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Commonwealth of Massachusetts

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House and Senate enact bill to use state's Rainy Day Fund interest to help leverage federal infrastructure dollars for Massachusetts

BOSTON – The House and Senate have approved legislation that will leverage the interest on the state's Stabilization Fund to help secure federal infrastructure funding assistance for Massachusetts.

State Representative Hannah Kane (R-Shrewsbury) said the bill will better position the state to compete for limited federal dollars to help pay for critical infrastructure projects across Massachusetts. The final bill, which represents a compromise between earlier versions of the legislation previously passed by the House and Senate, is now on the Governor's desk for her review.

The bill establishes a new Federal Matching and Debt Reduction Fund, which will be credited quarterly with the interest earned on money invested in the Commonwealth Stabilization Fund, which currently has a balance of \$8.831 billion. Also known as the Rainy Day Fund, the Stabilization Fund was created by the Legislature in 1987 to provide a reserve account that can be used during economic downturns to mitigate the impact of state budget cuts and protect essential state programs and services.

Representative Kane said the bill includes important safeguards defining the circumstances under which interest from the Stabilization Fund can be transferred to the Federal Matching and Debt Reduction Fund. The bill allows the state Comptroller to transfer the interest into the new Fund if the balance of the Stabilization Fund has not decreased in the previous year, and if the balance of the Stabilization Fund exceeds 10% of budgeted revenues for all budgeted funds for the preceding fiscal year. The Stabilization Fund's current balance represents approximately 15.7% of the budgeted revenues for Fiscal Year 2024.

According to Representative Kane, the bill authorizes the Executive Office for Administration & Finance (A&F) to expend up to \$750 million from the Federal Matching and Debt Reduction Fund through December 1, 2026. This money will be used to leverage federal grant opportunities under the Infrastructure Investment and Jobs Act, the Inflation Reduction Act, the CHIPS and Science Act, and other federal programs.

Under the bill, the Secretary of A&F can expend money from the Federal Matching and Debt Reduction Fund to repay, prepay, retire, and reduce the principal or interest of the Commonwealth's indebtedness; to reduce, repay or retire portions of the Commonwealth's long-term liabilities; and to transfer any amounts back to the Stabilization Fund. A&F must also provide 30 days' notice before expending any funds from the new Fund and must also disclose details on the purpose and amount of each expenditure.

Representative Kane said the bill also creates a Task Force to review and make recommendations on long-term funding for the Stabilization Fund, and to examine all capital gains disbursements, including deposits into the Stabilization Fund, State Retiree Benefits Fund, the Commonwealth's Pension Liability Fund and other long term financial liabilities. The conference report also requires A&F to provide reports on expenditures from the new Fund which will be filed twice a year by December 31 and June 30 until December of 2026.

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