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For Louisiana, Bons Temps Proved All Too Brief

By [ADAM NOSSITER](#)

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NEW ORLEANS — Six months ago, it was springtime in [Louisiana](#), dollars were raining in from high oil prices, and the tax cuts and highway spending couldn't come fast enough in the euphoric Legislature.

But now oil has plummeted and the joy is gone in a poor state that for a time seemed insulated by natural resources from the national downturn. The budget cuts — big ones — are about to begin.

In Louisiana, the oil-drunk always ends badly. This time, though, the political stakes are bigger than in the past, as the [Republican Party](#)'s national pinup, Gov. [Bobby Jindal](#), has to absorb the brunt of the state's abrupt shift in fortunes. After glorying in the largess earlier this year, Mr. Jindal has gone to issuing sober news releases about hiring freezes and the new austerity.

His fate is tied as much as anybody's to Louisiana's overdependence on oil. Severance taxes, mostly from oil and gas, made up just over 8 percent of state tax revenue in 2007, according to [Census Bureau](#) data, much less than Alaska's 64 percent, but higher than Texas' 6.9 percent. The total take, including royalties and leases from oil, gas and other resources, accounts for just under 17 percent of the Louisiana budget.

But while the leading good-government group here, citing that addiction, warned last May against the Legislature's plan for a \$360 million income tax cut, Mr. Jindal called the tax break "terrific news" and happily signed it into law as legislators cheered.

Admonitions on fiscal prudence went unheeded, as they have so often here, and the bill is now due. Earlier this year there was an \$865 million surplus; now Louisiana has a \$341 million shortfall in its current-year budget, and next year the projected deficit is \$2 billion. It joins 43 states with current and forecast budget gaps in the reckoning of the Center on Budget and Policy Priorities, a Washington research group.

Health care and higher education will probably suffer cuts, the latter perilous in a state that regularly bemoans chronic white-collar outmigration, a trend that touched the governor's own family when his brother moved out of Louisiana. Mr. Jindal recently pointed out that his state

was the only one in the South to regularly lose more people than it gained. Now, in the universities that are supposed to be magnets and incubators, faculty positions will go unfilled; academic programs will probably be cut.

There could be some \$109 million in education spending cuts alone, and an additional \$160 million in health care cuts, much from [Medicaid](#) — unfavorable circumstances for the rollout of Mr. Jindal's ambitious new plan to partly privatize Medicaid in the state.

"Anybody paying attention knew we were laying the groundwork for fiscal problems, as we cut taxes and raised spending," said James C. Brandt, president of the Public Affairs Research Council in Baton Rouge, an independent group in Baton Rouge. "We hate to say, 'we told you so.' But unfortunately, we seem to be going right down that boom-and-bust cycle again."

Although the Louisiana numbers are small compared with say, those in California, which is looking at an \$14.8 billion gap, they have come as a shock in a state that was until recently patting itself on the back, not only over \$127-a-barrel oil last spring (it is now below \$40) but also big jumps in sales and income tax collections as a result of the post-[Hurricane Katrina](#) boom. In the year after the hurricane alone, there was a 19 percent increase in sales tax revenue, much of it from home reconstruction and replacements for lost household items.

Mr. Jindal entered office this year with the happy duty of spending a \$1 billion surplus — and he and the legislators promptly did so, appropriating millions of dollars for highways, ports and a medical research facility, and widely dispensing tax breaks, including one to parents of private school students. The cheery mood in the state Capitol continued all spring, as the legislators then decided to roll back a much-hated income tax increase passed earlier in the decade, costing the state hundreds of millions in revenue in coming years.

"We had so many new members, and they were overwhelmed by the new dollars," recalled State Senator Eric LaFleur, a Democrat. "They felt they ought to give some of it back. I think there was a euphoria on the House side: 'Man, we ought to be giving this money back.' Lot of those guys hadn't been around long enough."

Mr. LaFleur said he had had misgivings about the tax cut but had voted for it, as did every other member of both chambers.

James A. Richardson, an economist at Louisiana State University and a member of the state's official revenue-estimating board, said legislators had been lulled by the post-Katrina revenue. "They felt they had the ability, because you had all this money coming in," Mr. Richardson said. "We were chasing the dollars up the slope."

Indeed, there was teeth-gnashing when Gregory Albrecht, the legislature's chief economist, used what most felt to be a low-ball forecast for the price of oil, \$84 a barrel, when forecasting the revenue the state could spend. "You can tell by the subtext of the questioning — 'why are

you so low?' " Mr. Albrecht recalled. "Money was coming in like crazy. Why worry about delaying a tax cut?"

The seasons have turned, and the mood here now is much darker. Now, it is the president of L.S.U. who is gnashing his teeth.

"If we have an open position, we have to stop that looking," said John V. Lombardi, the university system president. Next year, he said, "we may have to confront the possibility of eliminating academic programs."

The consequences are real in a state long ago overtaken by regional neighbors more tightly focused on educational institutions. "It reduces the state's competitiveness in attracting new business," Mr. Lombardi said. "This is a real economic development issue for the state."

Mr. Brandt, of the public affairs council, said cutting education would only increase migration from the state. Louisiana, he said, has "gotten by with these resources others don't have."

"We've not made the decisions we need to," he said, "to get us out of the high-poverty, low-education cycle."