

RAINY DAY FUND

Background

With the state's 1986-87 economic collapse still fresh in mind; Texas voters adopted a constitutional amendment in November 1988 creating the Economic Stabilization Fund (ESF), or "Rainy Day Fund." The ESF, which is established in Article III, Section 49-g of the Texas Constitution, became effective on September 1, 1989.

The ESF receives 75 percent of the amount by which oil and gas tax collections in any year exceed 1987 collections and one-half of any unencumbered General Revenue surplus at the end of each biennium. The ESF retains the interest it earns on fund balances. Although the amount in the ESF is capped—at an amount not to exceed 10 percent of certain General Revenue income during the previous biennium—the state has never reached the cap. The current cap is \$10.8 billion, while the 2010-2011 cap is estimated to be in excess of \$11 billion.

Additionally, money in the fund can be appropriated by a three-fifths vote in both houses to address a deficit that develops after the adoption of a budget or to make appropriations for a biennium in which the Comptroller forecasts a decline in revenues. Otherwise, a two-thirds vote in both houses is required to make an appropriation from the fund.

Current Balance and Fund History

The current ESF balance, as of March 31, 2009, is \$6,676.6 million, see table [Economic Stabilization Fund 0599 History](#).

Since the fund's creation, \$9,776.3 million in transfers and \$407.6 million in interest have been credited to the ESF. The last transfer to the fund (an amount equal to 75 percent of revenues in excess of 1987 collections of natural gas and oil production tax revenues) totaled \$2,241.9 million and occurred on November 25, 2008. The Legislature has appropriated money from the ESF five times, all by a two-thirds vote. Total appropriations out of the fund have equaled \$3,517.5 million, and the last appropriations were made by the 79th Legislature in fiscal 2005 in the amount of \$2,030.1 million.

Transfers to the ESF

Severance Tax Transfers

The first two types of transfers to the ESF involve oil production and natural gas tax revenues. If the year's net revenues for either tax exceed fiscal 1987 collections, an amount equal to 75 percent of the excess is transferred to the ESF. These transfers must be made within 90 days after the end of each fiscal year. Natural gas tax revenue transfers were made in 15 of the last 20 years. In five of the last 20 years, oil production tax revenue generated transfers to the ESF.

Unencumbered Balance Transfer

The third type of transfer involves the unencumbered balance of the General Revenue Fund 0001. One half of any unencumbered balance in Fund 0001 at the close of the biennium must be transferred to the ESF within 90 days after the end of the biennium. Encumbrances include tax allocations yet to be made, state agency encumbrances and accounts payables, dedicated account balances, and any required transfers to the ESF from oil and gas taxes. An unencumbered balance transfer has been made twice—once in fiscal 1992, for the 1990-91 biennium and the second in fiscal 2008 for the 2006-07 biennium.

Additional Transfers

The fourth type of transfer involves direct legislative action. The Texas Constitution states, "The legislature may appropriate additional amounts to the economic stabilization fund." To date, the Legislature has never appropriated additional money to the ESF.

The Comptroller is responsible for making transfers to the ESF. The Comptroller is also required to include any estimated transfers when preparing the *Biennial Revenue Estimate*.

Transfers and Balances after Fiscal 2009

Based on the *2010-11 Biennial Revenue Estimate*, fiscal 2009 severance tax collections will trigger a transfer of \$1.1 billion to be transferred in early fiscal 2010. After the fiscal 2010 and interest earned, assuming there are no additional appropriations, the balance should reach \$8.1 billion. In fiscal 2011, the transfer is estimated to be \$741 million. Along with interest earned and assuming no additional appropriations, the balance should total \$9.1 billion at the end of fiscal 2011.

Economic Stabilization Fund 0599 History

(in millions)

Fiscal Year	Deposits	Interest	Net Transfers/ Expenditures	.	Ending Balance
1990	18.5	0.8	-		19.3
1991	7.8	1.9	(29.0)	*	-
1992	156.6	6.8	-		163.4
1993	-	7.4	(119.0)	**	51.7
1994	31.0	3.0	(56.6)	**	29.1
1995	-	0.6	(21.5)	**	8.1
1996	-	0.4	(0.5)	**	8.0
1997	-	0.4	-		8.5
1998	47.5	2.3	-		58.3
1999	17.9	3.8	-		80.0
2000	-	4.7	-		84.7
2001	103.1	8.7	-		196.5
2002	685.8	21.6	-		903.9
2003	83.6	19.4	(446.5)	***	560.5
2004	352.6	5.5	(553.0)	***	365.6
2005	594.5	17.3	(970.5)	†	6.9
2006	905.0	21.5	(528.3)	†	405.2
2007	1,551.9	65.8	(691.5)	‡	1,331.4
2008	2,978.5	136.0	(90.5)	‡	4,345.4
2009 YTD	2,241.9	79.7	(0.4)	‡	6,676.6
Total	\$9,776.3	\$407.6	(\$3,507.4)		\$6,676.6

* Appropriated by the 71st Legislature, Sixth Called Session

** Appropriated by the 73rd Legislature

*** Appropriated by the 78th Legislature

† Appropriated by the 78th and 79th Legislatures

‡ Appropriated by the 79th Legislature

Note: Totals may not sum due to rounding.