

THE TEXAS TRIBUNE

RAINY DAY POLITICS

BACKGROUND

1986 Texas suffers from a major economic slump

1988 Voters pass the amendment

1987 Legislature asks voters to amend the Constitution to establish a savings account called the Economic Stabilization Fund.

1989 Economic Stabilization Fund, aka Rainy Day Fund, is officially established.

INTENT

"The constitutional amendment establishing an economic stabilization fund in the state treasury to be used to offset unforeseen shortfalls in revenue."
(Language of the amendment on the ballot, 1988)

RECENTLY

APR 2010 Lawmakers learn the '12-'13 budget shortfall may be as much as \$18 billion. Throughout the year, Gov. Perry and legislative leaders order agencies to cut their budgets.

JAN 10 2011 Comptroller Susan Combs estimates the 2011-fiscal year is short \$4.3 billion. The 2012-2013 budget could be short as much as \$27 billion.

NOV 2010 GOP sweeps the elections to take 101 seats in the Texas House. Many candidates pledge to cut government spending and not use the Rainy Day Fund.

JAN 11 2011 82nd Texas Legislature begins.

FEB 7 2011 **PROTECT**
"Emptying the savings account to pay for recurring expenses is a bad idea, whether it happens at home, the workplace or in our state budget. That approach would not only postpone tough, necessary decisions, but also leave us ill-equipped to handle bigger emergencies in the future. Therefore, we must protect the Rainy Day Fund."
 — Gov. Rick Perry during his "State of the State" Address

FEB 28 2011 **WITHDRAW**
"If it's not raining right now, I don't know what weather map they're looking at. ... (Using the Rainy Day Fund will) "mitigate the cuts to our children's education, the zeroing out of pre-kindergarten, the zeroing out of college scholarships for all freshman starting in 2012 and 2013."
 — Rep. Mike Villarreal, D- San Antonio

MAR 10 2011 March 10, 2011: House Appropriations Committee considers HB4 and HB275, which would cut spending and release \$3.1 billion in Rainy Day Funds to cover the 2011 deficit. The governor's staff appears before the committee to report he has not "drawn a line in the sand" when it comes to resorting to the RDF, but GOP members say the governor has told them to find more cuts. Chairman Jim Pitts says, "We're trying to get a solution... When the governor is out there telling members something completely opposite, it doesn't help to pass a bill."

MAR 11 2011 **PROTECT**
"It's sickening to watch bureaucrats bully parents and teachers into believing that raiding the Rainy Day Fund and hiking spending is the only way to protect the classroom. It just isn't so. Lots of teachers, and classrooms, can be protected with better spending decisions at the local level."
 — Michael Quinn Sullivan, Empower Texans

MAR 10 2011 **PROTECT**
"I want to remind people that (RDF) is our insurance policy against a major catastrophic event in Texas. If we had a hurricane of level 4 or level 5 go into Houston, Texas, it would be an incredible impact on this state, and for us not to have a substantial amount in our Rainy Day Fund for that type of an event, I will suggest to you, would be irresponsible. You look at what's happening in Japan today and the catastrophic event that has occurred, and that country is certainly economically being tested, and I want Texas to have every resource that we can available in case we get into a major, natural disaster."
 — Perry, during a statewide teleforum with Empower Texans

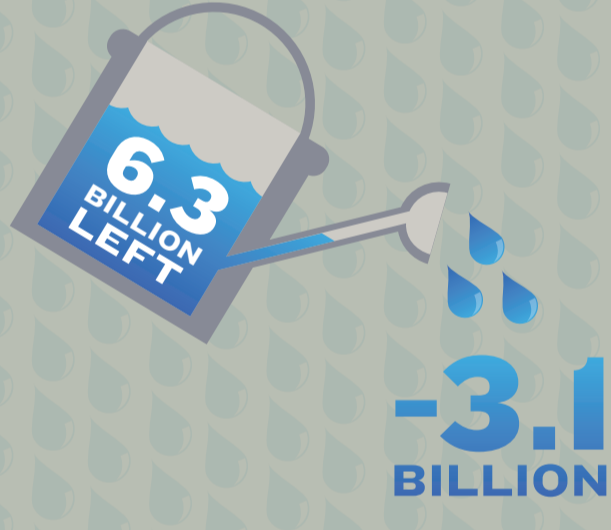
MAR 14 2011 House Appropriations Committee meets again to attempt to vote on the bills. Perry's staff does not show up to testify, after repeated requests from the committee. Pitts says he will not hold a vote until the governor publicly supports tapping the RDF, therefore giving committee members political cover.

MAR 15 2011 After several delays and a public blessing from Gov. Perry, the House Appropriations Committee votes to reduce spending and withdraw up to \$3.2 billion from the Rainy Day Fund to close the current year's \$4.3 billion deficit. Gov. Perry offers his support for the one-time action, but draws a line in the sand by saying he will not sign any additional withdrawals from the RDF to cover the 2012-13 shortfall.

MAR 16 2011 **PROTECT**
"Those who seek to empty the fund because it is raining today have not checked the long-range weather forecast. Our recent report, Final Notice: Medicaid Crisis, projected that Texas' Medicaid program would require between \$10 billion and \$15.6 billion in additional state funds in the 2014-2015 budget cycle, the low estimate representing the cost if ObamaCare is repealed. Thus we can reasonably predict that economic pressures on the Texas state budget will be even more severe in the next legislative session."
 — Talmadge Heflin, Texas Public Policy Foundation

MAR 16 2011 **WITHDRAW**
"Governor Perry has things backwards. Texans aren't supposed to protect the Rainy Day Fund. The Rainy Day Fund is supposed to protect Texans... The Legislature and Governor should use the Rainy Day Fund to bridge the revenue hole created by the Great Recession."
 — Scott McCown, Center for Public Policy Priorities

HOUSE NOW MUST DECIDE WHETHER TO WITHDRAW FROM RDF



NEXT OPTIONS

2012-2013 BUDGET: \$18-27 BILLION SHORTFALL

RAINY DAY FUND SCENARIOS



- 1 LEAVE \$6.3 BILLION
- 2 SPEND SOME
- 3 DRAIN IT



RAINY DAY FUND HISTORY

