The Pelican Institute presents

A JOBS & OPPORTUNITY AGENDA *for Louisiana*

INTRODUCTION

Last fall, the Pelican Institute launched the Jobs and Opportunity Agenda for Louisiana, a road map for reclaiming Louisiana as a land of opportunity for all its citizens. This is an earnest, thoughtful answer to Louisiana citizens' requests – demands really – for solutions over rhetoric.

The Jobs and Opportunity Agenda is the result of months of data-crunching, research, analysis, and consultation with experts from Louisiana and across the country. In crafting these solutions, our team sought to answer a basic question: given Louisiana's unique resources, history and culture, what set of policies would best bring quality jobs and opportunity for all our citizens?

Policies governing budget, taxes, local government, criminal justice, education, legal and regulatory structures, transportation infrastructure, and Medicaid are big issues that make up large swaths of how our tax dollars are spent delivering services and running the state. Most importantly, they also make up the major areas that determine the availability of quality jobs, growth of wages, public safety, and pathways to opportunity for those most at risk in our society.

While the following document summarizes the problems and solutions for each of these policy challenges, I encourage you to explore the full, deep-dive reports supporting these conclusions. The reports can be accessed at the Pelican Institute's website: www.PelicanInstitute.org.

A TAX REFORM PLAN
TO UNLOCK LOUISIANA'S ECONOMIC POTENTIAL

While Louisiana's current fiscal crisis stems from many factors, the state's tax system ranks among its highest. The balkanized system contains numerous targeted tax exemptions, all of which pick winners and losers through the tax code. These provisions encourage special interest lobbying, and add unnecessary complexity to the tax code for those who do not have lobbyists to advocate on their behalf—from middle-class families to struggling small businesses.

In addition, Louisiana residents in the past 12 months have faced two sizable tax increases. One came directly, through a vote of the legislature to raise state sales tax rates by nearly half a penny for the next seven years. The other tax increase came indirectly—because our current system raises **state** taxes on Louisianans every time they receive a **federal** tax cut.

Many provisions of the tax code discourage jobs and economic activity in Louisiana. From taxes on capital and inventory that penalize manufacturing firms with large capital stock, to the numerous targeted tax preferences associated with both the individual and corporate income tax, the structure and complexity of the revenue code serve as a significant disincentive for companies—or individuals—looking to relocate to Louisiana.

With the state economy struggling, and tens of thousands of Louisianans moving out of state, businesses and families need tax reform—to give them an incentive to come to, and remain in, Louisiana. Individuals deserve a flatter, simpler income tax structure, and companies need a pro-growth system that eliminates both destructive taxes and targeted tax breaks favoring specific firms or industries. Tax reform can spark an economic revolution in Louisiana—if lawmakers take the initiative to act, and act boldly.

TAX REFORM FOR INDIVIDUALS

Flatter Tax:

Ideally, all Louisiana residents would benefit from a flat tax system, one which lowers the current 2% bracket to 0% (effectively eliminating it), and reduces the 6% bracket to 4%. This tax structure would remove thousands of Louisiana residents from tax liability, by exempting individual filers' first $17,000 in income, and families' first $34,000 in earnings, from taxes. Above those levels, filers would pay a flat 4% rate all on their income—a simpler, fairer, and pro-growth way to reform the revenue code.

If lawmakers want to avoid the marginal revenue loss associated with a move to a pure flat tax, they can still repeal the 6% tax bracket, while increasing the standard deduction (more than doubling it) for individuals in the 2% tax bracket. Although not as pro-growth as a full flat tax, this option would reform and rationalize the tax code in a revenue-neutral manner.

Eliminate Deduction for Federal Taxes Paid:

As one of only three states that allows for a full deduction of federal taxes paid, Louisiana effectively raises state taxes on its citizens every time that Congress allows them to keep more of their own money via a federal tax cut. Policy-makers should eliminate this scenario by repealing the deduction for federal taxes in the state Constitution, and use the savings to fund lower tax rates overall.

Eliminate Excess Itemized Deductions:

Currently, the Louisiana revenue code allows individuals to deduct all their itemized deductions in excess of the standard deduction. Strangely, filers can also use this provision to deduct taxes paid to the state of Louisiana from their Louisiana taxes. Lawmakers should repeal this provision—utilized by a small percentage of filers—and dedicate the savings to providing across-the-board relief through lower tax rates.

Eliminate Other Tax Preferences:

In addition to repealing the deduction for federal taxes paid and excess itemized deductions, lawmakers should find an additional $200-250 million in tax preferences to eliminate to fund lower rates. Possible targets for lawmakers to examine include refundable tax credits—payments given to individuals with no tax liability, and recognized as government spending provided through the tax code—or targeted tax preferences like the historic preservation credit.

TAX REFORM FOR CORPORATIONS

Repeal the Franchise Tax:

Several states have recently eliminated their corporate franchise taxes, and with good reason. In addition to its administrative complexity, the franchise tax is assessed on capital property along with profits—penalizing capital-intensive, low-margin, and unprofitable new firms. Louisiana should join the ranks of states moving away from franchise taxes by repealing its levy altogether.

Repeal the Inventory Tax—and Inventory Tax Credit:

In recent years, parishes have assessed a tax on business inventory, and the state has provided a refundable tax credit to businesses reimbursing them for this tax. However, the credit has encouraged parishes to increase inventory assessments of businesses to maximize their subsidies from the state, indirectly funneled through businesses via the credit. The Legislature should repeal the refundable credit, and start the process for repealing parishes' authority to assess inventory taxes, which represent an ineffective way for parishes to raise revenue.

Reform Corporate Taxes:

Ideally, given the comparatively small sums it raises and the large amount of exemptions present in the current code, lawmakers should repeal the corporate income tax entirely. However, if they decide not to do so, they could lower rates substantially—from the current 8% rate down to about 3%—by repealing the corporate deduction for federal taxes paid and various targeted incentive programs included in the corporate tax code.

Repeal Jobs "Incentive" Programs:

To help fund the reforms above, lawmakers should repeal the myriad rebates, deductions, and credits (both refundable and non-refundable) present in the corporate tax code. While well-intentioned, these programs operate under the flawed premise that lawmakers or state bureaucrats can best determine what programs will aid the economy and create jobs. Instead, the Legislature should plow the savings from their repeal back into lowering corporate tax rates overall —so all firms will have a greater incentive to create jobs.

BUDGET REFORM

A JOBS AND OPPORTUNITY AGENDA FOR LOUISIANA

Over the past several years, Louisiana has lurched from budget crisis to budget crisis, with lawmakers gathering for costly special sessions to patch together yet another stopgap solution. But after years of short-term thinking, policy-makers must at long last embrace a more comprehensive, holistic approach, to prevent the conditions that created the crises in the first place. Coupled with constitutional reforms that will give lawmakers more flexibility to manage the entire state budget, rather than just small portions of it, improvements to the budget process will modernize the state's practices—bringing the long-term fiscal stability necessary to bring jobs and opportunity back to Louisiana..

THE PROBLEMS

Discretionary spending comprises only about 11% of Louisiana's budget in the fiscal year ending June 30, 2018. Of the $31.1 billion budget:

- **$13.2 billion** represents federal funds
- **$6 billion** represents non-discretionary funds
- **$4.3 billion** represents self-generated revenue
- **$4.2 billion** represents statutory dedications
- **$3.4 billion** represents discretionary spending

Lawmakers need to address the nearly 90% of spending locked in "silos" and not available for discretionary use.

Louisiana State Budget - $31.1 billion

- **Federal Funds** $13.2 billion
- **Non-Discretionary Funds** $6 billion
- **Self-Generated Revenue** $4.3 billion
- **Statutory Dedications** $4.2 billion
- **Discretionary Spending** $3.4 billion

Source: http://house.louisiana.gov/housefiscal/DOCS_OPERBDGT/FY18%20Budget%20-%20Appropriated.pdf

The Louisiana Constitution includes 35 dedicated funds and sub-funds—each of which segregate portions of the taxpayer pie, making it difficult for lawmakers to pass a balanced budget every year.

As currently constructed, the state's "rainy day" fund—officially termed the Budget Stabilization Fund—requires lawmakers to contribute a minimum of only $25 million per year—or less than .1% of the overall state budget—to offset revenue swings. The law establishing the fund envisioned it would be funded largely from oil and gas revenue, but revenues from the sector have dropped well below levels that would trigger contributions to the fund.

Source: http://www.nola.com/politics/index.ssf/2017/02/louisiana_rainy_day_fund.html

Yet Louisiana caps its "rainy day" fund at 4 percent of revenue, "despite having highly volatile tax collections:"

Source: http://www.pewtrusts.org/~/media/assets/2014/07/sfh_rainy-day-fund-deposit-rules-report_artready_v9.pdf

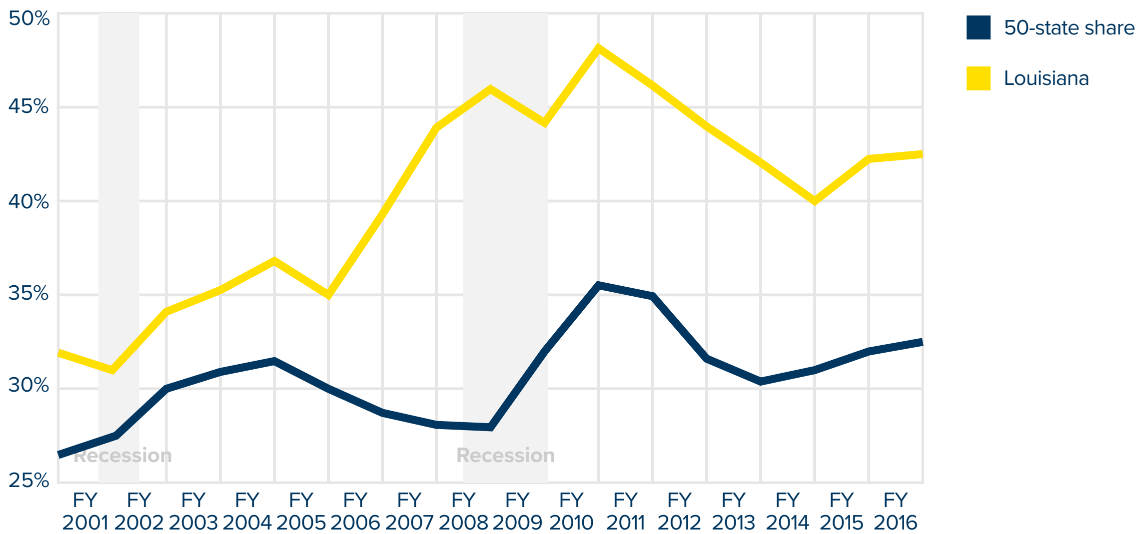
While state spending has remained relatively flat over the past ten years, that fact ignores the nearly 50% growth in state spending in the years after Hurricane Katrina:

- State spending in Fiscal Year 2004: **$11.4 billion**
- State spending in Fiscal Year 2008: **$16.8 billion**
- State spending in Fiscal Year 2018: **$17.9 billion**

Source: http://house.louisiana.gov/housefiscal/DOCS_APPBudgetMeetings2017/March/Executive%20Budget%20Overview%20 Presenation%203-28-17.pdf

The Pew Charitable Trusts also note that, as of 2015, federal revenue comprised 42.2% of the Louisiana budget—highest among all 50 states. Our dependence on federal dollars rose sharply after Hurricane Katrina, and has declined minimally in the years since:

Percentage of State Revenue from Federal Funds, FY 2000-2016



Source: http://www.pewtrusts.org/en/multimedia/data-visualizations/2014/fiscal-50#ind1,

THE SOLUTIONS

End the arbitrary "silos" for government programs—re-examine those in the state Constitution, and end those created through statutory dedications. Lawmakers should have the flexibility to manage the budget as a whole, not mere portions of it.

Improve revenue forecasting in both the short and long-term to prevent the state from becoming subject to short-term revenue swings and encourage more responsible long-term planning.

Enact policies to bolster transfers to the rainy-day fund—both by increasing annual transfers to the fund and the maximum level of revenues the fund can hold. Lawmakers could also re-examine how readily to allow expenditures from the fund—too easy access to the fund could encourage irresponsible budgeting, but making rainy-day fund access too difficult could discourage lawmakers from transferring dollars to the fund in the first place.

Allow the Governor item-reduction veto authority to create a more favorable environment to reduce expenditure levels. By not forcing the Governor into a "take-it-or-leave-it" decision about whether to cut or retain an entire program's spending, an item-reduction veto should lead to greater fiscal stability.

Re-set the state's spending caps to prevent state government in Louisiana from growing without limit.

Eliminate the continuation budget requirement to refute the notion that government must, or even should, grow larger and larger every year.

To learn more about these solutions as well as several additional solutions proposed by the Pelican Institute to fix Louisiana's broken budget system, visit PelicanInstitute.org.

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REFORMING LOCAL GOVERNMENT
IN LOUISIANA

Many lawmakers have spent the past several years trying to convince the citizens of Louisiana that their state government has a revenue problem. It does not. Rather, the state has a spending problem—one caused in large part by a governance problem.

To put it bluntly, local and state government in Louisiana have a dysfunctional relationship, one in which each infringes on the autonomy of the other. Local governments spend much time and energy collecting revenues for the state—a task more efficiently accomplished at the state level—even as they lack the full power to manage the revenue they collect, due to state-imposed restrictions.

Instead of raising taxes yet again, Louisiana lawmakers should reform the relationship between the state and municipal governments. They should start by eliminating the sources of funding that encourage questionable or wasteful spending by parishes. They should give municipalities greater control over their own budgets and revenue streams. And they should reform and centralize tax administration, creating a more efficient environment for retailers and businesses, while broadening the sales tax base in ways that should allow for lower overall rates.

This reformed system would enhance government's accountability to voters. Just as states function as "laboratories of democracy," so too would parishes—and the local voters that elect parish officials—have the freedom and flexibility to choose the level of taxes and services they wish to see in their area. Rather than competing to command the most funding from the state, parishes could instead compete to offer the most pro-growth environment for business—one way to bring jobs, and residents, back to Louisiana.

FISCAL REFORM OF LOCAL GOVERNMENT

Eliminate Constitutional Provisions on Supplemental Pay

The Louisiana Constitution requires state government to fund the pay supplements of law enforcement and fire protection officers—which encourages parishes to shift their fire and police costs on to state government. Because of the distortions this provision creates, lawmakers should amend the Constitution to remove it. If parishes wish to increase fire and police salaries and services, they should have the freedom to do so—but should also pay for those services themselves.

Eliminate Revenue Sharing Fund

In conjunction with reform of the property tax homestead exemption discussed below, lawmakers should repeal another subsidy for local government, in the form of a $90 million revenue sharing fund.

Eliminate Inventory Taxes—And the Inventory Tax Credit

In recent years, parishes have assessed a tax on business inventory, and the state has provided a refundable tax credit to businesses reimbursing them for this tax. However, the credit has encouraged parishes to increase inventory assessments of businesses to maximize their subsidies from the state, indirectly funneled through businesses via the credit. The Legislature should repeal the refundable credit, and start the process for repealing parishes' authority to assess inventory taxes, which represent an ineffective way for parishes to raise revenue.

Eliminate Other Subsidy Pools

As part of the broader rationalization of the state budget, lawmakers should examine other sources of local government funding, with an eye towards phasing out or eliminating as many of these indirect subsidies as possible.

INCREASED LOCAL AUTONOMY

Homestead Exemption

Lawmakers should propose a constitutional amendment repealing the $75,000 property tax homestead exemption, which results in many homeowners paying no property tax at all. If parishes wish to retain a homestead exemption on the local level, they should have the power to do so. However, given that the state Constitution includes five other separate provisions limiting the impact of the property tax, the homestead exemption unduly limits parishes' ability to raise revenue.

Reform Property Tax Millage Procedures

When addressing the homestead exemption included in the Constitution, lawmakers should also reform provisions that automatically adjust millage rates following a re-assessment of property values.

End Legislative Approval of Local Sales Tax Rates

Consistent with the principles of this plan—which envisions state government removing the myriad subsidies it provides to parishes, in exchange for additional fiscal autonomy—the Legislature should repeal the requirement for legislative approval of a local tax referendum. If the voters of a particular authority wish to approve a sales tax increase, state lawmakers who reside in other parishes should have little reason to object, or intervene.

Industrial Tax Exemption Program (ITEP)

When they re-evaluate the property tax homestead exemption, the Legislature should re-examine the industrial tax exemption program. As with the homestead exemption, if parishes wish to offer companies property tax incentives—whether those currently provided by the Constitution, or any other type of incentives—they should have the right to do so. But state government eroding parishes' tax base unilaterally raises larger issues that the Legislature should consider carefully when determining the relationship between municipalities and state government.

REFORM OF SALES TAX AND TAX ADMINISTRATION

Eliminate Exemptions and Lower Rates

To reform the sales tax, the Legislature should reduce overall rates by at least one percentage point, to 3.45%, and ideally as low as 3%. It can do so by eliminating some existing tax exemptions, and/or applying the sales tax to professional services or other items, to lower rates overall. The Legislature could also use some of the proceeds of the fiscal reforms regarding state and local government to repeal the harmful tax increases enacted in the past several years.

Uniform Collection and Administration

The Legislature should apply its expansion of the state sales tax base to parishes as well, creating a uniform tax base throughout Louisiana and allowing parishes to lower their sales tax rates. In conjunction, the Legislature should also create a single system of state and local sales tax collection and auditing, which would reduce administrative costs for government and businesses.

Online Sales

If Louisiana wishes to require out-of-state retailers to collect and remit sales taxes to the state in response to this year's Supreme Court ruling, it should not do so unless and until it has streamlined its own tax system for all businesses. Moreover, the funds from online sales taxes should not increase overall government revenue, but should be used to lower sales tax rates overall.

MEDICAID REFORM
IN LOUISIANA

Over the last several years, Louisiana's Medicaid program has grown by leaps and bounds, placing increasing pressure on other important elements of the state budget, like education and transportation. Reforming Medicaid should involve re-orienting the program's focus on the vulnerable populations for which it was originally designed, while modernizing the delivery of care in ways that can lower costs and improve health outcomes for patients.

THE PROBLEMS

Enrollment in Louisiana's Medicaid expansion to able-bodied adults has blown well beyond initial projections. A program originally estimated for 306,000 ended up enrolling over 505,000 residents—a 65% increase.

As in the many other states that have seen skyrocketing enrollment, Medicaid expansion has led to higher-than-expected costs in Louisiana. A program originally estimated to cost $1.2-$1.4 billion cost more than twice that amount—$3.1 billion—for the fiscal year concluded June 30.

Moreover, rising Medicaid spending over the past 30 years has crowded out other Louisiana priorities:

- From 1985 to 2015, Medicaid spending more than tripled as a share of the state budget, rising from 8.9% of to 27.6%
- K-12 education went from 23.5% to 18.8%
- Higher education went from 10.9% to 9.9%
- Transportation went from 11.2% to 5.6%

In many cases, the funds spent on Medicaid expansion have not represented an efficient use of taxpayer dollars. For instance, an investigation by the Pelican Institute found that in 2016 and 2017, thousands of individuals each month dropped their private insurance to enroll in Medicaid expansion. This "crowd-out" means taxpayers have spent hundreds of millions of dollars subsidizing individuals previously enrolled in private insurance.

Moreover, tens of thousands of ineligible individuals have received access to Medicaid benefits. This year, the Department of Health finally removed approximately 30,000 ineligible individuals from the Medicaid rolls, including 1,672 individuals with incomes of over $100,000. Estimates suggest that in prior years, Louisiana taxpayers had spent as much as $400 million per year providing subsidized health coverage to ineligible individuals.

THE SOLUTIONS

To reform the program, Louisiana lawmakers should unwind expansion by freezing eligibility. If implemented nationwide, this proposal could save states $56-64 billion within a decade, and save the federal government $581-668 billion.

After winding down expansion, Louisiana should submit a comprehensive waiver to reform Medicaid for the populations for which it was originally designed. This waiver could include components such as:

Consumer-Driven Approaches:
Give patients greater financial incentives to become active participants in their health care

Premium Assistance:
Require beneficiaries to enroll in employer-sponsored insurance (with a subsidy from Medicaid) wherever possible, to prevent people from dropping private coverage to go on government-run insurance

Home and Community-Based Care:
Implement policies designed to treat as many patients as possible in home-based settings—where most patients want to remain—rather than sending vulnerable patients to more costly nursing homes

Improve Program Integrity:
Properly implement eligibility checks and crack down on fraudulent scam artists

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A QUALITY EDUCATION

FOR EVERY LOUISIANA RESIDENT

Louisiana cannot have a bright economic future without a workforce equipped with the skills and training necessary to compete in a 21st century economy. Revamping Louisiana's educational system stands as an economic imperative—and a moral one, too. Ensuring that every child has access to a high-quality education of their choosing will help ensure that every Louisiana resident, regardless of his or her socioeconomic standing, has the chance to succeed.

THE PROBLEMS

Louisiana's public education system has made dramatic gains over the past decade, but many children still fail to achieve important measures of progress. In eighth grade reading, Louisiana's most recent test scores lagged behind 41 other states; in eighth grade math, the state's performance ranked below 48 states. Fewer than one in four (23%) of students achieved proficiency in eighth grade reading; one in six (16%) achieved proficiency in math. Only 2% of Louisiana eighth grade students—one in fifty—achieved advanced levels of performance in reading.

23%  students that achieved proficiency in eighth grade reading

16%  students that achieved proficiency in eighth grade math

Louisiana's poor overall performance on nationwide tests masks even greater achievement disparities for poor students and students of color. In both math and reading, eighth grade African-American students scored 27 points lower than their white counterparts. The achievement gap between children who qualified for free or reduced-price school lunches and more affluent students has remained constant in both eighth grade reading and math for nearly two decades. And the percentage of eighth grade African-American students who achieved advanced levels of performance in reading literally "rounds to zero."

Often, government bureaucrats or union officials prevent parents from selecting the best educational options available for their children. In one case, a union official claimed that low-income parents have "no clue" how to select the proper school for their children.

THE SOLUTIONS

Empower parents by expanding school choice programs.

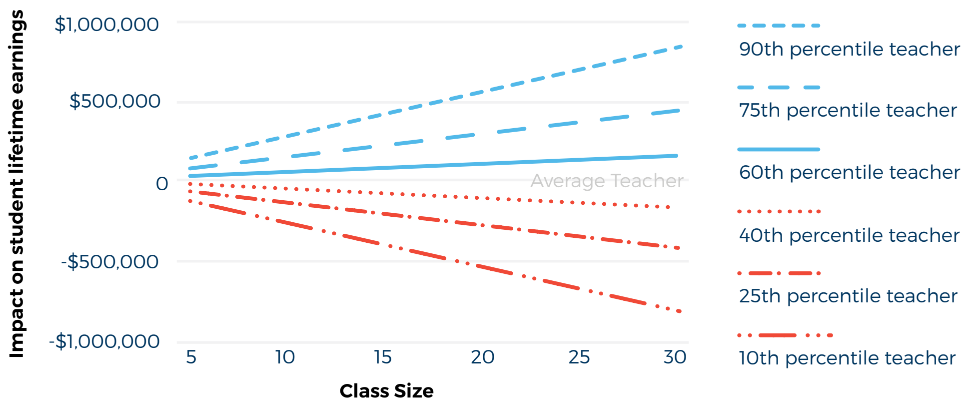
In New Orleans following Hurricane Katrina, the rapid expansion of charter schools and school choice scholarship programs reduced the percentage of New Orleans students in failing schools from 65 percent to 4 percent within a decade. Expanding school choice scholarships to all Louisiana students, and introducing new options like Educational Savings Accounts (ESAs), would turbo-charge that progress. And promoting Course Choice initiatives would allow all students to attend classes that children in rural or smaller school districts might not have access to.

Empower quality, high-performing teachers.

Reforms like merit pay, and changes to teacher tenure, reward the teachers that have the greatest impact on Louisiana students. Transforming schools—so that all public schools function with the same type of flexibility, and accountability, as charter schools—would give teachers more freedom from government restrictions that impede innovation.

Effective Teachers Raise Students' Earnings

Annual Impact of Teacher Quality on the Lifetime Incomes of a Class of Students*



*Compared to an average teacher

Source: www.educationnext.org/valuing-teachers/

Encourage new educational options.

Fostering high-quality career and technical educational programs would ensure that businesses have the skills the next generation of workers will need—and give students who complete these programs a fast track from their schooling right into well-paid careers. Exploring a move to competency-based education would make sure students receive the skills they need during their schooling. Because no two children are alike, each Louisiana child should have the chance to pursue quality educational options that meet their interests and skill sets.

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IMPROVING LOUISIANA'S BUSINESS CLIMATE

Louisiana's business climate consistently ranks among the worst in the nation. The state's heavy tax burden is already enough to stifle economic investment. Adding Louisiana's long-standing reputation as a legal swampland further discourages the economic growth needed in the state. Furthermore, the state's massive and inefficient regulatory environment serves as another major barrier to job creation and economic growth. Overly burdensome occupational licensing requirements artificially constrict the labor market and stifle entrepreneurship. Excessive red tape force businesses to spend too many resources complying with outdated rules.

The status quo is not acceptable. Louisiana is experiencing anemic job growth at a time when the country is thriving. The state unemployment rate is consistently higher than the national average, and Louisiana was one of only nine states to suffer a net decrease in population from July 2017 to July 2018. People flock to neighboring states while people flow out of Louisiana for better opportunity elsewhere.

The Pelican State needs policies that incentivize economic growth. Transformational regulatory and legal reforms that eliminate overregulation ensure impartiality in the legal system would send a strong signal that Louisiana is open for business.

LEGAL REFORM

By nearly every measure, it is clear: Louisiana's civil justice system is broken. Lawsuit costs are among the highest in the nation. Louisiana families and businesses pay nearly $7 billion in annual expenses related to tort litigation, which translates to an average of $4,000 per household per year. In addition, the staggering cost of civil litigation is one of the root causes of job and revenue loss for the state. It is estimated excess civil litigation costs Louisiana more than 15,000 jobs every year. As of 2018, fiscal losses were estimated to be around $76.4 million in state revenue and $64.3 million to local governments.

Louisiana is also the least affordable state in the country for auto insurance. According to the latest data published by the National Association of Insurance Commissioners, Louisiana has the highest auto insurance rates in the country, costing the average driver at least $1,500 a year. Another recent study by Insure.com estimates Louisiana's auto insurance rates were 56 percent higher than the national average in 2018.

Due to a perceived lack of fairness, abusive and excessive litigation practices by some plaintiffs' attorneys, and ongoing concerns about judicial integrity, our state courts are nationally known as some of the worst places in the country to be sued.

- Louisiana ranked 50th out of 50 states in a biennial assessment of state liability systems published by the U.S. Chamber Institute for Legal Reform.
- Louisiana received "Fs" for judicial accountability, executive accountability, legislative accountability, public access to information and ethics enforcement in the 2015 State Integrity Index produced by the Center for Public Integrity.
- Louisiana has ranked as one of the nation's worst "judicial hellholes" nine years in a row, according to annual reports published by the American Tort Reform Association.

Louisiana's jarring reputation as a legal swampland should concern citizens, and policymakers alike. Thankfully, there are a myriad of ways Louisiana can reform its litigation policies to improve fairness, predictability and impartiality.

Eliminate the Jury Trial Threshold- Give citizens greater access to jury trials by eliminating Louisiana's $50,000 barrier for obtaining a jury trial in civil cases.

Enact Venue Reform- Strengthen Louisiana's venue laws to preclude lawyers from unreasonable forum shopping in state courts.

Improve Transparency in Asbestos Litigation- Enact trust transparency laws to ensure that basic information is disclosed to the courts prior to trial so that judges and juries can use it to properly compensate asbestos claimants.

Cap Non-Economic Damages- Enact the Full and Fair Noneconomic Damages Act and limit non-economic damages that can be awarded in civil cases to $250,000.

Increase Judicial Transparency- Wholesale reforms should be enacted to ensure that members of the state judiciary are more accountable to taxpayers.

End Predatory State Sponsored Litigation- State sponsored litigation must be focused on protecting the public, not looking to cash in at the expense of one of the largest job creators in the state. The state should end the coastal lawsuits.

REGULATORY REFORM

The Pelican Institute recognizes the need for smart government regulations that provides important societal benefits, such as ensuring workplace safety and protecting public health. However, it is clear that Louisiana'sd overly burdensome regulatory system isn't working the way it should. Over many decades, state government has built a complex web of rules and regulations that make it almost impossible, for businesses and entrepreneurs to thrive.

Louisiana is the only state in the country that requires florists to obtain an occupational license before they are allowed to arrange flowers for consumers. Louisiana also requires government permission slips for interior designers, hair braiders, and many other occupations that pose no risk to public health and safety. Similarly, protectionist laws dating back to the 1930s are negatively impacting growth in the craft beer brewing industry, which is thriving across the country but lags in Louisiana. When compared to other states and the District of Columbia, Louisiana ranks 40 out of 51 for the number of breweries per capita of adults 21 and older.

Louisiana's burdensome regulations hinder the ability for hard-working Louisianan's and their families to get ahead. Regulatory reforms that limit strict government mandates, save businesses time and money allowing more jobs and opportunity to flow into Louisiana, rather than fleeing it.

Restore the Right to Earn a Living in Louisiana- Transform Louisiana's irrational and protectionist occupational licensing system and restore the proper balance between freedom and legitimate government regulation by enacting the Right to Earn a Living Act.

Rein in the Authority of Government Bureaucrats- Provide greater legislative oversight of proposed rules and regulations and take steps to curtail the authority of the unelected and unaccountable members of boards and commissions in order to minimize costs and ensure that regulations are constitutional and necessary.

Improve Financial & Economic Impact Assessments- Adopt an "economic analysis unit" to provide independent, evidence-based reports on the costs and benefits of proposed regulations. This data-driven approach relies upon credible cost-benefit analysis that is based on scientifically validated, publicly available data.

Establish a Sunset Date for Regulations- Enact a systematic process to review and eliminate unnecessary and/ or outdated regulations that provide no public benefit.

CRIMINAL JUSTICE REFORM
IN LOUISIANA

A CRIMINAL JUSTICE SYSTEM THAT PROTECTS EVERY LOUISIANAN

Louisiana's long history as the most incarcerated state in America has not served its citizens well, whether they are a part of the criminal justice system or not. The legacy of heavy imprisonment has burdened the state with massive social and financial costs. But with a wealth of new data and exceptional bipartisanship on this issue, Louisiana has taken the first steps toward a better criminal justice system.

Even with these steps, many in Louisiana still suffer from the effects of the cycle of imprisonment, re-offense and reincarceration created by poorly designed and outdated criminal justice policies. Many of the current practices tie justice and money together to create negative incentives for judges and law enforcement to obtain convictions.

PROBLEMS WITH THE CRIMINAL JUSTICE SYSTEM OF LOUISIANA

1. Louisianans shouldn't spend time behind bars for being too poor to pay bail.

Current law in Louisiana prevents many citizens charged with common crimes from obtaining pre-trial release without presenting 100 percent of their bail up-front or providing a comwmercial bail bondsman up to 12 percent of the total bail amount.

While regular felony defendants in Louisiana wait an average of 11 days before they're freed, those who cannot afford a portion of their bail face an average of 4 months of pre-trial detention.[1] While wealthy defendants can purchase their release, poor defendants remain imprisoned due to their inability to pay. This further burdens an already overcrowded system while doing nothing to protect citizens.

Judges are incentivized to set these high bails, because they often include fees which generate revenue used to fund the court system.

2. Judges shouldn't be incentivized to convict defendants to secure fines that fund their courts.

Louisiana's reliance on court fines and fees as revenue generators for the administration of its court system places similar incentives on judges to make convictions due to revenue concerns.

On average, Louisiana fees and fines add an additional $460 to each offender's justice system tab.[2] By saddling offenders with massive debts that are discoverable on background checks, these high fees and fines can make it more difficult to secure employment. Furthermore, courts have not been particularly successful at collecting these fees and fines. In 2015, the collection rate was only 42%, and 269 people were jailed that year for failure to pay court fees.[3]

3. Police, prosecutors and judges shouldn't be allowed to profit by taking ownership of people's property.

Bail and court fees are not the only areas where justice and money are closely tied. Under a procedure known as civil asset forfeiture, Louisiana law enforcement officers are authorized to seize property from Louisiana citizens without convicting them of a crime. Instead, they charge the property with a crime, leaving it up to the rightful

1 CJR Policy Paper Pg. 6; Footnote: Daniels, F., Weber. B.D., Wool, J. (2018 May). From Bondage to Bail Bonds: Putting a Price on Freedom in New Orleans.
2 CJR Policy Paper Pg. 8; Footnote: Laisne, M., Wool. J. & Henrichson, C. (2017 January). Past Due: Examining the Costs and Consequences of Charging for Justice in New Orleans.
3 CJR Policy Paper Pg. 8; Footnote: American Civil Liberties Union of Louisiana. (2015, August). Louisiana's Debtors Prisons: An Appeal to Justice.

owner to undergo an expensive process to get it back. The law enforcement agency forfeiting the property gets to keep 80% of the proceeds, with the remainder funneled into the criminal courts' coffers.[4]

WHERE TO GO ON CRIMINAL JUSTICE IN LOUISIANA

Substantial ground was gained with the reform package of 2017. Thanks to reforms to sentencing and re-entry, the prison population in the formerly most incarcerated state has decreased by 7.6 percent, and the state has saved taxpayers $12 million. It is imperative that the state maintains these reforms and continues to improve upon the progress that has been made.[5]

To successfully do this, Louisiana lawmakers should look to innovative and data-driven solutions to criminal justice problems. This will maximize public safety and effectively manage taxpayer dollars, while also protecting individual liberty.

Protect and oversee the implementation of the 2017 reforms

Protecting and implementing the reforms that have already passed is crucial to ensuring that their positive impacts take effect. The 2017 reforms are already seeing substantial success, as the reincarceration rate has fallen 6 percent since their passage.[6]

Use taxpayer dollars to focus on the highest risks to society

Improving safety for Louisiana families and communities needs to be the chief goal of the criminal justice system. This requires that state leaders appropriately steward over taxpayer dollars by putting them toward criminal justice solutions that decrease crime and make society safer.

Repeal Louisiana's civil asset forfeiture and replace it with criminal forfeiture

The state should allow police to take temporary custody of a suspect's property, but require them to wait for a conviction before taking permanent ownership (also known as criminal conviction) to safeguard innocent Louisianans from unjustly losing their property. American citizens are innocent until proven guilty, and replacing civil forfeiture with criminal forfeiture enshrines that principle within Louisiana law.

Reform Louisiana's fines and fees systems

Louisiana and its citizens deserve a fair and sustainable method of funding the state's criminal justice system – one that doesn't place Louisianans' property and prosperity at risk. Reforming the state's system of fines and fees to prevent innocent individuals from being incarcerated solely for their inability to pay decreases the amount of innocent people behind bars, as well as the amount that taxpayers must pay to house them.

4 CAF Policy Paper Pg. 4; Footnote: LA RS 40:2616(B)(1)(2)(3)
5 CJR Policy Paper Pg. 1; Footnote: Mire, M. (2018 October 1). Louisiana's Criminal Justice Reforms Show Early Success. Shreveport Times.
6 Ibid.

BRINGING TECHNOLOGY & INNOVATION REFORM

TO LOUISIANA

STATE TECHNOLOGY POLICY

The American technology sector is not only one of the last bastions of free enterprise left in the nation, but it has also given birth to the five most valuable companies in the world. Technology touches every part of our lives, including healthcare, education and communication. But, why do innovators who created these companies seem to cluster in certain areas? After all, unlike agriculture or mining, the technology industry doesn't rely on geography when determining where companies are based. Most of the current tech hubs have a secret in common when it comes to why cutting-edge entrepreneurs want to be there. And, that secret is an embrace of innovation.

These tech-dominated areas have policies that allow entrepreneurs to bring their products to consumers without having to face reams of government red tape. For companies that are competing in quickly evolving industries, every minute spent getting permission from the government to operate is time taken away from building or improving their products. Therefore, areas that offer a regulatory "light touch" are likely to attract those on the cutting edge, who in turn bring other innovators with them. Unfortunately, Louisiana's current regulatory environment is anything but a light touch.

THE PROBLEMS

Louisiana has been Slow to Embrace New Technologies

Despite advances in technology over the years, Louisiana lags behind other states in embracing many of these innovations. For example, New Orleans recently voted to ban home sharing (which thrive on platforms such as AirBnB and HomeAway) unless the property being shared is subject to the Louisiana homestead exemption. As a result, those who had invested and fixed up homes in their community are now unable to earn income from them. Likewise, until 2019, Louisiana lacked a state rideshare framework. One of only a few states to do so.

Government Competing with the Private Sector

Traditionally, government and the private sector don't directly compete with one another to deliver services to residents. This is for good reason, as government is slow to adapt to a quickly changing marketplace and leaves taxpayers on the hook when investments don't payoff. However, one of the exceptions seems to be with Government-Owned Broadband. Municipal governments, often with the help of federal loans, attempt to go into the broadband business and provide internet, phone, and cable to their residents. More than 450 communities have attempted to build a government-owned network, with little success.[1] In Lafayette for example, the municipal broadband network, LUS Fiber has run 8 years of deficits and was recently found by a state audit to be charging for services it never delivered. Additionally, the broadband network has almost $180 million in debt obligations.[2]

Too Much Localism in Technology Policy

Although the government closest to its citizens is often the best place for policy decisions to be made, this phi-

1 Meeks, Annette. Http://Freedomfoundation.publishpath.com/Websites/Freedomfoundation/Images/7x10-11-21-LCB.pdf. Freedom Foundation of Minnesota, Http://Freedomfoundation.publishpath.com/Websites/Freedomfoundation/Images/7x10-11-21-LCB.pdf, freedomfoundation.publishpath.com/Websites/freedomfoundation/images/7x10-11-21-LCB.pdf.
2 I Capps, A. (2019). [online] Theadvertiser.com. Available at: https://www.theadvertiser.com/story/news/local/2019/06/14/state-audit-raises-concerns-over-self-dealing-between-lus-and-fiber/1447711001/ [Accessed 3 Jul. 2019].

losophy can have unforeseen consequences when it comes to technology. Take the internet for example. If each state has its own standards of internet regulation, it would be impossible for the internet to exist in its current form. This theory is soon to be tested, as California recently passed the "California Consumer Privacy Act" which would implement strict rules about how internet companies can handle consumer data. This law is already drawing concerns about enforcement ahead of its 2020 implementation. If Louisiana were to pass its own privacy bill, as has been proposed for multiple years, it would add yet another layer of complex bureaucracy and confusing rules, which would especially burden small businesses.

The recent lack of a state ridesharing framework is another example, as rules at the local level gave the possibility to get a ride to a location but have no way to get back.

Protectionist Mindset for Status Quo Industries

In places that attract innovators, attention is focused on how to break down barriers and allow for greater competition in the marketplace. In Louisiana, more attention is given to how to protect the established industries from new competition. These protections usually take the form of additional regulations to ensure a "level playing field" rather than reducing red tape to allow more businesses to compete.

THE SOLUTIONS

Embrace the Innovation Mindset

When a new technology enters the market, it's unlikely that lawmakers will be familiar with the ins and outs of how that technology works. Rather than defaulting to additional rules and regulations for this new technology, lawmakers should instead think of ways to encourage these kinds of innovations. For example, Arizona Governor Doug Ducey has reduced the red tape of autonomous vehicles testing in the state. As a result, many of the companies who were testing their vehicles in California have now started doing so in Arizona, leading to significant investments in the state. There is no reason Louisiana can't do the same in any number of industries.

Create More State Frameworks

Although Louisiana is more deferential to its local governments than other states, there is still quite a lot that can be done at the state level to provide clarity in law. The recently passed Louisiana state ridesharing framework is one example. More state frameworks could be helpful in areas such as 5G small cell deployment. 5G deployment can be sped up by requiring a "shot clock," which prevents localities from delaying their decisions for an indefinite period of time.

Use Technology to Improve Existing Services

Although new technologies like 5G and autonomous vehicles are often the most exciting things to discuss for technology, there is much that can be done to improve existing services. The Louisiana Checkbook, which allows citizens to easily see where their money is being spent, is just one example of how technology can enable "smart government." Similarly, technology can help kids in rural areas gain access to more courses in school, so they can have learning that fits their needs. These are just some examples of how technology can be integrated with state services to provide better outcomes at cheaper prices to the taxpayers of the state.

TRANSPORTATION REFORM
IN LOUISIANA

Building and maintaining a quality roadway network is critical not only for the movement of people and goods, but also for fostering a strong economy. This is evident in Louisiana. As with the state's economy, its highways are in poor shape. Unfortunately, determining the best way to fund and finance much-needed roadway improvements In Louisiana has become increasing challenging for both policy and political reasons. The ongoing debate over the funding of current and future roadways in Louisiana is simply stuck in the past.

THE PROBLEMS

Louisiana's Highways are in Poor Shape

Louisiana's highway conditions consistently rank poorly. According to the Reason Foundation (Reason), the state ranks 14th worst in the nation in performance and cost effectiveness[1]. Of the 11 categories Reason ranks, the state is in the bottom 10 in three of them: urban Interstate pavement condition (2nd worst), fatality rate (7th worst) and rural Interstate pavement condition (9th worst). Additionally, the state ranks in the bottom 20 of three other categories: poor arterial pavement condition (11th worst), percentage of deficient bridges (12th worst) and urban area congestion (20th worst). While individual numbers vary slightly from year to year, the state's overall ranking has remained in the bottom 20 every year since 2012 (falling between 11th and 17th worst in the country each year).

Congestion

Louisiana's roadway congestion continues to increase daily. Segments of I-10 and I-610 experience chronic congestion up to eight hours per day[2]. I-10 in Baton Rouge between I-12 and I-610 is one of the most congested freeway segments of any mid-sized region in the country. Lafayette, Lake Charles and Shreveport also experience daily congestion. Something has to change to alleviate Louisianans' traffic headaches.

Funding Approach is Outdated and Ineffective

While the gas tax has been an adequate funding mechanism in the past, increasing vehicle fuel economy and a growing number of electric vehicles result in less gas tax revenue being collected each year. Moreover, there is significant fuel tax evasion and exceptions for certain vehicle types, which also reduces revenue[3]. Some compare the gas tax to a rock star on his farewell tour. Relying on the current gas tax as a long-term funding mechanism is not realistic to address Louisiana's current issues.

Too Much State Control of Local Roads

The Louisiana Department of Transportation and Development (LaDODT) maintains local roads at a higher level than most states. Despite being the 18th smallest state in the country in area (square miles), the state has the 11th largest roadway network[4]. This means Louisiana is spending its transportation dollars on local projects.

Improper Use of Funding

Although two attorney general rulings found personnel costs to be a legitimate use of gas tax revenue, some legal experts disagree[5]. Additionally, according to the most recent American Association of State Highway and Trans-

1 Fields, M. Gregory, Baruch Feigenbaum and Spence Purnell. "Ranking the Best, Worst, Safest and Most Expensive Highway Systems—The 23rd Annual Highway Report."
2 "2018 Global Traffic Scorecard." INRIX. 2019. Web
3 Weimar, Mark et al. "Identifying and Quantifying the Rates of State Motor Fuel Tax Evasion." National Academy of Sciences, 2008. Web
4 "Road Transfer Program." Louisiana Department of Transportation and Development. 2018. Web
5 Ibid.

portation Officials (AASHTO)/National Conference of State Legislators report, LaDOTD's 4,194 full-time employees[6] outnumbers staff sizes of other peer states with bigger highway networks, such as Georgia. This means less money going to roads and more money spent on personnel.

THE SOLUTIONS

Devolving Local Roads

LaDOTD has started the Road Transfer Program to devolve approximately 5,000 miles of local roads to local governments[7]. The Pelican Institute recommends the state work with local governments to devolve as many of these local roads as feasible over the next five years.

Use the General Fund for Salaries

In addition to satisfying legal concerns, funding salary and benefits from the general funds, as opposed to gas tax funds, would free up approximately $133 million in gas tax revenues for building and maintaining roadways.

Rightsizing Staffing

Many state Departments of Transportation (DOTs) are moving to outsource their tasks, including maintenance and construction. These DOTs have fewer overall employees but pay higher salaries to ensure that they attract the most talented employees. Devolving local roads to local governments will allow LaDOTD to reduce staff further. The state should examine ways to reduce staff while creating incentives to attract top talent.

Public Private Partnerships (P3s)

In P3s, the government and private sector take on the tasks in which they have the comparative advantage. With long-term P3s, the private sector takes on much or all of the responsibility for financing new highways, while governments use their existing gas-tax revenues to invest in the maintenance of existing roads.

Tolling

Tolling systems utilized by state DOTs are becoming increasingly more high tech. Tolls are collected electronically when a vehicle with a transponder passes under a toll gantry with an electronic sensor. The lack of tollbooths reduces collection costs, congestion and traffic crashes. As a result, collection costs have been reduced from 25% to as little as 5% of total revenue[8]. While cost to collect the gas tax is considered to be 2% or less of total revenue, combining the collection costs with gas tax evasion and exemptions equates to a revenue loss of up to 5%.[9] For transportation infrastructure investment, tolling is the best user fee, as it directly links the toll with the specific roadway's financial need.

6 "Transportation Governance and Finance."
7 Based on Louisiana Legislature interpretation of transportation trust fund revenue.
8 Fleming, Daryl. "Dispelling the Myths: Tolling and Fuel Collection Costs in the 21st Century." Reason Foundation, 2012.
9 Ibid.

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