

BILL ANALYSIS

C.S.H.J.R. 2
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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.

Despite economic growth and occasional deposits, the Rainy Day Fund’s cash balances remained low during the late 1990s, since the Legislature chose to spend down the fund balances as soon as they became available. Only after two large transfers of natural gas tax collections in Fiscal Years 2002 and 2003 has the balance begun to approach \$1 billion.

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 Joint Resolution 2 would require amounts borrowed from the Rainy Day Fund in a biennium to be repaid to the Rainy Day Fund in the next biennium.

RULEMAKING AUTHORITY

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

ANALYSIS

Committee Substitute House Joint Resolution 2 amends the Texas Constitution to require that the comptroller reduce the amount of the estimate of anticipated revenues for a succeeding biennium by the amount of a transfer made pursuant to the sections added by this Act.

Committee Substitute House Joint Resolution 2 also amends the Texas Constitution to require that amounts paid from the Economic Stabilization Fund for all or part of a biennium are to be repaid during the succeeding biennium. To accomplish this repayment, the comptroller is required to transfer from the General Revenue Fund to the Economic Stabilization Fund an amount equal to the amount appropriated from the fund, in equal amounts in each year of the succeeding biennium. Unequal transfers within the biennium are permissible if the comptroller determines that the financial condition of the state necessitates it. The comptroller is required to reduce the amount repaid to ensure that the amount in the Economic Stabilization Fund does not exceed the limit prescribed by the constitution.

Committee Substitute House Joint Resolution 2 also amends the Texas Constitution to provide that the changes proposed by the resolution apply to appropriations made from the Economic Stabilization Fund by the 78th Legislature regardless of whether the appropriations from the fund are made before or after the amendment is approved by the voters and these appropriations must be repaid during the state fiscal biennium beginning September 1, 2005, including appropriations made from the fund for Fiscal Year 2003. This is a temporary provision that expires September 2, 2007.

FOR ELECTION

This proposed constitutional amendment shall be submitted to the voters at an election to be held November 4, 2003. If the voters approve the amendment, Committee Substitute House Joint Resolution 2 takes effect as part of the constitution on the date of the official canvass of returns showing adoption.

The ballot proposition will contain the following language: "The constitutional amendment requiring that money appropriated from the state's rainy day fund be repaid to the rainy day fund during the next state fiscal biennium."

COMPARISON OF ORIGINAL TO SUBSTITUTE

Committee Substitute House Joint Resolution 2 modifies the original by deleting Subsection (s), which provides that an amount of revenue anticipated to be received during a biennium equal to an amount required to be paid into the Economic Stabilization Fund is not available for appropriation and that this amount should be subtracted from the comptroller's biennial revenue estimate. The substitute also proposes an additional amendment to the constitution, which would include the proposed Subsection (q) in the provision requiring the comptroller to subtract the amounts of listed transfers from the comptroller's biennial revenue estimate.

Committee Substitute House Joint Resolution 2 modifies the original by amending language to provide that the changes proposed by the resolution apply to appropriations made from the Economic Stabilization Fund by the 78th Legislature regardless of whether the appropriations from the fund are made before or after the amendment is approved by the voters. The substitute also adds new language to provide that appropriations made from the fund by the 78th Legislature must be repaid during the state fiscal biennium beginning September 1, 2005, including appropriations made from the fund for Fiscal Year 2003.