

## LOOKING TO THE FUTURE, BUT AFTER LOOKING AT THE PAST

PREPARED FOR POSTLETHWAITE & NETTERVILLE

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## JUST A FEW OBSERVATIONS TO GET US STARTED

- What Happened in 2020 once the Pandemic became a global issue
  - Louisiana unemployment jumped from 109,854 in December 2019 to 289,495 in April 2020
  - The unemployment rate rose from 5.2% to 15.1%, statewide
    - 9.9% in Alexandria
    - 13.0% in Baton Rouge
    - 12.4% in Houma-Thibodaux
    - 13.0% in Lafayette
    - 14.2% in Lake Charles
    - 11.7% in Monroe
    - 19.0% in New Orleans
    - 13.3% in Shreveport
  - Louisiana went from just over 12,000 continuing unemployment claims in March 2020 to over 300,000 by August 2020
  - Louisiana had over \$1 billion in its Unemployment Insurance Trust Fund at the beginning of the year to having to borrow money from the federal government to pay unemployment compensation to workers who have been laid off
- **Have We Ever Had to Deal With Such an Economic Environment?**

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## UNFORTUNATELY, LOUISIANA HAS HAD EXPERIENCE: COLLAPSE OF THE OIL AND GAS INDUSTRY IN 1980'S

### ■ The Oil and Gas Bust and the 1980s

- Oil prices dropped from the \$40s to less than \$15 per barrel
- Employment in the oil and gas industry declined by over 50,000
- Overall employment declined by over 150,000 and we had bankruptcies
- The state's budget (almost 45% of the state's revenues came from oil and gas directly at the beginning of the 1980s) incurred deficits after deficits and finally had a cash flow problem
- The Unemployment Insurance Trust Fund went bankrupt and the state had to borrow over a \$1 billion and had to cut benefits to the unemployed and raise taxes on businesses

### ■ What did Louisiana do?

- The state could not do a thing about the energy markets—and oil prices did not rise very much in the 1990s
- The state handled its cash flow problem; made changes to the budgeting process so it would not happen again
- Had to make cuts in the state's budget and had to raise some taxes to fund programs vital to the state's long-term growth
- Made further changes in the Unemployment Insurance Trust Fund process so that it would not be as vulnerable as it was in the 1980s
- Focused on economic diversification
- Beneficiaries of a national economic growth throughout the 1990s

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## UNFORTUNATELY, LOUISIANA HAS HAD EXPERIENCE: HURRICANES KATRINA AND RITA IN 2005

### ■ Hurricanes Katrina and Rita—hitting southeast and southwest Louisiana

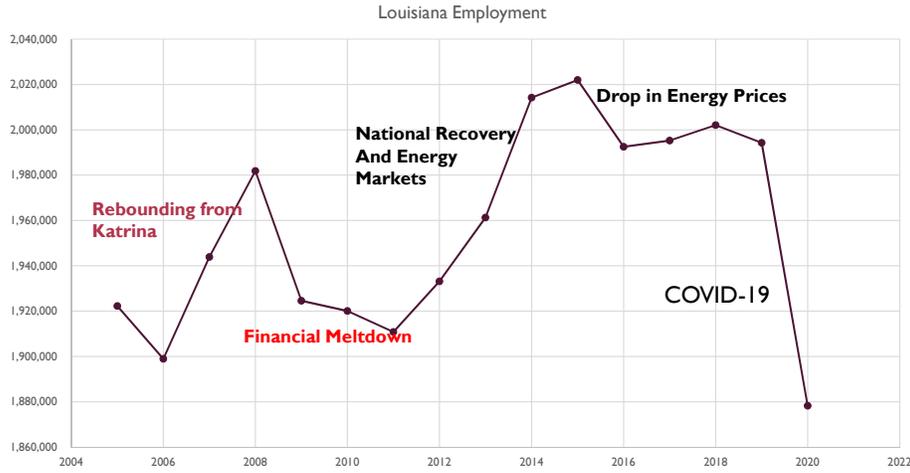
- Katrina knocked out almost 30% of the state's economy for a period of time
- Healthcare services were not available; schools had to shut down; neighborhoods such as Lakeview, Gentilly, Broadmoor, and Bywater could not be entered; and the populations of Orleans Parish and St. Bernard Parish were diminished substantially
- Major structures such as the Charity Hospital were made unusable; the Saenger Theater and other entertainment sites closed down; universities had to relocate their students for the fall semester
- Rita did similar damage to the Lake Charles area but not quite as long lasting

### ■ What Did Louisiana Do?

- Hurricanes occur. A state just has to be ready to respond
- State had to work with evacuation of people from the New Orleans area and the Lake Charles area
- State had to redo its budget to make sure the dollars were going to the right place
- State had to get sufficient federal assistance
- State had to prepare for helping housing in the New Orleans area and restoring public services
- We received assistance
  - Federal support of well over \$110 billion
  - Private insurance of estimated \$40 billion
- But New Orleans is still not back to its July 2005 population and St. Bernard Parish is still short of its pre-Katrina population
- And major buildings are still unoccupied—such as Old Charity—a process has started to rehabilitated Old Charity in the Innovation District

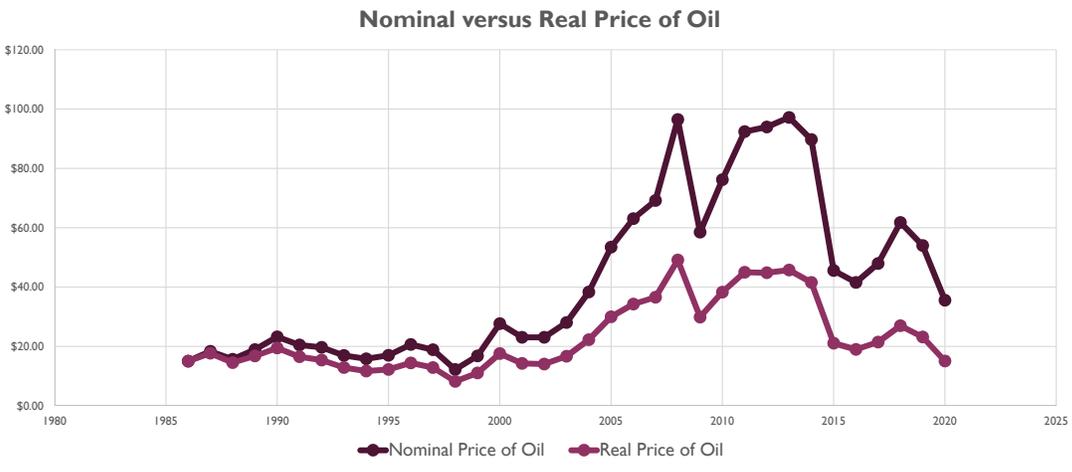
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# LOUISIANA ECONOMY FROM KATRINA TO THE PANDEMIC



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# OIL PRICES STILL A MAJOR FACTOR IN THE UPS AND DOWNS OF THE LOUISIANA ECONOMY



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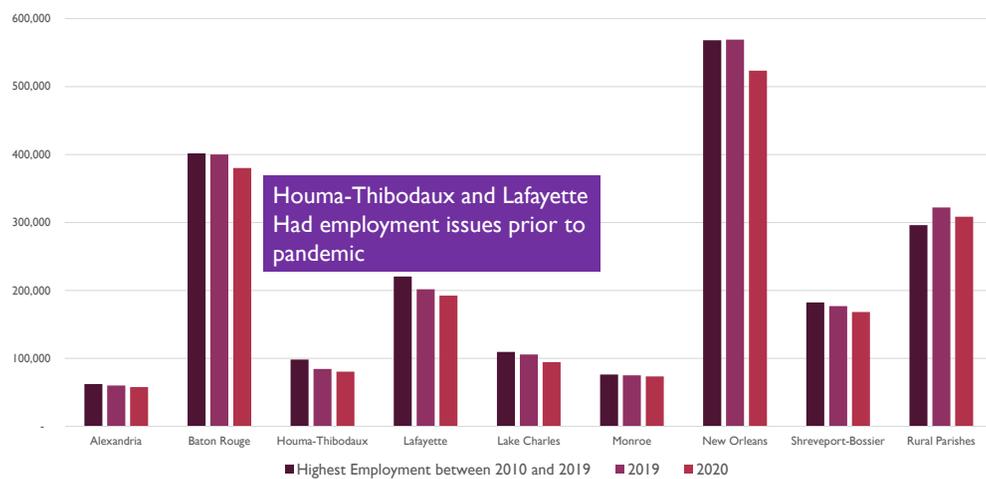
## THE PANDEMIC AND THE LOUISIANA ECONOMY

- Impact of the Pandemic covers the entire state but not every part of the state is hit to the same degree
- Employment in the MSAs and Rural Parishes for 2019 and 2020 is illustrated in table

MSA	2019	2020	Difference	Percent
Alexandria	59,954	57,764	(2,190)	-3.7%
Baton Rouge	399,919	380,067	(19,852)	-5.0%
Houma-Thibodaux	84,264	80,389	(3,875)	-4.6%
Lafayette	201,757	192,200	(9,557)	-4.7%
Lake Charles	105,591	94,430	(11,162)	-10.6%
Monroe	74,916	73,411	(1,505)	-2.0%
New Orleans	569,004	523,320	(45,684)	-8.0%
Shreveport	176,798	168,165	(8,633)	-4.9%
Rural	322,104	308,497	(13,606)	-4.2%

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## EMPLOYMENT ISSUES FROM PANDEMIC OR OTHER FACTORS

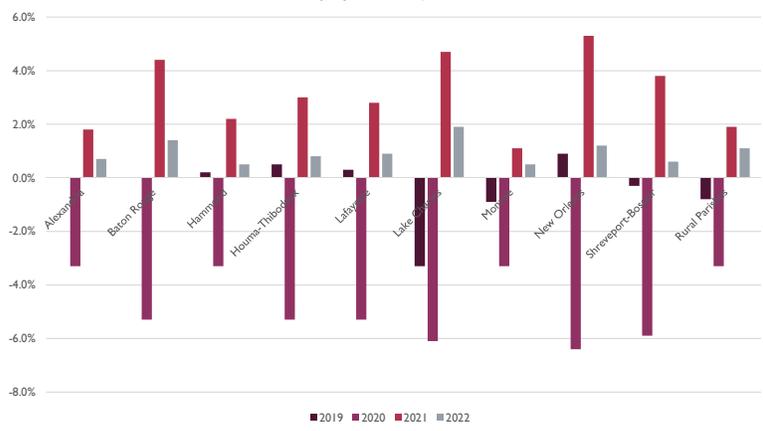


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# ECONOMIC IMPACT OF PANDEMIC ON LOUISIANA ECONOMY

## ECONOMIC PROJECTIONS (LOUISIANA ECONOMIC OUTLOOK)

Employment Projections



### Observations

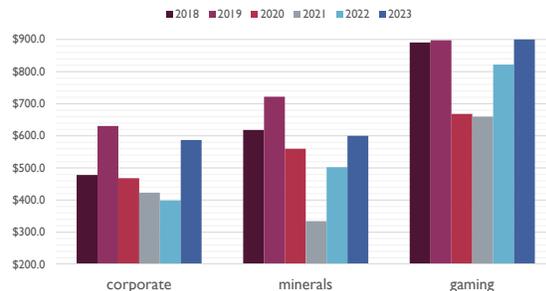
1. Low or negative growth in 2019
2. Growth in 2020 indicates the Best estimates of what will happen In Louisiana with the Virus
3. The 2021 estimates are based on Information available in September And is suggesting a quick turnaround
4. The 2022 estimate suggests a Return to more typical economic growth in Louisiana

## STATE REVENUE ESTIMATES

Sales and Individual Income Taxes  
SFY 2018 through 2023



Corporate, Minerals, and Gaming  
SFY 2018 through 2023



A reduction in sales tax rate  
From SFY 2018 to SFY 2019

Changes in federal tax laws  
in DEC 2017 Increased state  
income tax collections

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## WHAT CAN LOUISIANA DO ABOUT THE PANDEMIC?

### The Pandemic

- Has caused Louisiana, as well as other states, to restrict certain businesses such as restaurants, bars, gyms, athletic events, and other such business activities
- Has created very restrictive travel arrangements
- Has created concern among many residents about the safety of going out to eat or to socialize
- Has made governments very concerned about their finances
  - New Orleans has major issues with its finances
  - Other areas may not be as badly affected as we learn to cope with the pandemic
  - All governments should be very careful and cautious in their revenue estimates for the forthcoming year
  - Property assessments will be interesting
- Has created, especially for New Orleans, the inability to engage in the special activities that makes New Orleans very special.

### What Can Louisiana Do?

- Louisiana can only work out a program that provides for the safety of its citizens and make it safe for visitors to return just as quickly as possible
- The state can do very little about the economic slowdown for itself or for local governments except to make sure the local economies are ready to respond as the national economy returns to "normal"
- The state must plan to take care of its Unemployment Insurance Trust Fund—eventually there will be lower benefits for those who are unemployed and higher taxes on businesses
- Louisiana, like other states, must look to the federal government for financial support
- The federal government has the financial ability to provide support to citizens, businesses, and governments to minimize the economic decline from the pandemic
- The federal input should be initiated as quickly as possible
- Louisiana must work on diversifying its economy—the Governor has a Resilient Louisiana Commission developing a plan, but it is a plan

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OPEN THE FLOOR FOR DISCUSSION

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