

BILL ANALYSIS

C.S.H.B. 3207
By: Heflin
Appropriations
Committee Report (Substituted)

BACKGROUND AND PURPOSE

In 1988, Texas voters approved a constitutional amendment that required periodic transfers into a new Economic Stabilization Fund, or “Rainy Day Fund.” This cash management tool serves two purposes: 1) it cushions against unexpected revenue shortages, and 2) it builds up cash reserves to build and maintain strong bond ratings, which drive down the cost of borrowing. Deposits into the fund consist of transfers of half of any General Revenue Fund surplus in each biennium and 75 percent of any oil and natural gas production taxes exceeding 1987 levels.

Sound fiscal management requires state government to accumulate and maintain cash reserves to protect against economic downturns or other strains on the state’s finances. Committee Substitute House Bill 3207, which calls for repayment in fiscal year 2006 of any spending financed from the Economic Stabilization Fund in fiscal year 2003, would allow the state to ride out economic fluctuations and improve its cash management and credit rating. Its companion legislation, Committee Substitute House Joint Resolution 2, would require future appropriations from the fund during a certain biennium to be repaid in the succeeding biennium.

RULEMAKING AUTHORITY

It is the committee’s opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

Committee Substitute House Bill 3207 requires the comptroller to transfer from General Revenue to the Economic Stabilization Fund, during fiscal year 2006, an amount equal to the total amount appropriated from the Economic Stabilization Fund for any purpose for all or part of the state fiscal year 2003.

EFFECTIVE DATE

September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

Committee Substitute House Bill 3207 modifies the original by changing the time period during which the repayment to the Economic Stabilization Fund must be made from fiscal year 2004 to fiscal year 2006.