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Opinions

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Ed Ashworth

Guest columnist



Reversing Stelly hikes was mistake

Louisiana's wallet isn't up to the job of meeting the state's needs.

Don't just take my word for it. Louisiana Economic Development Secretary Stephen Moret says the Legislature's proposed reallocation of LED's business incentive fund will mean losing the Nucor steel plant and other economic development deals. Charity hospital head Fred Cerise says the proposed budget cuts would mean closing several charity hospitals. Former Higher Education Commissioner Sally Clausen says that, if federal stimulus funds now supporting our collegiate system are not replaced, the state could lose a third of its higher education infrastructure, which could mean closing up to eight colleges and universities.

That's just right now. Long term, the state is short \$12.6 billion for repairs to roads and bridges. Our public retirement system, with \$12 billion in unfunded promises, could begin running out of money in the next 10 years.

Gov. Bobby Jindal's response to all this? "No new taxes."

The reality? Louisiana needs a balanced approach to solving its fiscal crisis; that means finding new sources of revenue in addition to cutting costs.

In both 2007 and 2008, the state enacted the largest tax cuts in its history. These cuts undid the carefully balanced Stelly Plan that had successfully restructured Louisiana's tax system by decreasing its reliance on sales taxes and increasing reliance on income taxes. The Stelly Plan, as passed, brought in as much new revenue in income taxes in the first year as it gave away by eliminating state sales taxes on groceries, medicine and residential utilities.

The 2007 and 2008 Stelly rollbacks took away big chunks of the tax increases while leaving the tax cuts intact. Today, we're left with insufficient revenue to support our needs, just in time for the oil spill.

Let's fix this problem and regain fiscal balance by repealing the Stelly rollbacks or finding other means to replace our lost revenue. Spending cuts alone won't get the job done.

Edward Ashworth is director of the Louisiana Budget Project.