



PAR's statement on the special session

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PAR calls session a waste

It was apparent from the moment it was announced that this special session of the Legislature was poorly timed and failed to allow for sufficient planning and debate. Fortunately, the possibility of using most of the state's recovery-related windfall revenues to improve its long-term prospects remains intact. Unfortunately, \$239 million in unnecessary tax credits for insurance surcharge reimbursements were passed.

The best outcome of this session was an early start to the spending debates that will shape Louisiana's future. Failed proposals include some seemingly easy-to-pass, political giveaways in addition to some bills that may turn out to deserve passage following further consideration. The mixed bag of proposals that passed, however, leave the state with ongoing tax credits to fund and set the stage for distribution of the largest corporate incentive ever granted by Louisiana.

The governor's proposed package of tax cuts and spending proposals would have consumed most of the \$1.6 billion of additional money in the state budget for the current year. But, only roughly \$567 million was spent, set aside or committed in the form of tax credits. Fiscal notes show that this session resulted in \$239 million in tax credits, \$28 million in additional expenditures -- most of which are nonrecurring -- and a \$300 million dedication. That leaves over \$1 billion of additional revenues for the current year and \$827 million in surplus revenues from last year still to be addressed in the next regular session of the Legislature, which starts in April.

Only a few bills managed to pass both chambers and were sent to the governor's desk. Two bills establish the funding mechanism for refunding surcharges property owners paid or will pay to cover the Citizens Property Insurance debt. One bill sets aside \$300 million in a fund that can be spent later to lure a major durable goods manufacturing plant to St. James Parish. And, another bill creates a \$21 million fund to establish a statewide interoperable communications system.

The various proposals to offer tax credits to families with children, tax exemptions to businesses, restore credits for itemized deductions and offer a sales tax holiday, among other things, were rejected following protracted debate over who deserves the biggest breaks.

The hurdle for passage of the rest of the governor's proposals, including pay raises for a variety of public employees, was a statutory spending cap that only allowed the Legislature to spend less than \$200 million of the additional revenues available. A two-thirds vote of both houses would have been required to raise the cap. It failed to pass repeatedly.

The tax credits for the insurance surcharges are a wasteful use of \$239 million in the current year budget. They will cost an estimated \$56 million to \$82 million over each of the following four years. There is no long-term benefit to the credits, and, though touted as such, they fail to do anything to solve the crisis of insurance affordability facing the state.

This session offered a glimpse of many of the issues that are certain to resurface in April. Of particular concern are the across-the-board and supplemental pay raises for a variety of state and local employees and the dedication of general fund dollars that will further restrict options for future budget cuts. In contrast, further study may show that the creation of the proposed catastrophic insurance fund and/or health care reform fund may be wise investments.

This session was a waste of taxpayer dollars, however abundant they may seem to be right now. The silver lining is that it may have started the momentum necessary to generate innovative and progressive solutions to move Louisiana forward.

Jim Brandt

President