



John J. Hainkel

## Forecast for the South: Partly Sunny Skies with a Chance of Rain

By Former Sen. John J. Hainkel, Louisiana

*The states in the South are enjoying improving state economies and revenue collections. Increased health care spending continues to be a concern as well as the financial demands of the No Child Left Behind Act. Economic development in rural communities is getting a second look. And, the states are looking back at the lessons learned during the 2004 hurricane season.*

**A**fter weathering the 9/11 storms as well as other complex problems of recent years, the Southern states see sunnier skies ahead, but there are still menacing clouds looming on the horizon. For instance, while the revenue forecasts in the Southern states are brighter, rising health care costs, an increasing number of uninsured and underinsured and a growing aging population are threatening state budget stability. There is also a growing concern about the ability of the rural South and urban centers to find the ways and means to recruit and retain qualified teachers as required by the federal No Child Left Behind Act. And, the devastating 2004 hurricane season showed all of us the growing need to develop a comprehensive interstate plan to deal with such natural and man-made disasters.

### The Dollars and Sense of It All

After four consecutive years of revenue shortfalls and substantial budget gaps, the revenue picture in the states in both 2004 and 2005 shows improvement. The better than forecasted revenue collections—mostly in income and sales taxes and, in energy producing states, mineral revenue collections—are welcome news in the South.

Specifically, state tax revenue for the second quarter of 2004 grew by almost 7 percent, adjusted for inflation, compared to the same period in 2003 which made for the third consecutive quarter for real, adjusted growth in the state revenues. The growth rate in the South was closer to 5 percent. Since that time several Southern states have expe-

rienced even more growth. Georgia more than doubled its expected revenue growth in the first half of FY 05. Louisiana increased its official revenue estimate by over \$150 million in FY 05. Texas is expected to have a \$6.4 billion increase in available revenue for its two-year 2006–2007 budget cycle.

However, to get a real sense of what the increased state dollars really mean in the state budget picture, one must realize that even with the extra dollars, Southern states continue to face serious fiscal issues, driven mostly by the rising cost of health care and a reduction in federal Medicaid dollars. In Maryland, the state health department drafted a \$480-million list of potential program cuts. Mississippi faced a 25-percent increase in Medicaid funding needs in its 2006 state budget. Louisiana is short \$300–\$400 million in its Medicaid budget in the 2006 fiscal year, a funding shortfall that could translate into a \$1.5-billion reduction in the Medicaid program when federal matching funds are figured in.

The health care funding problem is forcing states in the South to make some hard decisions and to look at innovative new ways to approach health care needs, especially in those states with high poverty rates, aging populations and growing numbers of uninsured and underinsured. Tennessee had to scale back its TennCare program that provides health care services to the poor, uninsured and uninsurable, eliminating over 300,000 adults from the program and restricting services to another 300,000 plus. The 10-year-old health care program reached a point where it consumed one out of every three state dollars in Tennessee.

Florida is considering moving away from a traditional Medicaid program to a kind of state-financed HMO where the state would pay a set premium to private insurers. Louisiana, with its unique state charity hospital system, is promoting more community-based health care programs developed through cooperative efforts between private providers, nonprofit organizations and government to encourage less costly preventative care. Plans are also underway to provide incentives to small employers to provide health care coverage to employees and to assist low income workers with health care premiums.

It is important to note that while the states in the South are not alone in the health care funding challenges they face, the impact of the health care funding problem may have more of a long-term impact on this region because of the number of older and aging citizens in the South. According to the U.S. Census Bureau, 36 percent of U.S. citizens over 55 live in the South. More and more of these citizens and their soon to be 55 baby boomer fellow citizens will require more and more state services in the coming years. An aging population also impacts a state's revenue base and work force.

### Lessons from the Classroom

The states in the South learned early on that they were in a better position than others to handle the demands of the No Child Left Behind Act, having previously adopted on their own initiative accountability reforms that sought to measure student performance and to align curriculum and assessment standards. But, even with that head start, states in the region face increasing financial pres-

asures in an effort to avoid sanctions against schools which fail to meet the federal Annual Yearly Progress benchmarks. Meeting the challenge of recruiting and retaining highly qualified teachers as required by the act is also a challenge, especially in rural communities and in urban centers.

The Southern states lead in the number of teachers earning National Board Certification. A number of states are promoting the certification with annual bonuses and other incentives. The region has also taken great strides to improve teacher pay and teacher training to improve the quality of instruction in schools.

The Southern states also recognize the necessity of closing the achievement gap among students and are developing successful targeted programs to help the most academically vulnerable not only survive, but thrive in the classroom. The Alabama Reading Initiative has been widely recognized for its success in raising reading levels among low-income students. Louisiana's reading and math initiative has been very successful in helping students meet grade level and national standards. And, the South leads the way in state-supported prekindergarten programs having 7 of the top 10 programs in our region according to the National Institute for Early Education Research. Oklahoma, Texas, Georgia and South Carolina make up the top four. And, Louisiana's relatively new early childhood education initiative for at-risk four-year-old students which involves both public and private pre-k programs is showing remarkable success in raising the skill levels and education readiness of students.

The problem is finding a way to meet the needs of students at a time when there are increasing demands on our education dollars. Rising costs of retirement systems, health care benefits and faculty and staff salaries along with the increasing number of exceptional education students and students with limited English proficiency are straining state education budgets. Additionally, a number of states are facing the pressure of litigation that challenges the adequacy of their school finance systems. In Arkansas, the court decision on this issue led to the single largest tax increase in the state's history.

### Protecting Our Rural Communities

Historically and culturally, agriculture has been a vital part of our economy and com-

munity. So, we are all closely watching what happens with the development of a farm policy possibly influenced by trade agreements and the World Trade Organization. At risk is the 75-year-old farm commodity support program that is so important to the agriculture industry in the South, especially cotton and rice farmers. Forging a new agri-

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culture policy that does not run afoul of trade agreements while still providing a framework for food and fiber producers to earn a reasonable income will be a major challenge in the years to come.

The ongoing uncertainties surrounding the future of our agriculture industry makes the need to take a new look at economic development in our rural communities even more

important. A concerted effort is underway in a number of states to form new alliances among rural and nonrural organizations and communities, educational institutions, government and business groups to revitalize our rural communities. The effort is focused not only on traditional infrastructure but also technological infrastructure and work force training. We must develop methods of successfully revitalizing our rural communities, a key element of our Southern heritage.

### Safety in Numbers

In 2004 and 2005, the states in the South learned a valuable lesson as tens of thousands of citizens along the Gulf and Atlantic coasts battled raging storm after raging storm that battered Florida, Alabama and Mississippi and to a lesser extent Louisiana, Georgia and the Carolinas. The lesson was not only one of the strength and power and devastation of the storms, but the need to do a much better job of coordinating our evacuation and emergency response plans.

In the case of storms in 2003, we all had some prior warning but still interstates and state highways east and west, north and south turned into virtual parking lots as families tried to inch their way to safe ground. Relief agencies and local governments far from the storms were overwhelmed by hundreds of unexpected visitors looking for food and shelter.

In this day and age, we should do a better job of preparing for such natural disasters as well as man-made situations in which we will have no warning. We should take advantage of the opportunity and the lessons learned from 2004 to develop comprehensive, coordinated public safety and communication plans on a regional and interstate basis to properly respond to such emergency situations. There is safety in coming together for the public good.

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### Bio

Sen. John J. Hainkel (R-New Orleans) served in the Louisiana Senate from 1988 until his passing in April 2005. While serving, he held the position of Senate president from 2000–2004. He had previously served in the Louisiana House from 1966–1988 including four years as House speaker. An attorney, he was the only Louisiana legislator ever elected by the membership to both House speaker and Senate president.