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BATON ROUGE, LOUISIANA --- Today Governor Blanco held a press conference to formally attach a two-year teacher pay raise to her \$1 per pack tobacco tax increase proposal.

Republican legislators adamantly disagree with the need for new taxes at this time because:

First, Louisiana under no circumstances needs additional revenue at this time. Louisiana has a spending problem, not a revenue problem. According to published reports, the State General Fund is up \$452 million year-over-year. This includes natural revenue growth, mid-year revenue increases and the May Revenue Estimating Conference increases. This is net of all dedications. Clearly, we do not need to raise taxes.

Secondly, the plan to tie an increasing expenditure to a decreasing revenue stream is fiscal folly. In the press conference today, the Governor said, "Higher taxes will lead to lower consumption." How is it fiscally prudent to tie recurring expenditures to a decreasing revenue stream? It simply isn't.

We already know that tobacco revenues are decreasing. Receipts from the tobacco settlement payment were less than expected this year. This alone is a good indication that the plan *is* financial trouble. Forecasting the impact of a \$1 increase is suspect, given its tremendous impact on total cost per pack. Banking on having the entire fiscal note to support the raise is not prudent at this time.

Thirdly, based on staff testimony in the Revenue Estimating Conference, we believe it is possible that additional revenues will be recognized later this year. Corporate income taxes, sales taxes and revenues from the fifteenth gambling boat were either conservatively estimated or not included at all for the FY 06 estimate. Prudently the

estimates adopted were conservative. However, it was generally accepted at the REC meeting that additional revenues would be available later next fiscal year.

Fourth, Louisiana is still wasting money in the budget. From trucks and travel to boondoggle syrup mills and healthcare, there are plenty of expenditures within the budget that are a waste of taxpayers' money.

The Republican plan to raise teacher pay is far more realistic. Using recognized recurring revenue for teacher pay is our priority. Using one-time monies as a bridge to true healthcare reform beginning in FY 07 is a plausible structure to secure a balanced budget. Therefore, we call on the Governor again to embrace the Republican plan, which generates a \$2500 raise for teachers without raising taxes. Furthermore, we call on the Governor to address the root of all our budget problems, -- healthcare--, as soon as possible. It is crystal clear today that Louisiana has a spending problem, not a revenue problem, and there is absolutely no justification for new taxes at this time.

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