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Contact: Pamela Matassa, (225) 432-9299

pmatassa@treasury.la.gov

Louisiana State Treasurer John M. Schroder Issues Statement on the Revenue Estimating Conference Forecast

BATON ROUGE, LA – The Louisiana Legislature should be cautious about increasing recurring expenditures based on the additional revenue recognized by the Revenue Estimating Conference on May 9, 2022, as they undertake to finalize the Fiscal Year 22-23 state budget. Three of the next four fiscal years will have a decrease in revenue according to REC, and the State General Fund Five-Year Forecast shows deficits approaching \$700 million by FY 26. Reductions of that magnitude would largely fall on higher education and healthcare to balance the budget.

Even though the revised forecast projects a \$350M increase in tax revenues for the year ending June 30, 2022, and a \$104M revenue increase for the year beginning July 1, 2022 (FY23), the state should be cautious about how it spends that money now.

The forecast adopted on 5/9/22 for FY 23 projects a \$45M decrease from the current year's forecast. Corporate income tax alone is projected to have a 23% decrease. FY 24's forecast, also adopted on 5/9/22, projects a \$206M decrease from the prior year's revenues.

The projected revenue change from FY 23 – FY 26 (including the impact of .45 sales tax rolling off) is a \$422.5M decrease. Any increase in the state budget based upon short-term revenue prosperity locks in future budgets at spending levels that cannot be met.

Excess funds should be used in a manner that will reduce future state budget pressures when revenue inevitably decreases. The .45 sales tax rolls off in FY 26. If we don't plan for that now, we will have some deep cuts.

(in Millions)						
Actual Collections FY 21	FY 22 Official Forecast Adopted 1/11/22	FY 22 LFO Adopted Revised Forecast 5/9/22	FY 23 DOA Adopted Forecast 5/9/22	FY 24 LFO Adopted Forecast 5/9/22	FY 25 LFO Adopted Forecast 5/9/22	FY 26 LFO Adopted Forecast 5/9/22 **Note first year .45 sales tax rolls off
\$10,464.80	\$10,735.00	\$11,084.70	\$11,039.80	\$10,834.10	\$10,869.80	\$ 10,662.20
Change in Revenue	\$ 270.20	\$ 349.70	\$ (44.90)	\$ (205.70)	\$ 35.70	\$ (207.60)