

A Dire Situation in Louisiana and the Dangerous Blowback on Republicans

02/18/2016

SUMMARY: On Sunday, February 14, Jon Bel Edwards, the newly elected Democrat governor of Louisiana announced that within the next four months, Louisiana must fill a \$940 million budget deficit. Edwards wants to increase income taxes in order to address the estimated nearly \$2 billion deficit the state must cover for *next* year (http://www.washingtonmonthly.com/college_guide/blog/louisiana_faces_worst_fiscal_c.php). Two prominent Louisiana Republican politicians were targets on February 14, in Gov. John Bel Edwards' speech opening the special legislative session. The Democrat governor never named former Gov. Bobby Jindal or state Treasurer John Kennedy directly. But he took digs at Jindal as helping to create the state's financial troubles and at Kennedy for suggestions those troubles could be fixed without tax hikes (http://www.nola.com/politics/index.ssf/2016/02/gov_john_bel_edwards_criticize.html).

TAKE AWAY: The current situation has led to two major fronts of conflict. Liberals have been quick to lay the blame for this economic turbulence at the door of former republican governor Bobby Jindal. They are arguing the financial problems stem in large part from his instituting in Louisiana the same kinds of budget-busting tax cuts that Sam Brownback used to turn Kansas into a *fiscal insane asylum*. They claim it underscores the damage that could be done to the country as a whole if any of the supply-side-espousing Arthur Laffer wannabes currently running for the Republican nomination win the White House in November.

They further argue that Jindal started throwing tax credits and cuts around almost from the minute he was sworn in. He pushed through the largest income tax cut in state history — \$1.1 billion over five years — which he saw as a prelude to completely eliminating the state's business and personal income taxes which they perceive only exacerbated the economic strains on the state (http://www.salon.com/2016/02/16/bobby_jindals_supply_side_dystopia_how_the_former_governor_screwed_louisiana_discredited_right_wing_economics_yet_again/).

The other assertion is in the revised debates regarding taxes and tax cutting. In his speech Edwards emphasized the short period of time legislators have to deal with these fiscal issues. As a response to the deficit, he is asking the legislature to pass several tax increases to help raise revenue to close the shortfall and deficit. Those tax increases, Edwards said, include reducing tax credits, suspending corporate tax deductions, increasing the state's four-cent sales tax by a penny and raising alcohol and cigarette taxes (http://www.nola.com/politics/index.ssf/2016/02/john_bel_edwards_speech_open.html).

Governor Edwards, addressing the state in a televised speech, went on to paint a bleak picture. He presented the state with a stark choice: raise taxes or see devastating cuts in essential

services. Stating such scenarios as the disabled will lose state medical care, public universities may close, and he said fans could say farewell to college football (<http://www.cbsnews.com/news/louisiana-budget-crisis-leaves-conservative-state-stark-choice/>).

CONSERVATIVE IDENTIFIERS: Republicans in Louisiana have countered the assertions made by the governor. Louisiana State Treasurer John Kennedy has said cuts in spending and size of government could address the budget gaps. He says Louisiana has too many consulting contracts, too many protected funds, too many middle managers and too much Medicaid misspending. He says Edwards' tax proposals would wreck Louisiana's economy (http://www.nola.com/politics/index.ssf/2016/02/gov_john_bel_edwards_criticize.html).

Furthermore, other aspects tie into the economic complications beyond the control of politics. The steep drop in oil prices means not only less tax revenue but fewer jobs; therefore, less income tax revenue and less sales tax revenue (http://www.washingtonmonthly.com/college_guide/blog/louisiana_faces_worst_fiscal_c.php). After Edwards gave an historic televised address on Thursday night, Kennedy issued a rebuttal in which he argued that Louisiana doesn't "have a revenue problem, [it] has a spending problem."

When Jindal assumed office in early 2008, Louisiana's budget was just about to start showing signs of strain. The state had seen several years of huge revenues thanks to oil prices above \$90 per barrel and federal contracts related to rebuilding the state after the devastation from Hurricanes Katrina and Rita (http://www.salon.com/2016/02/16/bobby_jindals_supply_side_dystopia_how_the_former_governor_screwed_louisiana_discredited_right_wing_economics_yet_again/).

Kennedy, a Democrat-turned-Republican, who has been treasurer since 1999 and who headed the Louisiana Department of Revenue prior to that, said Gov. John Bel Edwards is ignoring options that could cut needless spending in the state. Kennedy pointed to consulting contracts and statutory dedications as epitomes of costly inefficiencies. He suggested the state eliminate statutory dedications with the understanding that the state would fund the important programs and cut ones that aren't priorities. He also lamented the wasteful spending on state contracts with consultants which cost the state millions.

From 2014-2015, the Louisiana Office of Procurement approved 4,017 new professional service contracts totaling more than \$14.5 billion, according to a Division of Administration report. The year before, the state only issued \$3.6 billion in consulting contracts. The vast majority of the \$14.5 billion in new contracts came from consultants and 535 health and hospital contracts with the latter costing \$10.8 billion by themselves. While Edwards hopes to save money by accepting federal dollars for Medicaid, Kennedy said the governor should ask every consultant for a five to 10 percent discount which, by his estimation, is an immediate savings of as much as \$500 million (<http://www.wvltv.com/story/news/2016/02/11/state-treasurer-new-taxes-arent-cure/80227838/>).

ANALYTICAL CONCLUSION: Two issues are at large for the Democrats: on the national level the Democratic Party has for the last year been working to reassert the mantle of the *Party of the people*. As such, it presumes to build on the old progressive model of solutions through government. Though the financial stress in the state is the result of wide and assorted complications, they will look to build legitimacy for their political model by targeting the former governor Bobby Jindal.

A devoted tax cutter throughout his time in office, Jindal is the obvious target. The objective is that they zero in on him and his tax cutting to bolster this as the primary reason for the state's financial strife. In doing so, they most likely intend to build the argument against the conservative mantra of economic development through low taxes. This goes back to their attempt to portray themselves as the Party of the Common Man amongst the working class with whom they are they trying to gain inroads.

The other concern for the Democrats is state treasurer John Kennedy. A devoted small government tax cutting conservative, Kennedy has explored a run for the U.S. Senate. A poll taken found early support for Kennedy in the race for the U.S. Senate seat which will be vacated at the end of the year by David Vitter. Kennedy came in first place with 22 percent of people who said they would vote for him if the election was "today", which was well above any other Republican in the field (<http://theadvocate.com/news/politics/14896670-123/poll-gov-john-bel-edwards-has-uphill-battle-to-win-over-public-get-tax-support>). This result makes Kennedy a serious threat to the Democrats on a national scale if he manages to get elected.

Clearly the Democrats are looking to find places to build legitimacy for their policies while eroding the small government conservative strength within the Republican Party. Conservatives in Louisiana have been aggressive in combating Governor Edwards and the Democrats while defending their position.

On the national level, Conservatives need to be prepared to engage this issue. Issues like this will continue to resonate from the states as liberals seek to find situations they can exploit. Liberals will likely attack the validity of free-market conservatism while extolling the need for government intervention and the benefits of big government solutions.

Sources.

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