HOUSE APPROVES USE OF "RAINY DAY FUND"

Members of the Louisiana House of Representatives have given the go ahead to use money from the Budget Stabilization or "Rainy Day" Fund to help cover the state's budget shortfall.

The House voted 99-3 to use the money. Three members did not vote.

The Senate voted 36-2 with 1 abstention in favor.

A two-thirds vote of each House was needed in order to tap the fund.

House Speaker Charlie DeWitt said he was pleased with the decision by House members.

"Under the circumstances, I believe the House has chosen the best possible way to proceed to cover the shortfall. The budget has already been slashed and more cuts would be devastating, especially to higher education and health care. Federal matching funds would also be jeopardized. In the case of Hurricane Lili the state could lose $150 million dollars from the federal government if we don't put up the $50 million match."

Under state law, higher education and health care are not protected from cuts as are some other budget items. Therefore, they usually bear the brunt of budget cuts.

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DeWitt also said the "Rainy Day" fund was created for "a situation just like this, an emergency. And I might add that we aren't alone in these rough economic times. Forty-three states report budget gaps. As a matter of fact we are better off than most. Many states are cutting spending, raising fees, and using tobacco settlement funds to close budget gaps. Sixteen states have even raised taxes and 19 have tapped rainy day funds similar to ours. New Jersey had to use $720 million of its rainy day fund to cover its budget problem."

He explained that unforeseen circumstances caused the biggest part of the budget problem that the state now faces. He blamed the damage from Tropical Storm Isidore and Hurricane Lili, the West Nile Virus epidemic, and the cost of housing and providing medical care for state inmates as the major causes of the shortfall. He also said that the tropical storm and hurricane certainly qualify as emergencies, as does the West Nile epidemic.

Earlier this month Governor Foster asked state legislators to approve the withdrawal of $86 million from the fund. Foster's staff said $75 million has already been cut from the budget and without the use of the "rainy day" money additional cuts will have to be made.

The Budget Stabilization Act or "Rainy Day" Fund was passed by the legislature in 1997 and approved by voters in 1998. It was established as an emergency fund to be used to stabilize the budget and avert reducing services or raising taxes when there are temporary revenue shortfalls.

Before money from the "Rainy Day" fund can be used, two-thirds of the members of each house of the legislature must approve. Ballots were mailed to legislators on Friday, November 8 asking for permission to use money from the fund. Under the law,
legislators may vote in person or by returning the ballots by mail or facsimile "fax" transmission. They had until 5:00 p.m. November 23 to vote. The Clerk of the House opened and counted the ballots today, also according to law.

According to the Constitution, only one-third of the fund may be used in a year to cover a shortfall not to exceed the projected deficit amount. Currently the fund's balance is $263.1 million.

The Public Affairs Research Council and New York bond rating agencies recommended establishment of the fund. The bond agencies said the fund would provide the state with fiscal stability and would therefore help improve Louisiana’s bond rating.

Two-thirds of the state's senators must also approve use of fund money before it can be utilized.

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