

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

August 26, 2016

I. Call to order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 9:24 a.m. on Friday, August 26, 2016 in the House Committee Room 5 located in the basement of the Louisiana State Capitol Building, 900 North Third Street, Baton Rouge, LA 70802.

II. Roll call

a) The following Task Force Members were confirmed as present:

- Dr. James A. Richardson
- Kimberly L. Robinson
- V. Thomas Clark, Jr.
- Dr. Jim Alm
- Dr. Steven Sheffrin
- Mayor Randy Roach
- William C. Potter
- Louis Reine
- Robert Traces Scott
- Jason DeCuir
- Barry Erwin
- Jay Dardenne
- Sean Reilly

b) Approval of Minutes:

The minutes from the meeting on July 29, 2016 were approved as written.

c) Approval of Agenda:

The agenda was unanimously approved as distributed.

III. Agenda Topics

a) Incentives Overview by Don Pierson, Secretary, Louisiana Economic Development

After detailing current disaster recovery efforts in place following the recent flooding, Secretary Pierson provided a brief overview of the effectiveness incentives programs and the role they play in building the economy. The functions of incentive programs, job creation benefits, manufacturing benefits and creation of jobs with a higher pay scale and health benefits were identified. Secretary Pierson also provided information and answered questions from members on the following topics:

- Capping incentive programs
- Challenges of appropriating economic incentives
- Performance based incentives
- Changes in technology
- Long term investments
- Methods of calculating returns
- Film credit program
- State comparison rankings
- Digital footprint and growth in higher education
- Demand driven workforce development
- Industrial tax exemption

b) Efficiencies Overview by Commissioner Jay Dardenne, Division of Administration

Commissioner Dardenne briefly provided information factors in making the state more efficient with emphasis on state spending and balancing the budget. Factors in creating an efficient budget were given. These factors included priority of the legislature, state contracts, allocating the rainy day fund, discretionary spending in relation to contracts, constitutional mandates, third party contracts.

- c) Retirement Systems Overview by Cindy Rougeou, Executive Director, LASERS, Shelly Johnson, Actuary, LASERS and Stuart Cagle, Deputy Director, TRSL

Ms. Rougeou and Mr. Cagle began their presentation by providing information on the rate of return and funding ratios for LASER and TRSL. The composition of its members and net assets and returns were also highlighted. Ms. Rougeou and Mr. Cagle discussed changes that have been made to enhance stability and financial soundness for the retirement systems. The payoff of the initial UAL was also discussed. Other topics discussed during the presentation included the following:

- Funding sources
- Contribution rates
- Legislative reforms
- Act 497 of 2009 and Act 399 of 2015
- Unfunded Accrued Liability (UAL)
- Discount rate
- Statutory payment schedule
- Sustainability of benefits
- Employee normal cost contribution
- Major pension reforms that have been adopted

Questions topics proposed by members included funding ratios, pension obligation bonds, interest payments, calculation of UAL and benefit recipients by amount.

- d) Presentation: Budgetary Dedications, Steve Procopio, Public Affairs Research Council of Louisiana

During a presentation on the topic of budgetary dedications from the expenditures aspect, Mr. Procopio provided detailed information with an emphasis on working with special funds, fees and mandated costs of dedications in the state. After defining what qualifies as a dedication, identifying the different types of dedications and how dedications impact the budget, Mr. Procopio highlighted the following topics:

- Reliance on education and healthcare
- Diversions of State General Fund
- Fee Based
- Mandated expenditures

- REC dedications
- General Fund Equivalent
- Possible solutions
- Policy reason for dedications
- Potential solutions from other organizations

- e) Proposal: Louisiana Government Reorganization Commission by Mayor Randy Roach, City of Lake Charles

Mayor Roach presented a proposal to members outlining a the composition and duties of a Task Force which would be created to make specific recommendations on any legislative matter. This proposal allows for the creation of two different types of task forces. For ease of reference these are referred to as Task Force 1 or Task Force 2. The membership of the Task Force shall be determined by the legislature when the Task Force is created. Under either option the legislature must consider and vote on the task force recommendations .Since the recommendation of a Task Force 2 must be rejected by a super majority vote of either the House or Senate it can only be created by a 2/3rd votes of both chambers.

- f) Outline for decision making agenda item moved to agenda for Monday, August 29, 2016

IV. New Business / Potential Agenda Items

- a) Deadline extension request
- b) Scheduling of remaining meetings
- c) Preparation of report

V. Adjournment

The meeting was adjourned at 3:28 p.m.

Minutes submitted by: Marisha Patterson