



PARticles

Public Affairs Research Council of Louisiana, Inc.

Cover Story

This edition of *PARticles* contains articles PAR has issued, beginning December 26, 1990, and notations of later developments.

PAR issues its articles every other week. These will be published three times a year in *PARticles*.

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Wall Street Views Louisiana (December 26, 1990)

In early 1988 when Louisiana's cash flow shortfall approached \$1 billion, Wall Street's bond rating firms assigned Louisiana the lowest credit rating of the 50 states. The low rating given to Louisiana by these firms added millions to the cost of building state projects and identified Louisiana in the eyes of the nation's business community as a state that conducted its affairs in a fiscally irresponsible manner and discouraged economic development through an unstable and archaic tax system. Today, Massachusetts holds that unenviable last position, and Louisiana recently has been upgraded to an "A" rating.

Wall Street's concerns have been clearly defined: large liabilities in the state employees' retirement systems; little control over state revenue projections and spending; no rainy day fund; high debt service ratios; an overdependence on oil and gas, natural gas and petrochemical industries; and lack of diversification and stability in our revenue base.

Has our political leadership heeded these warnings and attempted to eliminate them, or ignored them and opted for business as usual? Positive

attempts have been made to address all of these concerns, and there are some success stories. Constitutional amendments have been approved to eliminate the retirement liability, establish a rainy day fund and require balanced state budgets. A consensus revenue forecasting process is in operation. The state has had surpluses three straight years and, after this year, no longer will be able to finance operations with windfall oil revenues.

However, the failure of tax reform efforts to broaden the tax base and eliminate burdensome business taxes has resulted in continued instability of our tax structure and prevented diversification of our economy. The state budget continues to be balanced with "temporary" taxes, and general fund debt service continues to represent almost 10% of state expenditures.

Progress is evident and the Governor, Treasurer, Legislature, Council for Fiscal Reform and the state's citizens deserve credit for their efforts. However, Louisiana's struggle with modernizing its tax structure is far from over, and tax reform will be a major issue in the 1991 election debates.

Reapportionment Means Shifts in Political Power (January 9, 1991)

It's a "given" that reapportioning Louisiana's congressional and legislative districts will shift political power. The Louisiana Legislature has responsibility for redrawing these dis-

tricts and must meet the U. S. Supreme Court standard--one person, one vote--as well as gain approval of the U. S. Justice Department to assure that minority voting rights are not

diluted. A change in the federal Voting Rights Act will require, for the first time, that districts be drawn to enhance chances of minority candidates.

Louisiana has had eight congressmen since 1912 but will lose one. This loss presents another task--either draw separate districts, or change the number of members on 30 or more state boards whose membership is now pegged to eight congressional districts. Louisiana's seven reapportioned congressional districts are to be effective for the next congressional election on October 3, 1992.

An April special session prior to the 1991 regular session is planned for legislative reapportionment, but

this could be a "beat the clock" endeavor. First, the state must receive precinct data before it can start to redistrict; this could be as early as February or as late as April.

The election schedule poses another problem. Election of legislators is set for October 19, 1991 with filing for office to occur September 3-5, 1991. Another hurdle is "preclearing" the new districts with the U.S. Justice Department.

Reapportionment involves high political stakes but should be done

objectively. Citizens will have many opportunities to be informed and have input into legislative deliberation. They can be notified of legislative committee meetings so they can attend and testify, obtain data and maps, inspect transcripts of committee meetings, and attend public meetings to be held around the state. If they conclude the redistricting involves political gerrymandering to favor incumbents or partisan interests, they can file suit under the 14th Amendment to the U. S. Constitution--the equal protection clause.

Too Many Tax Collectors (January 24, 1991)

How many tax collectors does it take to collect local sales taxes in Louisiana?

Sounds like a bad joke, but the answer is not funny. In some smaller parishes, there are as many as 10 separate tax collectors with the school board, parish government and each municipality collecting their own sales tax.

All state sales taxes, except on motor vehicles, are collected by one state agency. Local sales tax collection has been centralized parishwide in 27 parishes--three of these parishes have contracted to use a single collector. Another 13 parishes have partial centralization with 48 collectors for

83 taxing bodies. In the remaining 24 parishes, 134 taxing bodies collect their own sales taxes separately.

Supporters of multiple tax collectors argue that a taxing body's own collector is more zealous in finding potential taxpayers and that the work often is combined with other duties. However, protecting the jobs created by 207 collection units likely is an important consideration.

Logic would suggest that small collection agencies are less efficient. PAR analyzed collection costs in 1979 and found that while the norm was 1%-2% of revenues, some collectors' costs ranged as high as 23%.

Multiple tax collectors present a serious problem for numerous businesses which must submit sales tax reports to local tax collectors, thus increasing their compliance costs.

PAR's earlier study recommended state collection of local sales taxes. Complicating factors are the variations in local rates and exemptions. Still, state collection is the norm in other states and offers the best solution. Some have proposed limiting each parish to one sales tax collector, but this still would retain 64 more separate tax collecting offices than are needed.

Centralization of local sales tax collection, at the state level, should be accomplished soon to increase the yield and remove an administrative nightmare imposed on businesses which operate widely in the state.

Lottery Dedications: The Shell Game (February 6, 1991)

What shall we do with all that lottery money?

The constitutional amendment authorizing a Louisiana lottery allows the Legislature to appropriate the funds for any purpose as legislators were unable to agree on specific dedications.

The lottery board is operational, staff will be hired soon, and tickets will be sold this summer. However,

the debate continues over what to do with an estimated \$80 million-\$100 million annually that will be available for appropriation. Fortunately, the constitution prohibits spending the lottery money in the same calendar year in which it is received, so there will be no guessing as to the available amount. The first appropriation of lottery money will be in 1992.

Proponents of dedicating the funds argue it should be given to education,

the cities, law enforcement, economic development, the elderly or a variety of other causes.

Experience in other states, though, shows that dedications often are a shell game, as over time these causes get fewer state dollars from other sources and end up with the same or lesser share of total expenditures.

An issue not often discussed is that lottery players will be spending over \$200 million annually that otherwise would be spent in other parts of our economy. State and local governments will lose sales tax revenues at a

time when the state is projecting huge deficits. State tax increases are being considered to avoid cuts in current programs. The state should recognize sales tax losses at the local level as a result of the lottery when considering state aid distributions.

Some dedications, such as gasoline taxes paid by highway users for transportation purposes, make sense.

However, the poor experience of other states, our pressing financial problems and common sense require

us to forget about dedicating these funds.

Put the lottery money in the general fund and use it in lieu of tax increases. That's the only way we won't gamble on how best to use the lottery money.

Teacher Evaluation: It's Wounded and Needs First Aid (February 20, 1991)

The purpose of Louisiana's 1988 Children First Act is to improve quality in the classrooms because that is where "teaching and learning occur." Teacher evaluation, a key component of the act, was initiated this fall. However, it appears headed for the same fate as other aborted school reforms unless action is taken quickly to resolve legitimate complaints, most related to implementation.

Implementation problems can and should be corrected through administrative action. However, the law has to be changed to resolve one problem, the requirement that teachers be judged superior and also have a master's degree and seven years of teaching experience to receive extra pay through the career options program. A "superior" rating should be the only requirement.

The act provides that a teacher judged unsatisfactory who fails to gain a satisfactory rating after two years of remediation would have his teaching certificate revoked. A dis-

trict judge has ruled it is unconstitutional for the State Board of Elementary and Secondary Education (BESE) to revoke certificates. The administration has offered an alternative--stop state funding of salaries of unsatisfactory teachers, but it may have to obtain legal authority to do that.

The Louisiana Association of Educators (LAE) has proposed repeal of the state teacher evaluation program and in its place, establish teacher evaluation programs in each of the 66 local school systems. Louisiana already has local evaluation programs under the 1977 accountability act. Principals evaluate their faculty but are reluctant to give poor evaluations. The latest data, for 1987-88, shows 98.4% of teachers evaluated were satisfactory, 1.2% needed improvement, and 0.4% were unsatisfactory.

The state teacher evaluation program should be given a fair chance to prove its merit. BESE has established a problem-solving mechanism to

receive and evaluate complaints and resolve valid problems. BESE also needs to establish an oversight component to monitor the quality of implementation.

Major aims of the teacher evaluation program are to assure all children have competent and effective teachers who practice good instruction strategies, and that unsatisfactory teachers are remediated.

Louisiana continues to rank low among states in most measurements of student achievement. The state teacher evaluation program provides one way to change that.

The Governor, president of BESE, and the state superintendent of education have recommended substantial improvements, subject to BESE approval, and ideas for further improvements are under consideration. Continuation of the improved program, temporary suspension or repeal will be a legislative issue.

Prohibit Legislators' Contracts With State (March 6, 1991)

The Legislature apparently has violated the state constitution by allowing legislators to contract with state agencies, and corrective legislation should be approved in the 1991 session to prohibit such legislative contracts.

Legislators have held contracts with such state agencies as the attorney general's office and a state university. The Louisiana House of

Representatives approved a bill last year to prohibit legislative contracts, but a Senate committee let it die.

Louisiana's constitution states that "Legislative office is a public trust, and every effort to realize personal gain through official conduct is a violation of that trust." The constitution further requires the Legislature to enact a code of ethics to prohibit conflicts of interest between public duty

and private interests of legislators. Louisiana's code of ethics prohibits public employees and elected officials from such contracts but excludes legislators from this prohibition.

The Louisiana Legislature should follow the lead of the United States Congress which enacted a federal law to prohibit members of Congress from contracting with federal agencies.

Such restrictions are intended to remove the temptation for members of Congress to influence public policy

for their own gain and to prevent the executive branch from holding influence over the legislative branch.

The Louisiana Legislature is required to oversee the operations of state government, pass laws affecting state government, and appropriate funds for its operation. Legislators who have contracts with state agen-

cies might have difficulty meeting these obligations objectively.

Public trust in our elected officials is required for effective democratic government. Enactment of the prohibition on legislative contracts will restore some of the trust that has been lost. The prohibition should be enacted prior to the 1991 fall elections

so that all legislative candidates can decide whether or not they are willing to serve the public with these limitations.

Proposed legislation has been prefiled to prohibit legislators' contracts with state agencies.

Children First in Recommended New MFP Formula Funding (March 20, 1991)

Since 1956 Louisiana's state school aid Minimum Foundation Program (MFP) has focused on guaranteeing jobs for teachers and supervisors, not equitable financing of children's needs.

The State Board of Elementary and Secondary Education (BESE) at its February 28 meeting unanimously approved a pupil-based MFP formula. It incorporates recommendations of PAR, two task forces and a national consultant.

The current MFP fails to do what it should--equalize education opportunities for all children in public schools. It fails to consider local taxing capacity and tax effort, and thus favors wealthy systems and penalizes poorer ones. The recommended new MFP would correct these deficiencies and increase re-

quired local support from less than 4% to 33% of the total MFP cost.

The Legislature must approve the new MFP, or the current MFP continues. One problem is finding an additional \$167 million to finance the new MFP; \$61 million is to "hold harmless" local systems that otherwise would have reduced state aid.

Louisiana's current MFP has inequities which conflict with state constitutional requirements. If Louisiana delays too long in correcting these, a judge may do it.

There has been a recent flurry of litigation on school finance formulas in other states. Courts declared formulas unconstitutional in four states, law suits are pending in 15 states, and are being considered in some dozen other states including Louisiana.

Actions are needed to assure implementation of the new MFP is fair and equitable. The State Department of Education must develop a system to assure local data is accurate and timely. A transportation formula must be developed to assure the state only pays for realistic costs. A state law that prohibits consideration of local sales taxes in MFP funding must be repealed.

The homestead exemption must be lowered on voter-approved school millages to allow citizens to share in financing their schools through the property tax. Business and industry now pay 95% of the property tax. Local school boards should not be authorized to increase property taxes without voter approval. Voter-approved school taxes allow the people to hold schools accountable for educating their children.



Public Affairs Research Council of Louisiana, Inc.
4664 Jamestown Avenue, No. 300 • P.O. Box 14776
Baton Rouge, LA 70898-4776 • (504) 926-8414
FAX # (504) 926-8417

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