



October 20, 2005

Honorable Kathleen Blanco, Governor
STATE OF LOUISIANA
State Capitol
P.O. Box 94004
Baton Rouge, LA 70804

Re: Recovery Efforts Following Hurricanes Katrina and Rita

Dear Governor Blanco:

Louisiana has suffered a tremendous setback. Hurricanes Katrina and Rita have devastated much of the Louisiana economy and displaced hundreds of thousands of its people. Throughout this ordeal, the people of this state have looked to you for leadership, encouragement and comfort. Now, in the recovery phase, businesses and people of this State are asking the same question: Should I stay in Louisiana or should I take this opportunity to leave?

Collectively, it is our job to ensure that they stay. It is our responsibility to help create an environment where business can flourish, people can enjoy life and have an extraordinary opportunity to succeed.

With that responsibility in mind, we propose the following Statement of Principles followed by a Statement of Specifics. It is imperative that sweeping State action is taken to ensure the nation, particularly the Congress, and our own constituents, that Louisiana is doing its part to rebuild right.

As you contemplate a special session call, we urge you to open the call to as many ideas as possible. None of us has a monopoly on good ideas. A special session broadly called will give members and the public the opportunity to solve many of our pressing problems. We are working with Democrats, Republicans and Independents in a bipartisan spirit to successfully implement our specific ideas. After review of this document, we hope you will join us in the Recovery efforts.

STATEMENT OF PRINCIPLES

The private sector should lead the Recovery, not follow it. State budget, fiscal and regulatory policy regarding the Recovery should emphasize policies that encourage accelerated development and redevelopment of the Louisiana economy.

The State budget is in crisis and should be addressed immediately.

Louisiana workers and companies should be fully engaged in the recovery efforts directed by the State of Louisiana.

State and Local Government's role in the Recovery should be limited to its normal operations and capital improvement functions. Centralized planning and control will stifle innovation, redevelopment and market ingenuity.

Overhaul of the delivery of services to the people of Louisiana should be addressed to reflect the new reality of post Katrina-Rita life.

Accountability and transparency in all efforts of the Recovery are critical to improving Louisiana's national reputation and insuring confidence amongst our own people.

The State should quickly and publicly outline a list of financial priorities to the Federal government. Public safety, infrastructure, and governmental assistance should be the State's priority for direct aid. Private sector federal aid should be requested in the form of tax credits, loan guarantees and income tax benefits. The State must not wait on the Federal government to bail us out of this catastrophe.

The constitutional authority of the Legislature regarding expenditure of funds must be observed and preserved for the benefit of the people of Louisiana.

Given these precepts, we offer the following suggestions to you on how to

REBUILD LOUISIANA RIGHT

STATEMENT OF SPECIFICS

Special Session Call Parameters

We believe the special session call should have general session and fiscal session parameters. This call scope is necessary to reauthorize a post Katrina-Rita budget for the remainder of the 05-06 fiscal year and address tax policy issues to enhance the recovery. Furthermore, there are many administrative matters (both governmental and recovery specific) to be addressed, some of which are outlined below.

Budget

Prior to November 1st, a preliminary forecast from the Revenue Estimating Conference regarding the budgetary impact of Katrina-Rita is essential so that the Legislature can begin to address budget issues. Given a *minimum* \$1 billion projected shortfall, waiting until January to deal with the budget issues is imprudent. The State budget must be addressed immediately.

Tax/Fiscal Policy

Additionally, the State's fiscal condition must be addressed immediately. Again, the special session should be crafted to deal with business and personal tax incentives to encourage people to return and invest in the affected areas. Those incentives should include:

- An immediate suspension of sales taxes on manufacturing machinery and equipment;
- An immediate exclusion of borrowed capital from the corporate franchise tax;
- An immediate policy shift to shield unaffected businesses in the affected areas from extraordinary property tax burdens;
- Prevent the State tax code from penalizing individuals and businesses that receive federal tax incentives;
- Revisit personal income itemized deductions to eliminate unfair burdens;
- Repeal the business utility tax or cap the tax on natural gas;
- Freeze all priority five non-cash lines of credit to conserve the State's cash position;
- Install a moratorium on local government projects being funded through capital outlay for two years;
- Institute a new small business five year loss carry back over on State returns;
- Repeal the Hospital Tax.

Administration of the Recovery

While multiple study committees and authorities have been created, the reality is that all federal funding must be appropriated by the Legislature. All State tax policy and budgetary matters fall under the purvey of the Legislature. To avoid duplicity and red tape, the Legislature must take on a partnership role with the executive branch to oversee the receipt of federal funds and the expenditure of said funds.

Administration of Government

Many efficiencies are available in State government. Some include:

- Hire a demographer to help set one, two, five and ten year population estimates by parish to allow rebuilding and resource allocations to be sized properly;
- Pass comprehensive Minimum Foundation Program reform whereby funding follows the child;
- Eliminate the duplication of costs and the lack of regional coordination by creating one levee board per tidal basin;
- Reevaluate/improve the State's healthcare delivery system. Instead of jumping to the conclusion that two new charity hospitals need to be built, take time to review the alternatives to provide better care to the indigent and uninsured;
- Consolidate institutions of higher education and vocational/technical schools in the affected areas to better service the new student population;
- Adopt major Pension System reform to achieve massive savings to the State;
- Consolidate the fractured port system on the lower Mississippi River into one board to achieve substantial operating efficiencies and coordinate marketing and capital outlay efforts;
- Streamline regulatory processes for businesses recovering from the hurricanes;
- Allow amending RS:329 – State of Emergency Laws.

Local Issues – State Implications

- One of the primary reasons people are not returning to New Orleans is the Orleans Parish School System and its board. It is time the State takes control of this situation once and for all;
- Create a cash flow advance funding program for local governments;
- Create borrowing pools from State and local pension funds;
- Downsize Criminal and Civil District Courts in New Orleans for significant savings;
- Consolidate Civil and Criminal Clerks, the Conveyance Office, the Recorder of Mortgages and Office of Notarial Records in New Orleans into the Clerk of Court's office (like every other parish) for efficiency and savings.

Accountability and Transparency

Prudent public sector spending starts and ends with the public bidding process. If necessary, pass legislation to allow expedited bidding of contracts (like the I-10 twin span project) with departmental reporting to the proper legislative committees to assure accountability;

We agree with Treasurer Kennedy regarding the exclusion of public officials, their family members and state employees. We refer you to his website which outlines his ethics plan in detail at www.treasury.state.la.us (News Room).

Federal Requests

Many of these issues are included in bills already filed by our congressional delegation.

Infrastructure/Public Sector

- The number one priority for Federal funding is to immediately bring the levee system across the State up to category 3 protection and in many parts of the State to category 5 as quickly as possible;
- Push for revenue sharing of offshore mineral revenues dedicated to flood protection, including levee, pumping capacity, barrier island construction and other coastal erosion projects;
- Creation of a Presidential Monitor to coordinate federal funding of the rebuilding;
- Loan forgiveness for local government.

Business/Private Sector

- \$100,000 Small Business Tax Credit;
- Five-year loss carry back for business returns;
- 50% first year depreciation allowance for construction and reconstruction projects;
- Katrina Bond Issuance – relaxing bond issuance requirements to pre-1986 tax code rules;
- Elimination of capital gains for five years in the affected areas.

Individual Benefits

- Create a ten-year buy back program with the federal flood insurance program for individuals who did not have flood insurance. In essence, a homeowner would be allowed to pay ten years worth of flood premiums to receive maximum flood coverage;
- Push for a \$7,500 pre-K-12 student displacement voucher for all public and private school students;
- Support a \$5,000 child care and workforce training voucher per worker;
- Home ownership reconstruction tax credits;
- Renters' tax credits.

Governor, this is by no means a complete list of agenda items which should be addressed by the Legislature. However, it is a start. An open session will foster an atmosphere of creativity and problem solving where different members can bring ideas to the table and many issues can be resolved quickly. We encourage you to embrace our agenda. Let's work together to get our great State moving again and REBUILD LOUISIANA RIGHT.

Sincerely yours,

JIM TUCKER, CHAIRMAN
House Republican Delegation

TOM SCHEDLER, CHAIRMAN
Senate Republican Delegation

ON BEHALF OF MANY MEMBERS OF THE LOUISIANA REPUBLICAN
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Paid for by Louisiana Republican Legislative Delegation

