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Via E-Mail: txteapartycaucus@gmail.com

Dear Tea Party Caucus Advisory Committee:

We are writing about your recent letter to the Tea Party Caucus urging that the state budget be balanced through cuts alone. In contrast, we recommend a balanced approach that includes using the Rainy Day Fund and new revenue. While you may not agree with us about new revenue, we want to give you some reasons for keeping an open mind about the Rainy Day Fund.

The Tea Party stands strongly for interpreting the constitution according to original intent. As constitutional history shows, when Texas citizens created the Rainy Day Fund by constitutional amendment in 1988, they voted to save money in good times to pay for recurring expenses during bad times. The 1988 ballot language reads: “The constitutional amendment establishing an economic stabilization fund in the state treasury to be used to offset unforeseen shortfalls in revenue.” Original intent had nothing to do with emergencies such as hurricanes or a buffer to pay debt on bonds as you suggest; rather it was about protecting Texas during economic downturns.

When the constitutional amendment was proposed, how the fund was to work was clearly explained: In good times the state would pay for services with General Revenue while saving money from oil and gas taxes in the Rainy Day Fund. In bad times, when the state had less General Revenue, it would pay for services with the money saved in the Rainy Day Fund. Then, when good times returned, General Revenue would rebound, and the state would switch back to paying for services with General Revenue and saving in the Rainy Day Fund.

Your suggestion that money in the fund be “returned to the taxpayers of Texas” violates original intent. When voters approved using the Rainy Day Fund to offset shortfalls in revenue during an economic downturn they did not approve taxing one group to give money to another group. Look at it this way: If the state collects a tax from Jim for a public purpose, and then decides not to use the money for that purpose, the state can’t simply give the money to Sally. Conservative principles stand in the way of this sort of wealth redistribution.

Perhaps, though, you want to send Rainy Day Fund money back to the taxpayers who originally paid it. But this approach would favor big businesses that are prospering over regular families that are hurting, which is very much contrary to what the Tea Party is all about. Every penny in the rainy day fund comes from oil and gas taxes set aside for use in an economic downturn. If you return this money to oil and gas producers, you merely increase already big oil and gas profits while Texas families suffer.

And Texas families will suffer in many ways if the Rainy Day Fund isn’t used. Texas is at least \$27 billion short of being able to provide services at the current level. That means the state has only three-fourths of the

money it needs to continue to do what it is doing now in public education, higher education, and health and human services. Not only would cutting these important services more deeply than necessary hurt Texas families, it would be bad for the Texas economy, reducing business profits and pushing unemployment above 10%.

We agree with you that part of the revenue hole is a structural problem—caused by an imbalance between what the state needs and what it raises in taxes, but it is also undeniable that a large part of the hole is a cyclical problem—from the collapse in revenues due to the economic downturn caused by the Great Recession. While we may not be able to agree on a solution to the state’s structural problem, we should be able to agree that the state ought to use the Rainy Day Fund to deal with the economic downturn.

Particularly since you would still get much of the spending cuts you seek. With a \$27 billion shortfall, the state must cut deeply even if it spends all the Rainy Day Fund, defers payments into the next biennium, and raises some modest new fee or tax revenue. There is no reason to make the cuts deeper than necessary by refusing to spend the Rainy Day Fund.

After all, spending the fund won’t make the state’s structural problem any worse, and saving the fund won’t make it any better. On the one hand, if we spend the fund now, most likely a recovering economy will generate at least as much General Revenue to pay for services in 2014-15. (And, that economic recovery is likely to be stronger if we spend the Rainy Day Fund.) If the economy doesn’t recover, we can always cut more deeply later; we don’t need to do it now. On the other hand, if we save the fund, our structural problem remains because no one-time infusion from the fund can fix it.

Cutting as deeply as you suggest would hurt Texans of all sorts, including Tea Party Texans. Everyone counts on law and order, roads and bridges, schools and colleges, and health and human services. Now is not the time to be inflexible.

We recently released a policy paper that you may find useful—[*Using the Rainy Day Fund to Ensure our Recovery and Prosperity*](#). Between that paper and this letter, we hope to leave you with some reasons for keeping an open mind on using the Rainy Day Fund. If you are interested, we would like to meet with you in person to learn more about your thinking and share more of ours. I look forward to hearing from you.

Sincerely yours,



F. Scott McCown
Executive Director

C: The Honorable Dan Patrick
Co-Chair, Tea Party Caucus

The Honorable Phil King
Co-Chair, Tea Party Caucus