Louisiana had the lowest growth in state general revenue and in personal income among its peer states during 1990-1997. In Louisiana, property taxes contribute a smaller percentage of the total state and local governments general revenue when compared to all its peer states with the exception of Alabama.

The Homestead Exemption in Louisiana exempts 72% of Louisiana homeowners from paying any property tax. In a summary of state funding assistance to local governments, this report finds that for FY 2001, the state budgeted \$210,575 million in funding assistance to local governments for Governmental Operations (Revenue Sharing) related activities including the following:

<b>Category</b>	<b>State Funding Support for Local Government Operations (Revenue Sharing) for FY2001</b>
<b>Revenue Sharing Fund</b>	<b>\$90 million</b>
<b>Severance Tax Deductions</b>	<b>\$36 million</b>
<b>Parish Royalty Fund</b>	<b>\$24.5 million</b>
<b>Sales Tax Dedications to Local Entities</b>	<b>\$29.6 million</b>
<b>Video Draw Poker</b>	<b>\$30.2 million</b>
<b>TOTAL</b>	<b>\$210.4 million</b>

*Source: Figures are reported in the budget information for FY01 included in the SECURE Report Update, conducted by the LABI*

The report indicates that Louisiana sources of state government general revenue are comparable to other peer southern states with Louisiana receiving 68.2% from its own source revenue, 31.5% in federal funds, and 0.3% in local funds. Information gleaned from discussions before the ACIR indicates the need to further study alternative sources of revenue to increase state and local revenues to assist in funding citizens' services to better meet the needs of the citizens. Such areas of assistance might come in the form of federal grants and awards with increased involvement among local governments in the federal process.

### **Report from the Legislative Fiscal Officer**

The Legislative Fiscal Officer reported to the ACIR on Louisiana's fiscal problems, the causes and cures. The Legislative Fiscal Officer's opinion is that "Louisiana has problems and will always have problems until we change the way the state does business." The state, according to this opinion, "has been doing business as we did in the 1930's with little change with the times." The Fiscal Officer reported that the state budget continues to grow while services remain the same or even decline in many areas and as compared to peer states. For example, in public and private expenditures, Louisiana spends \$8.18 billion more than a peer state, Mississippi, only to get the same results. Relative to health care, charity, non profit, rural and parish hospitals compete and still perform poorly, thus underscoring the need to study the regionalization of the state health care system. A recommendation of the Legislative Fiscal Officer was to pursue some demographically based system of funding to meet the dire health care needs of certain areas of the state. A shared concern expressed by the ACIR in response to this report was that the state may often provide

services that local governments may not necessarily want or need, but to which they may be constitutionally tied indicating a need for further study in this area.

In the opinion of the Legislative Fiscal Officer, the state needs to change the way it operates fiscally if the state is to cure its fiscal problems. In response to a question posed by an ACIR member as to the Legislative Fiscal Officer's opinion on the services the state should provide, the following response was given: that the state should focus on providing quality education, health care, roads, and police protection and free the local governments or regions to mind their business without mandates. The state should decentralize as much as possible and loosen controls on the local governments. First, state support for local development should be examined by regions and demographics to assist those poorer parishes with declining revenues and resources while other parishes continue to prosper. This sharing of the wealth is essential for the overall fiscal health of the state.

The ACIR concluded from the fiscal officer's report that further study is needed on the following issues for future recommendations to the legislature

1. Regionalized health care.
2. State guarantees for a southern average, demographically based, funding to address the parts of the state in dire need for health care.
3. State support for the growth and development of small businesses.
4. Revised tax structure to attract businesses.

### **The School Finance Review Commission**

This commission was created by executive order in the fall of 2001 with the purpose of addressing the equity and adequacy of state funding to parish and city school systems. The key issue currently before the commission is the determination of methods to fold the required accountability of school systems into future versions of the MFP. The commission will prepare a required annual report to be presented by March 1 of this year; however, due to the complexity of the issues involved in educational funding, the efforts of the commission are seen as multi year and, at this time, it appears meetings will continue past the current administration.

Education representatives on the ACIR met with a Senate staff member and the LSU facilitator to further examine and clarify the extensive issues and concerns regarding this complex area. It was determined at that time that the recommendations included in this ACIR report do not appear to be in conflict with current findings of the School Finance Review Commission. It is the intent of this subcommittee to further monitor the recommendations of the School Finance Review Commission.

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**FINDINGS AND  
RECOMMENDATIONS OF THE  
ACIR**

**SUBCOMMITTEE ON EDUCATION/  
HEALTH/SOCIAL SERVICES AND  
STATE FEES**

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## **SUBCOMMITTEE ON EDUCATION, HEALTH, SOCIAL SERVICES, AND STATE FEES**

The Subcommittee on Education/Health/Social Services and State Fees met to examine the following areas of interest: public education, health, welfare, MFP, state fees for services for local governments, local revenue restrictions and limitations, and other mandates. As expected, the hearings and emerging issues from this subcommittee were substantial. In terms of expenditures, education, health and human services account for the majority of the state's spending. This continues to be the case for FY03<sup>1</sup>.

### **Education**

Louisiana leads in the nation with the highest number of private school enrollments and a significant number of home schooled children, thereby removing a significant number of students from the public school population who would likely score higher on national performance indicators. As a result, a "skimming" effect exists which skews the analysis of nationwide comparative statistics on education relative to funding and needs for resource.

Louisiana has the highest percent of children in poverty and educational costs increase as the state's poverty levels increase. While the average state expenditure per student is \$5,814, local school boards must still provide substantial funding to meet the needs of children with special needs and the profoundly disabled children, as the state provides 100% of their education. Programs for these special education students are federally mandated; however, federal funding anticipated to be at 40% of the cost of these programs has been only 13% in recent years.

Federal and state mandates continue to present the most pressing problems for schools. School boards are exempt from the prohibition against unfunded mandates. Statute and policy dictate many resource inputs such as class size, minimum salary levels, support service levels. Furthermore, while school boards have some flexibility in spending decisions of the MFP funds, 70% still must be spent on direct classroom student and instructional support. Beginning in FY03, MFP will require 50% of any increased Level One or Two funding to go to certified salary increases. Additionally, the MFP does not consider capital outlay or debt needs of local school boards.

The ACIR findings indicate a need to further study the provision of state funds to DHH and DSS to encourage a more cooperative partnership to provide the best care for profoundly disabled children in the public school system. These funds would relieve a significant financial burden from local schools where care for one child can reach amounts in excess of \$25,000 per year. Furthermore, the care of these children is better aligned with the mission of these departments than that of public schools.

**State and Local Government Responsibility for Services for Education:** The Louisiana Constitution establishes a Public Educational System in Article VIII, Section 1, stating, "The legislature shall provide for the education of the people of the state and shall establish and maintain a public educational system." The responsibility for providing a public elementary and secondary education system has rested with the state. Although not specifically referred to in the Louisiana Constitution, it has been the policy since 1929 that providing facilities for education should be a local responsibility and that the state should not participate in costs of this nature.

Services and funding for public education perhaps present the most complex problem for state and local funding and service responsibility. Public education illustrates the tradeoffs states face when trying to sort out the roles of state and local governments in financing and delivering services. Although primary responsibility for delivering educational services rests with local school

districts, the average state spends about one-third of its total general fund budget on state aid for K-12 education. Like Louisiana, most states have decided that the benefits of state education aid programs outweigh the problems they create and have determined that a joint state-local role is appropriate.

**State and Local Government Responsibility for Funding Education:** The responsibility and provision of funding and services for public education are to be shared by the state and local school boards. It is the responsibility of the legislature to appropriate funds sufficient to fully fund the state's share of the approved formula for the cost of a minimum foundation program in elementary and secondary schools. The approved MFP formula requires on the average that local school boards contribute 35% and the state contribute 65% of the formula. The funds appropriated are to be equitably allocated; therefore, the sharing is adjusted for each local school system based on the relative fiscal capacity of each school system.

The Louisiana Constitution provides for BESE to annually develop and adopt a formula to determine the cost of the MFP. The Constitution stipulates that the formula provide for an equitable allocation of funds to local school systems, thus requiring a contribution by each school system. Once BESE develops and adopts the MFP formula, it is submitted to the legislature for approval. The Constitution stipulates the following procedure to be followed:

1. The legislature may approve the formula or may reject it and recommend an amended formula to BESE for consideration and resubmission. If a new formula submitted by BESE is not approved by the legislature, the most recently approved formula remains in effect until such time as a new formula is submitted by BESE and approved by the legislature.
2. The legislature has the responsibility each year to appropriate funds sufficient to fully fund the state's share of the currently approved formula.

**Recommendations of the Subcommittee on Education, Health, Social Services, and State Fees for Education:** Currently, the federal government only funds 15 percent of its promised 40 percent portion committed to providing services for children with disabilities. The ACIR, therefore, recommends that the legislature urge Congress to fully implement the federal funding commitment for local education and to enact all mandates of the U.S. Department of Education's "No Child Left Behind" plan.

1. Louisiana's accountability program establishes academic performance goals for all students attending public elementary and secondary schools. These goals should therefore form the basis for BESE to determine the total cost of a minimum foundation program of education for Louisiana as stipulated in the Constitution. BESE should keep foremost in mind these student academic performance goals, as well as the varying cost of students having different needs, when developing and adopting the formula for the MFP. The MFP formula should provide maximum flexibility to local school boards, with their individual and specific needs, to successfully meet the student academic performance goals contained in Louisiana's accountability program.
2. If BESE includes a specific expenditure requirement in the MFP, it should do so within the framework of the MFP, with state funds allocated in accordance with the relative fiscal capacity of each local school system.



3. Both legislative bodies should consider the MFP formula adopted by BESE and submitted to the legislature. If the formula is not approved, both the House and Senate should approve any recommendation(s) for change before returning it to BESE.
4. No expenditure requirement to local school boards outside of the MFP formula should be mandated unless sufficient state funds are appropriated outside the MFP to fully compensate each school board for the cost of the mandated expenditure. As an example, state reimbursement for group insurance has been moved to the MFP without additional funding to provide for such expense.

## **Health**

DHH is the largest department in state government with approximately 12,000 employees and a budget of \$5.5 billion. The Medicaid program is budgeted at approximately \$4.2 billion and the remaining budget is divided among four program offices. The department operates five mental hospitals, 30 plus mental health clinics statewide, nine developmental centers and various addictive disorder treatment facilities. DHH either delivers or finances health care services to low-income, uninsured and other at-risk people in the state.

There are five major program areas in the department as follows: Public Health, Mental Health, Developmental Disabilities, Addictive Disorders, and Medicaid. Currently, a study of state and local service delivery systems in the areas of mental health, developmental disabilities, and substance abuse services is underway. The study seeks to determine a clarification of local and state roles in Louisiana.

**State and Local Government Responsibility for Health Care Services:** Local government plays a very limited role in service delivery of DHH services. DHH services are primarily financed by state and federal funds. A few parishes have stand-alone operations. Jefferson, Ouachita, Ascension, and Terrebonne parishes have a local millage that is used to pay for certain local health services. Considerations with regard to health care were provided by the Legislative Fiscal Officer. Preliminary findings indicate that Louisiana is one of the few states which delivers mental health, developmental disabilities and substance abuse services directly. In most other states, the state is the contractor, not the employer, thereby setting and assuring compliance for the use of state funds by local service delivery systems.

**State and Local Government Responsibility for Providing and Funding Health Care:** According to the fiscal officer's report, Louisiana is second in the nation in patient expenses for hospitals and second in the nation on a per capita basis in spending for in patient care, yet Louisiana is 50<sup>th</sup> in the nation in results. Currently, state institutions get 90% of the funding for health care provisions. Parishes provide services but do not get the money. Overall, the average for DHH funding is 20% state and 61% federally funded. Specifically, the split in funding for the five major program areas is as follows: Public Health 61% federal, 19% state, 7% Medicaid and 1.5% local for parish health units; Mental Health 38% state, 4% federal and 57% Medicaid with a small portion from Jefferson Parish; Developmental Disabilities, 79% Medicaid, 17% state, and 0% local; Addictive Disorders, 57% federal, 35% state, and 0% local; and Medicaid, 71% federal 19% local with few voluntary local funds.

**Recommendations of the Subcommittee on Education, Health, Social Services, and State Fees for Health:** As stated in the contributory studies section of this report, the Legislative

Fiscal Officer made these general recommendations in the area of health care: 1) the feasibility of a regionalized health care system which might better determine actual service providers and 2) the feasibility of a guaranteed southern average formula for funding which is demographically based to provide more local control over how funds would be spent to address dire needs of some areas of the state.

The Medicaid program continues to grow, while federal funding is being reduced to state governments. If an attempt is made to expand delivery of health services through multi parish models, the subcommittee suggested that the following NCSL guidelines be considered:

1. Clarification of the differentiation of state and local roles.
2. Consideration of the fiscal effects of state mandates on local government, as the state must either assume financial responsibility, allow local discretion on implementation, or repeal mandates.
3. Consideration of state responsibility for programs requiring statewide uniformity for service and funding.
4. Establishment of resource allocation formulas for equitable financial assistance to local governments.

### **Social Services**

The Department of Social Services (DSS) is the second largest department in the state with 5,515 employees and annual budget of \$925 million based on federal funds requiring state match. The DSS is responsible for the delivery of services for the public welfare through three major offices, Office of Family Support, Office of Community Services, and Louisiana Rehabilitation Services.

**State and Local Government Responsibility for Providing Social Services:** There is no formal structure of interaction between state and local programs for social services; although, DSS must interact with local agencies regularly to determine needs and to provide appropriate services. There is growing need to address social problems in the schools where the educational system is hindered, thus creating a common interest in at-risk and special needs children between social services and local educational districts.

**State and Local Government Responsibility for Funding Social Services:** Funding for social services is not constitutionally protected; therefore, funding shortages often create the problem of high employee turnover as employees leave for the private sector. There is no state funding going directly to local government. The \$925 million budget for DSS includes state and federal funds requiring a state match. State general fund monies amount to \$186.5 million, federal funding is \$657 million and \$81.6 million comes from other funding sources such as child support payments and licensing fees. Most state funding assistance to local government is available through grants for areas such as Shelters for Homeless (\$1.5 million), support for local District Attorneys for child support enforcement (\$15.4 million), Food Stamp Training programs for local governments (\$1.4 million), funding to local school boards for the Pre-K program (\$30 million), and domestic violence programs including staff training. Increasingly, children are being mandated from the local courts to social services for treatment; however, funding is not available in the department to provide additional services.

**Recommendations of the Subcommittee on Education, Health, Social Services, and State Fees for Social Services:**

1. To facilitate interaction between state and local social services programs, local children and family cabinets should be developed to maximize services.
2. To provide state funds for assistance to local citizens through training programs to enable them to acquire knowledge about available services and to facilitate interaction.
3. To increase funding from the state to assist DSS to meet the state mandates from local courts for social services and treatment for children.
4. To formalize partnerships to better cooperate to address social problems in the schools where the educational system is hindered, thus creating a common interest in at-risk and special needs children between social services and local educational districts.
5. To protect DSS funds to diminish high turnover of employment, to maintain qualified social workers, and to consistently assist local governments in the cost for delivery of mandated services for local citizens.
6. To provide for state run group homes, as these are currently operated through contracts administered by private and nonprofit organizations. More state run group homes with on-site schools are needed to address the concerns of local governments burdened by special needs students from group homes and weakened instructional benefits.

**State Fees**

Presentations by the Department of Environmental Quality (DEQ), the Legislative Auditor, the Louisiana Municipal Association (LMA), and Louisiana Police Jury Association addressed concerns for state fees and mandates. In 1991, a constitutional prohibition against unfunded mandates was adopted; however, existing mandates were grandfathered and school boards and civil service systems were exempted from the prohibition.

The Legislative Auditor stated that there is no relationship more charged than the state/local relationship relative to taxes. According to the Legislative Auditor, local governments in general tend to believe that the state is constantly looking for ways to pass responsibility onto local governments. The Legislative Auditor listed fees required of local governments in the presentation for the ACIR.

**State and Local Government Responsibility for State Fees:** The amount of state fees and mandates across all areas is extensive. The Subcommittee on Education/Health/Social Services/State Fees examined some of these areas. The Subcommittee on Public Works and the Judicial System examined court cost fees, another extensive area. The subcommittee on General Services also examined fees and other mandates. Relative to the ad valorem tax and the effect on local government, the state can exempt business from ad valorem tax without local government input causing a loss to local governments of approximately \$550 million in revenues on this exemption. Local government receives \$90 million in state aid to replace monies lost as a result of the homestead exemption; however, local governments lose approximately \$750 million through this exemption. The courts have determined that unfunded mandates must be funded first in local government budgeting. The Governor's Office of Rural Development and Office of Urban Affairs provide funds to local governments for projects approved by these offices. The Legislative Auditor

in a report to the ACIR noted the concern for how these funds are monitored. These funds provide some revenue support for local governments.

### **Environmental Quality**

**State and Local Government Responsibility for Environmental Quality and Fees:** Louisiana's fee structure for environmental quality can best be compared to other states such as Texas and New Jersey with heavy industrial components. Relative to fee structure for DEQ, any entity that has an impact on the environment by emitting into the air or water, generating hazardous wastes, or storage in underground storage tanks or solid waste landfills are subject to DEQ fees/fines, whether a municipality or private business. DEQ's fee structure is based on water, air, radiation, underground storage tank, solid waste, hazardous waste and ground water. DEQ's water fee structure is the only part of DEQ's fee system which allows a break for being a local government. Typically, municipalities that have wastewater treatment operations are subject to DEQ water fees based on ratings point times the price per ratings points. There are two different rates for industrial and municipal. The municipal rate is approximately 50% less than the industrial rate. There are 30 categories that fit in the general permitting structure.

The fee structure for air is more difficult to evaluate. Thus, the fees for up front permits are higher. Incinerators, power generating stations, and landfill flaring are examples of required local permitting. The fee structure is based on current industry standards.

Very few municipalities are subject to radiation fees and these fees mainly pertain to doctors' and dentists' offices with x-ray equipment onsite and hospitals and research institutes with radioactive materials inside. Based on DHH changes over the past years, more local governmental entities, which are now given more responsibility for by state government will be subject to DEQ permitting. The annual fee for underground storage tanks for local governments is \$54 per tank. Local governments are assessed a \$600 fee per year for Construction and Demolition permits. Local governments are sometimes assessed a hazardous waste generator fee.

### **Recommendations of the Subcommittee on Education/Health/Social Services/Fees for State Fees:**

1. To restrict grandfathered mandates from exemption by the 1991 constitutional prohibition against unfunded mandates. Some existing mandates were grandfathered and school boards and civil service systems were exempted from the prohibition.
2. To more clearly define the duties of the state versus local government relative to fees so that funding can be provided for services by the appropriate provider.
3. To conduct a study of the feasibility of creating statewide uniformity of coroners' fees in making this a state-funded office.

**FINDINGS AND  
RECOMMENDATIONS OF THE  
ACIR  
SUBCOMMITTEE ON GENERAL SERVICES**

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## **SUBCOMMITTEE ON GENERAL SERVICES**

The Subcommittee on General Services heard discussion on issues of economic development; workforce development; tourism; civil service and retirement issues for law enforcement, fire officers and local employees; supplemental pay for law enforcement; election expenses and officials; public safety; emergency response/civil defense expenditures, and other mandates and publications.

### **Economic Development**

The ACIR recognizes that DED resources promote a statewide economic development mission and so recommends seeking innovative ways to create stronger involvement of local governments in this process. The ACIR recommends that DED initiate greater collaboration efforts with local governments through strategic planning, grant assistance, early and ongoing communication with the local government relative to projected economic impact and costs to the local government. Educational and technical assistance to local governments can better prepare leaders to participate in the business of developing the local economy, thus contributing to the larger economic health of the state and greater economic independence of local governments.

The ACIR recommends DED working closer with local governments to better access the Governor's Rural Development Office and/or the Office of Urban Affairs programs for economic development projects with direct benefits for Rural and Urban areas. The state should strive to provide a more equitable distribution of funds to local governments.

**State and Local Government Responsibility for Economic Development Services and Funding:** The DED promotes the state to business and provides resources to companies within the state in the form of tax incentives, tax credits, financial infrastructure assistance, financial workforce training assistance directly to the company, and loan guarantees. The report of the DED noted that Louisiana should be more competitive and should educate its workforce. The following programs were reported to assist in the state's economic development:

1. Economic Development Award Program - to assist existing businesses and help fledgling businesses - \$4.5 million.
2. Workforce Development - for assistance in training employees for specific fields- \$2.5 million.
3. Small and Emerging Industry - small business development centers providing a \$308,000 state match and a \$1.2 million federal match. There are 15 in the state.
4. Louisiana Technology Transfer Office- housed at the LSU Business Technology Center and the Stennis Space Center.
5. Entertainment Cluster - provided \$2 million each to the Super and Sugar Bowls, \$375,000 to the Independence Bowl and \$300,000 to the New Orleans Bowl.

### **Recommendations of the Subcommittee on General Services for Economic Development:**

1. To encourage greater efforts on the part of DED to inform and involve local governments as early as possible in the efforts to attract a potential business

to the area. Local governments have some concerns about the long range economic impact of new businesses locating in the area. The additional costs for infrastructure and effects on local businesses can cause long range economic losses for the area without proper planning. Furthermore, there is a concern for building initial relationships between the local governments and potential businesses in an effort to understand the goals of the business after the ten-year exemption expires relative to relocation which can cause significant economic loss to the area. Local governments must be able to plan for these changes.

2. To encourage better communication between DED and local governments in attracting businesses to the area if the business exemption from ad valorem tax is to be offered. This exemption costs local governments approximately \$550 million in revenues.
3. To examine ways to offset or to plan for the exemption costs lost due to the ad valorem tax exemption for business. While ACIR acknowledges that this exemption can make Louisiana more competitive in attracting new business, local governments need to plan for these changes in the economy of the area.
4. To urge the state to better define and clarify criteria for funding projects through the Governor's Rural Development Office and/or the Office of Urban Affairs while also providing a more equitable distribution of these funds to local governments for economic development projects.

### **Workforce Training**

**State and Local Government Responsibility for Labor and Workforce Training:** Related to economic development issues, the subcommittee also heard testimony from members of the state Department of Labor. The Workforce Investment Act is one of the major programs of the department which provides training and employment services for dislocated workers, adult workers, and youth. The federal government sets policy for the program and contributes approximately \$60-\$70 million each year. The Incumbent Worker Training Program is not federally funded. The state diverts \$50 million from state employer taxes each year to provide skill development for an employer's existing employees. Eligible employers must have operated in the state for a minimum of three years, be current on employer taxes, and have at least fifteen employees to train. Employers must provide for these funds with a training provider through the Department of Labor with final approval through the governor's office.

Welfare to Work program is a federally and state-funded program designed to help long term public assistance recipients move from public assistance into employment. The program was terminated in January 2003. The Trade Adjustment Assistance Act provides retraining and re-employment services to state employees who have lost their employment due to increased imports.

Representatives from the Department of Labor were asked about workforce development funds for local governments. In response, it was explained that these funds are not available for training government employees with the exception of Trade Adjustment Assistant Act. The state Division of Administration contracts with LSU for delivery of management training and other professional development and computer courses for state employees and state agencies. The lack of funding for education and training programs for local governments were discussed, as state funds are not available for these programs. Local governments with the greatest need are often those with the least ability to pay for these services. Education opportunities will assist in preparing local leaders for active involvement in economic development, strategic planning, and managing the



complex day to day operations of government. University programs and resources are available for local governments, but require payment for the services due to the self-generated funding structure of the provider. Education resources in strategic planning, public communication, media relations, leadership development, lobbying, budget management, and EEO standards represent a few of the topics of concerns that can be addressed through education.

**Recommendations from the Subcommittee on General Services for Workforce Training:**

1. To address the funding of local government training for employees and conduct a survey of training and technical resources for local governments that are available for local governments and to determine methods assisting local governments access these services.
2. To then recommend legislation or state support to fund similar training and technical programs identified in this survey process that are available for local government leaders and employees. This recommendation supports the goals of the ACIR in seeking ways to make government more efficient and effective.
3. To examine the Governor's Office of Rural Development and the Office of Urban Affairs as possible sources of funding for municipal and rural government assistance in this area, as these funds have been used for this purpose in the past.

**Elections**

**State and Local Government Responsibility for Services and Funding for Elections:** The ACIR recognizes that local governments bear the economic costs for local elections. Better planning of elections to coordinate with state and federal elections can relieve some of this burden from the local governments. It appears that better attention to long range planning for elections might provide cost savings to state and local governments. This is especially true for local governments holding special elections to replace unexpired terms as a local official leaves office due to death, illness or election to another office.

**Recommendations of the Subcommittee on General Services for Elections:**

1. To recommend legislation to allow for the coordination of elections to coincide with federal elections at the next possible election cycle.
2. To encourage local governments to develop plans to better coordinate elections.

**Retirement**

**Recommendations of the Subcommittee for General Services for Retirement:** The ACIR recognizes that certain factors must be considered to determine and maintain a healthy retirement system such as employer and employee contributions and high yields on investments. Recent downturns in the stock market have affected state and local retirement systems as have increased benefits to some contributors. Some local governments will have difficulty paying the costs of increasing benefits for retiring fire and police officers. The state should, therefore, strive to achieve these standards of a healthy retirement system and to increase the period of time to fully fund the

unfunded accrued liability for all state and state wide retirement systems, which is currently at Year 2029.

### **Emergency Response and Civil Defense**

The state provides for emergency services through various agencies. The new Homeland Security Agency of the federal government will affect many of the funding and service operations relative to emergency responses. In FY03, Louisiana will spend \$10 million on Homeland Defense Initiatives, an expenditure not even conceived less than two years ago.

**Recommendations of the Subcommittee on General Services for Emergency Response and Civil Defense:** The state is in process of adapting existing plans to meet new standards and programs for civil defense and emergency preparedness. The ACIR concludes there is a need to enhance delivery of emergency services and to alleviate redundancy in those services. The ACIR urges greater coordination among agencies that provide federal, state and local service for emergency response and civil defense programs. This is an important area in which the ACIR urges action.

### **Fees and Other Mandates**

As discussed in previous sections, the study of various fees overlapped the items examined by all three subcommittees. State mandates include Municipal Fire and Police Civil Service Systems which include, but are not limited to, minimum monthly salary supplements, maximum work hours with required over time payments, paid sick and annual leave, occupational disease and infirmities classifications. Recommendations were made on state retirement system indicators by this subcommittee. The ACIR notes from testimony that a problem is created by increasing state police salaries, as there is a resulting negative effect on local ability to recruit and maintain police officers. General mandates of concern for the state and local government relationship include publications and public notices, witness fees, election expenses, annual financial statements, veteran service offices, coroners' fees, codification of ordinances, and court costs. Fees by state agencies include wastewater fees, Bond Commission fees, and drinking water fees.

**FINDINGS AND  
RECOMMENDATIONS OF THE  
ACIR  
SUBCOMMITTEE ON PUBLIC WORKS AND  
JUDICIAL SYSTEM**

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## **SUBCOMMITTEE ON PUBLIC WORKS AND THE JUDICIAL SYSTEM**

The Subcommittee on Public Works and the Judicial System examined the issues of public works, highways/roads/street, prisoners and corrections, coroners and other constitutional officers, and the judicial system and courts.

### **Highways/Roads/Streets**

According to the DOTD, there is a lack of Transportation Trust Fund monies at this point; therefore, DOTD would like to assist the local governments more in the process, but cannot under current budget constraints. Louisiana lags behind its peers in terms of how much money is raised for transportation funding and the state burden responsibility for transportation is disproportionate. Louisiana's transportation revenues are within the bottom third of all states. The state has had the same dedicated fuel tax since 1989. As a comparison, Louisiana has 16,000 state miles of highway funded by a 16-cent gasoline tax for every gallon of gasoline sold in the state compared with Florida with 10,000 of state miles funded by a 26-cent per gallon gasoline tax. There are 5,000 state miles that do not qualify for federal funds, and these miles are not being repaired or replaced. These are generally low volume, low traffic areas which are not on the federal system, and DOTD has no way to replace them.

**State and Local Government Responsibility for Highways, Roads and Streets:** The Metropolitan Planning Organization (MPO) is designated by the Federal Highway Administration to contract with all areas in the country with a population greater than 50,000 for transportation planning. The Capitol Regional Planning Commission is the agency for the Baton Rouge Metro area. The Baton Rouge MPO serves four parishes and is governed by a Transportation Policy Committee of all the elected officials in the four parish area. State funded transportation programs which benefit local communities are:

- ? Parish Transportation Fund
- ? Off system Bridge Program
- ? Enhancement of T-12 Program
- ? Public Transportation or Transit Program
- ? Urban Systems Program

The Parish Transportation Fund is a state program financed with the Transportation Trust Fund from the 16-cent gasoline tax. The Constitution provides that not less than one penny of the tax must go to the Parish Transportation Fund which equates to approximately \$27 million. The legislature has historically appropriated 1.5 cents or an approximate total of \$40 million over the last five years. This formula is driven and managed by the state treasurer. These monies do not go to DOTD, but directly to the parish governments. An approximate \$39-40 million is allocated among the 64 parishes without restriction. According to DOTD, the program is successful, but modest, and does not cover the transportation needs of the state.

The Off Bridge Program is a federal program and requires state or local match and/or combination of both. This is a replacement rather than a repair program. The parishes have the authority to select projects; however, many projects are dictated by the amount of money available even in a bid process.

The Enhancement Program is a popular one requiring state and/or local match. It funds such items as sidewalks, landscaping, transportation facilities, and rails. The Public Transportation

Program is under the Public Transportation Section with DOTD. That section receives federal pass through grant money. The most popular and visible program is the provision of vans for non-profits such as The Council on Aging to provide rural transit. The program is very popular and funded at about \$15-20 million per year.

The Urban System Program is a federal program which recognizes MPO's for urban areas for transportation planning and nothing else. The MPO's get the amount which is passed through DOTD. The MPO's also have "attributable funds" which cannot be used for anything else and go directly to urban areas for urban problems of congestion and air quality with veto authority over their projects. The state enters into agreements with the MPO's and enters their projects into the Statewide Transportation Improvement Program.

From a local government perspective, funding transportation in rural areas presents unique problems. Parishes have several funding sources including ad valorem and sales taxes. These funds must be expended on mandates that the parish is required to provide within the parish such as court systems, jails, public administration, and rural public works departments. In a parish requiring much maintenance of public road systems, a tremendous financial strain is created for the parish. Recent legislation has placed certain constraints on DOTD, and the department may soon require parish governments to provide funding for rural bridges. Local governments believe there is a need for the state to increase road and bridge funds to DOTD so local governments can continue to provide these services.

**Recommendations from the Subcommittee on Public Works and Judicial System for Transportation/Highways/ Roads:**

1. To examine other user indexing and non traditional funding sources for transportation. Sources to examine might include the Governor's Office of Rural Development funds and the Office for Urban Affairs and new federal grants through agencies such as Homeland Security. Transportation problems are concerns for homeland security in the event of a disaster.
2. To further recommend that there be a redefinition of the state's core transportation, flood control, and other public infrastructure responsibilities with appropriate funding.
3. To increase the road and bridge funding to DOTD and provide the option to fund local government services with locally raised revenues.
4. To recommend a special session to address the comprehensive issues of transportation and the Transportation Trust Fund, as there are about 5,000 out of 16,000 state miles that do not qualify for federal funds.

**Prisoners and Corrections**

Corrections Services within the Department of Public Safety and Corrections currently has 103,000 individuals in custody broken down by approximately 19,000 in state institutions, 16,000 in local facilities, 9,000 in juvenile facilities, and 58,000 under probation and parole supervision. The budget for Corrections is \$620 million. The department has 8,000 employees. Institutional growth is down in Louisiana. Three years ago institutional growth was increasing at a rate of 3,000 per year. Last year, that rate decreased to about 800 inmates per year. This decrease is good for the state, but not for local governments and communities that have made financial commitments to buy or build additional jails to house prisoners. Louisiana prisons, once under a federal Consent Decree to meet accreditation standards, are now accredited, having met stringent standards of the Decree.

### **State and Local Government Responsibility Services for Prisoners and Corrections:**

Corrections currently has a number of programs working with the local communities. Clean-up is one such program initiated by Governor and Mrs. Foster. Approximately \$2.5 million is appropriated for that purpose. There are inmate litter crews in eight parishes where there are partnerships and contracts with local sheriffs to clean up highways and byways in those areas. They average about 16,700 man-hours a week picking up litter. The department has inmate crews at all eleven adult institutions and four of the juvenile institutions. Other parishes using Corrections inmates for clean up are not funded with state funds. These parishes pay approximately \$600,000 in local funds through contracts with Corrections. About \$25 million in contract programs are provided through Corrections on an RFP basis throughout various portions of the state. The breakdown is as follows: \$16 million in residential programs, \$1.5 million for shelter programs throughout the state, and \$5 million for nonresidential programs, day programs, trackers programs, and family preservation programs. Corrections works with local courts and district attorneys in drug court programs statewide and truancy programs.

### **State and Local Government Responsibility for Funding for Prisoners and Corrections:**

The department has sheriffs housing state inmates. There is a quota system with local sheriffs where Corrections requires a certain number of inmates be transferred into the state institutions throughout the year to provide a certain number of inmates every week to come into the Corrections system. This creates a struggle for some local parishes to pay the debt service on some of the institutions they have constructed. Currently, 16,800 inmates are housed in parish facilities as a partnership with local sheriffs and local governing authorities. The current reimbursement rate for housing state inmates in local facilities is \$22.39 per day or about \$8,000 per year. By comparison, state institutions average about \$41 per day or about \$15,000 per year and the system wide average is about \$32 per day or \$12,000 per year. Relative to local corrections funding, New Orleans is unique among cities in that it operates under a federal decree which requires it to pay \$19.65 per day for every prisoner that the criminal sheriff is not entitled to be reimbursed by some other entity. Generally, there is a concern over the problem of a person arrested and charged with a state crime whose cost of incarceration is not paid for by the state until the person is actually convicted.

### **Recommendations from the Subcommittee on Public Works and Judicial System for Prisoners and Corrections:**

1. That the state should retroactively pay for the costs of incarceration for a person charged with a state crime who is convicted of a state crime from the start of his confinement. This should be accomplished in a "phase-down" system in which the state would assume responsibility for a portion of the payment for such expenses over a five-year period.
2. That there should be further study of governance and maintenance of parish prisons and of regionalizing incarceration facilities/prisons, especially for state prisoners.

### **Coroners and Other Constitutional Officers**

Through this study process, the ACIR has determined a need to clearly define the roles and responsibilities of constitutional officers serving in local governments, suggesting that existing constitutional mandates and definitions may be outdated. The ACIR, therefore, recommends further study of constitutional officers and their funding. The burden on the local governments to fund officers and/or facilities can provide unexpected costs not budgeted by the local government. The

NCSL principles can provide guidelines with regard to separation of responsibility between state and local government, assigning program responsibility to the lowest possible level of government, assuming state responsibility for uniformity where statewide benefits result in addition to the fiscal effects of these mandates on the local governments.

**Recommendations of the Subcommittee on Public Works and the Judicial System for Coroners and Constitutional officers:** The Subcommittee provides the following recommendations relative to constitutional officers in general and coroners specifically:

1. To recommend judicial immunity for legitimate activities of coroners as provided other officials with similar liabilities.
2. To recommend that the state examine the feasibility of regionalizing coroners' offices and making the Coroner a state-funded officer to insure statewide uniformity of fees and services and to assist locals with this fiscal responsibility.
3. To further study constitutional officers, their roles and responsibilities and the funding of these officers and the required facilities.
4. To ask for clarification of vague terms in the law such as "reasonable costs" which define local government responsibility for funding these officers and their facilities.

### **Judicial System and the Courts**

This subcommittee heard discussions on the funding of the offices of District Court Judges and District Attorneys through testimony from these respective associations and a Deputy Judicial Administrator of the Louisiana Supreme Court. The roles and responsibilities of the court system, as with the constitutional officers, are complex issues for service and funding. As previously stated, the NCSL guidelines can direct reforms of the court system, especially those principles of uniformity for statewide benefits, revenue for the local governments least able to fund these services, separation of state and local government responsibility and assignment of responsibility to the lowest possible level.

**State and Local Government Responsibility Government for Services and Funding for the Judicial System:** District courts have three sources of funding which include parish funding for offices, furniture and utilities; state funding for the salaries of the district judges and an Office Expense Account of \$5,000 per year; and self-generated funds. Self-generated fees include the Criminal Court Fund, funded through criminal court fines and bond forfeitures (shared with the District Attorney); the Judicial Expense Fund, which is funded through fines non civil and criminal filings; and the Non-Support Fund or the Support Enforcement fund, which is funded through a percentage from collections from support enforcement claims.

A former court administrator reported from his experience that local government, although required to fund and maintain district courts, is not able to keep up with the demands and problems of the courts. Although the state has increased state fund support, crime and litigation are expanding and growing and the state support has not matched the pace of judicial expenses. Self-generated funds, therefore, are used to finance the operations of the courts those local governments cannot provide. Throughout the forty-one judicial districts, funding also varies at the local level. No district is funded like the other creating additional problems for local governments. No standardization of money exists relative to what happens to the funds, nor is there standardization for staffing. Some



courts actually pay for the operations of other courts such as Traffic Court or Indigent Defender's Office. The budget of the judiciary is approximately .6% of the entire state budget with \$100 million and \$25 million of that amount representing federal dedicated funds.

The District Attorneys are funded by a mix of revenue. Base funding for District Attorneys and assistants are covered by the state at \$50,000 and \$30,000 respectively. District Attorneys have certain self-generated fees. The final recommendation of the District Attorneys' Association in these ACIR hearings was that District Attorneys were reluctant to recommend a state appropriated funded system and believe that they need adequate, independent sources of funding.

**Recommendations of the Subcommittee on Public Works and the Judicial System for Judicial and Court Costs:** The concerns in this area are for a needed definition or standardization of reasonable expenses for the district court system, including the following recommendations:

1. To request that the special Committee on Court Costs conduct an immediate, complete and comprehensive study of court costs.
2. To set the amount that local jurisdictions pay for judicial expenses.
3. To require courts to itemize revenues and expenditures for review by the local government entity responsible for funding court costs and operations.
4. To study the feasibility of local governments sending monies to support a "big fund" formula to better distribute court costs.

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**ACIR RECOMMENDATIONS OF  
ITEMS FOR FUTURE STUDY**

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## ACIR RECOMMENDATIONS OF ITEMS FOR FUTURE STUDY

As stated earlier in this report, this study conducted by the ACIR is not exhaustive of all issues which effect the funding and service relationship between state and local governments. The ACIR recognizes that some issues require more extensive study before full recommendations can be made. Additionally, current studies relative to the judicial system, the courts, and funding for public education were not complete and/or fully available at the conclusion of this study. In recognition of these concerns, the following goals were set relative to future study by the ACIR and/or other entities:

1. To study and determine a centralized mechanism with uniform criteria for local governments to report annual revenues and expenditures information. This process is deemed necessary to provide reliable data delineate state and local responsibilities for the provision and funding of services and to establish accountability. The State Department of Education collects and maintains similar data from local school boards.
2. To urge the Special Committee on Court Costs to conduct a complete and comprehensive study of court costs and the nature of the court and judicial system. Needed is a state definition or standardization of vague terms such as “reasonable and necessary” for the district system including:
  - a. standardization of fines
  - b. set amounts that local jurisdictions pay toward such judicial expenses.
3. To further study the governance and maintenance of parish prisons including a study of regionalizing incarceration facilities and prisons, and especially for state prisoners.
4. Relative to Health Care
  - a. To further study the feasibility of a guaranteed southern average formula for funding health care which is demographically based to provide more local control over how funds would be spent to address dire needs of some areas of the state as recommended by NCSL guidelines.
  - b. To further study the feasibility of a local vs. a state operated hospital system to provide a regionalized health care system and to better determine actual service providers. This change is supported by the NCSL guidelines which recommend bringing health care to the lowest level of use.
5. To further study all constitutional officers and their funding defining specific parameters for vague terms in the law such as “reasonable and necessary.”
6. To further study ways the state can best support local development by examining local regions and demographics, thereby sharing the wealth for the overall fiscal health of the state. The NCSL principles support this method of resolving economic problems in poorer parishes with fewer resources as others continue to prosper.
7. To study ways to provide tax relief for small businesses as well as economic and technical assistance, thereby contributing to the state’s overall economic development.
8. To study innovative ways to attract and maintain the state’s young professionals to stay and work in Louisiana such as special incentives and business, education and economic opportunities. TOPS has been successful

in attracting students to Louisiana colleges. Keeping them here after graduation is the challenge.

9. To further study tax incentives to attract retirees to Louisiana.
10. To further study the roles and responsibilities of the coroners to determine if this should be a statewide, state funded office.
11. To further study and determine ways local schools can have flexibility over the operations of their funds, while providing accountability to the state legislature/BESE in return for flexibility of operations.
12. To study ways to redefine the state's core transportation, flood control, and other public infrastructure responsibilities with appropriate funding.
13. To further study the homestead exemption as a source for dedicated funding for local public education, as local governments are "tapped out" on sales tax for schools.
14. To study alternatives to the homestead exemption for tax reform.
15. To study all boards and commissions to identify those which create overlap and/ or duplication of services or otherwise restrict services to local governments, thereby incurring unnecessary costs to local governments.
16. To study ways to create other user and non traditional funding sources for transportation.

# **APPENDICES**

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**APPENDIX A LSU SURVEYS**

**Assessing the Roles and Responsibilities  
of Louisiana State and Local Government**

**THE LOUISIANA ADVISORY COMMISSION  
ON INTERGOVERNMENTAL RELATIONS**

**Planning Survey**

**February 21, 2002**

***Directions and Concerns***

***LSU Office of Government Programs  
Brookie A. Allphin, Ph.D. facilitator  
359 Pleasant Hall  
Baton Rouge, LA 70803  
(225) 578-6754***

## **PRELIMINARY SHORT SURVEY OF ISSUES**

### **Louisiana Advisory Committee on Intergovernmental Relations**

#### **BACKGROUND**

The findings of the March 23, 2001 *Report From the House Select Committee on Fiscal Affairs* (SCOFA) on state and local fiscal responsibilities state that "in Louisiana there is no clear delineation of fiscal responsibilities between state and local government." Louisiana state spending on local functions totals more than \$2.5 billion annually, which consumes nearly 28% of the state's own source revenue. The SCOFA report further concludes that such a huge transfer funding by the state of traditionally local functions presents the following problems:

- ? Accountability
- ? Questions of the adequacy of the state and local government revenue bases
- ? The efficient delivery of services at both the state and local levels

Based on the July 1997 report and recommendations of the National Conference of State Legislatures (NCSL) entitled *Critical Issues in State-Local Fiscal Policy, Sorting Out State and Local Responsibilities*, SCOFA cites the needs for a similar general "sorting out process" in Louisiana to determine:

- ? What services should be provided by government?
- ? Which level of government should finance each of those services?
- ? Which level of government should deliver those services?

Finally, the SCOFA report suggests that the ACIR, created by statute in 1987, could serve as a forum for beginning this "sorting out" process in Louisiana. The SCOFA report further states that the ACIR has functioned only sporadically since it was created. The SCOFA report, therefore, provides a substantial opportunity for the ACIR to fulfill its purpose as defined by the Legislature to study and report on state and local government relationships, resource allocations, structure and viability, and special problems or statutory enactments relative to state and local government relationships.

To begin to achieve the first steps of this "sorting out" process, the ACIR membership, through its subcommittees, should consider addressing these three primary questions posed by the SCOFA and NCSL Reports. The NCSL further recommends following five principles as a framework for this process of "sorting out" responsibilities between state and local governments:

1. Provide the clearest separation of responsibility between state and local governments.
2. Assign program responsibility to the lowest possible level of government unless there is an important reason to do otherwise.
3. Consider the fiscal effects of state mandates on local governments, and either assume financing, responsibility for costly mandates, allow local discretion in implementing them or repeal them.
4. Assume state responsibility for programs where uniformity or statewide benefits will result.
5. Provide state financial assistance to local governments that have the lowest capacity to raise their own revenue.

In subcommittee discussion, please address the three issues cited by the SCOFA report to begin the "sorting out" process of the fiscal responsibilities between state and local government. Please note areas of duplication, and recommendations for areas of continued study.

#### **I What Services Should Be Provided by Government?**

- A) Which of the above require extensive research beyond the scope of this committee?
- B) Recommendations for committee pursuit of research or information

#### **II Which Level of Government Should Finance Each of Those Services?**

- A) Which of the above require extensive research beyond the scope of this committee?
- B) Recommendations for committee pursuit of research or information

**III Which Level of Government Should Deliver Those Services?**

- A) Which of the above require extensive research beyond the scope of this committee?
- B) Recommendations for committee pursuit of research or information

**IV Describe the roles and responsibilities of the ACIR in this “sorting out” process, short term and long term:**

**V Describe the roles and responsibilities of your Committee in this “sorting out” process and the long range implementation and oversight of the plan:**

**CONCLUSION**

**Please write in your concerns for issues, programs, or items not addressed in this survey which your committee believes should be addressed by the ACIR:**

**ACIR SURVEY:**

COMMITTEE NAME \_\_\_\_\_

COMMITTEE MEMBER \_\_\_\_\_

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# **Assessing the Roles and Responsibilities of Louisiana State and Local Government**

## **THE LOUISIANA ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS**

**Planning Survey**

**February 21, 2002**

**Directions and Concerns**

**LSU Office of Government Programs  
Brookie A. Allphin, Ph.D. facilitator  
359 Pleasant Hall  
Baton Rouge, LA 70803  
(225) 578-6754**

## **PRELIMINARY SURVEY OF ISSUES**

### **Louisiana Advisory Committee on Intergovernmental Relations Long Survey**

#### **BACKGROUND AND JUSTIFICATION FOR STUDY**

The findings of the March 23, 2001 *Report From the House Select Committee on Fiscal Affairs* (SCOFA) on state and local fiscal responsibilities state that “in Louisiana there is no clear delineation of fiscal responsibilities between state and local government.” Louisiana state spending on local functions totals more than \$2.5 billion annually, which consumes nearly 28% of the state’s own source revenue. The SCOFA report further concludes that such a huge transfer funding by the state of traditionally local functions presents the following problems:

- ? Accountability
- ? Questions of the adequacy of the state and local government revenue bases
- ? The efficient delivery of services at both the state and local levels

Based on the July 1997 report and recommendations of the National Conference of State Legislatures (NCSL) entitled *Critical Issues in State-Local Fiscal Policy, Sorting Out State and Local Responsibilities*, the SCOFA findings cite the need for a similar general “sorting out process” in Louisiana to determine

- ? What services should be provided by government?
- ? Which level of government should finance each of those services?
- ? Which level of government should deliver those services?

Finally, the SCOFA report suggests that the ACIR, created by statute in 1987, could serve as a forum for beginning this “sorting out” process in Louisiana. The SCOFA report further states that the ACIR has functioned only sporadically since it was created. The SCOFA report, therefore, provides a substantial opportunity for the ACIR to fulfill its purpose as defined by the Legislature to study and report on state and local government relationships, resource allocations, structure and viability, and special problems or statutory enactments relative to state and local government relationships through the three established subcommittees of the ACIR.

To begin to achieve the first steps of this “sorting out” process, the ACIR membership, through its subcommittees, should consider addressing these three primary questions posed by the SCOFA and NCSL Reports. The NCSL further recommends following five principles as a framework for this process of “sorting out” responsibilities between state and local governments:

- 1) Provide the clearest separation of responsibility between state and local governments.
- 2) Assign program responsibility to the lowest possible level of government unless there is an important reason to do otherwise.
- 3) Consider the fiscal effects of state mandates on local governments, and either assume financing responsibility for costly mandates, allow local discretion in implementing them or repeal them.
- 4) Assume state responsibility for programs where uniformity or statewide benefits will result.
- 5) Provide state financial assistance to local governments that have the lowest capacity to raise their own revenue.

In subcommittee discussion, please address the following principles and supporting questions through your discussion and presentation. Please address needed additions to these survey questions, areas of duplication, and recommendations for areas of continued study.

#### **I How to provide the clearest possible separation of responsibility between state and local governments**

- A) Which programs/services are jointly funded by state, local or other sources?
- B) Which existing programs/services may have once needed state support, but have now met their funding or programmatic goals/needs?
- C) Which existing programs or services may qualify under conditions A and B above, but would be inappropriate for separation?
- D) Which of the above require extensive research beyond the scope of this committee?
- E) Recommendations for committee pursuit of research or information

**II Assigning Program Responsibility to the lowest possible level of government unless reason exists otherwise**

- A) Which services, due to economies of scale, should the state continue to provide because such programs/ services can be provided more efficiently by the state?
- B) Which programs/services create regional benefits or costs beyond a local government entity, and, therefore, should be provided by a region or the state for funding and/or implementation for optimum response?
- C) Which programs ought to be the responsibility for state funding because of fiscal disparity, a mismatch between the needs and the available resources of a local government?
- D) Which of the above require extensive research beyond the scope of this committee?
- E) Recommendations for committee pursuit of research or information

**III The fiscal effects of state mandates on local governments**

- A) What mandates on local governments are currently/fairly funded?
- B) What mandates on local governments are unfunded or otherwise costly indicating the need for more state support?
- C) What steps could the ACIR take in creating state responsibility for financing of all mandated programs for local governments?
- D) What steps could the ACIR initiate to allow local governments discretion in the implementation of mandated programs?
- E) Which, if any, of these mandates - funded or unfunded - would the ACIR recommend for repeal due to their being obsolete, duplicated services, or lack of need/worthiness for mandated funding?
- F) Which of the above require extensive research beyond the scope of this committee?
- G) Recommendations for committee pursuit of research or information:

**IV Assuming state responsibility for programs where uniformity or statewide benefits will result**

- A) What existing programs/services currently lack uniformity of program responsibilities relative to the resources of local groups?
- B) What methods of revision or funding will create uniformity for needed programs?
- C) Which of the above require extensive research beyond the scope of this committee?
- D) Recommendations for committee pursuit of research or information

**V Providing state financial assistance to local governments with the lowest capacity to raise their own revenue**

- A) Methods to best inform the legislature of the disparity between and among local governments relative to revenue through the ACIR activities
- B) Which sources of revenue are restricted constitutionally or imposed by the legislature that should be reviewed, revised to better equal the disparity between and among local governments?
- C) Other issues of revenue disparity of concern within the scope of the ACIR for recommendation
- D) Which of the above require extensive research beyond the scope of this committee?
- E) Recommendations for committee pursuit of research or information

**CONCLUSION**

Please write in your concerns for issues, programs, or items not addressed in this survey which this committee believes should be addressed by the ACIR:

**ACIR SURVEY:**

COMMITTEE NAME \_\_\_\_\_  
COMMITTEE MEMBER \_\_\_\_\_

**APPENDIX B**  
**ACIR Members and Staff**

Ronnie C. Harris, Chairman	Mayor of Gretna
Bobby Simpson, Vice Chairman	Mayor-President of City of Baton Rouge/Parish of East Baton Rouge
Lambert Boissiere	Senator, District No. 3
Jon Johnson	Senator, District No. 2
Craig F. Romero	Senator, District No. 22
Dale Erdey	Representative, House District No. 71
Jane Smith	Representative, House District No. 8
Sharon Weston-Broome	Representative, House District No. 29
Blaise Carriere	Designee, Secretary of Department of Transportation and Development
Arthur Cooper	Designee, Secretary of the Department of Economic Development
Bill Miller	Designee, Superintendent of Education
Ellen Rhorer	Designee, Secretary of the Department of Revenue
Lenwood Broussard	Councilman, Lafayette Consolidated Government
Timothy Roussel	Councilman, St. James Parish
Michael Zito	Councilman, Iberville Parish
Johnnye Kennon	Webster Parish School Board
Sheral A. LaVergne*	Calcasieu Parish School Board
Joel C. Richert*	Jefferson Davis Parish School Board
Clarence H. Savoie	St. Charles Parish School Board
E. G. "Ned" Randolph, Jr.	Mayor of Alexandria

\*In November 2002, Joel C. Richert resigned and was succeeded by Sheral A. LaVergne.



**ACIR STAFF**

**COMMISSION CONSULTANT**

Brookie A. Allphin, Ph.D.     Director, LSU Office of Government Programs

**COMMISSION STAFF**

Jerry Guillot	Senate Chief of Staff	Counsel
Sabrina Whitaker	Senate Administrative Specialist	Secretary
Tammy Crain-Waldrop	Senate Operations Specialist	Research

**SUBCOMMITTEE STAFF**

Education, Health, Social Services, and State Fees

Peggy Russell	Senate Senior Researcher	Research
Nancy Campanella	Senate Senior Secretary	Secretary

Public Works and Judicial System

Yolanda Dixon	Senate Deputy Director, Judiciary and Government	Research Research
Lynda Middleton	Senate Senior Secretary	Secretary
Kelli Jumper	Department of Revenue	Support

General Services

Tim Prather	Senate Deputy Director, Business and Resources	Research
Nancy Vicknair	Senate Senior Secretary	Secretary
Nancy Beverly	Department of Revenue	Support

**ACIR MEMBERS AND SUBCOMMITTEE ASSIGNMENTS**

Name	Position	Appointed By
<b>EDUCATION/HEALTH/SOCIAL SERVICES &amp; STATE FEES COMMITTEE</b>		
<b>Senator Craig Romero, <i>Chair</i></b>	<b>State Senator, District #22</b>	<b>Senate President</b>
<b>Mayor Ronnie C. Harris <i>Chairman ACIR</i></b>	<b>Mayor, Gretna</b>	<b>Louisiana Municipal Association</b>
<b>Bill Miller <i>Designee for Cecil J. Picard</i></b>	<b>Department of Education</b>	<b>Superintendent of Education</b>
<b>Ellen Rhorer <i>Designee for Cynthia Bridges</i></b>	<b>Department of Revenue</b>	<b>Secretary, Revenue</b>
<b>Clarence Savoie</b>	<b>St. Charles Parish School Board Member</b>	<b>Louisiana School Boards Association</b>
<b>Michael Zito</b>	<b>Councilman, Iberville Parish</b>	<b>Police Jury Association of Louisiana</b>
<b>PUBLIC WORKS AND JUDICIAL SYSTEM COMMITTEE</b>		
<b>Senator Jon Johnson <i>Chairman</i></b>	<b>State Senator, District #2</b>	<b>Senate President</b>
<b>Bobby Simpson <i>Vice-Chairman ACIR</i></b>	<b>Mayor-President, Baton Rouge/East Baton Rouge</b>	<b>Louisiana Municipal Association</b>
<b>Lenwood Broussard</b>	<b>Councilman, Lafayette Consolidated Government</b>	<b>Police Jury Association of Louisiana</b>
<b>Blaise Carriere <i>Designee for Dr. Kam Movassagahi</i></b>	<b>Department of Transportation and Development</b>	<b>Secretary, Transportation and Development</b>
<b>Representative Dale Erdey</b>	<b>State Representative, District #71</b>	<b>Speaker of the House of Representatives</b>
<b>Johnnye Kennon</b>	<b>Webster Parish School Board Member</b>	<b>Louisiana School Boards Association</b>
<b>Timothy Roussel</b>	<b>Councilman, St. James Parish</b>	<b>Police Jury Association of Louisiana</b>
<b>Representative Jane Smith</b>	<b>State Representative, District #8</b>	<b>Speaker of the House of Representatives</b>

Name	Position	Appointed By
<b>GENERAL SERVICES COMMITTEE</b>		
<b>Senator Lambert Boissiere</b> <i>Chairman</i>	<b>State Senator, District #3</b>	<b>Senate President</b>
<b>Representative Sharon Weston-Broome</b>	<b>State Representative, District #29</b>	<b>Speaker of the House of Representatives</b>
<b>Arthur Cooper</b> <i>Designee for Don Hutchinson</i>	<b>Economic Development</b>	<b>Secretary, Economic Development</b>
<b>E.G. Randolph, Jr.</b>	<b>Mayor, Alexandria</b>	<b>Louisiana Municipal Association</b>
<b>Ms. Sheral A. La Vergne</b> completing term for <b>Joel C. Richert</b>	<b>Calcasieu Parish School Board Member</b>	<b>Louisiana School Boards Association</b>

**APPENDIX C  
ACIR PRESENTERS**

Brookie A. Allphin, PhD, Director, LSU Office of Government Programs  
Jerry Guillot, Chief of Staff, Counsel, Louisiana State Senate  
Pete Adams, District Attorney's Association  
John Basilica, Chief of Staff, State Department of Transportation and Development  
Thomas Bickham, Undersecretary, Department of Environmental Quality  
Cindy Bohrer, East Baton Rouge Parish Mayor's Office  
Burl Book, President, Beauregard Parish Police Jury  
Robert Borden, Louisiana State Employees Retirement System  
Trey Boudreaux, Undersecretary, Department of Public Safety and Corrections  
Elsie Cangelosi, Department of Elections and Registration  
Arthur Cooper, Department of Economic Development, ACIR member  
Judge Ronnie Cox, Louisiana District Judges Association  
Roland Dartz, Louisiana Police Jury Association  
Huey Dugas, Chief of Planning, Capitol Regional Planning Commission  
Virginia Eckert, Municipal Police Employees Retirement System  
John Gallagher, Louisiana Municipal Association  
Bob Gebrian, Orleans Parish Sheriff's Office  
Susan Gordon, Louisiana Municipal Association  
Gwen Hamilton, Secretary, Department of Social Services  
Buddy Hodgins, Louisiana Sheriff's Association  
David Hood, Secretary, Department of Health and Hospitals  
Debbie Hudnall, Louisiana Clerk of Courts Association  
Don Hutchinson, Secretary, Department of Economic Development  
Robert Jackson, New Orleans Sewerage and Water Board  
Matt Jones, Undersecretary, Department of Culture, Recreation and Tourism  
Art Jones, Louisiana Office of Emergency Preparedness  
Frankie King, Senior Budget Analyst, Louisiana State Senate  
Dan Kyle, Legislative Auditor  
Marilyn Langely, Deputy Superintendent for Management and Finance, State DOE  
Wade Martin, Office of Secretary of State, Elections Division  
Bill Miller, EdD, Louisiana State Department of Education, ACIR Member  
Jo Anne Moreau, Office of Emergency Preparedness, East Baton Rouge Parish  
Merritta Norton, Secretary of State Office of Elections  
Lt. Colonel Mark Oxley, State Police Crisis Response  
Fred Raiford, East Baton Rouge Parish Public Works Director  
Johnny Rombach, Legislative Fiscal Officer  
Daryl Schutz, Deputy Judicial Administrator, Louisiana Supreme Court  
Steven Stockstill, Firefighters Retirement System  
Dr. Robert Treuting, Louisiana State Coroners' Association  
Ron Wascom, Louisiana School Boards Association  
Dawn Watson, Secretary, Department of Labor

## ENDNOTES

1. The FYO3 State Total Budget represents a 1% increase, or \$111 million, over the FYO2 Budget. Relative to the FYO3 state budget, total appropriations from all means of financing total approximately \$16.2 billion, of which State General Fund (Direct) funding amounts to \$6.6 billion. Education spending accounts for more than 53% or \$3.5 billion of the State General Fund. Nearly 21% or \$1.4 billion of the SGF spending is for health and human resources. Spending on general government agencies amounts to 15% or a little more than \$1 billion, public safety functions cost nearly 7% (\$447 million) of the SGF, and spending on other various functions such as economic development and infrastructure amounts to nearly 4% (\$253 million) of the total.

Relative to the Total State Budget of \$16.2 billion, expenditures for education amount to nearly 36% (or \$5.8 billion) and spending on health and human resources account for more than 33% (\$5.4 billion). Spending on general government, public safety functions and other areas is 31%.

2. Local revenues for education have increased 30.7% since FY 1995-96. The largest share of that increase continues to come from Sales Tax Revenues. Local Revenues made up 39% of the total \$4.8 billion collected in FY 1999-2000. Local Revenues averaged \$2,530 per pupil in FY 1999-2000.

State revenues have increased 19.4% since FY 1995-96. State Revenues made up 49.3% of the total \$4.8 billion in FY 1999-2000 total Revenues. State Revenues averaged \$3,197 per pupil in FY 1999-2000.

Federal revenues increased 17.7% since FY1995-1996. The federal proportion of Total Revenues, 11.7%, was lower in FY 1999-2000 than in FY 1995-96. Federal Revenues averaged \$762 per pupil in FY 1999-2000. Total revenues from all sources averaged \$6,489 per pupil in FY 1999-2000, an increase of \$318 over FY 1998-99.

Classroom expenditures in FY 1999-2000 made up 55.6% of the total \$4.8 billion Total Expenditures. Of approximately \$2.7 billion spent for classroom instruction, nearly \$1.7 billion provided for full time classroom teachers' salaries. Since 1995-96, costs for classroom expenditures have increased by \$859 per pupil. Cost of General Administrations in FY 1999-2000 was \$98 million or 2% in Total Support Expenditures. Since FY 1999-2000, costs for General Administration have increased by \$30 per pupil. Total Expenditures including debt interest from all sources averaged \$6,513 per pupil in FY 1999-2000, an increase of \$262 per pupil over 1998-1999.