

2026

Citizens' Guide to the Budget

Based on Louisiana's
FY26 State Budget





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Introduction

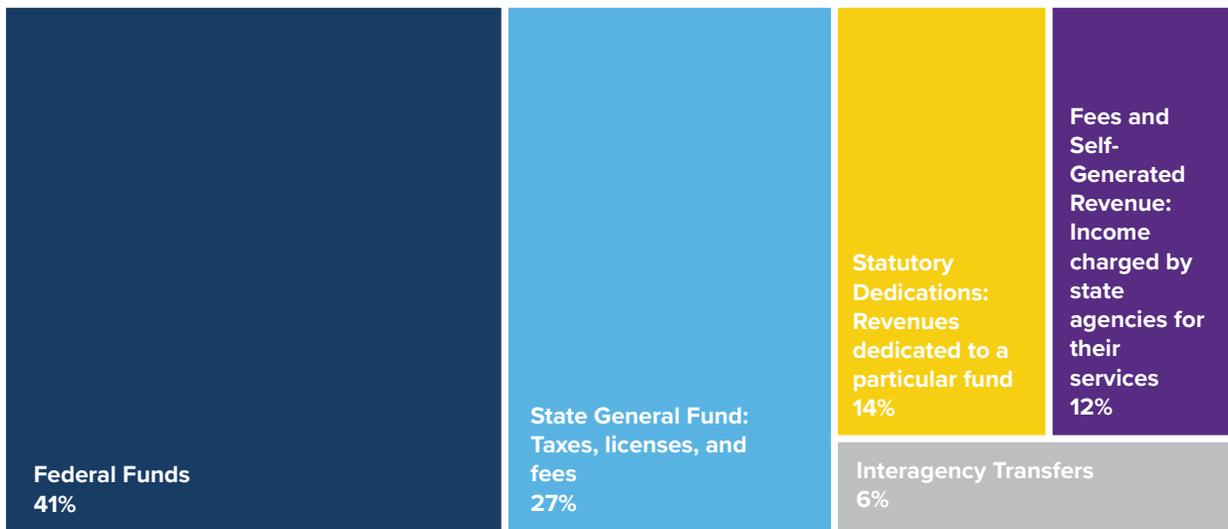
Louisiana’s state budget touches the lives of every resident, funding critical services like education, healthcare, and infrastructure. However, the state’s budgeting process can be complex, often leaving the public and even policymakers in the dark about where their tax dollars are going and how spending compares to other states. This guide offers a detailed yet accessible look at Louisiana’s budget: how it works, where the funds are allocated, what has driven spending increases, and what reforms can help ensure the state’s long-term fiscal health.

Understanding Louisiana’s State Budget

THE BUILDING BLOCKS OF STATE SPENDING

Louisiana’s budget comes from five main sources that historically make up the same portion of the total budget: federal funds, the state’s general fund, money collected through fees and self-generated revenues, money placed into protected funds called statutory dedications, and interagency transfers. Federal funds are the largest contributor, providing support for healthcare, education, and infrastructure projects. The state’s general fund, which comes from state income and sales taxes, is the second largest.

Building Blocks of the Budget

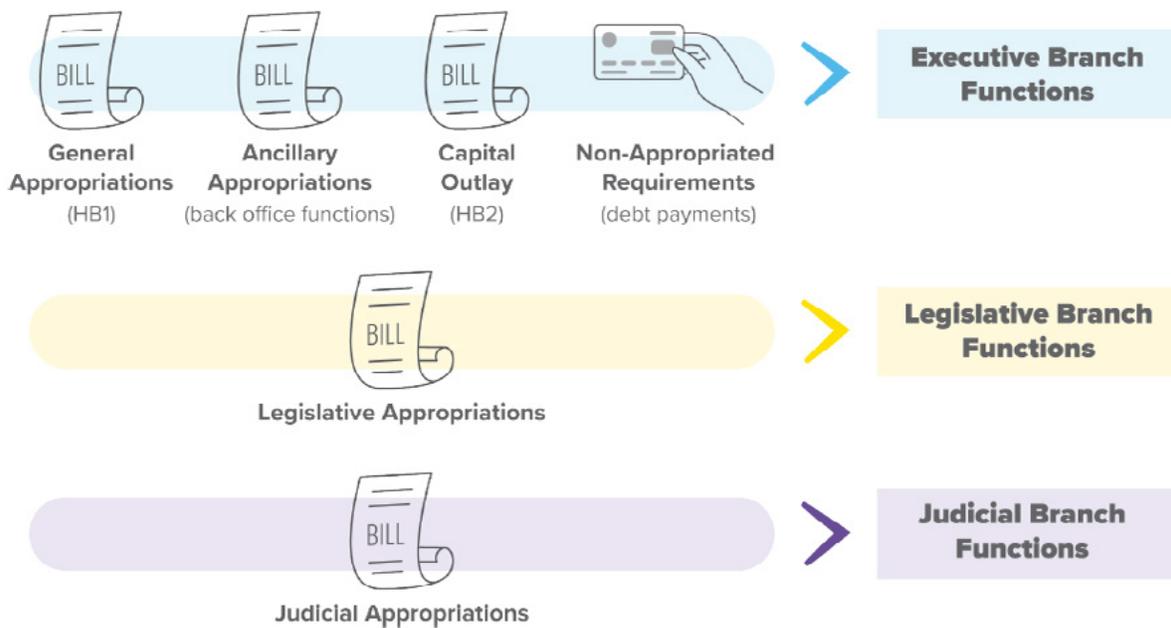


Source: Louisiana Division of Administration State Budgets
Average Appropriated Means of Finance

The annual budgeting process begins with the governor’s executive budget recommendation that serves as a proposal to the state legislature. It may not exceed the official revenue forecast adopted by the Revenue Estimating Conference.¹



The state’s entire budget is spread across several bills that the Louisiana Legislature considers each year in its regular sessions.



Louisiana employs an incremental budgeting system, which builds upon the previous year’s budget, adjusting for inflation, workload increases, and program expansion.² As a result, government spending continues to grow even when the state’s economy struggles or its population declines.³

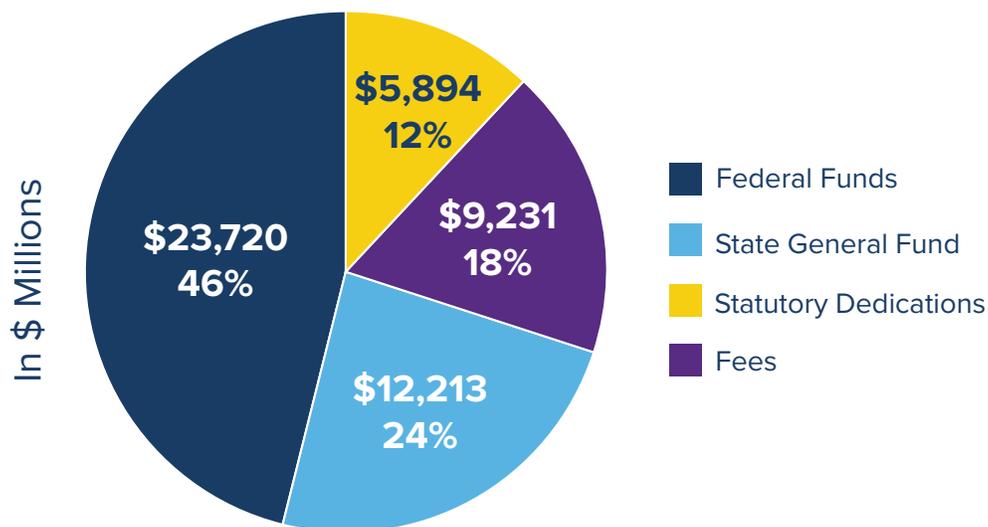
While this method ensures some predictability, it lacks the soundness and flexibility needed to reduce or eliminate unnecessary and underperforming

programs and shift funding to higher-priority areas. Louisiana’s budget often includes inflated growth projections, further widening the gap between projected revenues and actual needs. A shift toward zero- or performance-based budgeting, leveraging state performance audits that assess program effectiveness and efficiency, and tying state agency and department sunset reviews to the budgeting process would address these needs and move the state toward a more sound budgeting process.

LOUISIANA’S SPENDING SURGE: A DECADE OF GROWTH

For fiscal year 2026, Louisiana’s appropriated budget stands at \$51 billion, excluding interagency transfers,⁴ an 8% increase from the previous year. Total appropriated spending has increased by 73% over the past decade.

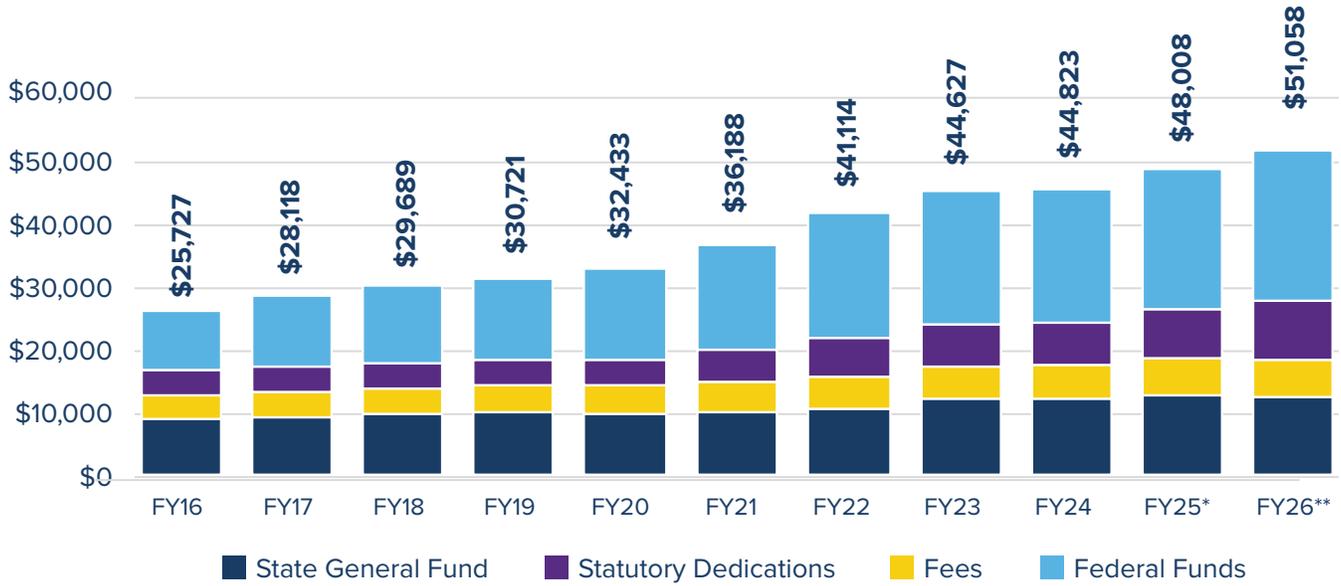
FY 26 Budget: \$51 Billion



Source: Louisiana Division of Administration State Budget Fiscal Year 2026

Appropriations from state funds alone (including the general fund, fees, and dedicated revenues) have increased by 57% over the past decade, while federal dollars have poured into Louisiana’s coffers largely due to Medicaid expansion and disaster recovery funds. In 2016, a sales tax increase brought in new revenue, temporarily enabling the state to continue its existing operations but also fueling additional government growth.

Louisiana's Spending Growth (\$ Millions)

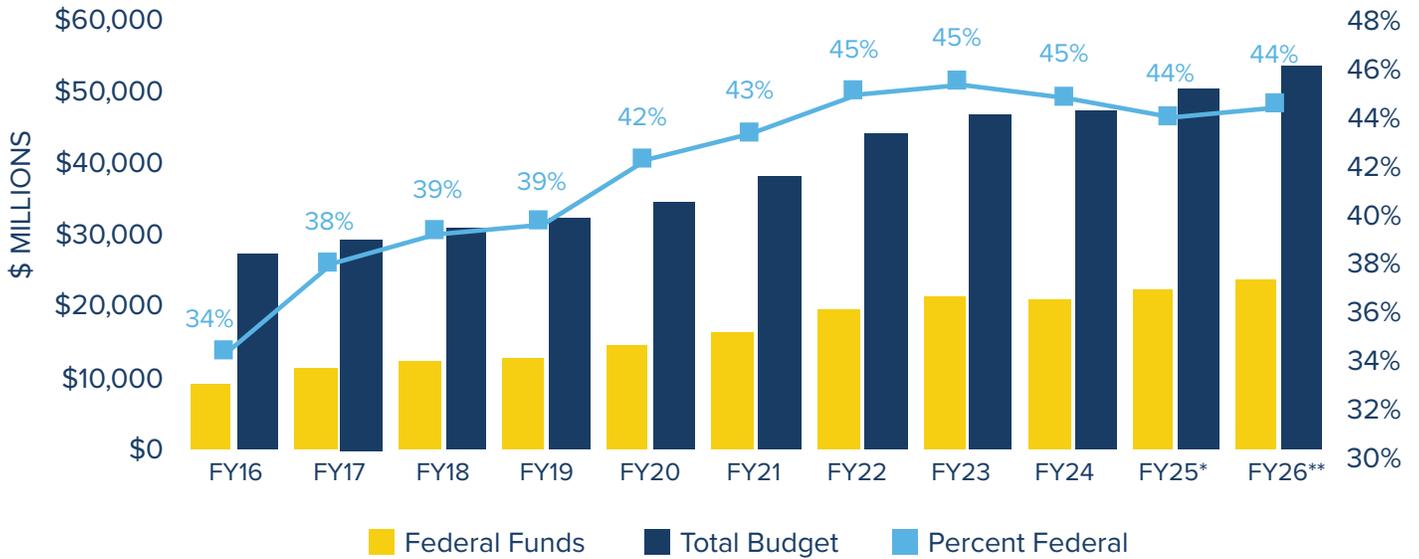


Source: Louisiana Division of Administration State Budgets
 *Existing Operating Budget as of 12/1/2024
 **Appropriated

The state has increased its dependence on federal funds. In 2016, Louisiana expanded Medicaid via executive order, resulting in a substantial increase in federal funds. This added billions to the budget, but the requirement to

provide matching funds ate up a larger portion of the state's general fund dollars. Disaster-related recovery, COVID-19, and increased spending on K-12 education have also contributed to the increased use of federal funds.⁵

Federal Funds as a Percentage of the State Budget

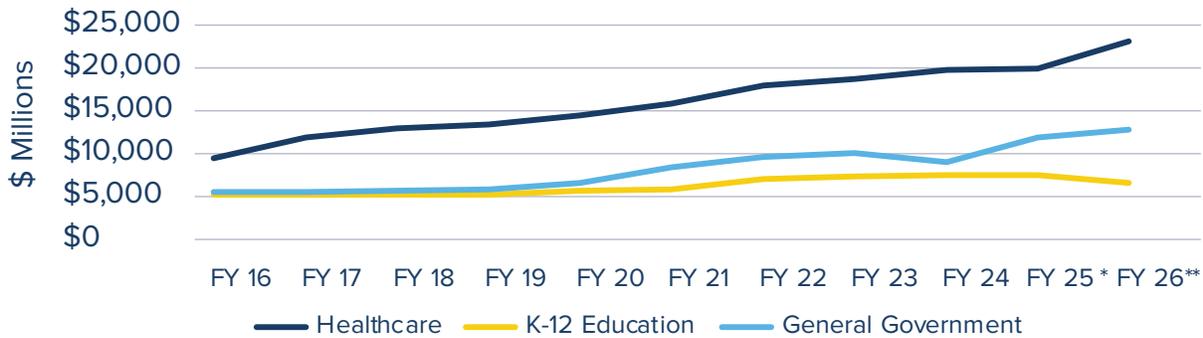


Source: Louisiana Division of Administration State Budgets
 *Existing Operating Budget as of 12/1/2024
 **Appropriated

WHAT'S CAUSING THE SPENDING INCREASES?

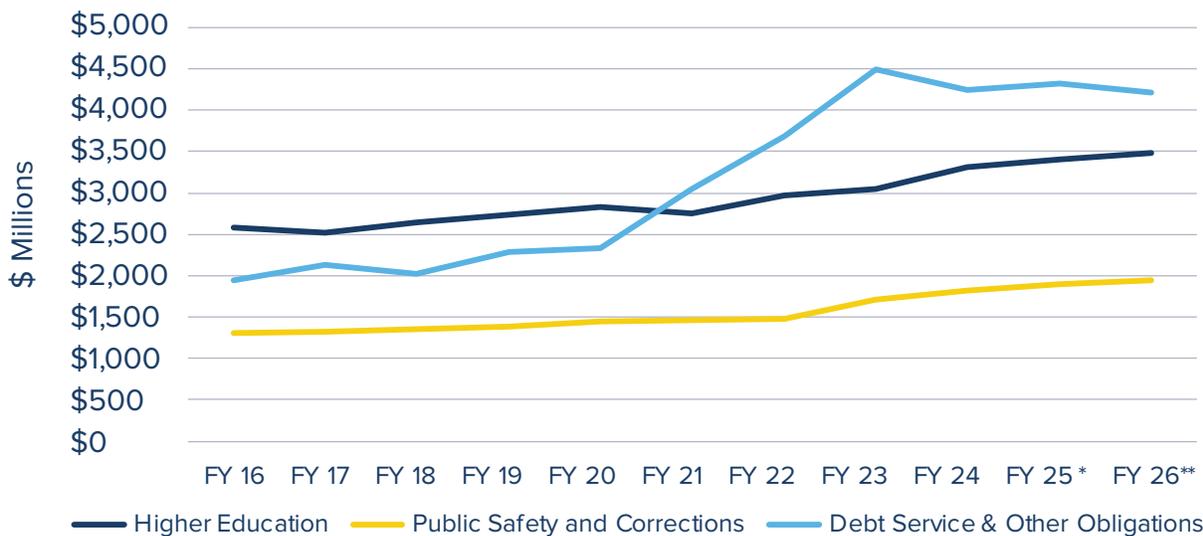
Three areas have dominated Louisiana’s spending growth over the past decade: Medicaid, K–12 education, general government operations, and debt service.

- Medicaid expansion:** Since Louisiana expanded Medicaid under the Affordable Care Act in 2017, healthcare spending has soared. Healthcare now consumes 43% of the state budget, funded by a mix of federal dollars and state matching funds. In 2025, Medicaid averaged 1.6 million residents—35% of the state’s population—driving increased state and federal healthcare spending.⁶
- K–12 education:** Education spending has also increased, primarily through the Minimum Foundation Program (MFP), which funds public schools, but also through state funds appropriated outside of the MFP. While Louisiana ranks 25th nationally in per-student spending and is making incremental progress in student achievement, it stands at 32nd in overall performance on the most recent National Assessment of Educational Progress. Just 35% of public school students are performing on grade level in core academic subjects. K-12 education funding has grown steadily despite declining student enrollment, further straining state resources.



Source: Louisiana Division of Administration State Budgets
 *Existing Operating Budget as of 12/1/2024
 **Appropriated

- General government and debt:** Debt service payments, alongside general government spending on various programs, have steadily risen over the past decade.

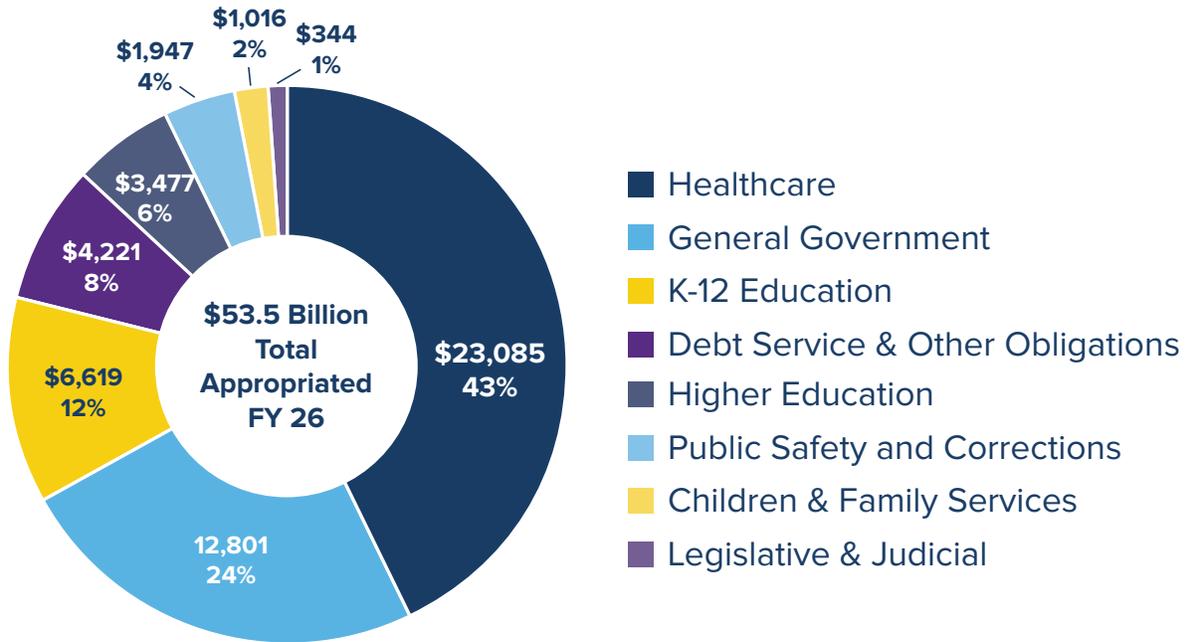


Source: Louisiana Division of Administration State Budgets
 *Existing Operating Budget as of 12/1/2024
 **Appropriated

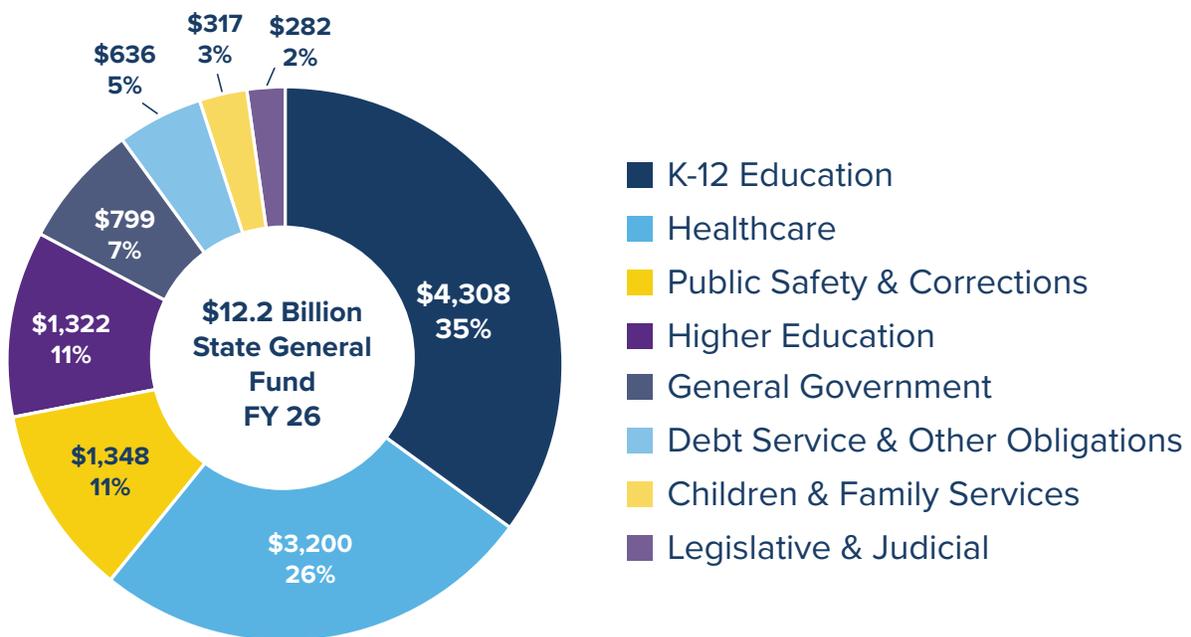
WHAT SPENDING CATEGORIES TAKE THE MOST MONEY?

The size and scope of the major budget areas change dramatically based on the type of funding they receive. Education is the largest expense coming out of the state’s general fund. However, when looking at the total state budget, including federal funds, healthcare comprises 43% of the state’s spending.

**All Funds Appropriated by Expense Category
(\$ Millions)**



**State General Fund by Expense Category
(\$ Millions)**



Going forward, state leaders can avoid rapid increases in spending that exceed what taxpayers can afford by tying the state’s expenditure limit

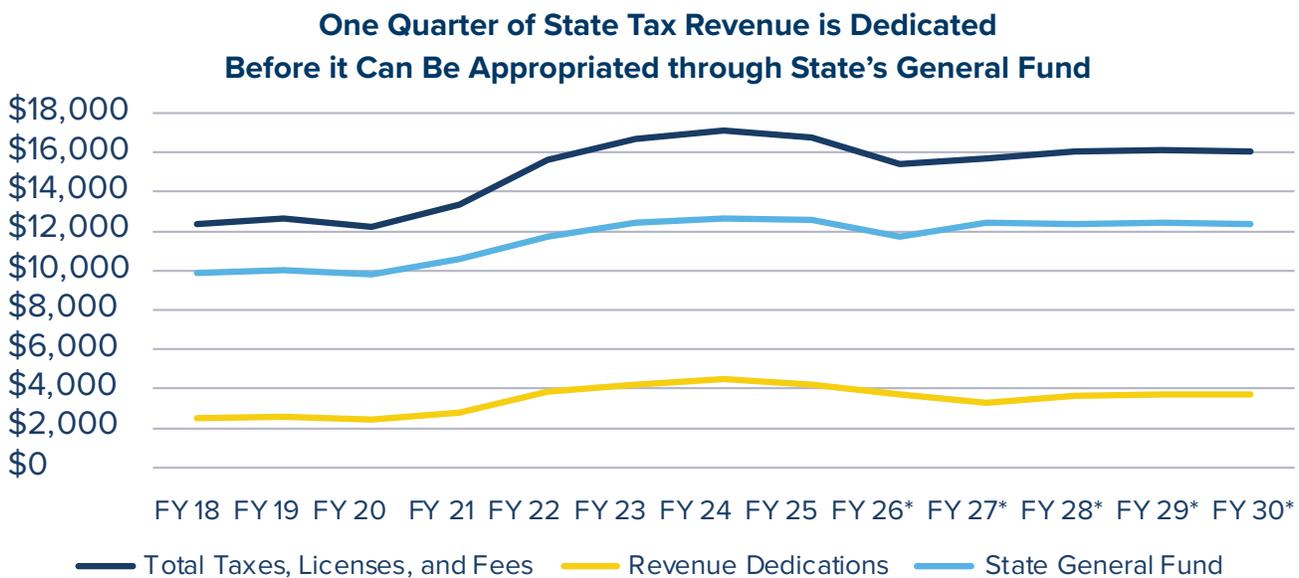
to population growth and inflation. They can also better prioritize spending by achieving greater flexibility in the budgeting process.

Budget Constraints: Why Lawmakers Have Limited Flexibility

CONSTITUTIONAL AND STATUTORY REQUIREMENTS BOX IN STATE SPENDING

Louisiana’s budget is highly constrained by a variety of constitutional and statutory requirements that earmark significant portions of state revenue for specific purposes. This limits lawmakers’ discretion in allocating funds to address current priorities or fiscal emergencies.

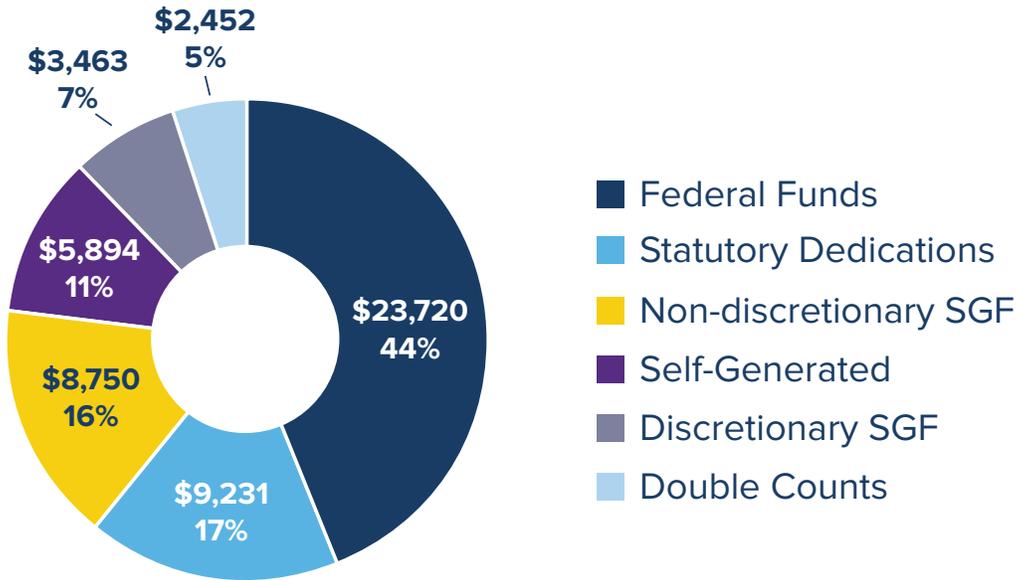
- **Dedications of revenue:** Nearly one-quarter of the state’s tax revenues are automatically set aside for specific purposes before lawmakers even begin drafting the budget.



Source: Division of Administration Revenue Estimating Conference Estimates (Updated with Estimate of 12/11/25)

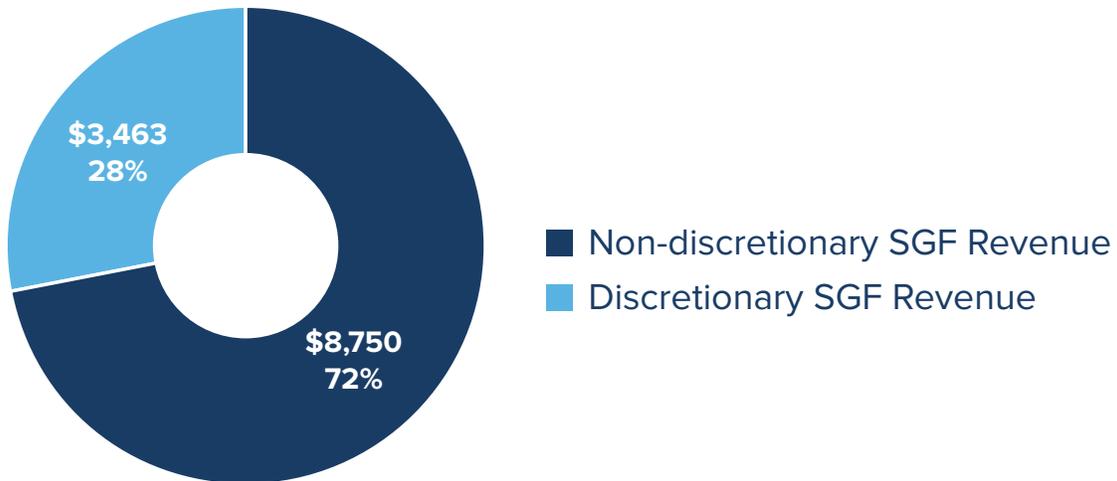
- **Dedicated funds:** Over the years, Louisiana has created more than 400 special-purpose funds, many of which are tied to specific taxes or fees. These funds are often treated as off-limits to budget cuts or reallocation and receive little scrutiny during the budget process.

**Total State Budget \$53.5 Billion
(\$ Millions)**



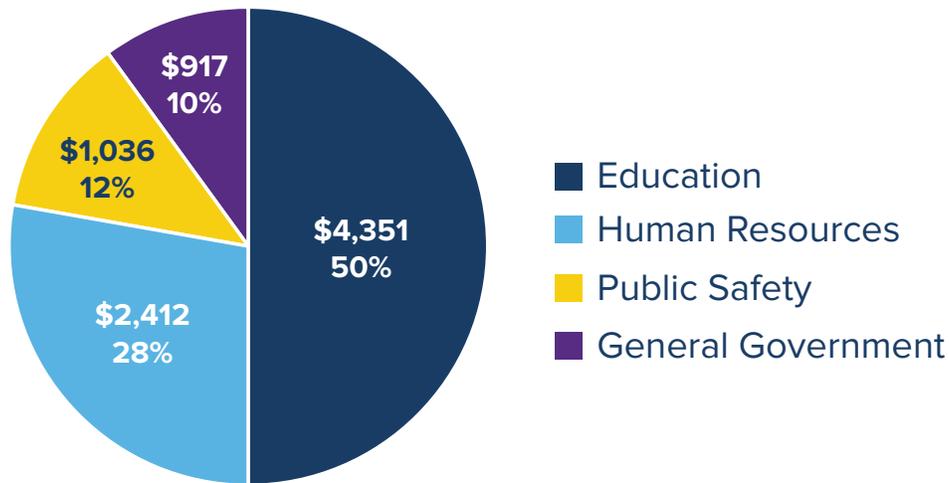
● **Non-discretionary general fund spending:** About 72% of the state’s general fund is considered nondiscretionary, meaning it is legally tied to specific programs or services; more than half of this amount is spent on K–12 education and a quarter is spent on healthcare and social services. This leaves only 28% of the budget available for cuts or adjustments, severely limiting the state’s ability to reduce spending in times of fiscal crisis.

Discretionary State General Fund



Source: Louisiana Division of Administration State Budget Fiscal Year 2026
Fiscal Year 2025-2026 Appropriated Discretionary & Non-Discretionary State General Fund

Non-Discretionary State General Fund



Source: Louisiana Division of Administration State Budget Fiscal Year 2026
FY 2025-2026 Appropriated Non-Discretionary State General Fund Expenditures by Functional Area

In the November 2024 Third Extraordinary Session of the Louisiana Legislature, lawmakers approved bills to free up several restricted and dedicated funds. Some provisions were moved from the state's constitution into statutes, giving lawmakers greater flexibility to amend them as needed to balance the budget and focus spending on priorities. But voters rejected these changes in the March 2025 election, alongside other proposed changes to the state's constitution. That led lawmakers to try again, passing legislation later that year to repeal the state's Education Excellence Fund, the Education Quality Trust Fund, and the Quality Education

Support Fund, and instead apply the money in those funds to the Teachers' Retirement System of Louisiana (TRSL) to pay down retirement debt. Any savings resulting from these changes would be used by public school systems that participate in TRSL to provide permanent salary increases to teachers and other school employees. Voters will consider the measure later this year.

Lawmakers can continue reducing dedications to allow the budget flexibility they need to address priorities and support activities that yield positive outcomes.



The State's General Fund Constraints

GENERAL FUND DOLLARS TRANSFERRED TO LOCAL GOVERNMENT

Louisiana has historically provided a large amount of funding to local governments for various purposes and programs, many of which are required by the state constitution. During the 1930s, Governor Huey P. Long established power at the state level to exert control over parish and municipal governments, creating incentives for local leaders to lobby the state for money. Even today, the state funds many local government functions. More than \$4 billion from the state's general fund is transferred each year to local governments for education,

roads, infrastructure, and local employee salary support. More than 40% of the state's general fund (SGF) dollars go to local governments. By shifting greater responsibility for local projects to local governments, lawmakers can shift state funds to focus on statewide priorities like health care, education, and infrastructure. Doing so would also place government spending closer to the people it serves, giving voters easier access to local elected officials to offer input about local funding priorities.

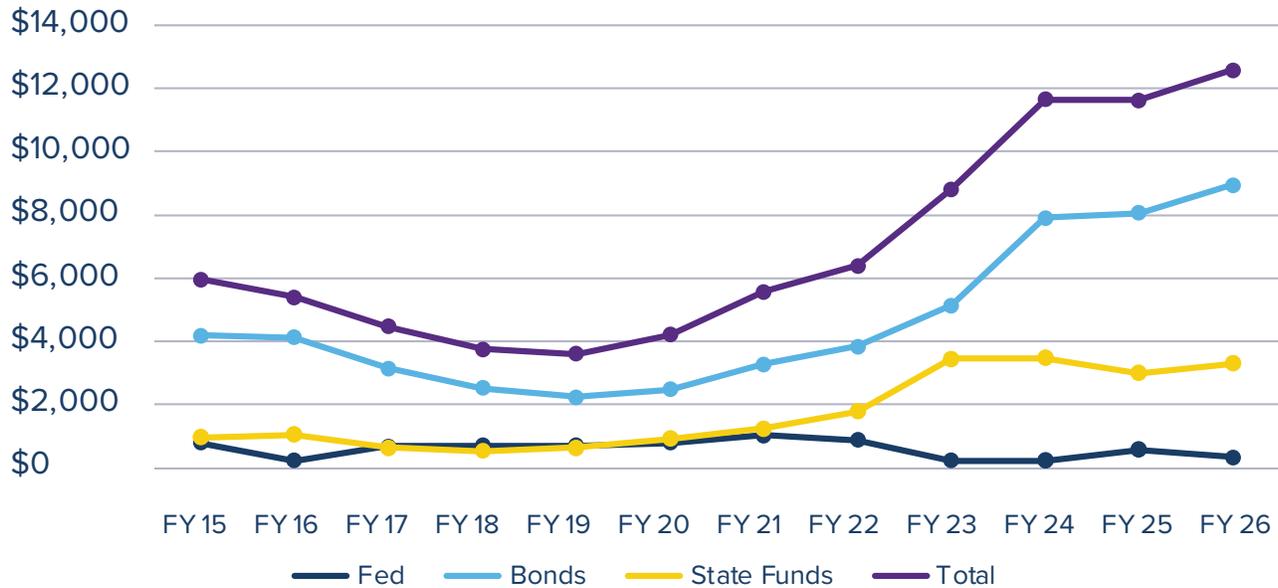
FY 26 Appropriations



LOUISIANA’S CAPITAL CONSTRUCTION BUDGET

Louisiana’s capital outlay⁷ process is designed to fund large-scale public infrastructure projects through a mix of state funds and bonds. While some of these projects, like roads and bridges, are critical to the state’s infrastructure, the capital outlay bill frequently funds non-essential projects such as sports arenas and museums. These often

benefit local governments and non-governmental organizations (NGOs), but place additional strain on state resources, contributing to Louisiana’s growing debt burden and raising concerns about the prioritization of funding and the long-term sustainability of the state’s debt load.



Source: Louisiana Capital Outlay Acts

Lawmakers can reduce debt and free up state funds for more critical state needs by restricting capital outlay spending to essential infrastructure

projects, such as roads, bridges, water, sewer, and drainage projects.

The “Fiscal Cliff”: Why Louisiana Faces Repeated Budget Shortfalls

HOW TEMPORARY FIXES CREATE LONG-TERM DEFICITS

Louisiana’s reliance on temporary federal funds and short-term tax increases has led to recurring “fiscal cliffs.” These occur not because there’s insufficient money, but because spending has been allowed to grow without long-term planning and responsibility. When temporary revenues disappear as planned, the state faces a crisis rather than business as usual. Without proper budgetary restraint, Louisiana’s spending will

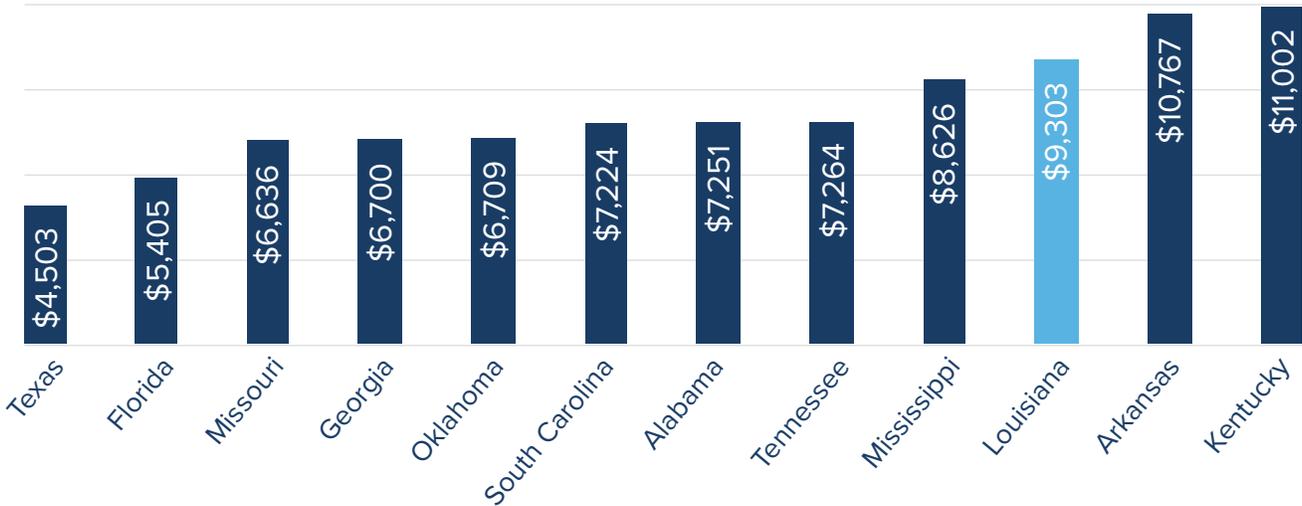
continue to outpace revenue, forcing future lawmakers to either raise taxes or make deep cuts. To prevent this, the state must implement sustainable budgeting practices that prioritize long-term stability over short-term fixes.

How Does Louisiana Stack Up Against Other States?

COMPARING STATE SPENDING, EDUCATION, AND MEDICAID COSTS

Louisiana ranks 23rd nationally in total state spending per capita, from most to least with \$9,303 spent per person each year. However, among the Southeastern Conference (SEC) states, Louisiana ranks 3rd highest in per-capita spending but lags behind most in economic growth and public service outcomes.⁸

Total State-Level Spending Per Person Among the SEC States

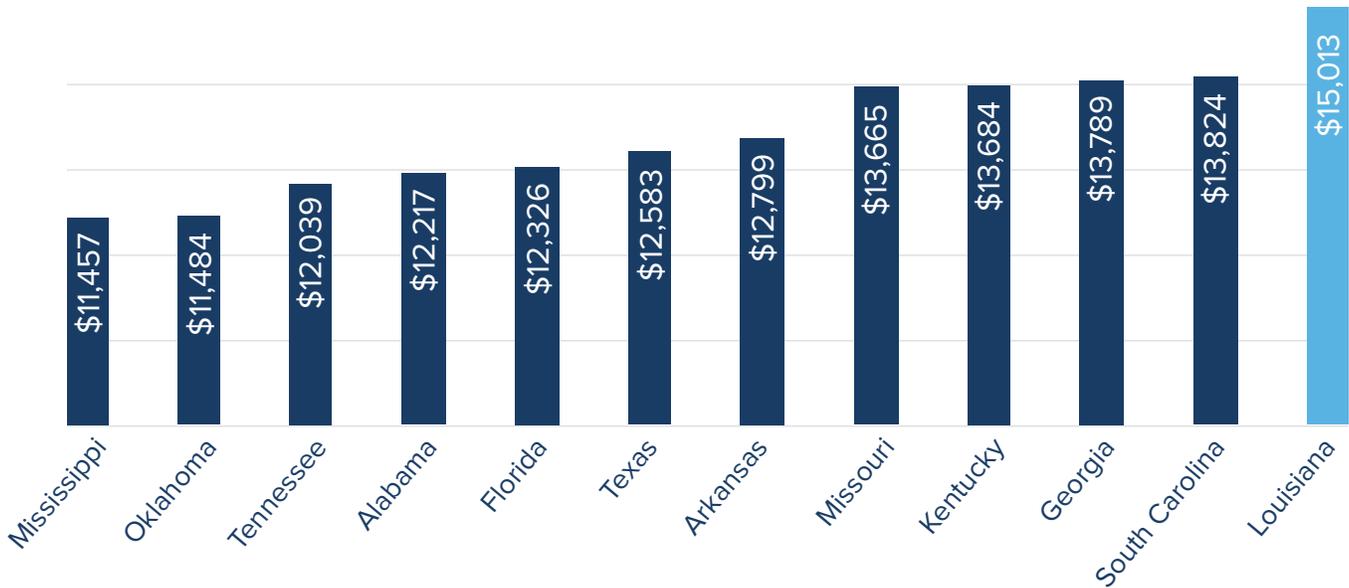


K-12 education

Louisiana spent \$15,013 per student enrolled in a public school in 2020-2021, according to the latest available data from the National Center for Education Statistics.⁹ Among the 12 Southeastern Conference (SEC) states, Louisiana's spending is the highest. More recent data (fiscal year 2023) collected by the United States Census Bureau

also shows Louisiana's per student spending exceeding every other SEC state—by as much as nearly \$3,500 per student.¹⁰ Nationally, the state is in the middle of the pack on spending per student, ranking 23rd,¹¹ but ranks lower (32nd) in educational outcomes.¹²

K-12 Education Spending Among the Southeastern Conference States



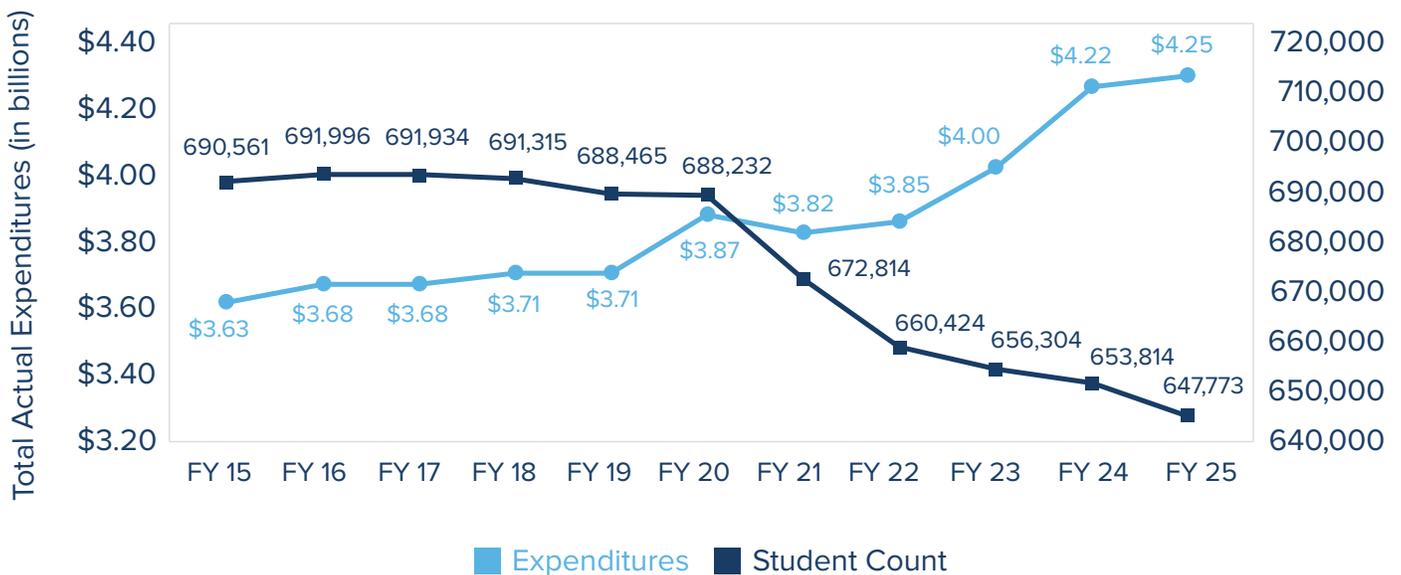
Latest available data from the National Center for Education Statistics

In fiscal year 2026, Louisiana spent more than \$4.26 billion just from state funds on the Minimum Foundation Program (MFP), which is the funding formula the state uses to support local school systems. At least \$6.6 million in additional state funds were allocated outside the MFP for public schools for purposes including, but not limited to, tutoring, differentiated compensation of teachers, apprenticeships and internships, agriculture

programming, and cameras in special education classrooms. Significant additional funds were provided to public and nonpublic schools for prekindergarten programs.

As a result, education expenses have been steadily growing despite decreasing student enrollment.

Minimum Foundation Program Funding and Annual Student Enrollment



Higher Education

In higher education, Louisiana ranks 23rd in the nation and 4th lowest among Southeastern Conference states for per capita higher education spending, indicating a strong but regionally moderate investment in its public universities, community colleges, and technical institutions.¹³

Higher Education Spending Per Capita

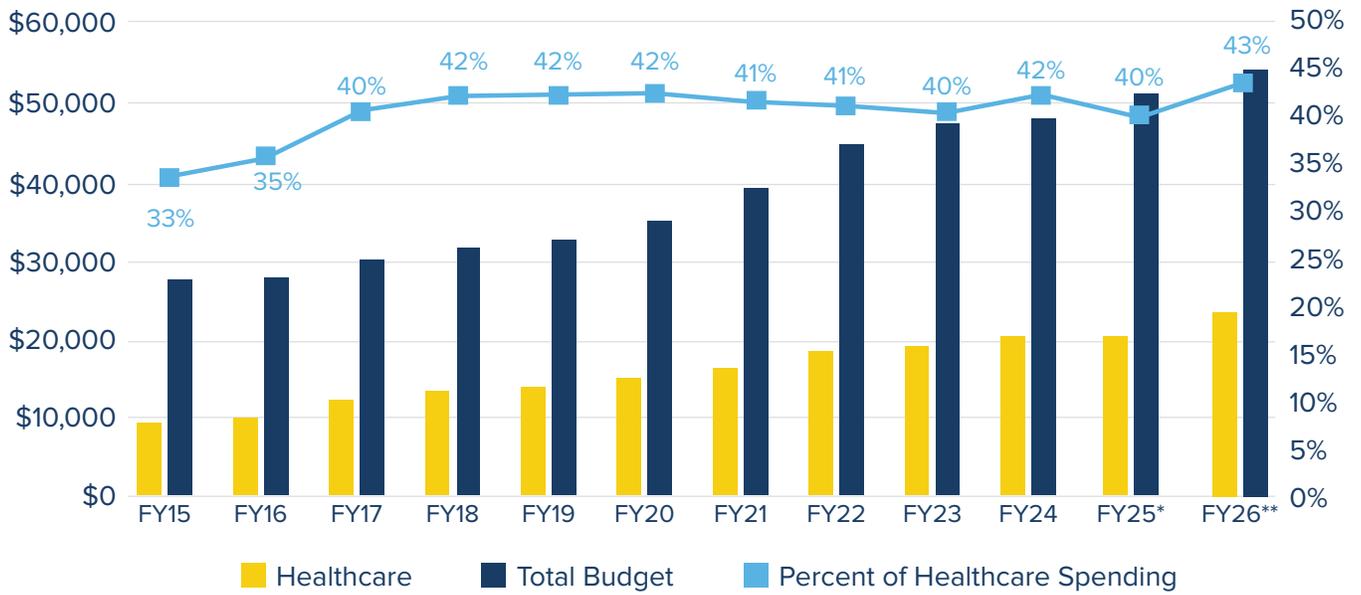


Medicaid

Medicaid is a joint federal and state program providing healthcare to low-income individuals, including children, disabled adults, and low-income seniors. In FY 2023, the federal government covered 79% of costs for traditional Medicaid, with Louisiana covering the remaining 21%.¹⁴ In 2017, Louisiana expanded Medicaid to include low-income, able-bodied adults without dependents, initially funded with a 90% federal

match. Though this higher match was set to expire in 2020, it has continued, but when reduced, the state will need to cover more costs. Currently, over 1.5 million Louisianans—about 33% of the population—are Medicaid recipients.¹⁵ This year, Louisiana budgeted \$23 billion for healthcare, which accounts for 43% of the state's total budget and 26% of the general fund.

Healthcare Spending in Louisiana

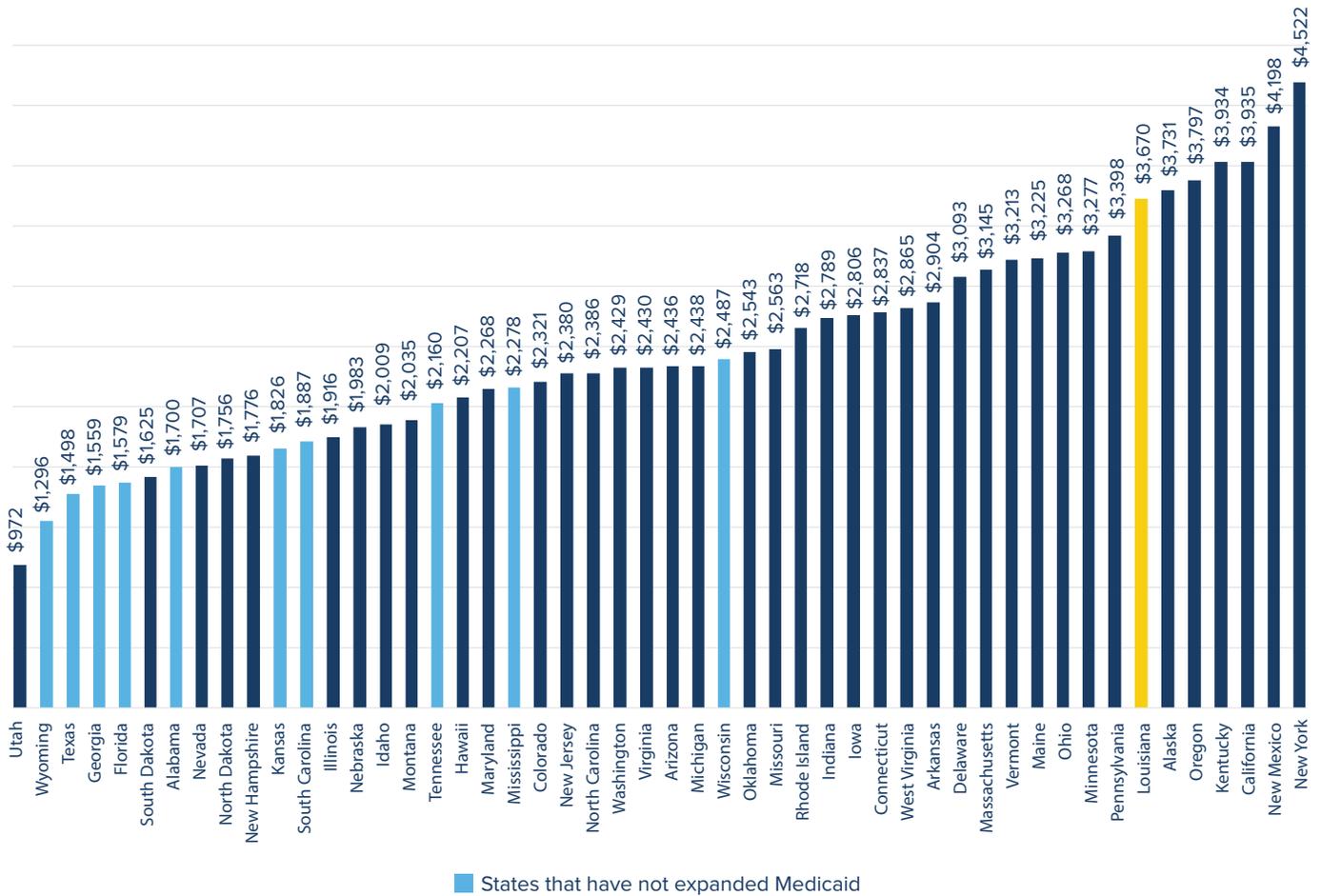


*Existing Operating Budget as of 12/1/2024
 **Appropriated

Louisiana spends \$3,670 per capita on Medicaid, which is the 7th highest in the nation.¹⁶ As of 2025, 10 states have not expanded their Medicaid programs.¹⁷ These states spend significantly less per capita than those that expanded Medicaid.



Medicaid Spending Per Capita



Transportation Funding

Among the Southeastern Conference states, Louisiana ranks 7th in transportation spending per capita, including operating and capital expenditures for highways, mass transit, railroads, airports, and local government road assistance, and 13th lowest nationwide in actual fiscal year 2024 expenditures.¹⁸ While overall U.S. transportation spending varies depending on

factors like road network size and population density, Louisiana's relatively high position in its region reflects specific infrastructure needs despite its lower national ranking. This spending pattern aligns with regional differences highlighted in the recent Federal Infrastructure Bill, which aims to bolster federal funding for state-level transportation initiatives.¹⁹

Transportation Spending Per Capita



Rainy-Day Funds

States use reserves, or rainy-day funds, to manage budgetary uncertainty,²⁰ including revenue forecasting errors, budget gaps during economic downturns, and other unforeseen emergencies like natural disasters. This financial cushion can soften the need for spending cuts or tax increases when states need to balance their budgets in response to temporary shocks.²¹ Because reserves are vital to managing unexpected changes and maintaining fiscal stability, their levels are tracked closely by bond rating agencies. In Louisiana, as in most states, there are restrictions on when and how much the state can spend from the Budget Stabilization Fund, which is the official name for the rainy-day fund. Money from this fund can only be used when there is a predicted budget deficit. A deficit occurs when the revenue is less than what is spent. Additionally, the portion of the fund that can be used in any one deficit year is limited. Generally, the strength of a state's rainy-day fund can be measured by the number of days the government could run on just that balance, or as a percentage of the state's general fund expenditures. As of fiscal year 2025, the

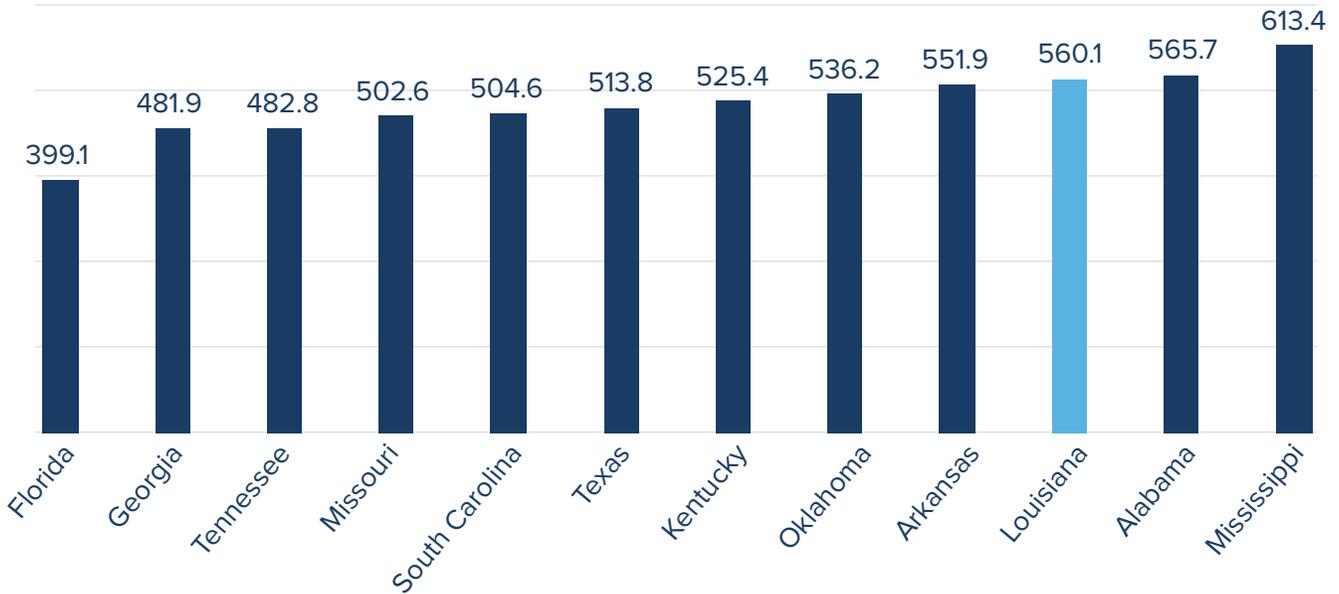
estimated median number of days any state government can operate on rainy-day funds is 46.9 days.²² Louisiana can only operate for 31.3 days on the balance of the fund, the 11th lowest in the nation. For fiscal year 2026, Louisiana's rainy-day fund is 11.3% of the state's general fund, the 18th lowest in the nation.²³ The national median is 15.3%.²⁴ Wyoming, which has no state income tax, has 320 operating days in their savings account.²⁵ In addition to the Budget Stabilization Fund, Louisiana created the Revenue Stabilization Fund in 2017. The goal of this fund was to help ease some of the unpredictability of corporate revenue sources. Any revenue collected over \$600 million a year from the corporate income tax and the corporate franchise tax are automatically reverted to this fund. The money has some restrictions—it can only be used on one-time items in a declared emergency. However, the legislature could vote to use the entire balance, currently almost \$2.7 billion, at once. Combining the savings found in the rainy-day fund with the Revenue Stabilization Fund yields approximately 122 days of operating expenses.

State Government Employees

Personnel costs are one of the largest expenses of a state government, and one of the hardest items in the budget to reduce. In fact, outside of healthcare costs, it is the only expense that continues to grow year after year, no matter how other spending changes. This is because of

continual salary increases and associated higher benefit and retirement costs. Louisiana has 560.1 state and local government employees for every 10,000 people in the state.²⁶ This is among the highest in the Southeastern Conference states and an increasing burden on taxpayers.

State and Local Employees Per 10,000 Citizens Full-Time Equivalent among the Southeastern Conference States



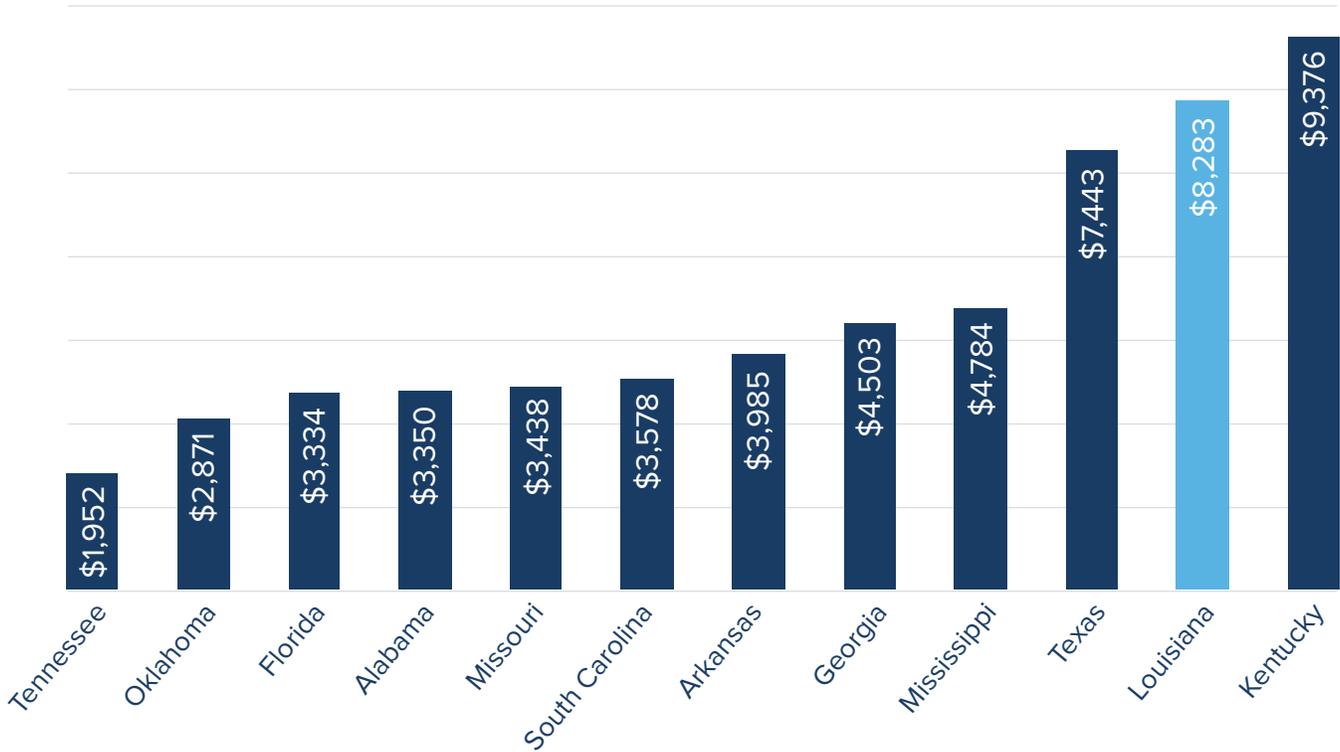
Source: *Rich States Poor States 18th Edition*

State Debt

State government-held debt has accumulated to fund programs like capital projects, infrastructure, and pensions.²⁷ Nearly all states have balanced operating budget requirements, but most borrow to fund much of their capital expenditures and most states have pension debt. Recognizing the costs and risks associated with debt, every state has established constitutional, statutory, and procedural safeguards to limit borrowing. State finance agencies and credit rating firms consistently evaluate state finances to

confirm that debt levels remain manageable.²⁸ Louisiana's constitution caps borrowing for state-funded capital projects. Payments cannot exceed 6% of the state general fund revenues in each fiscal year.²⁹ However, the cap does not include debt issued by the state on behalf of the state employee retirement systems. In 2022, the Louisiana government owed over \$29 billion—\$19.5 billion of which was state employee pension debt. This equals \$6,349 per person by 2026 population estimates.³⁰

State Government Debt Per Capita



Source: Reason Foundation³¹

Achieving Fiscal Stability

Louisiana has long faced slow economic growth, population loss, and fiscal instability. The state consistently ranks poorly in both economic health and individual well-being, and without addressing these systemic issues, meaningful progress remains out of reach. To move forward, Louisiana must prioritize fiscal sustainability that encourages real, long-term growth. Despite ranking in the top

10 states for net outmigration in the country,³² Louisiana's government spending has ballooned by 73% over the past decade—twice the rate of inflation. Instead of reining in spending alongside a shrinking population, state leaders have relied heavily on temporary federal funds and tax revenues to prop up an expanding government.

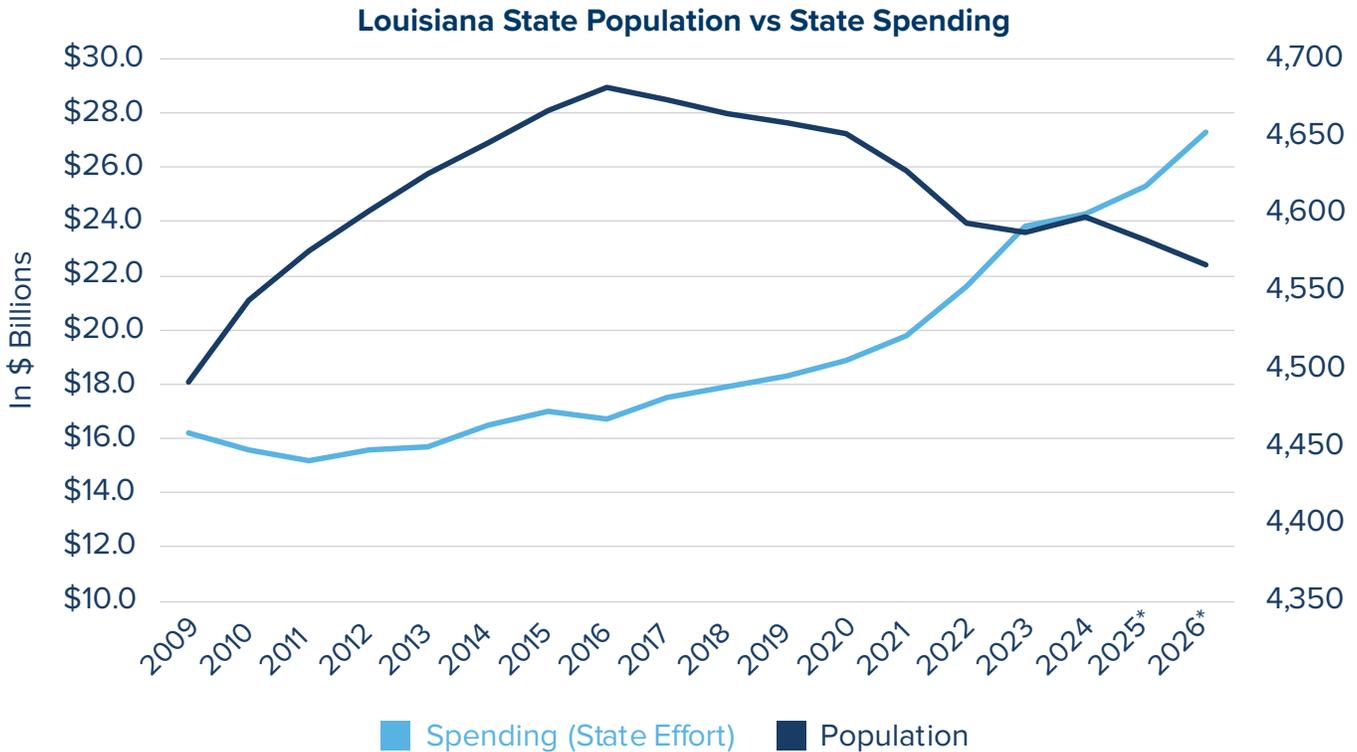
State	Civilian Labor force Participation %	Civilian Labor force participation Rank	State	Poverty Rate	Poverty Rank
North Dakota	69.4	1	New Hampshire	7.2	1
Nebraska	68.9	2	Utah	8.3	2
Utah	68.8	3	Vermont	9	3
South Dakota	68.6	4	Maryland	9.1	4
Minnesota	68.1	5	New Jersey	9.2	5
Colorado	68	6	Minnesota	9.3	6
Kansas	67.1	7	Colorado	9.6	7
Iowa	67	8	Delaware	9.6	7
Massachusetts	66.3	9	Massachusetts	9.7	9
Virginia	65.9	10	Virginia	9.7	9
Wisconsin	65.9	10	Washington	9.9	11
New Hampshire	65.6	12	Hawaii	10	12
Maryland	65.4	13	Wyoming	10.1	13
Vermont	65.3	14	Alaska	10.2	14
Illinois	65	15	Connecticut	10.2	14
Texas	64.9	16	Montana	10.2	14
Connecticut	64.8	17	Wisconsin	10.3	17
Alaska	64.6	18	South Dakota	10.4	18
Rhode Island	64.4	19	Idaho	10.5	19
New Jersey	64.3	20	Maine	10.6	20
Idaho	64	21	Kansas	10.9	21
Indiana	63.5	22	Nebraska	10.9	21
Washington	63.5	22	North Dakota	11.1	23
Wyoming	63.5	22	Iowa	11.3	24
Missouri	63.3	25	Illinois	11.6	25
Montana	63.1	26	Nevada	11.6	25
Nevada	62.8	27	Pennsylvania	11.6	25
Oklahoma	62.8	27	Arizona	11.7	28
Oregon	62.7	29	California	11.8	29
Ohio	62.3	30	Oregon	11.8	29
California	62.1	31	Florida	12	31
Pennsylvania	62.1	31	Indiana	12.2	32
Michigan	61.8	33	Rhode Island	12.2	32
Georgia	61.6	34	Missouri	12.3	34
Arizona	61.5	35	North Carolina	12.5	35
New York	60.9	36	Georgia	12.6	36
North Carolina	60.3	37	Ohio	12.7	37
Maine	60.1	38	South Carolina	13.3	38
Hawaii	59.9	39	Michigan	13.4	39
Delaware	59.6	40	Texas	13.4	39
Tennessee	59.6	40	Tennessee	13.5	41
Florida	58.5	42	New York	14	42
Louisiana	58.3	43	Oklahoma	14.9	43
Arkansas	58.2	44	Alabama	15.2	44
Kentucky	58.1	45	Arkansas	15.5	45
South Carolina	58	46	Kentucky	15.6	46
New Mexico	57.6	47	New Mexico	16.4	47
Alabama	57.5	48	West Virginia	16.7	48
Mississippi	55.3	49	Mississippi	17.8	49
West Virginia	54.8	50	Louisiana	18.7	50

State	State Economic Outlook	State	State Economic Performance	State	Net Outmigration
Utah	1	Florida	1	South Carolina	1
Tennessee	2	Arizona	2	Idaho	2
Indiana	3	Utah	3	Delaware	3
North Carolina	4	Idaho	4	North Carolina	4
North Dakota	5	Nevada	5	Tennessee	5
Arizona	6	Colorado	6	Nevada	6
Idaho	7	Texas	7	Alabama	7
South Dakota	8	South Carolina	8	Montana	8
Texas	9	Georgia	9	Arizona	9
Arkansas	10	Washington	10	Arkansas	10
Oklahoma	11	North Carolina	11	Maine	11
Wyoming	12	Tennessee	12	New Hampshire	12
Georgia	13	Oregon	13	Oklahoma	13
Nevada	14	Montana	14	Florida	14
Florida	15	Alabama	15	Texas	15
West Virginia	16	South Dakota	16	West Virginia	16
Colorado	17	Delaware	17	South Dakota	17
Louisiana	18	Maine	18	Georgia	18
Michigan	19	Arkansas	19	Missouri	19
Alabama	20	New Hampshire	20	Kentucky	20
New Hampshire	21	Indiana	21	Wyoming	21
Alaska	22	California	22	Wisconsin	22
Kansas	23	Nebraska	23	Utah	23
Missouri	24	Kentucky	24	Colorado	24
Ohio	25	Missouri	25	Indiana	25
Wisconsin	26	Virginia	26	Virginia	26
Kentucky	27	Massachusetts	27	Washington	27
Mississippi	28	Oklahoma	28	Iowa	28
South Carolina	29	New Mexico	29	Minnesota	29
Iowa	30	Minnesota	30	Ohio	30
Nebraska	31	New York	31	Oregon	31
Virginia	32	Iowa	32	Rhode Island	32
New Mexico	33	Kansas	33	North Dakota	33
Washington	34	Wisconsin	34	New Mexico	34
Montana	35	Michigan	35	Nebraska	35
Pennsylvania	36	New Jersey	36	Michigan	36
Massachusetts	37	Ohio	37	Vermont	37
Delaware	38	Rhode Island	38	Pennsylvania	38
Rhode Island	39	Vermont	39	Kansas	39
Hawaii	40	Mississippi	40	Connecticut	40
Minnesota	41	Maryland	41	Mississippi	41
Maryland	42	Hawaii	42	Maryland	42
Oregon	43	Wyoming	43	New Jersey	43
Connecticut	44	Pennsylvania	44	Louisiana	44
Maine	45	North Dakota	45	Massachusetts	45
Illinois	46	West Virginia	46	Illinois	46
California	47	Illinois	47	Alaska	47
New Jersey	48	Connecticut	48	California	48
Vermont	49	Alaska	49	New York	49
New York	50	Louisiana	50	Hawaii	50

Civilian Labor Force Participation³³, Poverty Rate³⁴, State Economic Outlook & Economic Performance: Rich States Poor States 18th edition, Net Outmigration (Most inbound to most outbound FY24): Tax Foundation³⁵

In 2018, lawmakers approved a temporary sales tax increase from 4% to 4.45% to address a projected budget deficit. Then lawmakers proceeded to expand government programs and the number of state employees, adding recurring expenses without a plan. This has led to another looming deficit—what some call a fiscal cliff—thanks to years of unchecked spending and a failure to implement long-term fiscal reforms.

Effective January 1, 2025, the Louisiana Legislature further increased the state sales tax rate from 4.45% to 5%. This change occurred during a special session on tax reform aimed at reducing individual and corporate income taxes and eliminating or phasing out other punishing taxes on businesses. Several lawmakers said the increase was necessary to sustain current government operations, refusing to right-size government to live within its means.



Population data: <https://fred.stlouisfed.org/series/LAPOP>
 *Population estimates from Louisiana Department of Administration State Budget Fiscal Year 2026

A Spending Limit with Teeth

To ensure that government spending aligns with revenue and doesn't outpace taxpayers' ability to support it, Louisiana needs a stronger expenditure limit. Such a limit, when paired with tax reform, can help control the growth of government while fostering a more competitive economic environment. Unchecked spending leads to budget deficits, higher taxes, or cuts to essential services.

Over the past two years, lawmakers have considered a Government Growth Limit (GGL) to

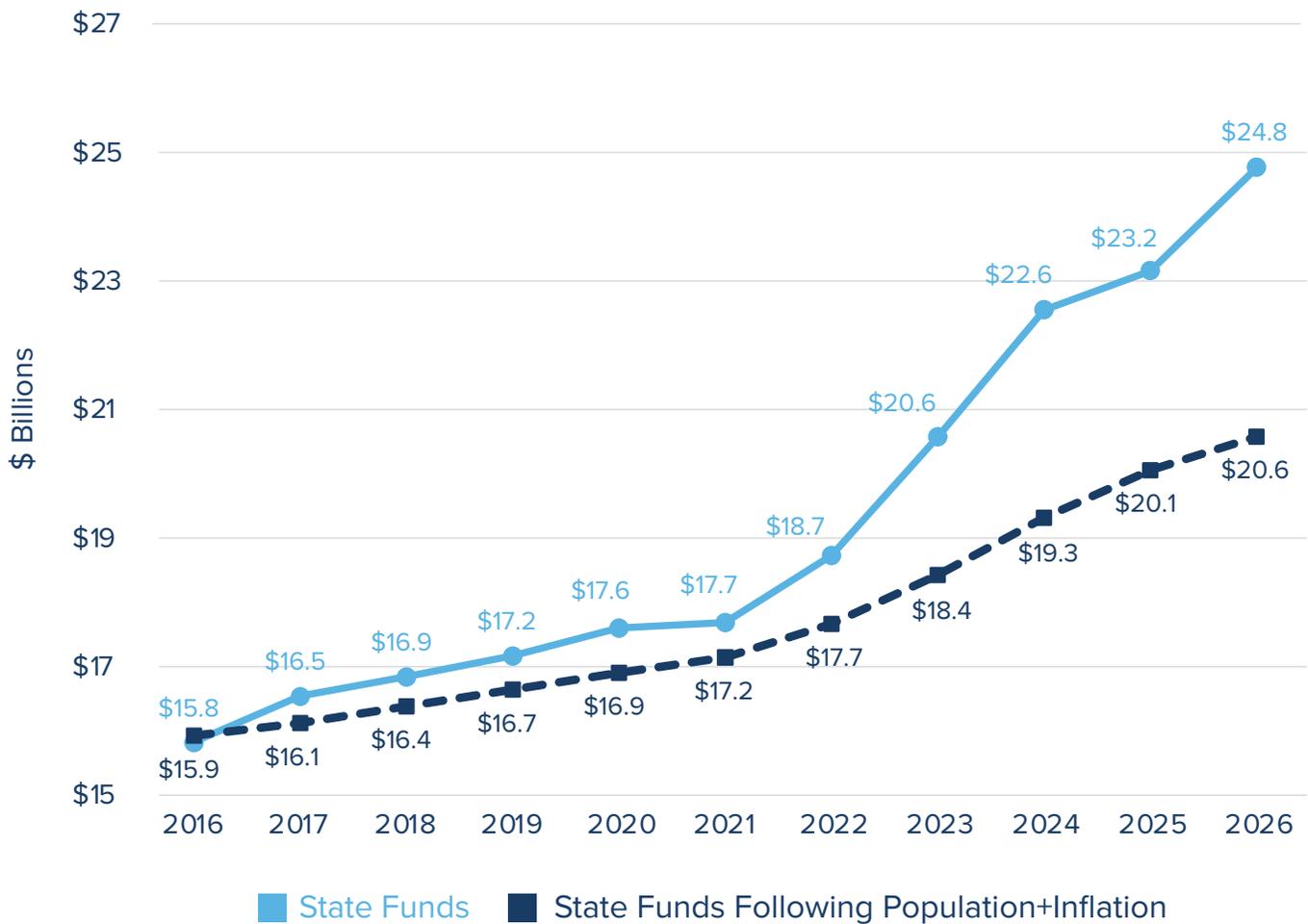
constrain the growth of recurring spending from the state's general fund. If approved, it would not allow spending to exceed the state's rate of inflation and population—a move that national experts believe will keep the size of Louisiana's government in check.

Governor Landry acknowledged a need for spending restraint, streamlining government, and identifying efficiencies and savings when he created and oversaw a Fiscal Responsibility Program³⁶ in partnership with legislative

leadership, which ran throughout 2025 and achieved nearly \$1 billion in savings.³⁷ He recently called³⁸ on legislative leadership to work even more to rein in state spending, in part to phase out the individual income tax and enhance Louisiana's economic competitiveness.

Data show that if Louisiana had enforced an effective overall spending limit over the last decade, spending would be over \$4.2 billion lower today, almost enough to eliminate the

state's personal income tax. The gap between actual spending and a fiscally responsible limit is growing. From 2017 to 2026, state appropriations grew at a 4.6% rate, far exceeding the 2.6% growth rate of a population-plus-inflation model. Over the past decade, state appropriations have totaled \$16.3 billion more than they would have under a stricter limit. This excess budgeting has cost Louisianans an additional \$3,569 per person or \$14,276 for a family of four.



Expenditure limits are crucial for long-term tax reform and economic competitiveness. The strongest expenditure limits, used by four states, are tied to population growth and inflation, providing flexibility while preventing runaway spending. Over a dozen other states are working

toward similar reforms, and Louisiana should follow suit. By strengthening its overall spending limit, Louisiana can get its budget on track, make government more efficient, reduce the tax burden on citizens, and foster a more vibrant economy.

Solutions for Better Budgeting in Louisiana

SMART REFORMS TO PROMOTE FISCAL RESPONSIBILITY AND SUSTAINABILITY

Louisiana's fiscal health depends on adopting long-term reforms to control spending, improve budgeting efficiency, and prioritize essential services. Several key reforms are needed to bring the state's budget under control:

- 1. Strengthen the overall state spending limit:** Tie spending increases to a three-year average of population growth and inflation to keep budget growth sustainable.
 - 2. Shift to zero- or performance-based budgeting:** Move away from continuation-based, incremental budgeting and instead build the state's budget each year from zero, leveraging performance audits to assess program effectiveness and efficiency. Lawmakers should also tie state agency and department sunset reviews to the budgeting process.
 - 3. Reduce dedicated funds:** Continue eliminating or reducing the number of statutory dedications to increase flexibility in how taxpayer dollars can be spent to address priorities and support activities yielding positive outcomes.
 - 4. Reform the state–local government relationship:** Shift greater financial responsibility for local projects to local governments, allowing state funds to focus on statewide priorities like healthcare, education, and infrastructure. In so doing, lawmakers would place government spending closer
- to the people it serves, giving voters easier access to elected officials to offer input about funding priorities.
- 5. Refocus capital outlay:** Restrict capital outlay spending to essential infrastructure projects, such as roads, bridges, water, sewer, and drainage projects. This will reduce debt and free up funds for more critical state needs. By adopting these reforms, Louisiana can curb wasteful spending, fund priorities, and create a more competitive, thriving state economy.
 - 6. Decrease reliance on federal funds:** Louisiana continues to rely on federal funding, which often comes with strings attached and is sometimes allocated for one-time purposes. With recent changes at the federal level, those dollars are decreasing, and the state's budget cannot backfill them. The Governor's administration can more effectively manage and monitor federal funds by completing a full cost accounting for federal grants, reviewing and requiring agencies to publicly post all federal guidance tied to federal funds, and requiring executive approval of agency grant applications over a certain dollar amount. The legislative branch can and should play a role in this effort as well, reviewing new federal grants early on for alignment with state priorities, planning for reductions and terminations of federal funds, and approving new federal grants over a certain threshold.

Endnotes

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