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Tapping Rainy Day Fund to Balance the Current Biennium Budget *March 31, 2011*

AUSTIN, TX – With state lawmakers in the Texas House of Representatives poised to debate two key measures to overcome the revenue shortfall in the current biennium budget (2010-2011) without raising taxes, the Texas Conservative Coalition Research Institute (TCCRI) today released a briefing paper on the responsible, one-time use of the current balance in the Economic Stabilization Fund (ESF).

The paper, titled *Tapping the Rainy Day Fund & School Fund Balances: Balancing the 2010-11 Budget without Raising Taxes*, makes the following key point:

While it is demonstrably appropriate to spend some amount of the ESF to help balance the current biennium (2010-11) budget, legislators should only appropriate \$3.2 billion from the fund.

On March 7, Texas Comptroller of Public Accounts Susan Combs urged lawmakers "to do what is appropriate and close the deficit for the current biennium... It is vital that they address the state's projected shortfall for the current biennium." House Bill 4 and House Bill 275 will responsibly balance the current budget, ending August 31, 2011, *without raising taxes*.

Through reforms and reductions, House Bill 4 will achieve more than \$1.2 billion in general revenue savings for fiscal year 2011. House Bill 275 will appropriate \$3.1 billion dollars from the Economic Stabilization Fund to address the \$4.3 billion shortfall in the current 2010-2011 budget.

State Representative Warren Chisum (R-Pampa), who is President of TCCRI and a senior member of the House Appropriations Committee, stated: "I thank Chairman Pitts for his leadership and hard work on HB 4 and HB 275." Rep. Chisum added: "In keeping with the purpose of the ESF, we find it appropriate to make a limited, one-time withdrawal from the state's savings account, especially since the withdrawal is paired with spending reductions. I look forward to passing House Bill 275 this week so we can balance our current budget and move on to focusing on balancing the next state budget without raising taxes, and without exhausting the ESF."

State Representative John Otto (R-Dayton), a TCCRI Board Member and a member of the House Appropriations Committee, stated: "Overcoming the shortfall in our current budget requires difficult decisions. The reductions accomplished by HB 4, accompanied by a one-time draw-down from the ESF achieved by HB 275, represents a responsible approach to overcoming the shortfall in the current budget."

State Representative Geanie Morrison (R-Victoria), a TCCRI Board Member and a member of the House Appropriations Committee, stated: "Maintaining a sizable balance in the ESF is critical. The state faces billions of dollars in new Medicaid costs because of ObamaCare in 2012-2013, and our bond rating is based in part on our ESF balance. Fiscal responsibility demands that we be forward-looking, which means making a limited, one-time withdrawal from the ESF. Furthermore, it is critical that we retain a sizeable balance to deal with the massive new costs imposed on Texas as a consequence of Obamacare."

The TCCRI briefing paper on the Economic Stabilization Fund, which was released today , reads, in part:

It is critical to appropriate the smallest possible amount from the ESF because the Fund plays a critical role underpinning the long-term fiscal health of the state. The \$3.2 billion in current biennium appropriations from the Fund recommended by CSHB 275 is appropriate, given that this represents \$1.1 billion less than HB 275 originally recommended.

Rep. Chisum concluded: "Our goal is to make sure the state lives within its means by focusing on our priorities, and HB 275 is crucial to our ultimate goal of balancing the budget without raising taxes."

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*In 2009, TCCRI convened a State Budget Task Force to research how to balance the state budget without raising taxes. The final report of the Task Force, *Blueprint for a Balanced Budget*, is available online at: <http://www.txccri.org/TCCRIStateBudgetTaskForceReport.pdf>*

The TCCRI briefing paper will soon be available online at www.txccri.org.