

THURSDAY, AUGUST 19, 2010

Lake Charles, Louisiana

# American Press



## Kennedy budget critique

Treasurer says leaders failed to deal with fiscal problems, offers his strategy for crisis

BY MIKE JONES  
AMERICAN PRESS

State Treasurer John Kennedy said state lawmakers failed to address fiscal problems at their recently ended session when they passed a \$26.9 billion budget chock full of one-time money spent on recurring expenses.

He outlined a fiscal strategy for tackling the looming 2011 budget crisis before the Greater Lake Charles Rotary Club on Wednesday.

Kennedy said \$1.5 billion in federal stimulus money, \$198 million from the Rainy Day Fund, \$242 million

from tax amnesty proceeds and millions from the State Emergency Response Fund were used to balance the budget.

He noted that the state budget has grown 42 percent in the past five years. “The Legislature knew we won’t have \$27 billion next year. The most dangerous thing they did was balance the budget with one-time money,” he said.

In addition, Kennedy said that next year the state will have major bills it will have to pay back to the federal government for the New Orleans levee system and for past over-spending on Medicaid.

On top of that, Louisiana is dealing with a major oil spill in the Gulf and is in the middle of hurricane season, he said.

Kennedy said the state’s political leaders are still looking for the next earmark, pork barrel project or the next batch of federal money.

“Your leadership in Baton Rouge has emphasized short term pleasure instead of long term prosperity,” he said.

The state treasurer outlined his recommendations for getting Louisiana’s fiscal house in order.

*(CONTINUED...)*

---

# KENNEDY: Higher taxes a mistake

“If this state is ever going to be as good as it could be, then we have to create jobs,” he said. “How? We need to become a lower-tax, lower cost-of-government state.”

Kennedy said Louisiana ranks No. 5 in the nation for business taxes, and businesses know it. He said the Legislature will have two choices for addressing the expected \$2.8 billion budget deficit next year — raise taxes or cut government. “My recommendation is don’t raise taxes,” he said.

If the Legislature chooses to raise taxes, he said it will throw the state into a recession.

Kennedy noted that states like California address their budgetary problems by raising taxes, and the problems only get worse, not better.

He said Louisiana leaders must face the fact that labor costs in government are too high. The state ranks first in the South for the number of government employees in relation to its population size.

Kennedy recommended that the state can correct that imbalance by not filling one-third of vacancies in state government each year for the next three years.

“It will require agencies to reorganize,” he said. “The average boss in Louisiana (state government) supervises four employees. No business can stay in business with that (ratio).” He said he has met a lot of resistance to the proposal because politicians love patronage.

His second recommendation is an across-the-board cut of 25 percent of the state’s 16,000 consultant contracts that cost the taxpayers about \$7.5 billion a year. He said such a cut could potentially generate \$1.75 billion in savings. Kennedy cited a number of those contracts that are of questionable value.

He said the contracts come through departments, and there is no independent oversight to judge their worth to the state. Kennedy said he recommended that any consulting contract in excess \$50,000 should have to get the approval of the Legislature’s Joint Committee on the Budget. However, the recommendation has yet to be accepted.

The treasurer said that in tough economic times state government needs to get its priorities straight.

---

**‘Your leadership**  
*in Baton Rouge has*  
*emphasised short-term*  
*pleasure instead of long-*  
*term prosperity.’*

**John Kennedy**  
State Treasurer

---