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Opinion: Rainy Day Fund bill proposes a dangerous change

Louisiana government has done many fiscally foolish things over the years, but establishment of the Rainy Day Fund and giving it constitutional protection was a sensible and responsible move. The Legislature, however, can't seem to live within the bounds of good sense and responsibility. Lawmakers have devised a way to tap into the fund, and to do it without a constitutional change requiring voter approval.

The fund was created as a safeguard against fiscal catastrophe, which always seems to be nipping at the heels of state government. Also, it provides a way to prevent Louisiana from developing an unhealthy dependency on oil and gas revenues.

Currently, mineral revenue exceeding \$850 million a year must go into the fund until it reaches about \$744 million. Then lawmakers can begin diverting mineral revenues elsewhere. Senate Bill 288 would lower the cap to about \$425 million. That would give legislators about \$200 million to play with in the next fiscal year, according to the Public Affairs Research Council.

Both PAR and the Council for a Better Louisiana oppose the bill. CABL, which has studied similar funds in 50 states, says it would "change the laws governing deposits into the fund from one of the better laws in the country to one of the worst." PAR says the fund is barely adequate now.

"Because only one-third of the fund can be used in a given year, the lower cap would make only about \$140 million available in the first year of a fiscal crisis," PAR says, "and less than \$100 million in the second year." That would be grossly insufficient in the event of a major fiscal catastrophe.

The Legislature has no plausible explanation for why it would put the state at risk by lowering the cap on the Rainy Day Fund. There is no justification for the money grab when the state has just been handed a windfall from rising oil and gas prices which, according to the New Orleans Times-Picayune, totals \$715 million dollars.

Besides the potential for being caught short in a budget crisis, the state would again be moving toward dependence on revenue from the oil and gas industry if the bill becomes law. Here in Lafayette, we know too well the dangers of such dependence. Petroleum prices are high now, but they can drop suddenly and drastically.

Instead of grabbing for more revenue, the Legislature should be earnestly seeking ways to reduce state spending. The state budget was \$12 billion in 1996. It is now pushing \$19 billion. It has increased at approximately twice the level of consumer inflation. If government spending continues to accelerate, Louisiana will eventually find itself in a major fiscal calamity - not just a rainy day, but a financial hurricane.

Will we have a safety net strong enough to get us through the storm?

Not if the cap is lowered and the legislature grabs a big share of what we should be putting aside.

Louisiana has a safety net that is better than that of most other states. The move to weaken it is dangerously irresponsible. If SB 228 makes it through the legislative process, we urge Gov. Blanco to exercise her veto power.
