



Speaker has Massachusetts on road to high debt

By Stephen J. Adams

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It's not enough that our roads and highways are dotted with potholes after that tough winter. Now Speaker Thomas Finneran wants to pepper the state budget with potholes, too. But instead of hot tar, these potholes will be filled with your tax dollars.

Here's how the speaker's scheme to "restructure" the state's debt to "free up" more money works. It's as if you've convinced the bank to let you put off the principal payments on your mortgage for a few years and then spent those "savings" on daily expenses and risky investments. Of course, you'll have to double up on your principal payments later. And why is it a bad idea for the state to do this? Let me count the ways.

The speaker says he is taking advantage of the low interest rate environment to "creatively reauthorize some of the Commonwealth's debt in order to make strategic investments..." What passes for "creative" is to simply put off principal payments on state bonds until some future date. In other words, he 's spending the borrowed money twice so we can keep spending on state operations today. This is also called deficit financing. And it has nothing to do with lower interest rates but rather is about pushing today's expenses into tomorrow.

Perhaps the speaker has forgotten about the structural deficit. If we must succumb to deficit financing, it should go to spending that produces permanent savings and more efficient government. This could include the up-front costs of some government restructuring like new technology, contract buy-outs, and the like. We should invest one-time money into technology needed to centralize and outsource personnel functions, electronic toll collections at the MBTA, or one-stop human service intake systems. These are one-time investments that can save millions every year.

Instead, Speaker Finneran wants to put \$100 million of this deficit financing into a state program called the Emerging Technology Fund. Among the fund's "strategic investments" include \$1 million to the Massachusetts Biomedical Initiatives, a Worcester non-profit headed up by two former state legislators.

The speaker wants to invest in biotechnology. But the state legislature shouldn't be in the business of making speculative investments in the private sector with taxpayer money. They simply don't have the expertise to pick industry winners, like biotech or any other industry. The consequence of the state's most recent entry into private industry investment--the convention business--is the \$800 million white elephant sprouting up in South Boston. Moreover, state economic development efforts should be aimed at improving the State's competitive position for all industries, not just a few trendy areas that are favorites of the legislature.

If the speaker is truly interested in making Massachusetts a place that encourages economic growth, he should focus his political power on breaking down the enormous barriers to growth created by state government. Housing costs, for instance, are perhaps the greatest risk to economic growth in Massachusetts. A recent Pioneer Institute study detailed the way that state regulations and local zoning processes have prevented the construction of new housing stock and contributed to skyrocketing housing prices. The crisis in our patronage-plagued courts is creating serious problems for businesses that need speedy redress of legal

claims. And threatened tax hikes risk moving the state higher on the list of costly business locations. Addressing these issues would make Massachusetts more competitive location for all businesses.

The speaker knows all these things. So one must assume he is playing games. He is pulling the old magician's trick of misdirection--distracting voters with a feign (free money for jobs) to conceal some slight of hand, like expanding the patronage haven that is the Boston Municipal Court, while ignoring the on-going crisis throughout the rest of the court system; or largely preserving union sacred cows like the Pacheco Law and generous health insurance benefits for state employees.

The Legislature's ability to find new ways to spend our money is apparently without limit.

While the rest of us are looking for ways to control state spending, the speaker offers new giveaways with tax dollars. Using debt financing to create pothole funds for favored interest or for state agencies to make up for budget cuts is exactly the wrong direction to go to solve Massachusetts' budget crisis.

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