



AMERICANS FOR PROSPERITY



March 31, 2009

Members of the 81st Texas Legislature
Texas State Capitol
Austin, TX 78701

Dear Senators and Representatives,

We write today to strongly urge you to cover the expenses outlined in House Bill 6 through means other than withdrawing revenue from the Economic Stabilization Fund (ESF).

Article III, Section 49-g of the Texas Constitution holds that, "The Comptroller may transfer money from the economic stabilization fund to general revenue **to prevent or eliminate a temporary cash deficiency in general revenue.**" [Emphasis added]

The Texas Constitution and the ballot language approved by voters illustrate the clear intent for the Economic Stabilization Fund to serve as a mechanism to remedy state budget deficits in existing programs, not to fund one-time spending items when other funds are available.

Currently, the Texas Legislature is debating whether to accept certain portions of the federal stimulus funds offered under the American Recovery and Reinvestment Act of 2009. We believe the federal stimulus package was bad policy and the wrong direction for America because these funds create a considerable risk of growing state government and thus setting Texas up for a severe budget crisis in the future.

The Texas Legislature's goal should be to write an effective budget that does not grow government or draw down the ESF. Since the House Appropriations Committee is already writing federal stimulus funds into the budget, Texas can no longer credibly claim it has a "temporary cash deficiency," thus removing any justification for tapping the ESF.

The balance in the Economic Stabilization Fund should continue to accumulate and be held in reserve to address future potential shortfalls as a consequence of the current economic downturn. Comptroller Susan Combs has warned that the impact of the financial crisis will be felt not in the 2010-11 state budget, but two years from now as the 82nd Texas Legislature writes the 2012-13 budget. Retaining the entire balance in the Economic Stabilization Fund is important so that the state does not have to cut essential programs or raise taxes in response to an anticipated budget shortfall in 2011.

We do not wish House Bill 6 and hurricane recovery to fail. We simply urge you to save the Economic Stabilization Fund for the *next* budget cycle, and to repair hurricane-damaged state facilities through other means.

We thank you for your consideration and for your service to the State of Texas.

Sincerely,

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Texas Public Policy Foundation

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Texans for Fiscal Responsibility

John Colyandro
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