



Rebuild state reserves

Lowell Sun editorial

Wednesday, May 5, 2004

Business, civic and political leaders agree the state's Rainy Day Fund, which peaked at \$2.4 billion in 2002, helped cushion Massachusetts' budget woes during the economic recession.

The fund helped save vital social and health programs, and softened the blow on local aid cutbacks to cities and towns.

While states like California and New York were forced to borrow huge sums of money to balance budgets, Massachusetts kept its debt burden level by drawing down on \$1.9 billion in reserves.

The strategic use of the reserves represented a great triumph in fiscal discipline, orchestrated by House Speaker Tom Finneran, Senate President Robert Travaglini and Gov. Mitt Romney.

If it weren't for Finneran, however, the fund wouldn't have existed. He launched it in 1993 and persuaded lawmakers to make yearly contributions until the economy soured in 2002.

Today, there is \$500 million remaining in the Rainy Day Fund. It is time to consider rebuilding it for the next cyclical economic recession, or any other financial crisis.

Once again, Finneran is championing the cause. He has proposed a constitutional amendment that would create a permanent Rainy Day Fund for the Commonwealth. Under his plan, 1 percent of the state's total budget would be deposited annually into the fund, along with any surpluses.

Deposits would be made only during years of revenue growth. They will be suspended during flat or negative fiscal years.

There are two legislative provisions to safeguard raids on the fund: no more than 50 percent of its total can be spent in any given fiscal year, and it would require a two-thirds approval by the Legislature for enactment.

Finneran's proposal makes a lot of sense. It guarantees that the state, by practicing fiscal discipline, will have a safe and stable savings account on hand to deal with future economic hardships.

The Rainy Day Fund proved its value to Massachusetts citizens during the recession and it would be wise to make it a regular part of government operations.

Lawmakers are urged to support Finneran's amendment at the Constitutional Convention on May 12.

