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## CPPP SUMS UP THE CASE FOR USING THE RAINY DAY FUND FOR 2012-13

(AUSTIN, Texas)—F. Scott McCown, Executive Director of the Center for Public Policy Priorities, sums up the case for using the Rainy Day Fund for 2012-13:

“Texans aren’t supposed to protect the Rainy Day Fund. The Rainy Day Fund is supposed to protect Texans. Voters created the Rainy Day Fund by constitutional amendment in 1988 to offset unforeseen falls in state revenue just like the state faces now. The Legislature should use the Rainy Day Fund to bridge the revenue hole created by the Great Recession.

“As the economy recovers, general revenue will recover to replace any rainy day dollars used in 2012-13. Using the Rainy Day Funds to continue services in a bad economy is not at all like using one-time money to increase services because the state will have general revenue to replace rainy day dollars in 2012-13.

“The fund has plenty of money to safely use far more than the \$3.1 billion appropriated by the House in its proposed supplemental for 2011. In fact, the Comptroller increased her estimate of what the fund will collect by \$300 million, bringing the amount available for appropriation to \$9.7 billion. Knowledgeable experts, including Chairman Ogden, have suggested that because of the high price of oil, a more accurate revenue projection might be closer to \$12 billion. Because the fund does have a dedicated revenue source, money from oil and gas severance taxes, it will automatically replenish.

“The idea that the state needs to keep billions in the Rainy Day Fund is simply wrong. In the first 18 of its 22 years, the fund never had a balance of more than \$1 billion. Historically, the Legislature has spent the entire fund several times, including two times approved by Governor Perry. And using the fund as it is intended—to protect the state in an economic downturn—will not damage the state’s bond rating. (For more on the history of the Rainy Day Fund and the bond rating, see [\*Using the Rainy Day Fund to Ensure our Recovery and Prosperity\*](#).)

“The idea that we need to save the fund for a hurricane is also wrong. As its official name (the Economic Stabilization Fund) makes clear, the fund’s purpose is to deal with an economic downturn, not a natural disaster. Texas has never needed it for a natural disaster. If the state did need it, the state wouldn’t need the staggering amount it now holds.

“And how silly is it to save it for a hurricane when the recent recession created a financial disaster greater in magnitude than any hurricane Texas has ever seen. The Legislature would be irresponsible not to protect Texas families from this disaster using the Rainy Day Fund.

“In the end, if the Legislature votes to use more of the Rainy Day Fund, that is an easy vote for any member to explain, and citizens will applaud your wise decision to protect their schools.”