



## *“Legislative Review 2009”*

The 2009 Legislative session began on Monday, April 27<sup>th</sup> and will adjourn on Thursday, June 25<sup>th</sup>. The focus of this session has been fiscal with most of the attention going to Governor Jindal’s proposed \$26.7 billion Executive Budget. With the state facing a \$1.3 billion revenue shortfall, the governor offset some of the income gap with federal stimulus money, but Higher Education and Healthcare still took [big hits](#) - \$413 million and \$219 million respectively.

While last year’s session may best be remembered as one where both chambers worked together on parallel paths, observers note that this session has been dominated by two distinctively different approaches to dealing with the governor’s budget.

According to Bill Barrow, capitol reporter for *The Times Picayune*, *“The session thus far has evolved into a game of chicken really between the House and the Senate.”* While the House has restored some funds, Barrow says the chamber’s actions have closely followed the governor’s proposed budget cuts. But Barrow notes, *“The Senate came and wanted to add a lot more but depended upon some tax measures that Senators say is not a tax increase. The House says it is. The House called their bluff by just sending the budget straight to the Governor for him to veto those sections out.”* With one week remaining in the session, it remains to be seen how the two chambers will reconcile these differences. Below is an overview of what has transpired to date.

### **Cushioning Budget Cuts**

**The House:** While the House has attempted to restore some funding to offset cuts, its approach has been fairly conservative. Barry Erwin, director of the Council for a Better Louisiana (CABL) says the House has operated under the philosophy of *“We know what’s coming down in the next couple of years (when federal stimulus moneys disappear) so we need to tighten our budget and tighten it now.”*

The House passed a combination of bills that it said would restore \$100 million to Higher Ed which is facing a 15% reduction in funding from the governor’s budget. State Commissioner of Education, Sally Clausen noted that only half of the proposed amount - \$50 million from the state’s tax amnesty program - would make an impact. *“The other bills ... either dedicate funds for specific uses or don’t ease the cuts,”* Commissioner Clausen [told the Town Talk](#). Other amounts, including \$30 million in tuition increase revenue that the House included in its total, was already factored into Higher Ed’s own cost cutting measures.

A proposal by Rep. Karen Carter Peterson, (D) New Orleans, to increase the sales tax on tobacco products by one dollar would have raised approximately \$100 million for both Healthcare and Higher Education. Rep. Peterson ultimately reduced her proposal to a 50 cent tax increase on a pack of cigarettes with the income generated going towards Healthcare and

tobacco cessation programs. After much opposition and attempts to scuttle the legislation, the House failed to pass HB889. Erwin notes, "It takes a two-thirds vote of both houses of the Legislature to pass a tax. And this is not a Legislature right now that is in the mood for much in the way of new taxes. So, I think in a way it was pretty much doomed from the beginning."

**The Senate:** The Senate has taken a more aggressive approach to offsetting budget cuts by pulling from the state's "Budget Stabilization Fund" ("Rainy Day Fund") and delaying a scheduled personal income tax break until 2012.

Senators have advocated taking one-third of the money from the Rainy Day fund - \$258 million - and using one-third of that amount in next year's budget. The remaining two-thirds would be placed in a fund and used to mitigate shortfalls in the following two fiscal years. The governor said he does not support utilizing a major portion of the fund because future budget years are expected to be worse as federal economic stimulus dollars disappear and the state's contributions to the Medicaid program will increase.

Senate Bill 335 by Sen. Lydia Jackson, D-Shreveport freezes personal income tax deductions at current levels for three years and would free up \$118 million for higher education this fiscal year. Income tax filers currently can claim 65% of their federal excess itemized deductions on their state returns. The amount is supposed to jump to 100% for the 2009 tax year. Under the bill, the average married taxpayer filing jointly and claiming excess itemized deductions would receive \$459, on average, or about \$247 less, according the Revenue Department estimates. The Louisiana Department of Revenue reported that 24% of the state's 1.7 million resident returns for 2007 claimed excess itemized deductions.

While Sen. Jackson's bill passed the Senate, fifty-five of the 105 members of the House signed a letter opposing the bill. House Speaker Jim Tucker, R-Algiers, refused to assign the bill to a House committee for a hearing, saying that it's unconstitutional since revenue raising measures must initiate in the House.

**The Governor:** With cuts projected to exceed this year's by \$700 million in 2011 and a possible \$1.9 billion shortfall in 2012, several legislators expressed discouragement with Governor Jindal's apparent lack of a long-term strategy, according to *The Advocate*. Sen. Jackson told *The Advocate* that "instead of articulating how the governor sees state government in three years, all Jindal has done is outline what he won't accept." Jackson says it was because of that void that she tried to fashion a plan to reduce some of the deep cuts Jindal recommends on higher education.

## Budget Showdown

Despite the House's overwhelming opposition to the Senate's version of the budget, [it bypassed the opportunity for a compromise version](#) by punting it to the governor after only one hour of debate. According to *The Advocate*, many Senators were "vocally perturbed when the House sent the \$28 billion budget bill to the governor rather than work out differences in a conference committee."

Gov. Bobby Jindal vetoed \$278 million in spending from HB1 including Senate plans for raising money. The battle now moves to the remaining House appropriations bills, all of which are awaiting action on the [Senate side](#). The House wants the Senate to use the bills to

settle differences over the budget. According to *The Advocate*, the biggest sticking point seems to be the \$30 million in “member amendments,” which Jindal plans to remove. House leaders want the Senate to amend other legislation to include money for roads, museums and other projects important to lawmakers’ individual districts. The Senate leadership said the state has more pressing needs than funding “member amendments.”

## Higher Ed Showdown

Governor Jindal scored early triumphs in this year’s legislative session with the approval of nearly \$50 million to reopen a Farmerville chicken processing plant and \$85 million to accommodate the New Orleans Saints. But Jindal’s victories were somewhat overshadowed by the private and public appeal of [four former governors](#) to reduce his proposed budget cuts to higher education. Governors Kathleen Blanco, Mike Foster, Buddy Roemer and Dave Treen lobbied the current governor to soften his initial calls for a 15% cut to Higher Education. After the meeting, Jindal said he is committed to reducing the cut to less than 10%.

House Speaker Tucker feels that the House has been able to reach that goal by using tax amnesty dollars, increasing tuition, providing money for the Ag center and diverting \$13.5 million returned from the Shaw Group in the Rapid Response Fund. *“Higher Ed in a letter to the governor said they could handle 10% which is \$149 million. So we’re below what they said they could handle. If you don’t include tuition we’re still close.”* Tucker says the problem is that Louisiana continues to deliver Higher Ed services inefficiently. *“We’ve got to fix that and I think that will be the issue next year.”* Tucker’s House Bill 794, that will create a commission to study the governance, facilities and funding of Louisiana public colleges, has been unanimously approved by the Senate.

## Accomplishments

Among the accomplishments this session, Tucker cites the *“enormous amount of money towards road construction, higher education capital needs, and coastal restoration issues.”* He also highlights the investments made in Louisiana and points to the recent announcement of a startup automobile company to assemble a new fuel-efficient car in the state. The San Diego-based V-Vehicle Co. will take over a vacant plant in Monroe ultimately employing an estimated 1,400 people. The state put up an incentive package of \$67 million while Monroe-area local governments put up another \$15 million.

**High School curriculum change:** Louisiana lawmakers are expected to approve creation of a new public school curriculum with lower standards required to advance to high school.

The idea of House Bill 612 is that the new curriculum and diploma will increase the percentage of students who graduate. Under the plan, certain eighth graders would face lower standards for passing into the ninth grade. Many education advocates contend the change will produce high school graduates with devalued degrees. The proposal is expected to win final approval from the Legislature in the next few days. It would then go to Gov. Bobby Jindal, who has said he supports it.

## Looking Forward

Louisiana will receive one time federal stimulus dollars in the amount of \$950 million in each of the next two years. While the funds offset projected budget shortfalls, in the 3<sup>rd</sup> year the state will be facing any shortfalls “on its own.” Louisiana will have to either replace the \$950 million with its own revenues or make major cuts.

House Speaker Tucker is optimistic about actions the House has taken to approach the three year problem, “*We took steps this year to begin the reduction in the size of government; to begin to make use of one time moneys in the third year; to look at other options to make this instead of a cliff we fall off in year three, kind of a glide path between now and then.*” Among the cost saving measures Tucker cites is a proposal for reducing the number of state workers. According to Tucker, Louisiana’s state employment level is at 125% of the Southern average, costing it an additional \$700 million annually.

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### **Related Links**

<http://www.gov.state.la.us/> - Office of the Governor, Bobby Jindal

<http://www.legis.state.la.us/> - Louisiana State Legislature’s home page

<http://house.louisiana.gov/> - Louisiana House of Representatives home page

<http://senate.legis.state.la.us/default.asp> – Louisiana State Senate home page

<http://www.cabl.org/> – Home page for Council for a Better Louisiana



Tune into LPB to view *Louisiana Public Square*’s “Legislative Review 2009” Wednesday, June 24<sup>th</sup> at 7 p.m. and Sunday, June 28<sup>th</sup> at 4 p.m.

You can continue the discussion in an online chat, Thursday, June 25<sup>th</sup> from 2 to 3 p.m. Have your questions answered live by Dr. Pearson Cross Chair of the ULL Department of Political Science and Kirby Goidel, Director of the LSU Public Policy Research Lab. Visit [www.lpb.org/publicsquare](http://www.lpb.org/publicsquare) and click on the “live chat” link.