



PAR says don't use surplus for insurance

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State officials should spend an expected budget surplus on restoring the coast, paying off debts or other legal uses instead of skirting the state constitution to give election-year insurance rebates, a Louisiana think tank urged Thursday.

But a top legislative leader said at least some of the extra money will go to rebates because the public is clamoring for them.

The governor and Legislature could have as much as \$800 million left over from the last budget year when the books are reconciled, the Public Affairs Research Council noted in a commentary released Thursday.

Gov. Kathleen Blanco and others want to use much of the extra money to return to property owners the surcharges they have paid or will pay to bail out a state insurance fund for high-risk property. The fund had to borrow money to pay claims for Hurricane Katrina damage.

“That would circumvent current constitutional limitations on the spending of non-recurring revenues, which are based on sound fiscal policies that remain valid in the post-Katrina environment,” PAR said in the commentary.

“A more fiscally responsible, though much less politically popular, use of the surplus would be to spend it directly on other pressing, constitutionally allowable uses,” PAR said.

But House Speaker Joe Salter said, “I don't think that's how a lot of our citizens feel around the state.

“I think it's a universal request that they'd like some relief” from rising insurance rates, Salter, an ally of the governor, said in an interview.

Gov. Kathleen Blanco, interviewed in New Orleans, said she was surprised by PAR's stance. She said insurance relief is a good use of extra funds, and constitutional limits on spending it do not matter much because "it's all taxpayers' money."

PAR said the constitutional constraints do matter.

"A number of hard-won reforms have limited spending of surplus dollars to capital outlay and transportation projects, coastal restoration projects, unfunded retirement obligations, the rainy-day fund and early debt payment," the research group noted.

Most of those "high-priority funding demands persist

Rising basic insurance rates and storm-related surcharges for Citizens Property Insurance Corp. pose "a serious barrier to rebuilding devastated areas of the state," PAR acknowledged.

For instance, the surcharges for Citizens alone – paid by all property owners — add about 15 percent to their already-higher basic bills.

"But the shortsighted approach of refunding and heading off the surcharges offers mere distraction from Louisiana's bigger insurance problems – rapidly rising rates and fewer insurance companies wanting to do business here," PAR said.

"The problem of insurance affordability cannot be solved with the surplus and should not be attacked with a hastily constructed, election-year rebate plan," the group concluded.

Voters will pick a governor and Legislature next fall. The rebates would go out sometime next year under Blanco's still-sketchy plan.