



February 3, 2016

The Honorable John Bel Edwards
Governor
State Capitol, Fourth Floor
Baton Rouge, LA 70804
BY HAND

Dear Governor Edwards:

We sincerely appreciate your attendance and involvement at the House Republican Caucus meeting in Lafayette on Monday. Your willingness to address our members and listen to our questions and concerns puts action to your stated desire to work across the aisle and find responsible solutions to what we all realize is a fiscal crisis for our state. We hope to continue the open communication with you and your staff over the next few weeks as well as months and years. As you mentioned yesterday, the citizens of Louisiana are counting on all of us to rise to the challenge.

We agree with your previous statement that raising new revenue from taxpayers should not be our first option. Concurrently, we understand that budget cuts alone will not solve our deficit in the current fiscal year, or in future years. We must concentrate on structural budget solutions, both short-term and long-term, and we look forward to tackling these issues in a bipartisan manner.

We offer the following in response to your request for ideas and priorities as you prepare to issue the call for a special session on fiscal reform. Our desire is that the call be inclusive of all options. Raising approximately \$2 billion in revenue equates to a nearly 20 percent increase in what the state collected in taxes, licenses, and fees this year alone. As you know, considering the current economic conditions in our state, that is a huge burden to put on the backs of our citizens. In our shared desire to address short and long-term challenges, we propose that solutions debated in the special session first include reductions in the cost of government and changes to the budget structure.

1) Reductions in the Cost of Government

Having served as our colleague for the last eight years, you are aware that the expenditures of state government are projected to rise every year in the current forecast, far outpacing anticipated growth in revenue. We can all recognize that until systemic

changes are made to the cost drivers of government, new revenue alone will only provide a temporary solution. Therefore, we ask you to open the special session call to include reforms to Medicaid, state pension systems, employee healthcare, sentencing and corrections, institutional reorganization, board and agency consolidations, and other areas that require strategic reform to deliver high quality services at the most effective cost to the taxpayer. We believe it is important to convey to the citizens of our state that we are leaving no stone unturned and considering every option. We join you in your stated desire to not grow government, but in reality, government is already growing on its own. Without specific efforts to rein in costs, focus on core services, and streamline operations in state institutions, we fear that we will be in a similar deficit situation in a few short years.

2) Changes to Budget Structure

After years of stop-gap funding and disproportionate cuts to services, budget reductions directed at higher education and health care alone can no longer be an option. The reality is we have historically only reviewed and reduced a fraction of the overall state budget, which is an unnecessary and shortsighted practice that Louisiana can no longer afford. In the special session call, we ask that you include specific proposals pertaining to statutory dedications, state subsidies to local government, and budgeting practices among the items up for debate in the Legislature. We look forward to working with you on a bridge that phases out the utilization of one-time revenue for expenditures that occur annually. To do that, we feel that we must have more tools to prioritize state resources than we do today.

3) Proposals for Revenue Reform

We are unified in our belief that reductions and efficiencies, long-term restructuring of government, and budget reforms should come before considering alternative revenue options. A January 2016 report from the Public Affairs Council of Louisiana concurs, recommending “strong and specific assurances for budget cuts, controls, and cost containments prior to approving tax increases.”

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In asking taxpayers to join with us in solving this enormous problem, it is only fair that we demonstrate our commitment to tackling the tough issues and delivering a government that is more efficient while still providing high quality core functions. We feel that in these economic hard times in our state, we should not be asking our working families and employers to contribute to more of the same way of governing. As you already alluded to in Monday's meeting, we ask that you draft a special session call that will lead to fundamental changes to government operations as well as any of the bills involving proposed revenue changes.

As we direct our attention to limit the growth of government and allow for prioritization of services in budgeting, we are open to debating revenue changes with the following criteria:

- Broadly applied and does not seek out any particular taxpayer or group to bear the brunt of the burden.
- Based on data, best practices, and sound tax policy that helps create a more fair, efficient, and competitive tax code.
- Limited to what is absolutely necessary to fund vital operations, recognizing every additional dollar will come at a real sacrifice for families and employers.

We believe this echoes the sentiments of your Transition Committee on Fiscal Matters, which concluded: "...New revenues should only be considered as a last resort, and should be spread as evenly as possible among individuals and businesses to ensure that sacrifice is broadly shared. Additionally, any revenue-raising measures should also serve to modernize Louisiana's tax structure by making it less complex and more efficient."

Every day, Louisianans become more aware of our looming fiscal crisis, and they have entrusted all of us to make sound economic decisions for the future of our state. We know you feel the weight of this responsibility, as do we. It is our hope that as you prepare your call for special session, you will consider our proposal for a more holistic approach to solving issues that have plagued our state for decades. We earnestly look forward to partnering with you in turning this crisis into an opportunity to make fundamental changes to complex and under-performing systems, structures, policies, and processes.

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Again, we appreciate your accessibility and your willingness to dialogue with us. We are optimistic that we can all find a way to address spending, budget structure, and revenue reform to put Louisiana on a smarter, stronger path in the years ahead.

With our sincerest appreciation,

Danny Martiny
Senate Chairman

Lance Harris
House Chairman