



Preserve fund for rainy days

You have to go back about 20 years in state government to fully comprehend the folly of the proposal by Senate President Don Hines to change the rules on the state's rainy-day fund.

Louisiana lost an estimated \$1 billion in oil revenue almost overnight when oil prices collapsed from more than \$30 a barrel to almost \$10 a barrel. That triggered a shock wave of traumatic cuts to state universities and big tax increases to restructure the state budget in a crisis atmosphere.

Today, government is too complacent about the implications of spending oil and gas revenue when prices are high. And Hines, D-Bunkie, proposes to raise the amount of mineral revenue going into the state's general fund.

Above an \$850 million level cap, the constitution requires that excess oil and gas revenue go into a rainy day fund.

The fund must reach a cap of 4 percent of all state revenue before any mineral revenue above \$850 million goes into the general fund.

Hines' SB228 would define state revenue as only the state general fund -- a much smaller number than overall state spending -- and thus make more oil and gas revenue immediately available for the general fund.

The result, according to the Public Affairs Research Council, is that about \$75 million in surplus would be created this year.

Based on current estimates, it would appear that mineral revenue for next year, fiscal year 2005-06, would exceed the lower cap by about \$200 million, which would be available to spend in the operating budget.

PAR President Jim Brandt labeled the proposal fiscally irresponsible.

"The rainy-day fund was created to provide some protection against fiscal calamity and to protect the state against developing a dependency on unstable mineral revenues," he said. "The proposed cap would be too low to make the fund useful in a serious economic downturn."

The rainy-day fund should be a serious safety net, and the Hines bill would erode that cushion in the event of a serious downturn in the economy, Brandt said.

"While oil and gas prices are currently quite high, it would be dangerous to again become dependent on an erratic revenue, particularly considering the

state's declining production," Brandt said.

His concerns were echoed by the Council for Better Louisiana. CABL President Barry Erwin said that Louisiana's provisions for the rainy-day fund would go from one of the best among the states to one of the worst.

Hines is a serious legislator, but he's ignoring the crises of the past. The rainy-day bill is not moving in the legislative process while Blanco administration officials consult about whether the change would hurt the state's bond rating. But whatever that call, the long-term implications of becoming more dependent on oil and gas revenue should not be ignored.

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