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PROJECTED BUDGET DEFICITS WILL MAKE THE 2001 LEGISLATIVE SESSION(S) INTERESTING

The projected state budget deficit for the current fiscal year ending June 30, 2001 is \$113 million. On top of this state officials are projecting a budget shortfall of \$200 million for the 2001-2002 fiscal year. Obviously this will make next year very interesting from a legislative standpoint.

The 2001 Regular Session is a "nonfiscal" session which means state-wide tax legislation cannot be introduced. Any legislation aimed at raising taxes in 2001 can only be introduced in a special session. After the resounding defeat by the voters of a constitutional amendment to raise personal income taxes to generate money for teachers raises, there is very little support in the Legislature for a special session or any new taxes.

There is a real possibility of a special session to deal with the Harrah's Casino problem. Harrah's has made it clear that after March 31, 2001 the Casino cannot continue to operate without some tax relief. Harrah's currently pays the state \$100 million annually in taxes. The Governor and the Legislature will have to decide if they want to risk losing all of it versus reducing the tax burden and continuing to receive something. The Governor has stated he will call a special session if there appears to be a growing consensus on how to deal with the Harrah's crisis. If there is a special session for the Harrah's matter lawmakers will also look at increasing the taxes on riverboat casinos in return for dockside gaming. However, it is very unlikely that the Legislature will seriously consider any other types of taxes in such a special session except perhaps for some "sin" taxes on alcohol and tobacco.

During the 2001 Regular Session the Legislature will definitely try to solve the financial woes of the Louisiana State Employees Group Benefits Program. The Program will have about a \$50 million deficit during the current fiscal year and the deficit for next year may exceed \$80 million without major changes to the Program.

Finally, we expect the Legislature next year to take up matters mentioned in earlier updates, i.e. (1) adoption of revised Chapter 9 of the UCC, (2) consumer privacy and telemarketing, (3) new revenue raising methods for local governments, and (4) new methods for taxing telecommunications.

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Remember that these legal principles may change and vary widely in their application to specific factual circumstances. You should consult with counsel about your individual circumstances. For further information regarding these issues, contact:

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