



March 15, 2011

Contact: F. Scott McCown, mccown@cphp.org

STATEMENT FROM F. SCOTT MCCOWN ON GOVERNOR REJECTING USE OF RAINY DAY FUND FOR 2012-13

(AUSTIN, Texas)—F. Scott McCown, executive director of the Center for Public Policy Priorities, a policy institute concerned about low- and moderate-income Texans, made the following statement in response to the Governor’s claim that he will not sign a 2012-13 budget that uses any of the \$6.2 billion remaining in the Rainy Day Fund after using \$3.2 billion to cover the 2011 deficit.

“After covering the 2011 deficit, Texas is at least \$23 billion short of the general revenue needed to pay for current services in 2012-13. In other words, the state only has about three-fourths of the money it needs to continue doing what it is doing now. And every single thing the state does now is something that the Governor previously agreed it ought to be doing. Instead of demanding more cuts, the Governor should work with the Legislature to take a balanced approach that includes using the Rainy Day Fund and finding some new revenue.

“Governor Perry has things backwards. 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 in 2012-13. The Legislature and Governor should use the Rainy Day Fund to bridge the revenue hole created by the Great Recession.

As our economy recovers, revenue will recover, and because it has a dedicated revenue source, the Rainy Day Fund will automatically replenish. Governor Perry himself approved using all the Rainy Day Fund in 2003 and 2005. (For more on the history of the Rainy Day Fund, see [Using the Rainy Day Fund to Ensure our Recovery and Prosperity](#).)

“The House made a bad deal if it agreed to forgo Rainy Day Funds for 2012-13 to balance 2011. If that was the deal, the Senate needs to blow it up. Writing the 2012-13 budget with none of the remaining \$6.2 billion in Rainy Day Funds would do too much damage to Texas. Leaving \$6.2 billion in savings while making deep cuts to public education, higher education, and health and human services would be irresponsible.

“By drawing a line in the sand over the Rainy Day Fund, however, the Governor is controlling the conversation. We need to be talking about a balanced approach that includes both the Rainy Day Fund and new revenue. For example, we could adopt Healthy Texas Taxes such as increasing our cigarette tax by a dollar a pack and raise about \$1.5 billion. Or, we could eliminate some unwarranted exemptions or exclusions so everyone pays their fair share and raise several billion. We could also temporarily increase our state sales tax by half a percent, with a rebate to protect low-income families, and raise about \$3 billion. We have options.

“When Texas families face tough times, they don’t just tighten their belts while leaving their kids without education and their elderly without care. Texas families step up their responsibilities and use their savings and raise more money before they resort to cutting back on things their family *really* needs.

“Texans need to insist that the Legislature step up and meet its responsibilities through a balanced approach.”