

Nonprofit Essentials for Preparing for the COVID-19 Pandemic: State Policy and Budget Implications Due to COVID-19



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Housekeeping Notes

- All audience members are muted
- Please use the **Q&A Feature** to submit questions
- If you experience any technology or internet issues, please dial **1-312-626-6799**, the webinar ID is **589-793-431**. This will allow you to listen in to the presentation.
- This webinar is being recorded and will be emailed after the session
- A FAQ will also be emailed after the session

Meet Our Expert!



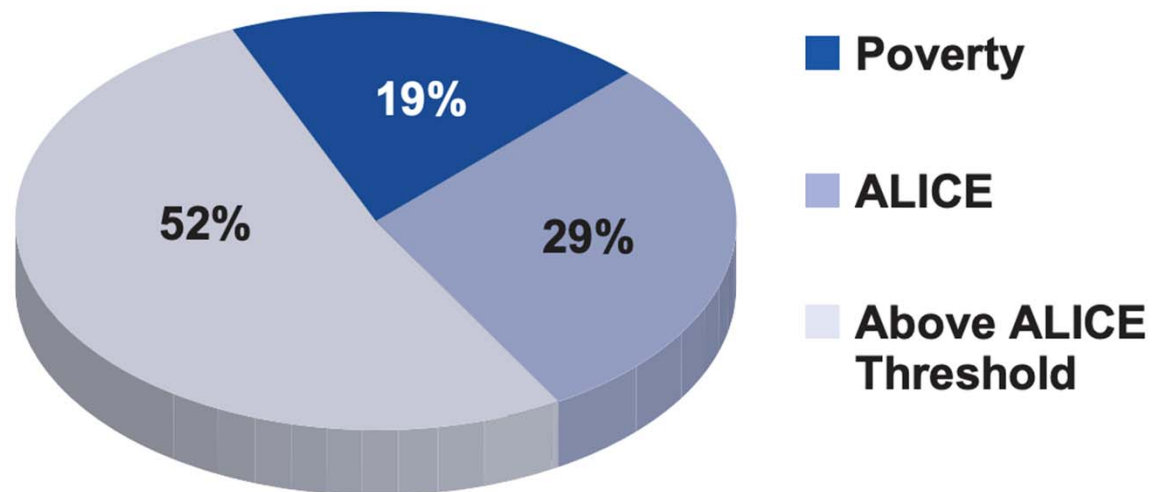
Jan Moller
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Covid-19 and the budget: What we know

- **Most states are poorly positioned for recessions**
 - Balanced budget requirement
 - Need rises while resources dwindle
- **Louisiana is among the worst prepared states**
 - Reliance on tourism and mineral revenue
 - Low financial reserves
 - Unemployment Insurance system is flawed
 - Higher education more expensive

What about ALICE?

- Asset Limited Income Constrained Employed



Source: United Way

2020 Legislature: Where we were

- Gov. Edwards' focus on education
 - \$25M for Early Care & Education
 - \$40M for higher education
 - \$39M for K-12 funding formula
- The REC stalemate continues
- Surplus: **\$534M** plus **\$170-\$236M** “excess”
- “Tort reform,” minimum wage, pre-emption.

Revenues in a “severe” recession

State	Rainy Day Balance (percent of general fund-2019)	Fiscal Shock	Total Shortfall
Wyoming	138.3%	-20.8%	117.5%
Alaska	134.3%	-61.2%	59.3%
North Dakota	41.7%	-33.3%	12%
U.S. Sum	8.2%	-16.1%	-4.2%
Texas	20.8%	-19%	9.2%
Louisiana	3.7%	-26.8%	-19.9%

Source: Moody's Analytics, 2019

There's no playbook for this

- Personal income and sales taxes = 2/3 of general fund revenue (\$7.5 billion)
- Tax filing deadline moved to July 15
- Gambling = \$60 million/month
- Mineral revenues = \$750 million
- Court fines & fees? Hotel/motel taxes?
- Unemployment high through 2021 (Goldman Sachs)
- No post-hurricane "bounce" like before

You cannot cut your way out

What happens to the budget?

DISCRETIONARY/NON-DISCRETIONARY FUNDING

Based on the FY18 State Budget at Appropriation

TOTAL BUDGET
\$32.692 Billion



\$1.6 Billion IAT
Double Count

Self Generated
Revenue
\$4.3 Billion

Statutory
Dedications
\$4.2 Billion

Federal Funds
\$13.2 Billion

State General Fund
\$9.4 Billion

Non Discretionary
\$6 Billion

K-12 Education
\$3.5 Billion

Health and Hospitals
\$776 Million

Corrections
\$411 Million

Other Appropriations
\$1.4 Billion

Discretionary
\$3.4 Billion

Health and Hospitals
\$1.6 Billion

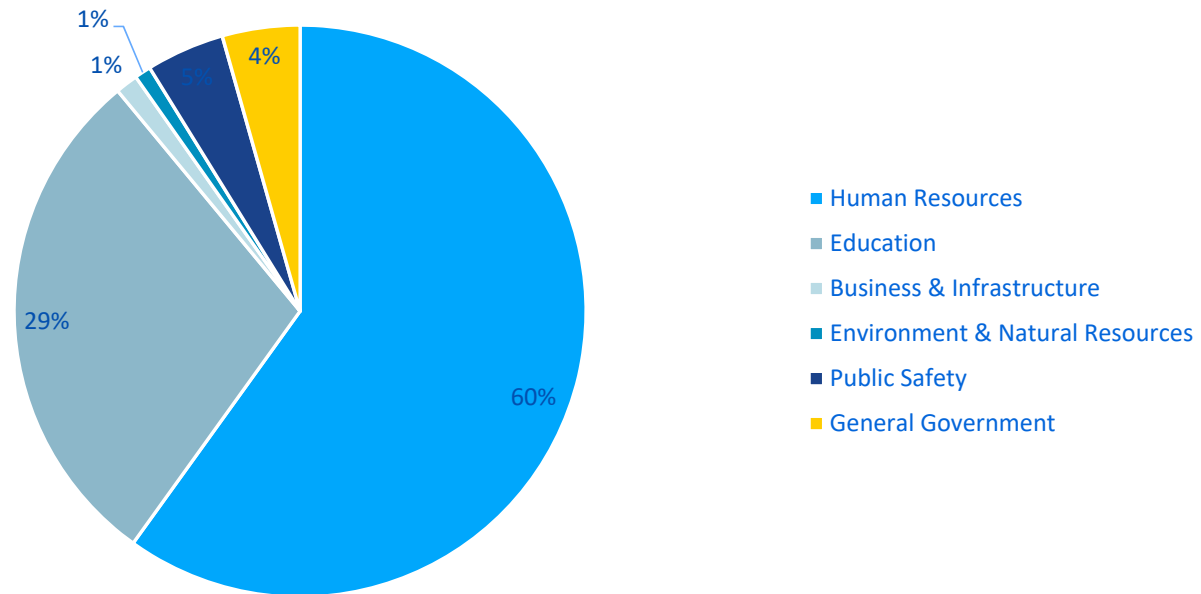
Higher Education
\$926 Million

K-12 Education
\$166 Million

Other Appropriations
\$655 Million

Discretionary general fund

Discretionary General Fund



The federal response (so far)

“C2” (Families First): Raises FMAP by 6.2%. Doesn't apply to Medicaid expansion

- Only lasts for duration of public health emergency
- Worth about \$35 billion total. A good start

C3 (CARES Act): Includes \$150 billion for states, with some going to tribes and local governments. Treasury must release within 30 days.

- Also \$30 billion for education “stabilization” (tied to Title 1 and Pell)

What will Louisiana get?

- \$1.8 billion for state government (none for New Orleans)
- \$501.6 million for education (\$283.6 for K-12; \$170.3 higher ed; \$47.3 emergency relief)
- Must be spent by Dec. 30
- Can be used to cover FY20 and FY21 shortfalls
- Key questions:
 - How can it be used? Must be “necessary” expenses “incurred” due to virus.
 - Must not be “accounted for” in current budget. Anything you no longer have revenue for is not accounted for.

Source: Center on Budget and Policy Priorities

What else is in the CARES Act?

- \$350 billion for Paycheck Protection Program (covers payroll, rent & other overhead through June 30). Applications start today.
- \$67 million more for CDBG

Key upcoming dates

- **April 8**: Revenue Estimating Conference meets
 - First look at revenue shortfall
- **June 1**: Legislative session must end by 6 p.m.
 - Special session likely to follow
- **June 30**: Last day of 2020 fiscal year
- **C4?** (May or June). Must include more fiscal relief

How can states respond?

- Paid sick days (12 states; New York just passed)
- Paid family leave (Nine states and counting)
- Modernize Unemployment Insurance (work-share; benefits)
- Broadband access
- Tax reform

Q&A



Next Steps

- This recording and the slides will be emailed to you
- Please visit our COVID-19 page for resources and our other webinar recordings: <https://www.gnof.org/covid19-nonprofits/>