

House GOP cool toward Edwards' fiscal plan

But representatives loath to offer own blueprint

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Conservatives in the state House staged a coup of sorts in January 2016: Dispensing with tradition, they outmaneuvered the governor and installed one of their own as speaker, and then pledged to offer their own solutions for the state's deep-seated fiscal problems.

Last year, House leaders agreed with the governor's plan to raise the state sales tax by a penny, but they insisted that it expire next year to try to force the Legislature to restructure the tax system this year.

They also pushed to create a blue-ribbon panel to propose ways to reform Louisiana's tax system this year.

But only a week before the Legislature reconvenes, House Republicans have not offered a broad plan for tax reform, and they are showing little interest in the task force's recommendations - most of which Gov. John Bel Edwards has embraced.

"The only thing you hear from them is 'no,' without a plan," Edwards said in a Friday interview with The Advocate. "I'm disappointed but not surprised. What I'm asking them to do is hard. It's unpleasant. But it's necessary. They have the prerogative to vote no. But if they do that without their own plan, they are not serious."

Edwards released a comprehensive tax proposal Wednesday, in which he is asking legislators to reduce tax rates in exchange for curbing popular tax breaks. He also wants to create a tax on corporate sales known as the commercial activity tax - as well as to phase out the corporate franchise tax and broaden the sales tax to cover an array of transactions.

The governor's plan would raise at least enough revenue to offset the

\$1.3 billion in temporary taxes - including the penny sales tax increase - that will expire in 2018. The looming shortfall is known in the Capitol as a "fiscal cliff."

Edwards' plan "is a very good start in asking the Legislature to think about a long-term budget plan that has stability, that is not anti-competitive and that has some sense of fairness for all taxpayers," said Jim Richardson, an LSU economics professor who co-chaired the blueribbon panel. "Is it perfect? No one will say it's perfect."

Indeed, the governor's plan is facing strong resistance from lobbyists who represent business interests, who say it would imperil jobs and investment.

The 60-day regular legislative session, which begins April 10, will focus on ending the state's chronic budget deficits and devising a solution to the fiscal cliff.

House Republican leaders defend not having issued their own tax plan. "I'm not sure economically we're there or politically we're there,"

House Speaker Taylor Barras, R-New Iberia, said in an interview Friday. In a follow-up interview Saturday, he stressed that a number of Republicans will offer tax bills that, taken together, will constitute an overall plan, in his view.

"A plan can be a mixture of five bills or eight or 10 bills on spending and tax reform," Barras said. "There are multiple options for us to consider. Leadership will support some of those plans and some of those bills."

Barras and state Rep. Lance Harris, of Alexandria, who leads the House Republican caucus, said their priority is finding ways to cut government spending and make sure next year's budget spends no more than the current budget. Edwards would like to spend \$440 million more to fully fund the Taylor Opportunity Program for Students; to fix roads and bridges; to provide better health care for the poor and disabled; and to give a pay raise to state workers.

House Republicans hold a unique position because they elected Barras as their speaker over the governor's objections. It was the first time such a maneuver has happened in memory.

"We made history today because now we have an independent Legislature," Harris crowed at the time.

Since then, House Republicans have shown their independence mostly by saying no to the governor, only rarely pushing their own initiatives. Republicans also hold a majority in the Senate, but under Senate President John Alario, R-Westwego, the leadership in the upper chamber works closely with the Democratic governor.

Throughout 2016, House Republicans agreed with Edwards to make hundreds of millions of dollars in spending cuts as part of his plan to plug a \$2 billion budget hole inherited from Gov. Bobby Jindal and the preceding Legislature. But they rejected a number of his tax measures, forcing cuts in TOPS and other programs.

They eventually agreed to the temporary penny increase in the sales tax but insisted that it end in mid-2018, not in 2021 as the Senate favored.

House Republicans welcomed the fiscal cliff that would loom when a 27-month increase in the sales tax, along with other temporary tax measures, expired. The prospect, they said, would compel legislators to rewrite the tax system this year.

To further that goal, the Legislature passed a measure sponsored by Rep. John Schroder, R-Covington, to create the 13-member task force to produce a set of recommendations. The panel issued its report in January.

Asked why he isn't using the recommendations to issue his own tax plan, Schroder said his interest always has been to reduce spending.

"We have to live within our means," he said on Wednesday, adding: "The Legislature needs to have a plan" on taxes.

Harris, who heads the House Republican caucus, seems to be driving

the group's fiscal policy shop.

In 2016, he said more than once that he favored restructuring the tax code. "We desperately need tax reform. Do you agree?" he asked in a June Facebook post, above an article on taxes.

A second-term lawmaker who owns convenience stores, farmland and commercial property, Harris, after last year's session ended, created two informal study groups of House Republicans - one on taxes, the other on the budget.

"We've been doing a lot of things to educate ourselves on these issues to have a good solid plan that all of our delegation can support and also the other side," Harris said in a January interview.

In an interview Friday, Harris said he and House leaders are now focused only on spending.

It's unclear whether a comprehensive tax proposal is forthcoming. "We do have a plan to deal with the fiscal issues of the state," Harris said. "It starts with spending. We are working through this process. You'll see some (bills) develop through April 18," the last day legislators can file bills.

Asked why the leadership's fiscal plan is not visible, he replied: "I never said we'd release it to the public."

Harris organized a retreat of House Republicans in Alexandria on March 16. Four in attendance said it was clear he did not want them to offer a tax plan, a decision that left them surprised.

"This is the time to do it," one of them said, speaking on condition of anonymity.

State Rep. Jim Morris, R-Oil City, who chaired the informal committee created by Harris on taxes, agrees with that view.

"We should come up with something," Morris said in an interview last month. "It's just so complicated. It's not easy."

State Rep. Barry Ivey, a second-term member from Central, is perhaps the one Republican planning to offer a comprehensive proposal.

Ivey's plan - based on what he called "tons of research and hashing out different options" - would revamp the state sales and corporate and individual income tax codes. "My effort has been to create a plan I can support," Ivey said. "Last year, I was criticized as being a member of the 'gang of no.'" State Rep. Julie Stokes, R-Kenner, who has chaired a commission studying ways to simplify the cumbersome sales tax system - rated as the worst in the country by the Washington, D.C.-based Tax Foundation - is proposing legislation to end the current patchwork system, in which local and state governments exempt different activities from sales tax.

Edwards noted Friday that the Legislature cannot raise revenue to fix the fiscal cliff during next year's regular session if they don't solve the problem over the next two months.

"We'll have more special sessions," he said, beyond the three he already has called in his first 15 months in office. "There won't be any new alternatives later that aren't available to us now."