The Bush School of GOVERNMENT & PUBLIC SERVICE
TEXAS A&M UNIVERSITY

The *Fund*

A Texan's Guide to the Past, Present, and Future of the Economic Stabilization Fund

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Abstract

In November 1988, Texans approved the creation of the state's Economic Stabilization Fund (ESF). Designed to help the state weather the storms of economic strife, budget shortfalls, and unexpected catastrophes, the Fund is currently accruing billions of dollars annually thanks to booming oil and gas severance tax revenues. Despite the Fund's expanding reserves, access to its wealth is anything but a walk in the park; a fact no Texas lawmaker would dispute, having labored the summer away for a piece of the ESF pie even as robust economic figures swell the General Revenue and forecast prosperity into the near future. Many Texans are scratching their heads now, wondering whether the state's rainy-day dollars might be used for anything from water projects to transportation infrastructure, or education and tax rebates, or whether they should remain untouched, jealously guarded against future unknowns and expanding government.

On first glance there seems to be no method to the madness, no way to predict whether or on what the Fund will be utilized. This report examines key social, economic, and political variables to determine what factors significantly influence the likelihood that any bill drawing from the Fund would succeed. Future legislators wondering whether their shot at ESF dollars hinges on the amount, the issue, the bill author, or even the state's general economic outlook, should take note of the following report.

Our analyses show:

- no lawmaker from the minority party has been able to carry an ESF bill to victory
- the better the state is doing economically, the less likely the Fund will be tapped
- big spending by special interests may be required to get ESF legislation through
- beware of testimony - the more people who come to testify for your bill, the less likely it is to survive the process.

The ESF has proven its muster on a number of occasions, helping the state to overhaul its education system, expand its criminal justice capacity, enhance health for Texans and their children, and span treacherous gaps in the state's budget that would have deprived residents of valuable services and stunted growth. The large and growing numbers we are seeing accrue in the Fund today make its fate a preponderant issue for all Texans seeking economic stability, sustainability, and the most efficient and effective use of the state's wealth for its residents and issue areas. More research is needed to determine whether other, unknown factors play a significant role in the Fund's use, and to distinguish in greater detail among those revealed in our analyses.

PART I

The Economic Stabilization Fund

Introduction: Texas before the Economic Stabilization Fund

The Economic Stabilization Fund (ESF) is a product of the economic climate in Texas at the time of its creation. The instability of the oil and gas market is the primary reason the ESF was created. Below, Texas and Oil outlines the general trends of oil and gas markets and their impact on the state economy leading up to the legislative creation of the ESF. Boom and Bust: 1980 to 1990 follows with an overview of exactly how volatile oil and gas markets influenced the state's budget. The trend that emerges in the following story is one concerned with the availability of fossil fuels, the economic prosperity and instability in Texas that resulted from it, and the birth of a fund designed to specifically mitigate that volatility.

Texas and Oil

Following the first commercial discovery near Corsicana in 1894, oil has had a major impact on the state economy (Olien 2013). It became such a dominating part of the economy that Texas soon began to behave differently from the nation as a whole. For instance, at the beginning of the Great Depression, industry throughout America had slowed down and ceased growing. In 1931, oil was discovered in East Texas and within six months 31 refineries had been completed with six more under construction (Olien 2013). The economic explosion of the discovery reduced the state unemployment rate from the Great Depression and substantially dampened the price of oil in the south. A similar event occurred during the Organization of Petroleum Exporting Countries (OPEC) embargo. With the onset of the Yom Kippur War in 1973, several Middle Eastern countries set up an embargo on the U.S. While this created an increase in gas prices and negatively affected other states in the U.S., the rise in price lead to further production and exploration in Texas (Olien 2013). The bountiful presence of this critical commodity in Texas led to the exceptional growth of the state's economy.

That growth, in turn, provided for billions of dollars in taxes for jobs, education, philanthropy, and environmental protection in the state. It has underpinned the creation of the Permanent University Fund, one of the largest educational endowments in the world, scientific research, hospitals and the preservation of historic sites (Ramos 2001). There are few parts of the state that have not benefited or been touched by big-oil money in some significant way.

The natural expansion of oil into the state's economy and society would not be entirely benign, however, as increasing dependence on this single commodity to provide for so much simultaneously sowed the seeds for dramatic disruption of the state's economy, pending disruption to the supply or demand for the precious resource on a global scale.

Boom and Bust: 1980 to 1990

The instability of the international market for oil would ultimately create more waves than the state could possibly absorb, violently rocking Texas's budgetary boat. In 1981, oil production accounted for almost 20% of Texas' economic output (McNichol and Johnson 2012); this impressive one-fifth of the state's economy extended into labor, housing, sales, and property. Oil money's roots dug deep, reaching almost unseen into other markets and many of the state's affairs, leaving the Texas budget more vulnerable to change that most would anticipate at the time – a high risk, high return endeavor to be sure.

In 1978, a revolution in Iran choked off international supplies of oil, spurring the "panic buying" of oil off the international market, leading to even greater shortages for most entities. Federal limits on oil were removed and the demand for Texas oil shot up (Olien 2013). The state coffers continued to swell so long as its oil and gas companies continued to rake in record profits. At its peak in 1981, the combined revenue from oil and gas generated more than 17% of state revenue, or $2,192,884,942 (Texas Comptroller 2012). Similar numbers would prevail for several years.

Percent of Revenue from Gas and Oil Production and Regulation Tax, 1978-1990

Year	% Gas Tax	% Oil Tax
1978	6.20%	5.30%
1979	6.20%	5.20%
1980	6.90%	7.40%
1981	7.10%	10.10%
1982	7.90%	9.80%
1983	7.80%	8.80%
1984	7.30%	7.50%
1985	6.60%	6.10%
1986	4.40%	4.30%
1987	3.70%	3.10%
1988	2.70%	2.40%
1989	3.10%	2.30%
1990	2.40%	2.20%

Table 1 (Combs, 2012)

In 1985, Saudi Arabia, a key member of the Organization of the Petroleum Exporting Countries (OPEC), started to increase its production of crude oil. Soon all OPEC members were increasing production, dampening international prices and precipitating a swift decline in Texas production (U.S. EIA 2002), and the subsequent decline in state tax revenues. By this time, the true dependence of the state's economy on its oil businesses could not have been clearer. As Table 1 shows, by the 1990s, the combined totals had dissolved to less than 5% of revenue for the state of Texas (Texas Comptroller 2012).

Percent Change in Total Taxable Property Value and Total Levy, 1984-1991

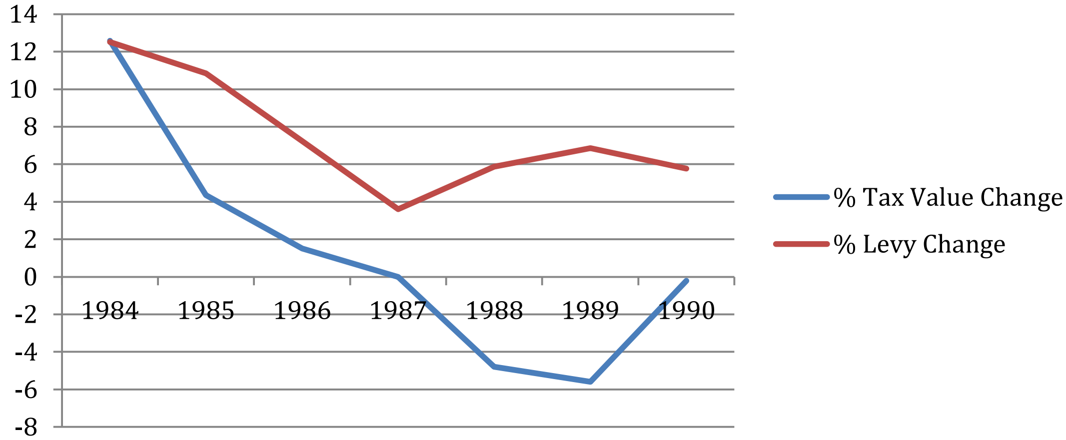

Figure 1 *(Texas Comptroller 2012)*

As previously mentioned, the revenue from oil tax was not the only area to be affected. Employment in Texas would follow suit, declining in step with the decline in the price of oil. In February 1979, the rate of unemployment in Texas was 4.4 percent, but as the demand for oil decreased, the unemployment rate increased, peaking at 8.4% in January 1983 and as much as 9.3% in September 1986 (U.S. Bureau of Labor Statistics 2013). Although property tax levies continued to rise throughout in the early 1980's, the value of taxable property began to decline following the 1985 increase of OPEC production. This pattern is evident in Figure 1.

Taxes and General Revenue Spending, 1978-1990

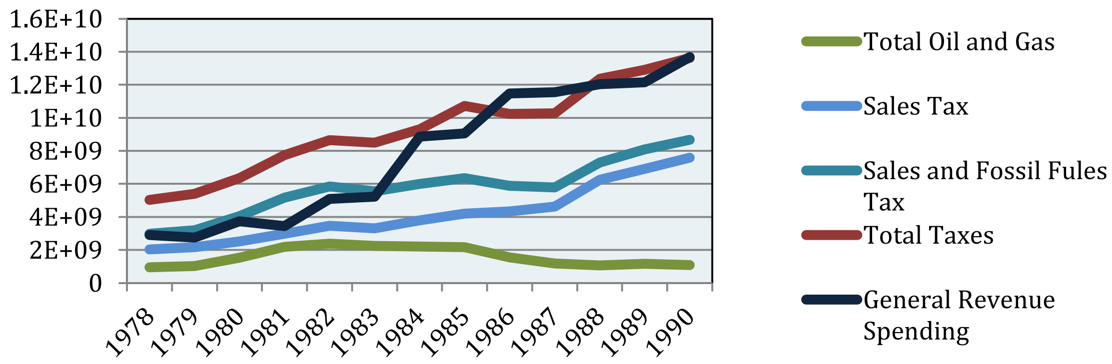

Figure 2 (Texas Comptroller, 2012)

The new reality was stark: Texas government was growing rapidly with a collapsing state economy and a shrinking tax base its only support. The year 1986 was a time in which the growing void between revenues and spending would threaten to become a vast canyon with no bridge to cross and a long fall (See Figure 2). With a sizeable part of the economy invested in a single commodity, and a severe shortfall occurring in the tax structure, the legislature had to act swiftly and boldly to prevent the worst and to protect itself from future volatility in one of its most essential markets.

Creation

"[The Economic Stabilization Fund] will allow us to take care of necessities such as education and other things that sometimes suffer because of uncertainty during those times. We don't need the perception that we're cutting back in areas that an industry that might come to Texas might see as essential for their locating here."[1]

- *Rep. Schlueter, author of H.J.R. 2, 70th Legislative Session, Discussing the reasons to have an Economic Stabilization Fund, House Committee on Appropriations, February 16, 1987*

While recent legislative sessions have shown that using money deposited in the Economic Stabilization Fund can be quite the ordeal; the idea of having some kind of state savings account has always been a contentious idea, even before its conception. The first time legislation creating a reserve fund was considered, in either chamber, was in 1977, during the 65th biennium, when both House Bill (H.B.) 672 and House Joint Resolution (H.J.R.) 98 were filed.

H.B. 672 dealt with the "creation, investment, and use of a state capital reserve fund" (Coleman 1977). According to the bill analysis of H.B. 672, the 63rd and 64th biennium saw a surplus in General Revenue, and it was even estimated that the end of the 65th biennium would end with a surplus of $949.4 million. As a result of these projections, conversations arose concerning what actions to take with the pending revenue surplus (Committee on Ways and Means 1977). H.B. 672 by Representatives Coleman suggested that half of the estimated revenue should be placed in a reserve fund "on the day before the convening of each regular fund," with adjustments made based on the actual surplus revenue collected by the state at the end of the fiscal biennium (Coleman 1977). The money deposited in the Fund could then be invested in "various securities, bonds, obligations, including common stocks by the State Depository Board" (Committee on Ways and Means 1977) with the resulting interest being credited back into the Fund. The bill did not restrict what the Fund could be used for, but there were restrictions on how it could be allocated; through the enactment of general law, not through a general appropriations bill. As the bill went through the political process of committees, subcommittees, and discussion on the house floor, the language of the bill eventually changed so that the Fund was financed through oil and gas production taxes instead of half of the predicted surplus. Originally 25% of revenue from oil and gas production taxes went to the available school fund with the remaining 75% funding the omnibus tax clearance fund. H.B. 672 would modify these proportions so that 25% would go to the available school fund, 55% to the omnibus tax clearance fund, and 20% to the newly

[1] All descriptions and quotes from committee and chamber meetings were transcribed using tape recordings from those respective meetings.

created capital reserve fund. Changes to the bill also put more restrictions on the type of investments that could be made. It was expected that the amount deposited in the Fund would grow from $315,800,000 in 1980 to $428,800,000 by 1982; however, the state never found out what the actual amounts would be because even though H.B. 672 did pass the House May 23, 1977, no actions were taken by the Senate after it was referred to the Senate Committee on Finance (Coleman [Engrossed Version] 1977) (H.B. 672 Bill Back[2] 1977).

H.J.R. 98, by Representative Schieffer, would have created a "capital reserve fund in the state treasury and [provided] that income from the investment of the Fund be distributed to school districts to reduce ad valorem taxes on residence homesteads" (1977) but it, unlike H.B. 672, did not make it through committee. The joint resolution would have required the Comptroller to transfer $250 million from General Revenue to the newly created Texas Education Reserve Fund each quarter biennium until the amount in the Fund reached $1 billion. This amount could then be invested in securities as prescribed by law with the interest from investments divvied out to the school districts proportionately according to number of households in the district out of the total number of households in the state. The school district would then proportionately credit money back to the owner of each homestead based on the amount the district received. The joint resolution died in the House Committee on Constitutional Amendments (H.J.R. 98 Bill Back 1977).

The following biennium another bill was filed dealing with the "creation of a state capital reserve fund" (Ware 1979). The Fund established by H.B. 2009, by Representative Ware, would have similar funding as the previous biennium's filed version of H.B. 672, with half of the estimated surplus revenue going to the Fund. The difference was that under H.B. 2009, the Comptroller would transfer $1 million as soon as possible to establish the Fund. H.B. 2009 would also allow the Fund to be used in different ways compared to previous bills or joint resolutions. The Comptroller would be allowed to transfer money from the Fund to General Revenue to prevent a deficit and the Legislature could move any amount of the Fund to General Revenue through a concurrent resolution, which only required a simple majority from both chambers.

Two years later (1981) during the 67th Legislative Session, another joint resolution was filed but this time by a member of the Senate. Senator Brown filed Senate Joint Resolution (S.J.R.) 30 to "[dedicate] a portion of the state's surplus revenue to a special fund in the state treasury to be used for flood control and drainage, water development, water conservation, and water quality enhancement purposes, and establishing a reserve fund in the state treasury" (1981). According to the joint resolution, half of a biennium's

[2] A Bill Back is the page found on the back of a given bill or joint resolution that tracks its progression through the political process.

surplus would be placed in a fund to be used for water related policies and the other half of the surplus would be put into a reserve fund. Money in the reserve fund could then be transferred to any other fund by a two-thirds vote of members in each house. The joint resolution was referred to the Senate Committee on Finance but was never brought up for a vote (S.J.R. 30 Bill Back 1981).

The next time legislation would be filed creating a budget reserve fund would be five years later during the second special session of the 69th biennium. At that time Representative Melton filed H.J.R. 10 which would "[establish] a reserve fund in the state treasury" (1986). The joint resolution was simple, creating a fund which would be financed by any amount of revenue not appropriated that biennium; an amount which would be transferred by the Comptroller no later than 60 days after the last day of each fiscal biennium. The Fund could be used for any purpose pending the approval of two-thirds of the members in each house. The joint resolution was referred to the House Committee on Appropriations but was never heard. Representative Melton filed the same bill during the third special session of the 69th Legislative session, this time assigned the number H.J.R. 7, and it too was referred to the House Committee on Appropriations but saw no further action (H.J.R. 10 Bill Back 1986) (H.J.R. 7 Bill Back).

That same special session in 1986, however, Representative Schlueter filed H.J.R. 4 which would make it past the House Committee on Appropriations. H.J.R. 4 would "[establish] an economic stabilization fund in the state treasury" (Schlueter 1986) with its funding based on the estimated amount of revenue the state would have received in the preceding biennium had the taxable value of oil been $15 a barrel and the taxable value of gas been $1.50 for each 1,000 cubic feet. The Fund would also be financed through the collection of five percent of income from any new revenue bill created by the Legislature for the first five years of the bill's enactment. The committee substitute for the joint resolution also added that half of any surplus revenue would also be deposited into the Fund. Of course the Fund would not be allowed to accumulate an unlimited amount of money as the joint resolution capped the Fund at five percent of total General Revenue spending. The type of appropriations the Fund could be used for was also restricted allowing money to only go to fund specific programs already appropriated in the preceding session with the approval of two thirds of each house. The Comptroller could also transfer money from the Fund to cover temporary cash deficiency in General Revenue (Schlueter [Engrossed Version] 1986).

The joint resolution passed the House with 100 yeas, 13 nays, and 2 present, not voting and was sent to the Senate. It would be there; however, where the joint resolution would go no further, and the creation of some kind of stabilization fund would have to wait another day (H.J.R. 4 Bill Back 1986).

The lack of success in these previous sessions though did not deter elected officials from trying again during the 70th Legislative session, as three pieces of legislation were filed attempting to create a similar type of emergency fund. In 1987 these joint resolutions, in the order by which they were filed, were H.J.R. 25, H.J.R. 2, and S.J.R. 7.

The House's Version

"The bill is an attempt to try to smooth out the roller coaster effect we've been experiencing in our state revenues"

- *Rep. Schlueter, author of H.J.R. 2, 70th Legislative Session, Describing what the Economic Stabilization Fund attempts to accomplish, House Committee on Appropriations, February 16, 1987*

H.J.R. 2

The first hearing on any of these pieces of legislation was February 16, 1987 when H.J.R. 2 and H.J.R. 25 were discussed during a public hearing for the House Committee on Appropriations. Even though H.J.R. 25 was filed first with the Chief Clerk on January 9, 1987, the committee chair laid out H.J.R. 2 by Representative Stan Schlueter to be heard first.

This was not the first time Representative Schlueter had filed his idea for a state stabilization fund. As noted previously, in the last legislative session, the Representative authored H.J.R. 4 which went through the whole process on the House side but failed to be taken up for consideration in the Senate Committee on Finance. On January 15, 1987, Representative Schlueter tried again, this time filing H.J.R. 2. Representative Schlueter introduced his joint resolution to the same committee that his joint resolution had passed the House in special session during the 69th legislative session but failed to go any further because of what the Representative described as "due to a lack of consideration or interest" (Texas House of Representatives Committee on Appropriations, 2/16/1987) by the Senate.

Funding

Representative Schlueter had a specific target in mind when he thought about how to fund the Economic Stabilization Fund. The oil and gas business funded the state's budget in the past, as the price of oil and gas climbed, so did the amount of revenue the state was bringing in through taxes, and as the revenue expanded so did the state's expenditures. This created a situation which made Texas dependent on oil and gas revenue for its biennial budget, problematic when the price of oil and gas began to fall in the mid-1980s as Representative Schlueter informed the committee with his history lesson, reminding them how "in 1977 we had a $5.5 billion surplus; we had a $18 billion budget, and of course today we're looking at a $38 billion budget and we have a revenue shortfall in the

$5.2 to the $5.8 magnitude" (*ibid*.). A spending increase, the Representative informed the committee, everyone had a great time doing. In order to hedge against such a shortfall from occurring again Representative Schlueter wanted to finance the Fund from the same industry which had originally fed its propensity to spend.

Had the Legislature adopted this approach several years ago with a bill Representative Schlueter and Representative Coleman worked on, the shortfall would have been less severe. The bill the Representative was alluding to was H.B. 672 authored by Representative Coleman in 1977 during the 65th Regular Session; a bill which passed the House but came up short in the Senate. According to the Representative, had it passed, the Fund would have already accumulated $800 million; an amount he felt would have been useful during the 70th session.

Representative Schlueter criticized the state, including himself, for this lack of foresight, and not contemplating what would happen if oil and gas prices declined. In order to redeem itself, the Representative proposed that the Legislature create a fund to help offset these declines in revenue, paid in part by the same industry whose taxes had allowed for the expansion of expenditures as well as its retraction. While at the time oil and gas tax revenue was down, the Representative was confident that within 18 and 30 months, "[Texas was] going to see the price of oil soar again because of our growing dependence on imported oil" (*ibid*.). Knowing the potential of oil and gas tax revenue, it made perfect sense to have oil and gas production tax revenue finance half of the Economic Stabilization Fund; the other half could come from any revenue not appropriated that fiscal biennium.

The specific amount of revenue coming from oil and gas production taxes was also specified in H.J.R. 2. For the amount coming from oil production taxes the Comptroller had to first determine how much revenue would have been brought in during the preceding biennium had the tax been $15 per barrel. The Comptroller would then transfer any amount of oil production tax revenue above the calculated level. The Comptroller would have to do similar calculations in order to find out how much revenue to transfer from the gas production tax, but the base level for gas was established using $1.50 for each 1,000 cubic feet of gas produced. These transfers must take place no later than the 90th day into each fiscal year. These numbers came from the projected prices of oil and gas that Comptroller Bob Bullock made for the next couple of years, so that there would be no immediate fiscal impact. This was to ensure that no money was being saved until after the budget shortfall at that time had been dealt with.

Additional deposits could be made no later than 90 days after each biennium. The Comptroller would be required to transfer half of any remaining General Revenue left over from the preceding biennium in this time frame. The Legislature could also add any other amount of money into the Fund as they saw fit.

According to the fiscal note, written by the Legislative Budget Board (LBB) director Jim Oliver, the only cost associated with the joint resolution would be a $45,000 publication cost. It was clear that no amount would be placed into the Fund at the end of the 1986-87 biennium. Yet, in regards to the estimated levels of the Fund over time, the fiscal note could not determine the Fund's levels due to the uncertainty of General Revenue balance for 1988 and beyond (Oliver 2/16/1987).

Fund Limitations

Under the proposal, the Fund is limited in the amount it can grow, prohibiting it from accumulating an infinite amount of money. This limit was set at five percent of General Revenue, "excluding investment income, interest income, and amounts borrowed from special funds" for each biennium (Schlueter [filed version] 1987). If the transfers from the Fund's sources of income would cause the Fund to exceed that amount all of the Funds' transfers would be reduced proportionately so that it would not exceed the limit. Any amount of funding not able to be placed in the Fund would then be placed back into General Revenue. Any interest on the Fund that would cause the Fund to exceed the five percent limit would also be credited to General Revenue.

The Use of the Fund

The use of the Fund under H.J.R. 2 was also restricted to only two occasions. The Fund could be used for inter-fund borrowing[3], or to "eliminate a temporary cash deficiency in General Revenue." Money withdrawn for inter-fund borrowing could be automatically transferred by the Comptroller, with the consent of the State Treasurer, and would have to be returned to the Fund "as soon as practicable." But the Fund's main purpose would be during sessions in which the Comptroller certifies that the available General Revenue for current biennium is less than what was estimated when the budget for the current biennium was written. When a budget deficit like this occurred the Fund could be used during a regular session only to cover the amounts appropriated by the previous Legislature and during a special session for appropriations made during the regular session of the same Legislature. These appropriations from the Economic Stabilization Fund could only be made with the consent of two-thirds of both houses (*ibid*.).

Other States

At that time 28 states had Economic Stabilization Funds of their own. Representative Schlueter pointed out that Texas' biggest competitors, Florida and California, already had established one. He also provided the amount some states had in their funds such as Michigan which had $385 million in reserve and Wyoming, a state with a $1.5 billion budget each year, already had 10% of its budget in reserve. A report done by the House Research Organization also mentioned Michigan "which is as dependent on the auto

[3] Inter-fund borrowing describes agencies borrowing money from other agencies to "avoid temporary cash deficiencies…caused by timing differences between cash receipts and cash expenditures" (Comptroller 2013).

industry as Texas is on the oil industry… [was] able to weather a severe slump in 1980 by tapping $280 million" from its Fund (House Research Organization 1987). Similarly, the Representative also noted Florida used its fund in 1983 to prevent severe spending cuts. If the ability to prevent spending cuts was not enough, Representative Schlueter informed the committee that the Fund would be seen favorably upon Wall Street and would help with the state's bond ratings (Texas House of Representatives Committee on Appropriations, 2/16/1987).

Criticism and Support

Not everybody on the committee was on board with the creation of the Fund, however. The major criticism coming from committee member Orlando Garcia was H.J.R. 2's requirement that two-thirds of both houses had to agree to use the Fund. Representative Garcia was not in favor of putting money into a large savings account when it could be used to fund programs that currently need additional resources; a transfer taking money out of General Revenue, where a simple majority could appropriate funds, and depositing it in an alternative fund requiring a two-thirds vote. When asked if he thought that made sense, Representative Schlueter responded that it was the majority vote that caused the budget to expand so much during the past decade and that had led to the current shortfall. Schlueter was helped by another committee member who stated how the two-thirds vote would help to prevent a large amount of accumulated funds to be used all at one time.

Other questions arose from the committee out of the skepticism of giving the Comptroller what seemed like more power, after all, if the Comptroller was the one that determine when a transfer was needed and could, as a result, automatically transfer money out the account, then the Comptroller would seem to have a significant amount of un-checked influence. However, Representative Schlueter reassured the members that automatic transfers could only occur for inter-fund borrowing and this was only possible with the consent of the Treasurer. Another inter-fund borrowing question also arose wondering if any agency could give all of its money to another agency, thereby leaving it unable to finance itself and eligible for money from the newly created fund. Representative Schlueter responded by explaining inter-fund borrowing as he understood it, an agency borrowed money from another agency with the restriction that it could not borrow so much money that it would incapacitate the loaning agency from running itself (*ibid*.).

Jim Oliver of the LBB also expressed his concerns in his fiscal note regarding the joint resolution. He noted that if conditions were right, the transfer to the "economic stabilization fund could exceed the beginning balance in General Revenue in the second year of the biennium." Also since the cap on the Fund is based on General Revenue levels, if revenues decline from one biennium to the next causing the cap to decrease while the amount in the Fund remains unchanged, it could result in the Fund exceeding its limit (2/16/1987).

There to testify in favor of the joint resolution was Bill Allaway, Executive Vice President of the Texas Association of Taxpayers. Overall, he supported the creation of the Fund under the belief that any state the size of Texas should have some kind of working capital reserve fund. Such funds provide economic stability for states by avoiding continuously increasing revenue and decreasing spending as the economy fluctuates, especially when compared to states without reserve funds. He also reminded the committee that bond rating agencies consider reserve funds a sign of good business practices that would lead to better credit ratings.

He ended his testimony, however, by asking the committee to consider a couple of changes to the Fund so that it could be used during the interim period. Since appropriations from the Fund could only be used if two-thirds of both houses agree to use it, the Fund could not be used during the interim, when the Legislature does not meet. Therefore, allowing for the Fund to be used even when the Legislature is not in session would permit the Fund to work properly. The use of the Fund during the interim could come in the form of automatic transfers in case of a shortage or allowing a limited portion of the Fund to be available for use during the interim (Texas House of Representatives Committee on Appropriations, 2/16/1987).

H.J.R. 25

Following Mr. Allaway's testimony, the chair allowed Representative Melton to introduce H.J.R. 25 to the committee. H.J.R. 2 and H.J.R. 25 were both based upon similar ideas of creating some kind of back-up fund for the state, but when it came down to how each joint resolution went about doing this, the only thing they had in common was the two-thirds voting requirement from each house. Even the captions were different, with H.J.R. 2 establishing an "economic stabilization fund" (Schlueter [filed version] 1987) instead of H.J.R. 25's "reserve fund" (Melton 1987).

The shortest of the three joint resolutions introduced in the 70th session, being one page in length and adding only three subsections to the Constitution, H.J.R. 25 was a simple piece of legislation; especially when compared to H.J.R. 2 which was three pages longer and added 10 subsections to the Constitution. It was to the point and did not attempt to constrict the Legislature in too many ways. H.J.R. 25 would establish a reserve fund which would be financed by any amount of General Revenue that was not appropriated during the budget process. This amount would be transferred by the Comptroller no later than 60 days after the last day of each fiscal biennium. The Fund could "be appropriated for any lawful purpose" as long as two-thirds of the elected officials in each house agreed (*ibid*.). It was also straightforward in the way it was funded. While some may criticize such a vague and simple basic proposal that allows the Legislature to do whatever it wants, Representative Melton intended for his joint resolution to be simple, as he would later explain that his joint resolution "is not quite as complicated" as the joint resolution filed by Representative Schlueter (Texas House of Representatives Committee on Appropriations, 2/16/1987).

The Representative described H.J.R. 25 as a simpler version to that of Representative Schlueter where any amount of excess revenue could be deposited and was not tied to any economic monitor. The intent of the joint resolution was to provide a starting point for the Fund, allowing members of the House to work on and come up with something together. Representative Melton stated that he was going to sign on to Representative Schlueter's joint resolution but asked that the committee hold on to his bill in case Schlueter's joint resolution did not work. When it was time for questions, only Representative Garcia had anything to ask, wondering if Representative Melton thought requiring two-thirds of the House and Senate to use money from the Fund was necessary. Representative Melton's response was even shorter than the joint resolution itself as he responded, "Absolutely." Both bills were then assigned to a subcommittee that would look them in more depth (*ibid*.).

Appropriations Sub-Committee

Nearly a month later on April 15th, the Appropriation's subcommittee took up H.J.R. 2. While there are no tape recordings from the subcommittee meeting, the meeting's minutes show it began at 9:50 am, with roll call showing all but one[4] of the six members present. Representative Johnson then offered a committee substitute to H.J.R. 2. Representative Garcia proposed an amendment to the substitute, amending subsection J, changing the voting requirement from two-thirds to majority. A voice vote was taken and the amendment failed. With no other amendments offered up, the subcommittee voted on the substitute bill with the recommendation that it be passed in the House Committee on Appropriations, with a record vote. The substitute passed 4 to 1 with only Rep. Garcia voting against the substitute. By 9:59 the subcommittee stood in recess (Subcommittee on Appropriations 1987).

Appropriations Full-Committee

Two weeks later the House Committee on Appropriations (4/28/1987) took up the joint resolution. Representative Waldrop introduced the substitute and then handed the floor to Representative Colbert who then moved to amend the substitute[5]. The Representative's amendment made several big changes to the main components of the joint resolution. Under the original version, the Fund could only be used when there was a reduction in revenue during a biennium. The Fund in that case would be used to make sure that appropriations set by the previous Legislature would still be fully funded. The amended

[4] Representative Colbert was the sole Representative absent.

[5] It is unknown what the initial committee substitute version, prior to amendments, looked like because it is not on file in the Legislative Reference Library. The only versions of the joint resolution from the Legislative Reference Library include the filed version, the amended substitute version found in the committee report, and the House Engrossed version.

version also allowed the Fund to also be used if the Comptroller certified that estimated revenue for the next biennium would be less than the amount of revenue used to fund the current budget. This would help to at least make sure that while services were not increased they were not decreased either. The amendment also relaxed the voting requirement slightly, changing it from two-thirds of both houses to three-fifths. It also raised the Fund's limit from five percent to ten percent (Colbert, 1987). The Committee then voted on the amendment followed by the amended substitute. All 16 members present[6] voted in favor of the amended joint resolution, including Representative Garcia who previously voted against the substitute during the subcommittee meeting (Committee on Appropriations, *Committee Report*, 1987).

House Floor

On May 8, 1987 H.J.R. 2 finally made its way to the House floor. Representative Colbert took the floor to tell the story of how ancient Egypt dealt with the Nile rising and falling which caused problems with crops along the river. Then along came Joseph who told the pharaoh to store up food during the seven good years so they could have food during the seven lean years. "This is what this bill does," the Representative said before moving to adopt the joint resolution which the House did unanimously (Texas House of Representatives, 5/8/1987). It was now the Senate's turn to analyze the joint resolution.

The Senate's Version

"H.J.R. 2 is the same joint resolution that passed in the last special session, died in the Senate due to a lack of consideration or interest."

- *Rep. Schlueter, author of H.J.R. 2, 70th Legislative Session,*
  Explaining what happened to the joint resolution
  During the preceding special session,
  House Committee on Appropriations, February 16, 1987

In the past, the Senate Committee on Finance had not considered any bill or joint resolution regarding the creation of a reserve fund. This time however, prior to receiving H.J.R. 2, the Senate Committee on Finance held a hearing on S.J.R. 7, on April 21, 1987.

S.J.R. 7

The third of the three joint resolutions regarding the creation of a reserve fund, S.J.R. 7, was filed by Senator Leedom with the Secretary of the Senate on January 19, 1987, as a companion bill to H.J.R. 2 The presence of a companion bill was a major difference from sessions past when bills or joint resolutions were only filed in only in the House or in the Senate, never both. The fact that both were filed was already a good sign for the creation

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[6] Thirteen committee members were absent.

of an Economic Stabilization Fund, showing that there was interest in both chambers in having a reserve fund. Both resolutions getting a hearing in their respective committees, especially on the Senate side which had not previously heard any bills or joint resolution regarding a reserve fund, indicates that leadership was supportive of the measure as well. Having bills in each chamber at the same time is also helpful in getting bills or joint resolutions through the political process faster rather than having to wait for one bill or joint resolution to go through each chamber one after another, an important factor as the deadline to adjourn *sine die* inches closer.

The two companion joint resolutions were nearly identical with only a few minor variations. The Senate's version of the Economic Stabilization Fund was funded in the same way as described in H.J.R. 2 but the base revenue level for oil was to be calculated using $22 per barrel instead of H.J.R. 2's $15. The base revenue level for gas was to be calculated using $1.90 per 1,000 cubic feet instead of H.J.R. 2's proposed $1.50. These were arbitrary numbers according to Senator Leedom, who just wanted to make sure they were above the estimated price projected by Comptroller Bob Bullock. While this would mean that the Fund would accumulate at a slower rate, the cap for the Fund was raised to ten percent instead of the five percent in H.J.R. 2 (Leedom, 1987) (Schlueter, 1987).

The Senator compared the creation of such a fund to the story in the Bible where David[7] told the Pharaoh to store up food during the seven years when food was plentiful so that there was food during the seven bad years. He also wanted to make sure that the committee knew that many states already had similar funds. He said he wished Texas had planned ahead like Alaska had done, where the Legislature there set aside $7 billion when oil prices were high. As a result, Alaska is able to take half of the interest earnings the Fund brings and give it back to the people. The Senator mentioned how now every man, woman and child receives a $700 check in the mail as a result of this fund. With no questions for the Senator and no witnesses, the joint resolution was left pending in committee to await further changes (Texas Senate Committee on Finance, 4/21/1987). The Senate Committee on Finance, however, would never take up S.J.R. 7 again, instead the committee decided to take up H.J.R. 2 in its place which had already made its way over from the House.

H.J.R. 2 was sent to the Senate May 11, read and referred to the Senate Committee on Finance on May 12th, and was laid out in the Committee on May 14th along with the substitute that had already been created. It was at this time when H.J.R. 2 underwent a considerable makeover.

[7] The Senator probably meant to say Joseph.

H.J.R. 2 Makeover

"For example if you had have a balanced budget, everything is going well and some disaster came along and the capitol blew up and you needed $30 million or you needed a substantial amount of money it would provide, by 2/3 vote, that you could access this money this emergency reserve fund for whatever both houses decide what the financial need that they had not been able to anticipate in the regular budget process."

- *Sen. Leedom, author of S.J.R. 7, 70th Legislative Session,*
  Explaining the Senate substitute for H.J.R. 2,
  Senate Committee on Finance, May 14, 1987

The Senate substitute for H.J.R. 2 made several changes to the joint resolution in the way it was funded and in the way it was to be used. The substitute, under the leadership of the Senate Committee on Finance's Chairman Jones and his office, altered the way the Fund was to be financed by removing any calculations that the Comptroller would be required to do. No longer would the Comptroller have to figure out what the amount of revenue would have been had the price of oil been $15 per barrel produced, or had the price of gas been $1.50 for each 1,000 cubic feet of gas produced. Instead the Senate substitute simplified the process by establishing a base year for comparison with all future oil and gas production taxes. This base amount would be determined by the net amount of oil production tax revenue and the net amount of gas production tax revenue at the end of the fiscal year ending August 31, 1987 and all amounts over this base year would be subject to the Fund. This did not mean that it would all be deposited into the Fund; however, because the Senate also amended the substitute so that only 75% of this amount would be deposited to the Fund, and the remaining 25% would go into General Revenue (Jones 1987).

The substitute also laid out the ways in which the Fund could be utilized. The Fund could be used when revenue unexpectedly decreased from the time the budget was created to the period before the biennium ended, with the approval of three-fifths of both houses; a lower threshold when compared to the original two-thirds approval requirement. It could also be utilized when the Comptroller certified at the beginning of each biennium that the estimated level of revenue would be less than the level of revenue in the preceding biennium, again with the consent of three-fifths of both houses. As Senator Leedom explained: "For example this biennium we have a $30 billion budget but as we begin to prepare the budget for the next biennium, the Comptroller can't certify that there will be the same amount of revenue…he certifies there will only be $29 billion… [then] the Legislature can make sure we have as much money as we did in previous bienniums" (Texas Senate on Finance, 5/14/1987). In addition to these uses the Senate Committee on Finance also added that "the legislature may, by a two-thirds vote of the members present of each house, appropriate amounts from the economic stabilization fund at any time and for any purpose" (Jones, 1987). This additional use of the Fund was added to the joint resolution in order to allow the Legislature to address any unanticipated events throughout a session. While previous versions of the joint resolution limited the usage of the new fund to times when revenue declines, it did not allow the Legislature to have access to the Fund for unexpected events that might occur, even when the state is fiscally stable. Senator Leedom gave the example of being in a biennium with a balanced budget when a disaster occurs, such as the capitol blowing up, creating a timely need for a substantial amount of money (Texas Senate on Finance, 5/14/1987). During such times, the Legislature would have access to the Economic Stabilization Fund for whatever it decided the financial need would be. It was then moved that the substitute be adopted with the recommendation that H.J.R. 2 not pass, but that the committee substitute be passed instead. The motion passed.

On May 20, 1987, H.J.R. 2 had finally made its way to the Senate floor. Chairman Jones laid out the substitute voted out of committee and then moved to amend the substitute to "clear up technical questions and errors that came out of the committee sub" (Texas Senate, 5/20/1987). Without objection the amendment passed. Senator Leedom then submitted an amendment to the amendment which would insert a new subsection F to establish that "if there was not a positive balance of General Revenue as certified by the Comptroller on the last day of the preceding biennium, no transfers shall be made under any provision of this section" (Leedom [Senate Floor Amendment #2] 1987). The amendment passed without objection. Following the suspension of some Senate rules the Senate substitute to H.J.R. 2 was voted on and passed with 30 years and zero nays; it was returned to the House the same day (H.J.R. 2 Bill Back).

Conference Committee – The Final Product

"Back in ancient Egypt they had a problem: sometimes the Nile would flood, and sometimes the Nile wouldn't; sometimes they had crops and sometimes they didn't. And a guy by the name of Joseph went down there and said, 'What you need to do is when you have your seven full years you need to fill up the store houses to get you through the seven years of lean.' That's what this amendment does."

- *Rep. Colbert, author of Committee Substitute H.J.R. (C.S.H.J.R.) 2,*
70th Legislative Session,
Introducing C.S.H.J.R. 2,
House Floor, May 8, 1987

When H.J.R. 2 made it back to the House it had been completely transformed. Financing of the Fund had gone from deposits determined by the amount of oil and gas revenue calculated by the Comptroller on an annual basis to comparing the amount of revenue brought in oil and gas taxes for a given biennium to a base amount of revenue from August 31, 1987. Use of the Fund was no longer restricted only to times when General Revenue was less than what it was expected to be when the budget was created causing a budget deficit for that biennium or if revenue for a biennium was expected to be less than the biennium before. Now the Fund could be used at any time for any purpose the Legislature saw fit, and with two-thirds vote of present members of each house: all changes unanimously approved by the Senate.

Yet when it came back from the Senate and was laid out to be voted on one last time, Representative Schlueter, the author of H.J.R. 2, moved to have the House not concur with the amendments to H.J.R. 2, requesting instead a Conference Committee. According to Representative Schlueter, "the Senate added an amendment to it that basically doesn't let the mechanism work; they tell me it was inadvertent so I would like to request a conference committee to straighten it out" (Texas House of Representatives, 5/22/1987). The Representative's request was approved.

The amendment referenced by Representative Schlueter was none other than the last amendment added to the substitute by the author of S.J.R. 7, Senator Leedom. According to the Side-By-Side Comparison of the Engrossed House version, the Senate Substitute version and the Conference Committee version both state that Senator Leedom's intent was to "ensure that the fiscal impact of [the] measure would be de minimus during the current biennium and that the effective date of this amendment would be September 1, 1989" (Side-By-Side Comparison 1987).

With this in mind, the Conference Committee met and repealed subsection F, that was added as a result of Senator Leedom's amendment, and made some minimal changes to clean up the joint resolution. They also added a new subsection, P, establishing September 1, 1989 as the effective date for the proposition. The Conference Report was sent back to both houses for a vote. It passed the Senate with 30 yeas and 0 nays on May 26, 1987; the next day it was considered by the House, passing with 141 yeas, one nay, and one Present Not Voting (PNV) (H.J.R. 2 Bill Back).

On November 8, 1988, H.J.R. 2 was put on the ballot and passed with 2,457,703 (61.6%) people voting for the constitutional amendment and 1,530,572 (38.4%) voting against the amendment. A little more than a decade after the first attempts to create a reserve fund began, the Economic Stabilization Fund finally became law in Texas (Legislative Reference Library, 2010).

The amendment approved by the people created a new fund in the state treasury maintained by the Comptroller. It requires the Comptroller to make three deposits into the Fund. One takes half of any surplus General Revenue that remained at the end of a biennium and deposits it into the Fund on the last day of that biennium. The remaining two transactions take 75% of any oil production and natural gas production tax revenue that exceeds 1987 levels and deposits them into the Fund no later than 90 days after each fiscal year. Additionally, the legislature can appropriate money into the Fund. All of these deposits are limited; however, as the Fund is capped at 10% of General Revenue. If the deposits made by the Comptroller would cause the Fund to exceed this limit, the Comptroller is required to reduce the deposits as necessary. Any interest payments that would cause the Fund to exceed the limit will be credited to General Revenue by the state treasurer. The fund can be used by the Comptroller, with the treasurer's consent, for General Revenue inter-fund borrowing. Any amount taken from the Fund is required to be returned no later than August 31 of each odd-numbered year. The Fund can also be used in three different situations with the approval of three-fifths of the members in both houses. The Fund can be used to cover programs in the existing appropriations bill if the revenue brought in by the state was less than it was expected to be when the appropriations bill was being drafted. The legislature can also use the Fund if it is expected that General Revenue for the next biennium will be less than that of the current biennium, with money from the Fund covering, and not exceeding, the difference. Additionally, the legislature can use the Fund for any purpose with the increased requirement that two-thirds of both houses agree. The proposition would go into effect September 1, 1989.

"So all in all its just an opportunity for us to set aside a little for the rainy day…I don't like to call it a Rainy Day Fund because it's one of these things that Wall Street, the people that we place so many of our bonds with look as a fiscally conservative mechanism, and if nothing else maybe it will help us with our bond ratings, which are suffering now, at least on one of the Wall Street groups; brings us back to AAA and save us a lot of money in the long run. "

- *Rep. Schlueter, author of H.J.R. 2, 70th Legislative Session, Discussing the reasons to have an Economic Stabilization Fund, House Committee on Appropriations, February 16, 1987*

Evolution

With all of the hurdles that ESF legislation had to leap through to become law, the Fund has grown and remains today as a testament to the fortuitous wisdom of its founding legislature. In robust economic years, the Fund has swelled with oil, gas, and unencumbered revenues; and during times of economic strife, the Fund has helped to smooth over critical budgetary gaps, mitigating revenue shortages for anything from teacher pensions to health and human services. To date, the legislature *has approved 14 transfers from the Fund, each with a 2/3 majority vote in both houses, toward various projects, programs, and budgets. Table 2* (LBB 2013) *below traces the Fund's evolution from 1990 to present.*

Economic Stabilization Fund History

Fiscal Year	GR Transfer Based on Prior Year Oil Production Tax Collection	GR Transfer Based on Prior Year Natural Gas Production Tax Collections	Unemcumbered Balances Transferred to the ESF	Interest	Appropriations to the ESF	Other	Total Revenue	Expenditures from the ESF	Ending Balance	ESF Cap
1990	-	18,526,123	-	768,017	-	-	19,294,140	-	19,294,140	2,590,973,396
1991	-	7,779,489	-	1,920,687	-	-	9,700,176	28,994,315 [1]	-	2,590,973,396
1992	118,006,503	18,370,104	20,225,291	6,750,733	-	-	163,352,631	-	163,352,631	2,957,356,142
1993	-	-	-	7,383,354	-	-	7,383,354	119,040,135 [2]	51,695,850	2,957,356,142
1994	-	31,048,685	-	3,000,440	-	-	34,049,125	56,640,721 [2,3]	29,104,254	4,134,982,882
1995	-	-	-	577,535	-	-	577,535	21,548,656 [2,3]	8,133,133	4,134,982,882
1996	-	-	-	423,018	-	-	423,018	514,635 [2,3]	8,041,516	4,788,944,776
1997	-	-	-	436,219	-	55,903	492,122	55,853	8,477,785	4,788,944,776
1998	-	47,526,206	-	2,299,758	-	-	49,825,964	-	58,303,749	5,701,820,276
1999	-	17,914,917	-	3,778,399	-	-	21,693,316	-	79,997,065	5,701,820,276
2000	-	-	-	4,684,904	-	-	4,684,904	-	84,681,969	6,674,876,709
2001	-	103,132,694	-	8,681,293	-	-	111,813,987	-	196,495,956	6,674,876,709
2002	-	685,804,382	-	21,635,787	-	-	707,440,169	-	903,936,125	7,475,639,977
2003	-	83,567,733	-	19,439,820	-	-	103,007,553	446,456,744 [4]	560,486,935	7,475,639,977
2004	-	352,565,752	-	5,519,697	-	-	358,085,449	553,002,886 [5]	365,569,498	7,451,288,978
2005	-	594,494,766	-	17,347,524	-	-	611,842,290	970,462,533 [5,6]	6,949,255	7,451,288,978
2006	112,064,000	792,985,155	-	21,490,970	-	-	926,540,125	528,153,760 [6]	405,189,685	9,182,454,086
2007	247,340,000	1,304,528,921	-	65,793,007	-	-	1,617,661,928	691,459,011 [6]	1,311,392,602	9,182,454,086
2008	226,876,754	971,783,592	1,779,873,149	135,989,995	-	-	3,114,523,490	90,482,170 [6]	4,355,404,287	10,847,694,630
2009	678,278,598	1,563,653,292	-	128,790,420	-	75	2,370,722,385	447,651	6,725,679,021	10,847,694,630
2010	263,926,649	605,971,991	-	97,004,212	-	360	966,903,212	-	692,582,233	11,883,851,665
2011	357,152,197	94,321,451	-	66,994,777	-	-	518,468,425	3,198,661,120 [7]	5,012,389,538	11,883,851,665
2012	705,179,543	382,456,233	-	33,347,253	-	-	1,120,983,029	-	6,133,372,567	12,126,289,108
2013*	1,177,888,018	701,140,834	-	51,613,000	-	-	1,930,641,852	1,936,225,854 [8]	6,127,788,565	12,126,289,108
2014**	1,756,162,000	609,347,000		47,357,000			2,412,866,000	2,000,000,000 [8]	6,540,672,565	14,442,616,385
2015**	1,320,066,000	437,226,000		118,656,000			1,875,948,000		8,416,620,565	14,442,616,385
Total	6,962,940,262	9,424,145,320	1,800,098,440	871,683,819	-	56,338	19,058,924,179	10,642,146,044		

[1] Appropriated by Senate Bill 11, Seventy-first Legislature, Sixth Called Session, 1990 (Chapter 27) for the TEA Foundation School Program (FSP).

[2] Appropriated by Senate Bill 171, Seventy-third Legislature, Regular Session, 1993, (Chapter 2) for criminal justice programs ($125.8M).

[3] Appropriated by Senate Bill 532, Seventy-third Legislature, Regular Session, 1993 (Chapter 988) for creation of state jail system ($72M).

[4] Appropriated by House Bill 7, Seventy-eighth Legislature, Regular Session, 2003 (Chapter 1311) for HHSC Medicaid acute care ($406.7M); HHSC CHIP ($26.4M); Dept. of Health ($6.9M); Human Services disaster asst payments ($6.4M); TRS Care ($516M); Enterprise Fund ($285M); Other Events Trust Fund ($10M); Comptroller healthcare judgment ($3M); and Comm on Judicial Conduct proceedings ($44K).

[5] Appropriated by House Bill 1, Seventy-eighth Legislature, Regular Session, 2003 (Chapter 1330) for unepxended balances related to TRS retiree health ($516M); Texas Enterprise Fund ($285M) originally made by HB7.

[6] Appropriated by House Bill 10, Seventy-ninth Legislature, Regular Session, 2005 as follows:

FY 2005 appropriations – HHSC Medicaid ($92.4 M); DFPS CPS Reform ($200 M); TRS ($30.7 M); TEA FSP ($560 M); and TEA textbooks ($175 M).

FY 2006 appropriations – TEA textbooks ($164.6 M); DFPS foster care ($265.3M); DFPS adoption subsidies ($126M); TEA Student Success Initiative ($316.1M); and Emerging Tech Fund. ($100M)

[7] Appropriated by House Bill 275, Eighty-second Legislature, Regular Session, 2011 for a transfer to the General Revenue Fund.

[8] Appropriated by House Bill 1025, Eighty-third Legislature, Regular Session, 2013 for WDB state water plan ($2.0B); TEA FSP ($1.75B); wildfires and natural disasters ($185.3M); and TPWD shortfall ($0.9M).

* 2013 reflects interest earnings forecast in the 2014-15 BRE adjusted for HB 1025 appropriations.

** 2014 and 2015 reflect deposits and interest forecast in the 2014-15 BRE adjusted for HB 1025 appropriations, CPA revenue update to the 83rd Legislature, 3rd Called Session, and the modified GR transfer to the ESF proposed in SJR 1, 83(3).

Sources: LBB and Comptroller's Annual Cash Reports

NOTE: The amounts shown as expenditures in the table do not necessarily equal the appropriated amounts identified in the text above.

Table 2

Stagnation

The ESF received its first deposit in 1990 with a transfer of $18.5 million dollars (MacCrossan 2011). The Fund would not have long to enjoy its new wealth, however, as the 71st Legislature, in their 6th Called Session, wiped out the entire fund in one fell swoop with S.B. 11 (1990). The bill enacted deep budget cuts to multiple agencies and programs that year to finance a massive overhaul of the state's public education system, and it appropriated the entirety of the ESF - $29 million by that date - to the Central Education Agency (CEA).

The Fund bounced back in 1992 with an influx of more than $150 million in oil and gas tax revenues (MacCrossan, 2011). But the ESF would again be drawn down the following year when the 73rd Legislature appropriated $125 million to the Texas Department of Criminal Justice, enabling programs to meet the demands of the system's expanding need for additional capacity (S.B. 171, 1993). This biennial give and take would keep Fund amounts relatively static, with balances never exceeding $100 million until the new millennium.

Growth

The first decade of the new millennium saw tremendous growth in oil and gas revenues, with subsequent growth in transfers to the ESF. In 2005, the wealth of the Fund was tapped heavily to cover substantial budget shortfalls, and to finance an Emerging technology fund. Despite the nearly $2 billion draw-down that biennium, however, growth of the Fund would become unstoppable, with transfers to the Fund reaching well

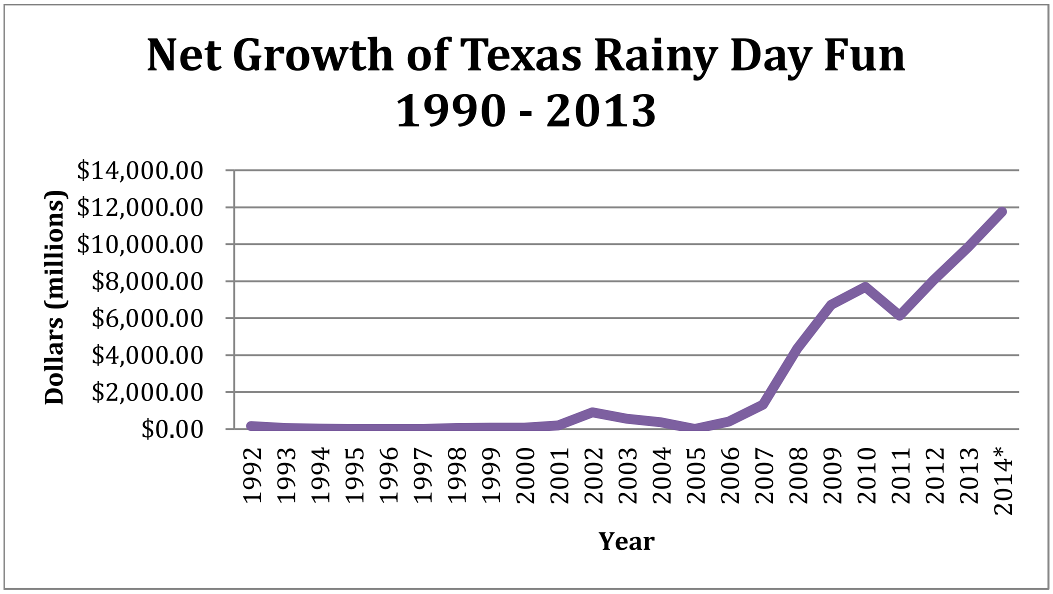

Figure 3: Susan Combs, Texas Comptroller of Public Accounts
*** Based on Budgetary Revenue Estimate 2013-2014; does not factor in probable 83rd Legislature appropriations from ESF**

into the billions from 2007 onward. Even with intermittent transfers from the Fund, its balance has continued to tick progressively upward toward an estimated $11+ billion by 2014. Figure 3 illustrates the sudden significant growth of the Fund over the recent decade.

A substantial rise in natural gas well head prices helped to support the Fund and the state's budget needs from the mid-to-late 1990's. Early in the new millennium gas prices spiked sharply, increasing nearly 100% between 1999 and 2001, from $2.19 to $4.00 per thousand cubic feet (MacCrossan 2011). The swell in gas prices breathed new life into the Fund, contributing significantly to a hefty $103.1 million deposit in 2001, and a nearly $700 million deposit in 2002 (MacCrossan 2011). Figure 4 pairs natural gas well head prices (blue) with transfers to the ESF over the last two decades (red).

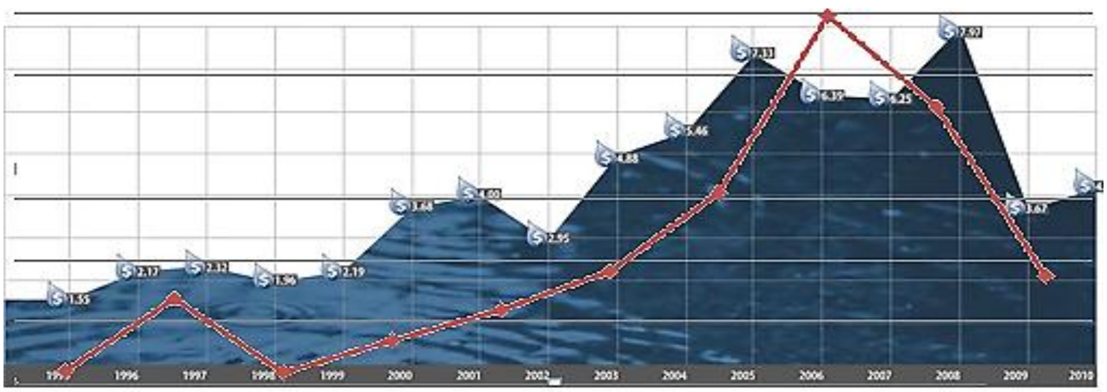

Figure 4: U.S. EIA (2002); MacCrossan (2011); and the Texas Comptroller (2013)

*the red line representing ESF transfers depicts the shape of the trend line across time only, it does not reflect dollar amounts included for well head prices (blue).

Like clockwork, the Fund grew just in time to meet the desperate demands of the state. In 2003, the legislature faced a $10 million dollar budget gap. In league with another wave of significant cuts to agencies and programs, H.B. 7 (2003) appropriated nearly all of the ESF's funds to meet critical demands: $406,748,606 appropriated to the Health and Human Services Commission to fund its Medicaid acute care program; $6,900,000 allocated to the Department of Health for Medicaid programs including programs such as Texas Health Steps and the Medical Transportation Program; an additional $26,400,000 appropriated to the Health and Human Services Commission for Children's Health Insurance Program; $6,400,000 allocated to the Department of Human Services for previously expended disaster assistance payments; $516,000,000 toward funding the Teacher Retirement System; $295,000,000 appropriated to the Texas Enterprise Fund, for use by the Office of the Governor; $3,037,200 to the Comptroller of Public Accounts to cover a lost suit with the U.S. Department of Health and Human Services; and $44,000 appropriated to the State Commission on Judicial Conduct for misconduct proceedings.

H.B. 10 (2005) similarly expended hundreds of millions of dollars from the Fund in 2005, primarily on a variety of healthcare, education, and child protection programs.

Despite these significant appropriations from the Fund to help close biennial budget gaps, a global recession, and the fall of natural gas prices in 2008, the Fund continued to expand substantially in the 2010s due to higher gas prices and what we now know was just the beginning of an unprecedented resurgence of oil and gas production in Texas thanks to innovative new extraction processes like hydraulic fracturing. The Fund was also buffered by growth in state revenue beginning in 2007, and by an influx of federal stimulus dollars in the 2007-2008 biennium (MacCrossan 2011). The ESF broke the $1 billion mark for the first time in 2007, with a $1.5 billion deposit from oil and gas production tax revenues; in 2008 the deposit was nearly $3 billion (MacCrossan 2011).

Gas prices would make a severe about face in the late 2010s however, with annual transfers to the ESF falling to roughly $2.3 billion in 2009, less than $900 million in 2010, and down to just over $450 million in 2011 (MacCrossan 2011). In 2012 and 2013 that decline would reverse with a transfers to the Fund of $1 billion and nearly $2 billion respectively – a trend that does not appear to be slowing anytime soon, as oil and gas production soars and their severance-tax revenues already exceeding Texas Comptroller estimates by $900 million midway through the year.

All in All, a Fortuitous Fund

Reflecting on the evolution of the Fund, it is difficult to imagine the fate of the state without it. Thanks to the wisdom of the Legislatures of the 1980s, Texas has been able to harness the almost unbridled, if volatile, wealth of its natural resources to pave over what otherwise may have been gaping voids in the state's budgets and potential to thrive. Facing declining revenues, recession, up and down commodity prices, and a rapidly growing population, legislators continue to look to the ESF to fund critical needs in the areas of education, health, pensions, and enterprise, technology, and infrastructure.

The availability of the Fund in such trying times, particularly in its early days, may also be owed to the high level of restraint with which successive legislatures have approached its use. Arguments have been waged both for and against use of the Fund in each and every session since its creation. Many state publicly that such restraint has actually cost the state greatly in key areas that have suffered dramatic budget cuts in hard times. Regardless of where one has stood on the Fund's evolution and its uses, however, everyone is interested in its future prospects and possibilities.

The following section highlights the Fund's most recent activity, exploring the growing demands of the state and the legislative proposals that would call upon the ESF, once more, to avoid the hazardous pitfalls of a volatile world, and pave the state's way into a prosperous future.

Recent Activity

The ESF, more recently referred to as the "Rainy Day Fund," has been a topic of discussion both in good and bad economic times. Despite two very different economic outlooks in the two most recent legislative sessions, whispers of tapping the ESF for specific needs have been ever-present. The size of the Fund has also spurred debate, as its balance has dramatically increased over the last decade. As noted in the Evolution section above, the ending balance for this fund had never topped $1 billion until six years ago (MacCrossan 2011). For this and other reasons, tapping the Rainy Day Fund has become a recurring idea in recent sessions for legislators looking for a "quick fix" to various budgetary issues.

Both the 82nd and 83rd Texas Legislatures have vetted various proposals to tap into the Fund to cover budget shortfalls and cut restorations; however, it is also interesting to examine what would happen to the Fund if it was not used at all during the 83rd Legislative Session, but was allowed to continue its growth over the next two years. As noted above, during its 24-year history, the Fund has only been tapped six times (Webber 2012), and the 83rd Legislative Session added one more major use – a state water plan – to this list. At the time of publication, the Texas Legislature was in its second called "special" session where tapping the Fund for transportation funding was being discussed.

This section provides a review of legislation proposed during the 82nd Legislative Session and legislation under discussion in the 83rd Texas Legislature. Additionally, this section describes how the legislation that has been passed into law has affected the Economic Stabilization Fund. Given that the constitutionally imposed bill filing deadline occurred March 8, 2013, this section will also address the proposed legislation from the 83rd Legislative Session that could potentially impact the Fund during the coming biennium.

Review of the 82nd Session of the Texas Legislature

Before every legislative session, the Texas Comptroller of Public Accounts is charged with delivering a Biennial Revenue Estimate (BRE) to the Texas Legislature (Texas Comptroller 2011). To the dismay of many, Comptroller Susan Texas Comptroller' Biennial Revenue Estimate in early January 2011 was not a cause for celebration. Just as the 82nd Legislative Session was getting underway, Comptroller Texas Comptroller' 2011 estimate showed that lawmakers had approximately $72.2 billion in revenues to allocate via the 2012-2013 biennial budget. This number was approximately $15 billion less than the $87 billion that was spent during the preceding session, and was estimated to be as much as $27 billion short of funding for growth in services (Fink 2011).

In response to this bleak economic forecast, state legislators' eyes began to wander toward the ESF –which was estimated to be $9.4 billion by the end of the 2012-2013 biennium – as a source of additional revenue (Hasson 2011). Notwithstanding desperate budgetary needs, a large freshman class that was elected largely to oppose increased government spending characterized the 82nd Texas Legislature. These two realities led to clashing legislation during the 82nd Session that either sought to cover the budget shortfall by using the Fund, or codify stricter spending caps and modify the requirements that govern the ESF's growth.

Legislative Proposals from the 82nd Texas Legislature

During the 82nd Legislative Session, sixteen pieces of legislation were filed that included the term "Economic Stabilization Fund" or "Rainy Day Fund" and were meant to affect the Fund balance in some way. Of these sixteen pieces of legislation, approximately two-thirds, or ten, were bills and the remaining six were joint resolutions meant to place a constitutional amendment on the November ballot for approval or rejection by Texas voters, which is all referenced in the Table below. Despite the number of proposals and extensive discussion on the issue, only two of these bills would eventually pass and be signed into law by Texas Governor Rick Perry.

82nd Texas Legislature

	Proportions	**Total Bills Filed: 16**
Chamber		
House	56.20%	
Senate	43.80%	
Type of Legislation		
Bill	62.50%	
Joint Resolution	37.50%	
Member's Party ID		
Republican	81.20%	
Democrat	18.80%	

Table 3

It is interesting to note that the House of Representatives had slightly more of the legislation originate in its chamber: 56% compared to the Senate's 43% (see Figure 5). Also interesting, Republican legislators filed more than 80% of all legislation regarding the Economic Stabilization Fund from either chamber. Using this information, it is clear that legislation on the Fund was likely to be a bill filed by a Republican member of the House of Representatives, not surprising given the party's two-thirds majority at the time.

Understanding these basic characteristics of the legislation that was filed on this issue during the 82nd Legislative Session provides the appropriate context from which to examine and explain the ideas that were presented surrounding the ESF.

The majority of ESF legislation filed during the 82nd Texas Legislature was tailored to one of three major concepts: limiting the growth of government expenditures; supplementing anticipated cuts to public education; or providing some form of tax relief. Other bills, such as H.J.R. 70 authored by then Representative Paxton, mentioned the Economic Stabilization Fund while seeking to move Texas to an annual budget system, or to raise the cap on the Fund's balance. Among these types of proposals was S.J.R. 54, a constitutional amendment by Senator West, which would have capped the ESF and moved excess funds directly to the Foundation School Fund to support public education. Despite a bleak economic outlook and serious cuts to the budget, the political climate was still not favorable to the use of the Fund for ongoing projects like public education.

Rather, the Fund was tapped in H.B. 275 by Representative Pitts, transferring $3.1 billion from the Fund to General Revenue to help obviate even deeper budget cuts. In response to unanticipated shortfalls in fiscal year 2011, Chairman Pitts had filed H.B. 4 and H.B. 275 to meet these current obligations. Combined, these two bills (1) authorized the transfer of approximately $3.1 billion from the Economic Stabilization Fund to the State General Revenue Fund for use in fiscal year 2011; and (2) utilized these funds to cover current shortages in the state's Medicaid obligation and school funding (Montgomery 2011). Both of the bills passed and were signed by the Governor. This supplemental appropriation by the 82nd Texas Legislature to cover shortages from the previous session amounted to the largest one-time withdrawal in the ESF's twenty-four year history (MacCrossan 2011).

Other proposals to use the Rainy Day Fund in 2011 would have also had a significant impact on the Fund's balance had they been enacted. During the session, Republican legislators filed legislation that would have placed a constitutional spending cap limiting expenditure growth to the combined metric of population growth and inflation in the state, and would have provided for property tax relief and franchise tax rebates with excess funds from the ESF. Aside from austere spending limits, legislators from both parties also filed legislation to limit the cuts to the Foundation School Program, which is the school financing system that provides "equal access to similar revenue per student" in Texas (TEA 2012).

Legislative Proposals Filed in the 83rd Texas Legislature

The 83rd Session in 2013 began with a much brighter economic forecast. In addition to the more than $8 billion in the state's Economic Stabilization Fund, the Texas

Comptroller estimated that the legislature had $101.4 billion in General Revenue available – a surplus of approximately $8.8 billion. This increase in the General Revenue Fund represented a 12.4% increase from the previous biennium (Comptroller 2013). These strong economic numbers coincided with an increase in proposed legislation regarding the ESF during the 83rd Texas Legislature. The fight was not over using the Fund to stop budget cuts as in the previous session, but rather using it for forward looking water and infrastructure projects, or spending on public schools. As of March 8, 2013, the Constitutional bill-filling deadline, which prohibits members from filing legislation once it has passed, a clearer picture of where sentiments rested on the issue could be determined. The Table below shows that the percentage of ESF legislation filed in the House of Representatives compared to the Senate has increased to 65%–35%, the number of bills compared to joint resolutions has also increased, and the percentage of legislation filed by Democrats has doubled compared to the 82nd Legislature. These changes suggest an increased willingness by the legislature to pursue and consider changes to the usages of the Fund in the 83rd session.

83rd Texas Legislature

	Proportions	**Total Bills Filed: 26**
Chamber		
House	65.40%	
Senate	34.60%	
Type of Legislation		
Bill	69.20%	
Joint Resolution	30.80%	
Member's Party ID		
Republican	57.70%	
Democrat	42.30%	

Table 4

Not incorporated into these statistics, however, are the Governor of Texas and his sentiments on the usage of the ESF. While Governor Rick Perry cannot propose and file legislation, governors do have influence over legislation through the State of the State Address wherein they lay out their own legislative vision and priorities for the state (National Governors Association 2013). During his seventh such Address, Governor Perry called on the legislature to use $3.7 billion from the Rainy Day Fund for one-time investments in water and transportation infrastructure (Fernandez 2013). Aside from water and transportation, Governor Perry also promoted the idea of providing nearly $2 billion in tax relief; though it was not directly attributed to usage of the ESF, the idea of doing so had surfaced in the previous session.

A closer examination of the twenty-six pieces of legislation that were filed in 2013 relating to the ESF suggests that Governor Perry's State of the State was well received in the legislature. More than 40% of the 23 proposals filed in the 83rd legislative session relate to funding water and transportation infrastructure projects, as illustrated by Figure 7. These proposals range in costs from $400 million to $2 billion (Texas Legislature Online 2013). An additional 11% of proposals relate to providing tax relief and rebates through the Fund, and the bulk of the remaining proposals relate to school finance, an issue tied up in litigation in 2013 (Smith 2013). This level of legislation portended a different type of session – in terms of the Economic Stabilization Fund – from the previous session because of a general consensus around using the Fund for specific projects. A majority of the proposed bills centered on three issues: water, infrastructure, or education.

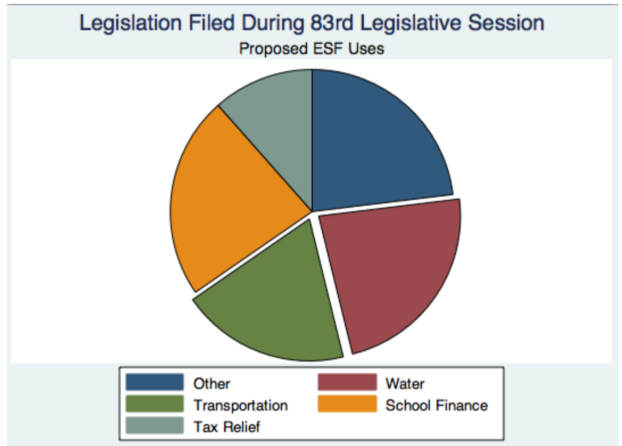

Figure 5

Republicans led the charge to use the Fund for water projects and transportation. For example, House Redistricting Chairman Drew Darby proposed using $3.7 billion from the Fund to fund water and infrastructure projects in H.B. 19. Perhaps the most noteworthy of the Republican-authored bills was H.B. 11, written by House Natural Resources Chairman Allan Ritter. This bill would have used $2 billion for water infrastructure through the newly created water fund (H.B. 4). In a contentious floor debate, Republicans and Democrats argued over using the Fund for water instead of further funding public education. Ultimately, H.B. 11 was returned to committee after a point of order was called by Representative Sylvester Turner, a Democrat, and sustained on the House floor on April 29, 2013.

The Democrats made numerous proposals during the 83rd session to use the Fund for public education and the Foundation Schools Fund despite the fact that the budget returned much of the Funding lost in the previous session. These bills included H.B. 3346 and its Senate companion S.B. 1378, which proposed taking $4 billion from the Fund to adequately fund education. Notably on April 26, 2013, the House passed H.B. 1025, a supplemental appropriations bill which took more than $100 million dollars from the Fund in order to cover the costs of fighting the wildfires in Texas and disaster recovery in West, Texas where a fertilizer plant exploded to devastating effect.

Although legislation tended toward a broad idea that was generally agreeable, each of the proposed pieces of legislation had a different way of addressing one of the three major concerns. The fight over the correct usage of the Fund erupted between Republicans arguing to use the Fund for one-time expenditures on water and infrastructure, the Democrats contending that public education was still under-funded and needed ESF appropriations to help Texas children, and a small sect of Tea Party Republicans rejecting any use of the Fund whatsoever. The 83rd session's usage of the Fund devolved into a fight of water vs. public education vs. big government, Republican vs. Democrat vs. Republican. Neither side wanted to budge, but with Republicans having a strong majority their proposals were those most likely to gain traction. The proposals also suggested a willingness by the legislature to use the Rainy Day Fund to support one-time spending projects – with the exception of the Tea Partiers - but not necessarily as a vehicle to support recurring expenses such as public education.

Looking Forward

The Texas Comptroller's 2013 Biennial Revenue Estimate projects that the Economic Stabilization Fund will grow by an additional $3.6 billion over the biennium – an increase of 44% of its current $8.1 billion balance (Comptroller 2013). An increase of this size would leave the Fund with a balance of nearly $12 billion by the start of the 84th Texas Legislature in 2015 (see Figure to the right). As noted previously, over its twenty-four year history, the ESF has only been tapped six times for a combined total of $6.6 billion (MacCrossan 2011). However, given the support from Governor Perry and leaders in the legislature to utilize some of this fund for one-time infrastructure improvements, the 83rd Texas Legislature passed a constitutional amendment that, if approved by the state's voters, would allow the ESF to be used for water projects. Additionally, at the time of publication, the Texas Legislature was in a "special" session debating a similar piece of legislation for transportation improvements.

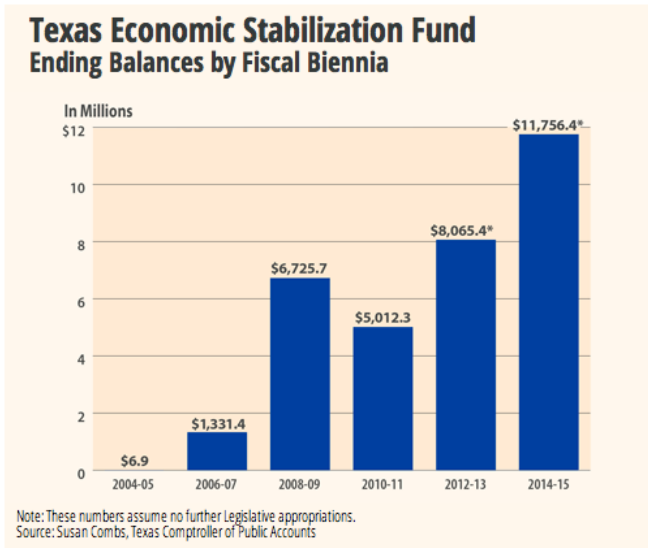

Figure 6

Comparison

After looking at the 50 states and their rainy day fund policies, an in-depth discussion is needed to provide the State of Texas with four models to look to for direction on the handling of its fund. We selected the four states with the largest general fund expenditures. Based on that metric, California, Florida, New York, and Pennsylvania were chosen as states to examine closely. Each of these states has large populations and covers a large geographic area. Additionally, each state is located in a different region of the country. The expansive size of each of these state budgets provides Texas with a model of how to manage its Economic Stabilization Fund in light of similar budget expenditures. The following is a discussion of these four states; Appendix Table 2 includes complete fifty sate comparison.

California

California has two funds: the Budget Stabilization Account (BSA) and the Special Fund for Economic Uncertainties (SFEU). The BSA is closer in comparison to Texas' Economic Stabilization Fund so that will be used for comparison, but it should be noted that the SFEU is a more active account. As of 2012 the BSA had no money in its account and the SFEU was negative $3.6 billion (State of California 2012, IV).

Fund Details

California voters created the state's BSA in 2004 with the passage of Proposition 58. This measure was approved along with Proposition 57, which required some on the money being transferred to the BSA to be transferred to the Retirement Sinking Fund Subaccount (CDF 2013).

Legal Implications

The BSA receives a maximum of three percent from the General Fund (GF) per year based on the GF revenue collections from the previous year. The approved constitutional amendment set that the Controller would make transfers of a sum equal to 1 percent of the estimated amount of GF revenue by September 30, 2006, 2 percent by September 30, 2007, and 3 percent by the same date in 2008. These transfers can be suspended or reduced by executive order by the governor, no later than June 1 of the preceding fiscal year, which has been done every year since the Fund was created (California Const. art. 16, § 20).

Fund Uses

The BSA receives deposits based on the GF revenue collections as estimated in the Budget Act, from the previous year. It has a cap of $8 billion, or 5 percent of the prior year's GF revenue collections, whichever is greater. As mentioned above, by September 30 of each year, the Controller makes a transfer to the BSA from the GF. Starting in FY 2009 the BSA should have had a maximum fund size of 8 percent of the prior year's GF revenue collections, but the money was never appropriated by the legislature. Thus far, the BSA has never been funded since its creation because of the economic problems in California. The Fund has limitations on its uses and can only be used to pay the Recovery Bond Retirement Sinking fund Subaccount and as needed for the GF. Half of all transfers made to the BSA from the GF must go to the Retirement Sinking Fund Subaccount until an aggregate amount of $5 billion is reached for all fiscal years. Once that money has been allocated, the Fund can be used as a way for the Controller to pay off any debt in the GF (California Const. art. 16, § 20).

The Policy Debate in 2013

California's Legislative Analyst's Office (LAO) released a 2013 -2014 Fiscal Outlook Report in which they mentioned adding money to the BSA. LAO forecast General Fund operating surpluses beginning 2016-2017 accounting for a three percent transfer from the General Fund to the BSA. LAO recommended making the BSA a priority before 2016-2017 if there were any available resources (CLAO 2012, 7-8). This is an important recommendation for the future of the California BSA. It is advisable to watch this situation in coming years to see if California transfers money to the BSA and if they do tap it at some point in the future what would they use it for.

Florida

Florida's Budget Stabilization Fund (BSF) currently has $493.7 million, which is lower than it should be because just over one billion dollars was used in FY 2009. Due to the regulations for the Fund, money is being allocated to the Fund every year and it should be restored in FY 17.

Fund Details

Florida's fund was expanded from a $150 million Working Capital Fund to a fund based on the previous year's net revenue collections in 1992 with the passage of a constitutional amendment (FREC 2012, 25). The creation of the Fund came out of the Florida Taxation and Budget Reform Commission, which recommended having a "meaningful minimum 'rainy day' fund" (FTBRC 1990, 36, 75-77). The Commission made a of list recommendations for the Fund:

- Change the Florida Statutes to clearly establish the process for the flow of revenues into the Fund, a process for using the Fund, and clarify the intent of the Fund,
- Make a requirement in the statutes the money be added to the Fund starting in 1992-1993 fiscal year and only allow the Fund to be used for revenue shortfalls and in times of emergencies,
- Set a cap for the Fund to only cover 50% of revenue shortfalls and make the other 50% come from spending reductions, and

- Require the Fund to be refilled after money is used from the Fund.

Some of these recommendations are still in use today, which will be discussed in further detail in the next section.

Legal Implications

The BSF receives deposits based on the net revenue collections from the previous year. It has a cap of 10 percent of the prior year's net revenue collections. By September 15 of each year, the Governor is to authorize the Chief Financial Officer (CFO) to make a transfer to the BSF from the General Revenue Fund (GRF). Starting in FY 1999 the BSF had a minimum fund rate of 5 percent of the prior year's net revenue collections unless otherwise appropriated by the legislature. Any money that is used from the Fund must be restored in five equal annual transfers beginning in the third fiscal year following the year the expenditure was made (§ 216.222, Fla. Stat. 2012). It is because of this law that the Fund will take until 2017 to be fully restored. The Fund has limitations on its uses, which are described below.

Fund Uses

The BSF can make transfers to the GRF for three reasons: (1) a deficit, (2) an emergency, and (3) for temporary transfers to the GRF (§ 215.32, Fla. Stat. 2012). According to statute, a deficit is deemed to occur when the official estimate of funding available in the GRF for a fiscal year falls below the total amount appropriated from the GRF for that year. If a deficit occurs when the legislature is not in session, the Governor and the Legislative Budget Commission shall meet with the CFO to determine whether the BSF needs to be used. At that point, a transfer can be made to fix the budget deficit. If a deficit occurs within the last four days of a fiscal year, the CFO certifies the deficit to the Governor, the Chief Justice, the President of the Senate, and the Speaker of the House of Representatives, who all can then decide to make a transfer.

The second reason the BSF can be used is in a state of emergency. According to Section 252.34 (§ 252.34, Fla. Stat. 2012) and '"Emergency" means any occurrence, or threat thereof, whether natural, technological, or manmade, in war or in peace, which results or may result in substantial injury or harm to the population or substantial damage to or loss of property." If the Governor declares a state of emergency then the Governor may allocate BSF monies.

The final way the BSF may be used is for temporary transfers to the GRF (§ 216.222, Fla. Stat. 2012). The Governor may order a temporary transfer to avoid borrowing money and taking on added interest. In order for the Governor to make this transfer he or she must provide notice of this action seven days before it becomes effective and must repay the Fund by the end of the fiscal year (§ 215.18, Fla. Stat. 2012).

Transfers can be made from the BSF to the State Risk Management Trust Fund for provide funding for any emergency. For this section of the code, an emergency occurs when uninsured losses to state property exceed $2 million per occurrence or $5 million per annual aggregate. When these losses do occur, the Division of Risk Management certifies the losses and has the money transferred into the trust fund. These transfers cannot exceed $38 million in any fiscal year (§ 216.222, Fla. Stat. 2012).

The Policy Debate in 2013

In its 2013 session, the Florida Legislature had two identical bills H.B. 1111 and S.B. 640 in committee dealing with the Budget Stabilization Fund. Under current law, unspent balances in Florida Trust Funds are appropriated to either the BSF or the GRF. H.B. 1111 and S.B. 640 would add two funds controlled by the Department of Veterans' Affairs to the list of trust funds that do not have to give up unspent balances. This could limit money coming into the BSF or the GRF. At this point, it is unclear why the money in these trusts should be exempt from their current funding policy. Both of these bills died in their committees so for this session the Florida Legislature will not be changing BSF.

New York

Fund Details

New York State is one of a few states that make use of more than one type of rainy day fund. The Tax Stabilization Reserve Fund exists to prevent increases in real property taxes as a result of revenue shortfalls or unforeseen expenditures. As a response to the Tax Stabilization Reserve Fund reaching its cap, the Rainy Day Reserve Fund, created under the Budget Reserve Act of 2007, gave the state a primary mechanism for dealing with economic downturns or catastrophic events that put a strain on the state budget. While both funds are important to the economic wellbeing of the State of New York, the Rainy Day Reserve Account (RDRA) is the type of rainy day fund that has drawn the interest of this study (OSC, 2012).

Legal Implications

Established in the Budget Reserve Act of 2007, the RDRA is intended to allow the state to effectively cope with economic downturns or catastrophic events. The account is funded by appropriation and cannot exceed three percent of projected general fund disbursements for the upcoming fiscal year. In order to make use of the Fund, notification must be given to the leaders of both the executive and legislative branches, after which the budget director notifies the comptroller to direct funds from the RDRA to the general fund to meet the financial obligations set forth in the fiscal year budget. According to the language set forth in the Budget Reform Act, an economic downturn refers to five consecutive months of decline in the composite index of business cycle indicators. Furthermore, when a withdrawal is made in the RDRA, repayment of the amount must be made in cash within three years. In cases of a catastrophic event, a repayment schedule is proposed by the governor and appropriated in the general fund budget (NCSL, 2008).

Fund Uses

Upon creation of the Fund in 2007, $175 million was deposited to the account. Since its inception through fiscal year 2012, there has been neither a deposit nor withdrawal from the rainy day account. Therefore, following fiscal year 2012, $175 million remained in the account. At $175 million, the RDRA represents 0.306 percent of fiscal year 2011-2012 general fund expenditures. Despite the relatively meager size of the RDRA, the State's other rainy day fund, the Tax Stabilization Reserve Fund, boasts reserves of $1.131 billion (OSC, 2012).

The Policy Debate in 2013

The State of New York has not used any of its rainy day funds throughout the global recession that persisted over the past couple years. According to the Citizens Budget Commission (CBC), four factors could explain the failure of the state of tap into these resources. First, the State has other reserve funds at its disposal. When the Budget Reform Act of 2007 was passed, $2.3 billion in state funds occupied other reserve accounts (CBC, 2011). Since 2007, most of that money has been used for the purposes outlined in each account; only $149 million remains as of fiscal year 2011-2012 in these accounts (CBC, 2011). Second, the use of the rainy day funds may induce a lowered credit rating by ratings agencies. A downgrade in credit rating makes it more difficult for the State to borrow money by increasing interest costs for debt accrued by the State. Third, payback rules for the rainy day funds make it difficult for state officials to withdraw from the account. Fourth, the Tax Stabilization Reserve Fund and the RDRA are used as a protection against short-term cash flow unpredictability (CBC, 2011).

Pennsylvania

Fund Details

The State of Pennsylvania created the Budget Stabilization Reserve Fund in July of 2002 as a replacement to the Tax Stabilization Reserve Fund that held over $1 billion in reserves at the time of replacement (OGCP, 2013). According to the State of Pennsylvania, "The purpose of the Rainy Day Fund is to provide financial assistance to counterbalance downturns in the economy that result in revenue shortfalls in order to promote greater continuity and predictability in the funding of vital government services" (OGCP, 2013).

Legal Implications

Act 91 of 2002 created the Budget Stabilization Reserve Fund in Pennsylvania. The Fund is capped at six percent of general fund revenues. The Fund generates cash flow as a result of general fund revenue surplus; if a surplus in revenue occurs, 25 percent is deposited in the Fund. Moreover, money can be appropriated through the appropriation process in the legislature. If the Fund equals or exceeds six percent of general fund revenues at the end of year balance, the transfer requirement is reduced from 25 percent to 10 percent. Any use of the Fund requires two-thirds vote of members in each House of the General Assembly (NCSL, 2008).

Fund Uses

Since inception, numerous transfers have taken place between the general fund and the reserve fund. In the 2002-2003 budget, $69.8 million was deposited into the account from the general fund. In 2003-2004, $190 million was transferred from the general fund to the reserve fund. The following fiscal year, 15 percent of the general fund surplus was transferred as a result of the previous year exceeding 25 percent. The result in 2004-2005 was a transfer of $64.4 million, followed by a $171.4 million transfer in 2005-2006. A similar amount ($177 million) was deposited into the reserve fund in 2006-2007. However, in 2008, transfers to the Fund were suspended. By 2009, the movement of money resumed but in a different direction: $755 million was shifted from the Budget Stabilization Reserve Fund to the general fund. Additionally, in 2010, $745,000 was transferred from the reserve fund to the general fund. As of June 30, 2012, $61,000 remained in the Budget Stabilization Reserve Fund and the transfer of general fund surplus to the Fund has been suspended (OGCP, 2013).

Policy Debate in 2013

In 2009, the Budget Stabilization Reserve Fund was almost entirely depleted to cover budget shortfalls and by mid-2012, only $61,000 remained in the Fund (Corbett, 2013). Prior to the adoption of the fiscal year 2013 budget, tensions sparked over the reserve fund and the end of year budget surplus. Pennsylvania law dictates that 25 percent of an end of year surplus is to be deposited into the Budget Stabilization Reserve Fund; this approach to the budget was advocated by Governor Tom Corbett and Republicans in the state legislature. However, Democrats urged the governor to make use of the Funds to provide extra aid to social service programs in the state. In the end, Governor Corbett signed a provision on July 2, 2012 to suspend transfers to the reserve fund and mandated use of the excess revenue for current obligations (HAC, 2012).

Four State Comparison				
	California	**Florida**	**New York**	**Pennsylvania**
Rainy Day Fund	Budget Stabilization Account	Budget Stabilization Fund	Rainy Day Reserve Fund	Budget Stabilization Reserve Fund
Year Created	2004	1993?	2007	2002
Population (2010)	37,253,956	18,801,310	19,378,102	12,702,379
Geographic Region	West	South	Northeast	Mid-Atlantic
General Fund (GF) Expenditures (in millions)	$213,344	$69,368	$133,504	$68,227
Fund Size (in millions)	$0	$493.70	$175	$0.06
Legal Implications	Maximum 3% from the General Fund per year based on GF revenue collections from prior year.	Receives deposits based off previous year's revenue collections; capped at 10%; fund must be restored through equal transfers.	Funded by appropriation; cannot exceed 3% of projected General Revenue fund disbursements for the upcoming fiscal year.	Capped at 6% of General Fund revenues; 25% of surplus revenues are deposited into the Fund.
Fund Uses	Recovery Bond Retirement Sinking Fund Subaccount until $5 billion cap then used as needed.	1) Deficits; 2) an emergency; and 3) temporary transfers to the General Revenue Fund.	Allows the state to cope with economic downturns or catastrophic events.	Counterbalance downturns in the economy that result in revenue shortfalls

Table 5

PART III

Analysis & Discussion

Methodology

Research Question

For the purposes of this paper, we present the following research question: What political, social, and economic indicators help predict Economic Stabilization Fund bill passage. In other words, we seek to test which variables affect either positively or negatively the chance that an ESF bill will be passed.

Thus, we chose the dependent variable "passage," which contains data on whether or not the ESF bill has passed. As stated previously, the ESF was signed into law in 1987, approved by the voters in 1988, and was first funded in 1993 during the 73rd legislative session. Since the 73rd legislative session, numerous attempts have been made to draw funds from the ESF. For example, in 1993, S.B. 171 (Montford 1993) called for, "the issuance of general obligation bonds for projects relating to state prisons and to emergency appropriation to the Texas Department of Criminal Justice for the operation of state prisons and intermediate sanction facilities" and H.B. 275 (Pitts, 2011), which requested, "an appropriation of money from the economic stabilization fund for expenditure during the current state fiscal biennium." These are but two examples of the type of actions called for in the studied ESF bills: Appendix Table 1 lists the 55 relevant ESF bills with descriptive captions. In total, 73 ESF bills were compiled for this study. However, only 55 bills specifically proposed to withdraw funds from the ESF. Therefore, information on these 55 bills was analyzed for the purposes of this study.

Variable Analysis

Predictive Variables for Successful ESF Legislation

Our goal is to predict the passage of the ESF related bills. The three types of explanatory variables used were in the analysis: economic, social, and political. Within economic variables, we looked at unemployment, the relative health of the General Revenue balance, and the amount being requested from the Economic Stabilization Fund. For the social variables, we looked at who testified on, for, or against the bill and how much they spent on lobbying during a specific session. The political variables are whether the primary author is a member of the majority party for that session, and if the primary author is a chairperson of a standing committee. The variables are discussed in greater detail below.

Economic Determinants

General Revenue Balance

In the Economics section, it will be determined whether the fiscal health of the state influenced the use of the Economic Stabilization fund, and which economic factors were more important. Several measurable factors have been identified including General Revenue balance, the unemployment rate, and the amount appropriated from the ESF. General revenue balance can be used to determine whether the economic climate influenced bill passage of the ESF. While the ratio did not relate to the number of days the bill passed when used in a cross state analysis, it might be valuable to bill analysis for a single state over time.

Unemployment

Lovati (1976) showed that the unemployment rate can be used as an economic indicator and unemployment is still used today by the U.S. Department of Labor (2013) as an economic indicator. Because unemployment rate can be used as an economic indicator, we it use it to see if there is an effect on the passage of the ESF bills. Does the state of the economy influence the decisions of legislators and ultimately leads to a bill's passage?

Amount Appropriated from ESF

While research regarding the effects of money requested in a bill on that bill's passage is hard to come by, it can be inferred that the amount requested would influence legislators' decisions in some way. We believe this effect might be more noticeable when discussing a limited fund such as the Economic Stabilization Fund. In this study, we examine whether the size of the amount being requested influences the decisions of legislators and ultimately lead to passage. Presumably, the amount being requested might also reflect the relative importance of the issue; either way, it is interesting to note whether requesting more or less appropriations increases a bill's chance of passage.

Social Determinants

Interest Groups

The Social aspects of this paper will give some idea of public opinion at the time each piece of legislation was being considered. Two variables will be considered for the Social Section, testimony given by interest groups and the amount spent per year by those groups testifying. In an article by Lord (2000, 89) a study of interest group influence is done to see the effectiveness on influencing the passage or content of legislation. The results showed the biggest impacts were a result of consistency building and lobbying. Drope and Hansen (2009, 313-314) also discuss the influence of interest groups on regulations. Their research showed the relationship between interest groups' size and expenditures and the influence on policies. The Social variables can help clarify what interest groups were doing at the time legislation for the RDF was being considered.

Political Determinants

Majority Status

Partisan affiliation, or party identity, is perhaps the most noticeable variable in a legislative body. Not only is this variable easy to ascertain, studies suggest that a member's party affiliation in relation to majority control of the body plays a role in the passage rate of legislation. Research suggests that in the past, divided government and party affiliation is a way to detect whether a bill will pass and whether such a bill will have long-term success (Maltzman and Shipan 2012).

Committee Chairmanship

In a similar study, Henderson (2012) explores the role committees play within the institution of a legislative body. Furthermore, this study will examine to what extent these committees play a role in promoting or hindering legislation through their ability to hold hearings. Committees are a critical step in the legislative process and the ability to hold up a bill in committee could prove highly influential. While standing committees are the more common in the Texas Legislature, and are generally constant and institutionalized within a legislative body, their respective chairperson may change between sessions. Furthermore, members who serve as committee chairs are generally regarded to be a part of their chamber's "leadership" team. Given the effects of committees on the institution, it is reasonable to surmise that those members who chair various. Committees will hold some influence on the process as well.

Hypotheses

Before discussing the intricacies of the model, it is imperative to state our hypotheses for the variables we have selected.

Majority

If the legislator who authored the legislation is in the majority party of either the House or Senate, the likelihood of bill passage will increase.

"StandingCommitteeChair" - Standingcc

If the legislator who authored the legislation is the chairperson of a standing committee in either the House or Senate, the likelihood of bill passage will increase.

Moneyspent

If the amount of total money spent on all lobbying activities increases, the likelihood of bill passage will increase.

Unemployment
If the unemployment rate in the State of Texas increases, the likelihood of bill passage will increase.

Testifyfor
If the number of people who testify for Economic Stabilization Fund legislation at public hearings increases, then the likelihood of bill passage will increase.

Testifyagainst
If the number of people who testify against ESF legislation at public hearings increases, then the likelihood of bill passage will decrease.

Testifyon
The variable "testifyon" is designated for those who register is testify *on* legislation rather than for or against. In other words, these individuals or representatives provide information or anecdotes that help provide context and facts on proposed legislation. Therefore, logic or theory does not directly suggest the direction of a potential hypothesis. However, it is our contention that as the number of people who testify on a bill increases, the likelihood of bill passage increases.

"GeneralFundRevenue" - Gfrevinfl
As the total amount of general fund revenue (adjusted for inflation in 2013 dollars) increases, the likelihood of bill passage will decrease.

"AmountAppropriated" - Amntapprop2
As the amount of money appropriated in the ESF bill increases, the likelihood of bill passage will decrease.

Model
We wanted to forecast Economic Stabilization Fund bill passage in the Texas Legislature dating back to the 73rd legislative session and show which factors enhance or even predict bill passage. To determine bill passage in our model we configured a logistic regression, which makes use of a dichotomous outcome dependent variable in the regression analysis. Therefore, our model utilizes the variable "passage" as its dependent variable, or what we are trying to predict. The independent variables, or predicted variables of interest in our model include: majority, standingcc, moneyspent, unemployment, testifyfor, testifyon, gfrevinfl, and amntapprop2. In addition to the appropriate variables, we pulled 55 bills from the 73rd through the 83rd legislative sessions. These 55 bills call for the withdrawal of funds from the Economic Stabilization Fund and represent a sample n of 55 in our model. Moreover, we dropped six bills from the regression, because the bills were pending at the time of analysis and we wanted to avoid predicting the fate of

current pending legislation. Therefore, we were left with an n of 49. Once we set up the model we ran the logistic regression using the data analysis software, Stata, with all of the variables (see Table 6); Appendix tables 3 and 4 include complete summary statistics,

Passage	Odds Ratio	Std. Err.	z	P>|z|	[95% Conf. Interval]	
Majority	1	(omitted)	(omitted)	(omitted)	(omitted)	(omitted)
Standing Committee Chair	0.2370414	0.3649721	-0.93	0.35	0.0115939	4.846377
Money Spent	1.003075	0.0015307	2.01	0.044	1.000079	1.00608
Unemployment	58.49067	123.4701	1.93	0.054	0.9338011	3663.691
Testify For	0.6178919	0.1585275	-1.88	0.061	0.3737031	1.021641
Testify Against	0.0029132	0.019693	-0.86	0.388	5.13E-09	1653.778
Testify On	1.884626	1.060351	1.13	0.26	0.6256219	5.677257
General Fund Revenue	0.9135733	0.0416498	-1.98	0.047	0.8354821	0.9989635
Amount Appropriated	0.9062401	0.3448032	-0.26	0.796	0.4299133	1.910318

Table 6

After running the logistic regression, the variable majority is dropped from the analysis. Therefore, when the variable majority does not equal one, then the variable perfectly predicts failure. A quick tabulation of the variables passage and majority yields a matrix showing exactly that (see Table 7).

	Majority		
Passage	0	1	Total
0	16	22	38
1	0	11	11
Total	16	33	49

Table 7

In our sample, if a member of the minority party offers ESF legislation the legislation is guaranteed to fail. This is an important finding. In other words, if a member of the minority party deems it imperative to transfer funds from the ESF to the General Revenue Fund or to a specific program, authoring a bill guarantees their failure in doing so. Consequently, this tells us that a member of the majority party *must* introduce the legislation to insure that the bill has a shot at passage.

In terms of our model, the implications resulting from the variable majority have caused us to modify exactly what we are looking for. Therefore, we are determining what factors influence bill passage if a member of the majority party offers ESF legislation. This adjustment leaves the model with a sample size of 33. In addition to the variable majority, the Prob > chi2 is 0.0151, which is statistically significant at the five percent level indicating that the model itself is statistically significant.

Results

We looked at nine variables in our analysis and produced some interesting and significant results. Of nine variables majority status was omitted as discussed above, two variables were significant at the .05-level, two were significant at the .10-level, and the other four were not statistically significant. Below we will discuss the impact each variable had on ESF bill passage.

Majority

We hypothesized that if the legislator who authored the legislation is in the majority party of either the House or Senate, the likelihood of bill passage will increase. As we mentioned earlier, if a minority party member authored the legislation the legislation failed. Therefore, the majority variable was dropped from the model. Doing so, allowed for the analysis of majority party legislation; specifically, which variables affect the passage of majority party ESF legislation.

Standing Committee Chair

We hypothesized that if the legislator who authored the legislation were chairman of a standing committee in either the House or Senate, the likelihood of bill passage would increase. Based on the odds ratio and theory, it appears that this *is* the case. However, this variable is not statistically significant at the .10-level and the absolute effect remains inconclusive.

Money Spent

We hypothesized that if the amount of total money spent on all lobbying activities increases, the likelihood of bill passage will increase. Based on the results of the regression, this variable is statistically significant at the .05-level ($P>|z| = 0.044$) and produces an odds ratio of 1.003075. As such, we can cautiously confirm our hypothesis. An increase in the amount of money spent makes it marginally more likely that an ESF bill will pass.

Unemployment

We hypothesized that if the unemployment rate in the State of Texas increases, the likelihood of bill passage will increase. The results of the regression yield an odds ratio of 58.49067 and the variable is statistically significant at the .10-level ($P>|z| = 0.054$). Thus, an increase in the unemployment rate makes much more likely for an ESF bill to pass.

Testify For

We hypothesized that if the number of people who testify for ESF legislation at public hearings increases, the likelihood of bill passage will increase. As indicated in the output table, the odds ratio is 0.6178919 and the variable is statistically significant at the .10-level ($P>|z| = 0.061$). The results indicate that an ESF bill is more likely to fail if the number of people testifying for the bill increases. This result is significant and contradicts the theory we used during our hypothesis. Our assumption was that as the number of people that testified for a piece of legislation increases, the likelihood of passage will increase because more people demonstrated their public support for the legislation. However, the opposite is true. The more people that provide public support for ESF legislation at the hearing makes bill passage less likely. The implications of this result will be discussed in the following section.

Testify Against

We hypothesized that if the numbers of people that testify against ESF legislation at a public hearing increase the likelihood of bill passage will decrease. The logistic regression produced an odds ratio of 0.0029132 and was not statistically significant at the .10-level (P>|z| = 0.388). Thus, we cannot say that this variable has an effect on the outcome of ESF legislation.

Testify On

We hypothesized that as the number of people who testify on a bill increases, the likelihood of bill passage increases. Logistic regression yielded an odds ratio of 1.884626 and was not statistically significant at the .10-level (P>|z| = 0.260). As a result, we cannot say that this variable has an effect on the outcome of ESF legislation.

General Fund Revenue

We hypothesized that as the total amount of general fund revenue (adjusted for inflation in 2013 dollars) increases, the likelihood of bill passage will decrease. Our thinking was that if the state had more money at its disposal, legislators would be less likely to pull money from the ESF. The regression analysis produced an odds ratio of .9135733 and is statistically significant at the 0.05-level (P>|z| = 0.047). Therefore, an increase in general fund revenue makes it less likely that an ESF bill will pass. The results of this analysis match the theory we used to determine the hypothesis. The implications of this discovery will be examined later.

Amount Appropriated

We hypothesized that as the amount of money appropriated in the ESF bill increases, the likelihood of bill passage will decrease. The regression analysis generated an odds ratio of .9062401 but is not statistically significant at the 0.10-level (P>|z| = 0.796). Although the odds ratio results match the theory we used in our hypothesis formulation, the variable was not statistically significant and we could not determine the effects of this variable.

Regression Diagnostics

Table 6 shows the results of linktest, which is used to detect specification error in the model.

Linktest				
Passage	Coef.	Std. Err.	z	P>|z|
_hat	0.9672571	0.4213464	2.3	0.022
_hatsq	-0.0362106	0.1988379	-0.18	0.855

Table 8

If the model is correctly specified, additional predictors should not be identified unless by chance. When running the test, linktest uses the linear predicted value _hat and linear predicted value squared _hatsq as the necessary predictors to rebuild the model. According to the specification test, a proper model should possess a significant _hat and a _hatsq that is not significant. As one can see from the linktest output, the _hat linear predicted value is significant and the _hatsq value is not. Therefore, the model is correctly specified.

Looking Ahead

Economic Determinants

Considering the economic implications and impact of any substantial appropriation, or attempted appropriation from the Fund, we included in the model a number of variables related to economic conditions in the state, as well as the size of proposed appropriations from the Fund: unemployment rates in the state, General Fund revenue, and amount appropriated.

A standard and common bellwether for economic conditions - globally, nationally, or statewide - high unemployment rates are generally attributable to poor health of an economy overall. The Economic Stabilization Fund was created to help the state weather the storms of economic decline and budget shortfalls, so we hypothesized that where unemployment rose throughout the state's history, the likelihood of legislation attempting to utilize rainy day funds succeeding would increase. Our results support the hypothesis with important implications for the future use of ESF funds. If the unemployment rates are taken as a reliable indicator of economic health and vitality in the state, then use of the Fund in economic boom periods will likely face opposition, while the Fund proves much more statistically available in times of economic strife – as was intended by its founders.

Another key economic indicator for the state, the amount of money available for use in state coffers – the General Revenue Fund – provided a similar perspective on ESF use relative to the economic health of the state. General Revenue is supported by the taxes paid by businesses and landowners in the state. A more substantial General Revenue Fund implies, at least in part, thriving and expanding markets. As General Revenue increases, then, we would expect to see the likelihood of ESF utilization to decrease. Our model supports this notion, implying again that, true to its founders' intent, the ESF would be primarily reserved for times of economic hardship.

As important to ESF use as economic factors appear to be however, the specific amount to be appropriated from the Fund did not prove significant to the overall passage of bills proposing to tap it. So while you may be willing to brave an uphill battle to use the Fund in a good economic year, just don't expect to make gains by minimizing the amount you would like to use. Similarly, in economic downturns, the model would argue that you have no reason to be bashful about your asking price from the Fund. Whether it is $10 or $10 million, the results should be the same.

There have certainly been exceptions to the rule in the history of the ESF, and future research could attempt to refine the overall impact of economic health on the likelihood of ESF use by including more economic indicators, but our model offers a strong word of warning to any legislature attempting to tap the Fund in relatively good times.

Social Determinants

Four variables were examined to determine the social impacts on bill passage: the amount spent by lobbyists, the number of people testifying for a bill, the number of people testifying on a bill, and the number of people testifying against a bill. Of these four variables the amount of money spent by lobbyists, and the number of people testifying for the bill were statistically significant.

Always a socio-political hot button issue, the power of lobbyists and interests groups to affect legislation was not ignored by this study. Our model showed that the more money spent on lobbying activities, the more likely that ESF legislation would pass. More research is needed, however, to distinguish and determine whether other lobbying factors, besides expenditure, are influential to ESF bill passage. Notwithstanding any unknowns, we can gather that lobbyists and interests groups move into action when much is at stake for their stakeholders. Such action requires expertise, legwork and mobilization efforts. All of these cost money. Whether bill passage is directly influenced by the lobbyists themselves, or by the spotlight trained on the issue by the media and, subsequently, the statewide population; thereby, increasing pressure on lawmakers to act, is another good question for future exploration.

Counter-intuitively, our model shows a negative correlation between the passage of a bill and the number of people who testify for it. Conventional wisdom would tell us that the more people that come to testify in support of a bill the more likely a bill would pass. The thought process behind this sensible idea is based on the assumption that a larger number of people present to support a given measure imply that a greater portion of the overall population of the state would be in favor of it, leading more lawmakers to support voting for it. In this case, however, the opposite is true; the more people that come to testify in favor of a given bill the more likely the bill is to fail.

There are a number of reasons why this could be the case. A large number of people testifying could indicate that many people would privately benefit from the passage of the bill, making lawmakers feel uneasy about passing it. Also an increase in the number of proponents for a bill could indicate that a bill is about special interests more than it is about good policy. Another option is that proponents come out in full force because there is something wrong with the bill but they hope they can overcome those fears. These are all speculations of course, and more research is required to find if any of these hypotheses are true.

Similarly, there could be a number of reasons why the other three variables did not have a significant impact. Those who testify on the bill may not have as much of an impact because these witnesses are usually resource witnesses available only to provide information - information representatives and senators could already have. Similar to those who make arguments for the bill, those who testify against the bill may not be as influential because their opinions could be seen as personal rather than policy specific.

Political Determinants

Two variables were used to describe the political determinants of success for an Economic Stabilization Fund bill: majority status, which describes whether the author was in the majority party; and committee chair, which describes whether the author was the chair of a committee.

Majority Status was shown to increase the chances of passage; however, when the regression analysis was conducted this variable was omitted because it was deemed to be a perfect predictor. Such a result implies that members of the majority party in the state authored all bills that were passed. Furthermore, these results show that when minority-party members filed legislation on this issue, their bills never passed. In the future, this should make it easier to determine whether a bill using the ESF might pass just based on this one variable.

The influence of a committee chair was not statically significant, and so cannot be confirmed as either a boon or a bust for ESF legislation. We think this may be caused by a small N value. If more research is done in the future we think this can produce a result to show that if the author of the bill is a committee chair that may have an effect on the bill passage. This should be considered in the future to better understand the influence of being a committee chair.

Concluding Remarks

The ESF has proven its worth on a number of occasions, helping the state to overhaul its education system, expand its criminal justice capacity, enhance health for Texans and their children, and span treacherous gaps in the state's budget that would have deprived residents of valuable services and stunted growth. The large and growing numbers we are seeing accrue in the Fund today make its fate a pertinent ponderance for all Texans seeking economic stability, sustainability, and the most efficient and effective use of the state's wealth for its residents and issue areas. More research is needed to determine whether other, unknown factors play a substantial role in the Fund's future, and to distinguish in greater detail among those that, we now know, statistically do.

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Appendix

Table 1: Relevant ESF Legislation

Bill	Year	Title	Author	Outcome
H.B. 11	2013	Relating to the appropriation of money from the economic stabilization fund to finance certain water-related projects.	Ritter	Died
H.B. 19	2013	Relating to the appropriation of money from the economic stabilization fund to finance certain transportation infrastructure and water-related projects.	Darby	Died
H.B. 227	2013	Relating to the appropriation of money from the economic stabilization fund to be used for the purposes of the water infrastructure fund during the next state fiscal biennium.	Larson	Died
H.B. 1336	2013	Relating to funding for state and county roads affected in areas of increased energy production.	Keffer	Died
H.B. 1770	2013	Relating to an appropriation of money from the economic stabilization fund to the foundation school fund for grants to school districts to use in improving the security of school facilities.	Turner, Chris	Died
H.B. 1771	2013	Relating to an appropriation of money from the economic stabilization fund to the foundation school fund for grants to school districts for the purchase of equipment for career and technology education courses.	Turner, Chris	Died
H.B. 1854	2013	Relating to the appropriation of money from the economic stabilization fund to be used for upgrading fixtures and materials in state buildings to maximize energy and water conservation.	Turner, Chris	Died
H.B. 2903	2013	Relating to the appropriation of money from the economic stabilization fund to the state infrastructure bank during the next state fiscal biennium.	Harper-Brown	Died
H.B. 3339	2013	Relating to an appropriation of money from the economic stabilization fund to be used for public education.	Martinez Fischer	Died
H.B. 3346	2013	Relating to the appropriations of money from the economic stabilization fund for the 2014-2015 state fiscal biennium.	Rodriguez, Eddie	Died
H.B. 3481	2013	Relating to the appropriation of money from the economic stabilization fund to be used for the purpose of repairing certain roadways and bridges.	Fletcher	Died
H.B. 3682	2013	Relating to the appropriation of money from the economic stabilization fund to the state highway fund for terminating comprehensive development agreements related to State Highway 130.	Workman	Died
S.B. 22	2013	Relating to the administration of the Texas Water Development Board; making an appropriation from the economic stabilization fund to finance certain water-related projects.	Fraser	Died
S.B. 224	2013	Relating to the availability of money from the economic stabilization fund to be used for the purposes of projects in the state water plan.	Seliger	Died
S.B. 1377	2013	Relating to making an appropriation of money from the economic stabilization fund for the Foundation School Program.	Ellis	Died

S.B. 1378	2013	Relating to the appropriations of money from the economic stabilization fund for the 2014-2015 state fiscal biennium.	Ellis	Died
SJR 1	2013	Proposing a constitutional amendment providing for the creation of the State Water Implementation Fund for Texas and the State Water Implementation Revenue Fund for Texas to assist in the financing of priority projects in the state water plan.	Williams	Pending
SJR 38	2013	Proposing a constitutional amendment providing for the creation of the state infrastructure fund and board to provide financial assistance for certain projects related to economic development infrastructure and for the transfer to the Fund of money from the economic stabilization fund; making an appropriation.	Williams	Died
SJR 63	2013	Proposing a constitutional amendment appropriating money from the economic stabilization fund for purposes of public education.	Davis	Died
SJR 65	2013	Proposing a constitutional amendment establishing a transportation infrastructure fund to assist counties in this state in the construction, reconstruction, or maintenance of transportation infrastructure that is intended to alleviate degradation caused by the exploration, development, or production of oil or gas.	Seliger	Died
H.B. 4	2011	Relating to making supplemental appropriations and giving direction and adjustment authority regarding appropriations.	Pitts	Passed
H.B. 275	2011	Relating to making an appropriation of money from the economic stabilization fund for expenditure during the current state fiscal biennium.	Pitts	Passed
S.B. 1278	2011	Relating to making supplemental appropriations and giving direction and adjustment authority regarding appropriations.	Ogden	Died
S.B. 1931	2011	Relating to making an appropriation of money from the economic stabilization fund for the Foundation School Program.	West	Died
SJR 54	2011	Proposing a constitutional amendment authorizing an appropriation from the economic stabilization fund for the Foundation School Program.	West	Died
H.B. 67	2011	Relating to the entitlement of school districts and open-enrollment charter schools to a certain funding level and to the appropriation of money from the economic stabilization fund to be used for public education.	Gallego	Died
S.B. 39	2011	Relating to the appropriation of money from the economic stabilization fund to be used for public education during the next state fiscal biennium.	Ellis	Died
H.B. 6	2009	Relating to appropriations for damages and disruptions suffered by state agencies and institutions of higher education caused by natural disasters and to an appropriation for disaster relief generally.	Eiland	Died
H.B. 911	2009	Relating to adoption of a temporary program for the operation and funding of the Texas Windstorm Insurance Association.	Smithee	Died
H.B. 3648	2009	Relating to the operation and funding of the Texas Windstorm Insurance Association; transfer of state revenue to the Catastrophe Reserve Trust Fund for excess losses caused by natural disasters.	Hunter	Died

H.B. 3856	2009	Relating to the state's current and future response to disasters and to preparations for disasters; making an appropriation for the purpose of providing disaster relief.	Eiland	Died
H.B. 4325	2009	Relating to the creation of a Sunny Day Fund to attract competitive federal grants to Texas under the American Recovery and Reinvestment Act.	Strama	Died
H.B. 4468	2009	Relating to the transfer of funds to the water infrastructure fund from the economic stabilization fund.	Ritter	Died
H.J.R. 117	2009	Proposing a constitutional amendment relating to the use of money from the economic stabilization fund for response to a natural disaster.	Turner, Sylvester	Died
S.B. 2310	2009	Relating to the transfer of funds to the water infrastructure fund from the economic stabilization fund.	Averitt	Died
H.J.R. 2	2007	Proposing a constitutional amendment to limit the rate of growth of appropriations from all sources of revenue except the federal government; to establish a disaster fund, managed by the governor, for use to prepare for or respond to a natural disaster or emergency; to fund the property tax relief fund; to require a gubernatorial declaration before money may be appropriated from the economic stabilization fund; and to authorize the legislature to appropriate money for tax rebates; making a constitutional appropriation.	Issett, Carl	Died
H.J.R. 29	2007	Proposing a constitutional amendment concerning the restriction on the rate of growth of state appropriations and establishing three special funds to replace the economic stabilization fund.	Issett, Carl	Died
H.B. 10	2007	Relating to certain gaming activity conducted by an Indian tribe or tribal organization.	Chavez	Passed
S.B. 16	2006	Relating to supplemental state appropriations.	Ogden	Died
H.B. 7	2003	Relating to making supplemental appropriations and making reductions in current appropriations.	Heflin	Passed
H.B. 2771	2003	Relating to the acceleration of energy research and development.	Howard	Died
H.B. 3548	2003	Relating to economic development financing, programs, and incentives.	Keffer, Jim	Died
S.B. 1375	2003	Relating to the acceleration of energy research and development.	Armbrister	Died
S.B. 1771	2003	Relating to economic development programs and funding.	Brimer	Passed
H.B. 3593	2001	Relating to rates paid to certain providers of health care and to making appropriations for such payments from the economic stabilization fund.	Eiland	Died
H.B. 1529	1993	Relating to an emergency fund transfer and appropriation.	Junell	Died
S.B. 171	1993	Relating to the issuance of general obligation bonds for projects relating to state prisons and to an emergency appropriation to the Texas Department of Criminal Justice for the operation of state prisons and intermediate sanction facilities, discretionary grants, and payments to counties.	Montford	Passed

S.B. 532	1993	Relating to the creation of the state jail division of the Texas Department of Criminal Justice and to the operations of other divisions of the department and community supervision and corrections departments, to the certification of certain offenders, and to the confinement of certain felons convicted of state jail felonies or awaiting transfer from county jails to the institutional division of the Texas Department of Criminal Justice; providing penalties; making an appropriation from the economic stabilization fund.	Whitmire	Passed
H.B. 1851	1989	Relating to the transfer of a certain amount of unencumbered state revenue to the economic stabilization fund.	Schlueter	Died
S.B. 872	1989	Relating to the transfer of a certain amount of unencumbered state revenue to the economic stabilization fund.	Caperton	Passed
H.B. 131	1990	Relating to appropriation of the economic stabilization fund for foundation school program purposes.	Rudd	Passed
H.B. 17	1990	Relating to appropriation of the economic stabilization fund for foundation school program purposes.	Rudd	Died
S.B. 40	1990	Relating to appropriation of the economic stabilization fund for foundation school program purposes.	Caperton	Passed
H.B. 3	1990	Relating to appropriations for the biennium ending August 31, 1991.	Rudd	Died
S.B. 11	1990	Relating to appropriations for the biennium ending August 31, 1991.	Brooks	Passed

Table 2: 50 State Comparisons

State	General Expenditures FY 12 (millions) (NASBO 2012, 7)	Size of Fund FY 2012 (in millions) (NGA/NASBO 2012, 57)	Source of Funding (NCSL 2008)	Size of Fund Cap (NCSL 2008)	Funds Uses (NCSL 2008)	Repayment Amount (NCSL 2008)
Alabama	$20,849.00	$0	constitutional amendment; one time carve-out of oil and gas royalty funds = to 6% of ETF FY 02 appropriation $248M		certification that proration would occur without funds	replenishment within 5 years; no provision for opting out of repayment
Alaska	$11,884.00	$14,783	all money received as a result of termination, through settlement or otherwise of administrative proceeding, or involving taxes imposed on mineral income, production or property, shall be deposited in BRF		amount available for app. for a FY is < amount appropriated for previous. FY or for any public purpose with a 3/4 vote	until the amount appropriated is repaid, amount of money in GF available for app. at end of each succeeding FY is deposited in BRF
Arizona	$27,595.00	$250	General revenue fund	Cannot be larger than 7% of current years General Fund revenues	use formula when annual growth rate and trend growth rate are less than 2% (difference btw AGR & TGR * total GFR) leg can override rule with 2/3 vote	
Arkansas	$20,686.00	$0				
California/Budget Stabilization Fund	$213,344.00	$0	controller shall transfer from GF to BSA 3% of estimated about of GF revenues for current FY	5% of estimated GFR or $8B whichever is greater	money is appropriated to treasurer to be used for recovery bonds. others are prescribed by statute	
California/ special fund for economic uncertainties	$213,344.00	($3,601)	yearend surplus, or by appropriation		1) transfer by controller to cover shortfall; or 2) director of finance can allocate funds for disaster relief (with notification to the joint leg budget committee)	repaid as soon as there is money to repay
Colorado	$28,079.00	$281	Any surplus in General Funds	increases overtime to 6.5%	Used with appropriation or other statutory authorization	
Connecticut	$26,875.00	$93	General Revenue	cannot exceed 10% of GF appropriations/ surplus on 11 to 15% goes to State employee retirement/ surplus. above 15% goes to reduction of bonded debt	to use fund must have 3/4 approval from both Houses	
Delaware	$8,942.00	$186	General Revenue Fund	5% of General Fund	by appropriation to cover budget deficit or to compensate for revenue reductions; needs 3/5 vote	

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Florida	$69,368.00	$494	at least 5% of GRF during last FY or source approved by leg	cannot exceed 10% of last completed FY net General Revenue Fund collections	Funds can be used to offset a deficit in GRF, to providing funding for emergency, or temp transfers approved by leg	repayments made in 5 equal parts starting in the third FY after being Used
Georgia	$39,433.00	$328	Any surplus in General Funds	cannot exceed 10% previous FY net revenue	by appropriation to cover any deficit by which total expenditures exceed net revenues/ and assembly can allocate 1% net revenue to for K-12 edu	
Hawaii	$11,513.00	$0	by appropriation plus 24.5% of tobacco settlement monies received by state		with 2/3 majority of both houses money can be used for: programs essential to public health, safety, welfare, and edu; provide for counter cyclical economic and employment programs; disaster relief; and other emergencies	
Idaho	$6,944.00	$24	if revenues are greater than expenditures by 4% the Comptroller adds at max 1%	5% of the total GF receipts for the fiscal year just ending	can be used by the state board of examiners to cover a lacking budget, but can only use an amount equal or less than .5% and only 50% of the 5% in the Fund	
Illinois	$51,352.00	$276	if GF revenues increase by >4% and appropriations don't exceed 99% of GFR than .5% can be transferred	5% of the total GF revenues	state Comptroller may direct the Funds be used to cover deficits	must be repaid by June 30 of that FY year
Indiana	$26,304.00	$352	statutory formula triggered when annual growth rate in adjusted personal income exceeds 2%	7% GFR	statutory formula triggered when annual growth rate in adjusted personal income is < negative 2%	
Iowa	$19,123.00	$596	by appropriation when there is a year-end GF surplus.	7.5% of adjusted GFR estimate for current FY	by appropriation for non-recurring emergency expenditures; requires 3/5 vote if fund's balance drops to < 3.75% of adjusted revenue estimate for the year in which appropriation is made	must be repaid within the FY they are used
Kansas	$14,734.00	$0				
Kentucky	$25,649.00	$122	the lesser of a) 50% of GFR surplus + 50% of unexpended balance of GF appropriations; or b) the amount necessary, from GFR surplus + unexpended balance of appropriations, to make the balance of the budget reserve equal to 5% of GFR receipts	5% of GFR receipts	a) appropriation; or b) if actual GFR receipts are not enough to meet GF appropriation levels	
Louisiana	$32,755.00	$442	automatic deposit of revenues exceeding $750M (can be increased every 10 years)	4% of total state revenue receipts for previous FY	not to exceed 1/3 of fund and requires 2/3 vote when a) official forecast for FY is < revenues received; or b) if a deficit	

					for current FY is projected	
Maine	$8,106.00	$45	Transfer from the GF unappropriated surplus.	not to exceed 12% of total GFR and not below 1% of total GFR in preceding FY	Subject to annual legislative deliberations	
Maryland	$35,800.00	$672	if account balance is <3% of estimated GFR gov shall include in budget bill = to at least $100M; if 3%-7.5% gov shall include in budget bill = to at least $50M or amount necessary to exceed 7.5% of GFR for FY	7.5% of estimated GFR	transferred by gov if authorized by GA or budget bill, which can be amended by leg	
Massachusetts	$52,187.00	$1,652	.5% of TR from taxes in prior FY shall be available to be used as revenue for current FY and .5% of total revenue from taxes to fund with any remaining to fund	15% of current FY revenues	appropriation: a) make any difference btw state revenues and allowable state revenues when actual revenues fall below amount; or b) replace the state and local loss of fed funds; or c) for event that threatens health, safety or welfare of people or state	
Michigan	$48,628.00	$365	appropriation amount = (annual growth rate in real personal income in excess of 2%)*(total GFR for FY ending in current calendar year)	10% of GF and school aid revenues for FY	if growth rate in real personal income is negative, withdrawal =(deficiency)X(total GFR for FY), but not more than needed to balance budget. Also if unemployment is 8-11.9%, 2.5% can fund economic stabilization in calendar quarter; if unemployment is >12%, 5% can fund economic stabilization. Emergency appropriation can be made with 2/3 majority vote	
Minnesota	$32,680.00	$658	if surplus. remains in the GF the money will be distributed in the following order a)$350M in cash flow account; b) $653M in budget reserve account; c) amount necessary to increase aid to school district aid and credit payments; and d) amount necessary to restore all or a portion of net aid reductions and reduce property tax revenue recognition shift	de facto cap of $1,003M ($350M cap on cash flow account; $653M cap on budget reserve)	transfer authorized by commissioner of finance, approval of gov and consultation with leg advisory commission when: a) negative budget balance is projected; or b) probable receipts for GF will be too insufficient to cover biennium	restoration of budget reserve should be based on economic cycle

Mississippi	$23,965.00	$100	year-end surplus until the Fund reaches $40M; thereafter, 50% of unencumbered GF cash balance until the Fund reaches 7.5% of GF appropriations	7.5% of GF appropriations if working cash stabilization reserve fund's balance exceeds $40M		Must be repaid in the same FY
Missouri	$23,364.00	$248	commissioner of admin shall transfer a cash operating transfer +interest prior to May 16 of the FY. cash operating transfer is transfer from BRF to GF to meet cash requirements of state	7.5% of net GR for previous FY	if gov reduces expenditures below appropriations, or in the event of a disaster, gov will ask GA to appropriate funds to GF at a one-time max of 1/2 the sum of the balance in the Fund	1/3 of amount expended from reserve + interest must be appropriated by the 15th day of each FY for the next 3 years and the max amount to be allocated at any time will be 1/2
Montana	$5,919.00	$0				
Nebraska	$9,877.00	$428	General Fund revenues in excess of the certified forecast at the end of the fiscal year are to be transferred to the Cash Reserve Fund; federal funds received for undesignated purposes, federal revenue sharing, or general fiscal relief of the state.	0	1) The State Treasurer shall transfer funds from the Cash Reserve Fund to the General Fund upon certification by the Director of Administrative Services that the current cash balance in the General Fund is inadequate to meet current obligations. Such certification shall include the dollar amount to be transferred. Any transfers made pursuant to this subsection shall be reversed upon notification by the Director of Administrative Services that sufficient funds are available. 2) In addition to receiving transfers from other funds, the Cash Reserve Fund shall receive federal funds received by the State of Nebraska for undesignated general government purposes, federal revenue sharing, or general fiscal relief of the state.	

Nevada	$7,949.00	$0	If the State General Fund surplus reaches a certain threshold at the end of the fiscal year, a portion of the excess is maintain in the account to help the State through financial emergencies. When the ending General Fund balance is greater than 7 percent of General Fund operating appropriations, 40 percent of the amount in excess of 7 percent of General Fund operating appropriations is allocated to the Rainy Day Fund. • The state must also make a 1 percent appropriation from the General Fund to the Rainy Day Fund at the beginning of each fiscal year, starting in FY13. The amount must be based on the Economic Forum revenue projection made in May of odd-numbered years, as adjusted by any legislation enacted by the Legislature that affects General Fund revenue for that fiscal year. • The maximum balance allowed in the Rainy Day Fund is 20 percent of the total of all General Fund appropriations made for the operation of the government, the Funding of schools, and the regulation of gaming.			

New Hampshire	$5,108.00	$9	The Comptroller is hereby directed to establish the revenue stabilization reserve account in which to deposit any money received from a general fund operating budget surplus.		In the event of a general fund operating budget deficit at the close of any fiscal biennium as determined by the official audit performed pursuant to RSA 21-I:8, II(a), the Comptroller shall notify the fiscal committee of the general court and the governor of such deficit and request that sufficient funds, to the extent available, be transferred from the revenue stabilization reserve account to eliminate such deficit. Such transfer may be made only when both of the following conditions have been met: (a) A general fund operating budget deficit occurred for the most recently completed fiscal biennium; and (b) Unrestricted general fund revenues in the most recently completed fiscal biennium were less than the budget forecast.	
New Jersey	$49,681.00	$0	50% of actual revenue collections in excess of governor's certification of revenues	Fund capped at 5% of anticipated revenues.	By appropriation only: 1) upon certification by the governor that anticipated GF revenues are estimated to be less than those certified upon approval of appropriations act; 2) upon findings by the legislature that to offset anticipated GF revenue declines, an appropriation from the Fund is more prudent than a tax increase; 3) when the governor declares an emergency and notifies the Joint Legislative Budget Oversight Committee.	
New Mexico	$15,198.00	$0	Transfer from GF		By specific authorization of the legislature only in the event that GF revenues and balances are insufficient to meet authorized levels of appropriations.	

New York	$133,504.00	$1,306	By Appropriation	Fund cannot exceed 3% of projected GF disbursements for the upcoming FY.	In the event of an economic downturn or catastrophic event, and upon notification to leaders of the executive and legislative branches, the director of the budget may authorize and direct the Comptroller to transfer from the rainy day reserve fund to the GF the amount needed to meet the requirements of the state financial plan. An economic downturn is defined as five consecutive months of decline in the composite index of business cycle indicators.	Withdraws made due to economic downturn shall be repaid in cash within a period of three years. Withdrawals made due to catastrophic events shall be subject to repayment provisions to be proposed by the governor and implemented by appropriation or transfer of funds.
North Carolina	$52,987.00	$273*	Transfer of 1/4 of any unreserved credit balance at the end of the FY.	It is a goal of the General Assembly and the State to accumulate and maintain a balance in the Savings Reserve Account equal to or greater than 8% of the prior year's GF operating budget.	Funds reserved to the Savings Reserve Account shall be available for expenditure only upon an act of appropriation by the general assembly "[...] to address unanticipated events and circumstances such as natural disasters, economic downturns, threats to public safety, health, and welfare, and other emergencies."	
North Dakota	$6,191.00	$402.5	Transfer of GF surplus in excess of $65M at the end of the biennium.	5% of the current biennium GF budget until June 30, 2009, thereafter, the cap moves from 5% to 10%.	Governor may transfer for revenue shortfall in excess of 2.5% of the estimate made by the most recently adjourned Assembly.	
Ohio	$57,905.00	$482	General Assembly to maintain by appropriation an amount of money in the budget stabilization fund that amounts to approximately 5% of the GF revenues for the preceding FY.		Governor submits to the General Assembly proposals for appropriations between the GF and the budget stabilization fund.	Approximately 5% of GF revenues for the preceding FY.

Oklahoma	$21,102.00	$556	Transfer by the state treasurer of surplus of previous. FY's GF revenue estimates.	10% of GF revenue for the preceding FY.	Up to 3/8 of the balance may be appropriated if: 1) forthcoming FY GF revenue is certified to be less than that of current FY certification; or 2) if a revenue failure has occurred with respect to the GF of the state treasury. Also, up to 1/4 of the balance may be appropriated if: 1) emergency declaration by governor with concurrence by legislature with a 2/3 vote; 3) joint emergency declaration by speaker and president pro tempore with concurrence by legislature with a 3/4 vote.	
Oregon	$30,082.00	$61.8	An amount equal to 1% of GF appropriations made for that biennium is to be transferred to the Rainy Day Fund; if the ending balance is equal to or less than 1% of the GF appropriations, then the entire amount of the ending balance are to be transferred to the Rainy Day Fund.	7.5% of GF revenues from the previous biennium.	Appropriation may be made with 3/5s of each House if: 1) the last quarterly economic and revenue forecast for a biennium indicates GF revenues for the next biennium will be at least 3% less than appropriations from the state's GF for the current biennium; 2) there has been a decline for two or more consecutive quarters in the last 12 months in seasonally adjusted nonfarm payroll employment; or 3) a quarterly economic and revenue forecast projects that revenues in the state's GF in the current biennium will be at least 2% below what the revenues were projected to be in the revenue forecast on which the adopted budget for the current biennium was based.	
Pennsylvania	$68,227.00	$184	In the event of a surplus in the GF, 25% of the surplus is deposited into the Budget Stabilization Reserve Fund, or by appropriation	If the Budget Stabilization Reserve Fund exceeds 6% of the actual GF revenues received for the FY in which the surplus occurs, 10% of the surplus shall be deposited by the end of the next succeeding quarter into the Budget Stabilization Reserve Fund.	By appropriation with 2/3 vote when the governor declares an emergency or to counterbalance downturns in the economy that will result significant unanticipated revenue shortfalls.	

Rhode Island	$8,228.00	$153	State budget cannot exceed 98% of estimated state General Revenues. An amount remaining between the budget cap and 100% of estimated state General Revenues is transferred by the controller into the Budget Reserve Account	Fund capped at 3% of total FY resources	By resolution adopted by a majority vote of each house of the general assembly when the budget officer declares that actual GF revenue will not equal the original estimates upon which appropriations were based.	State statutes call for the Fund to be repaid in the second FY following the FY in which a transfer was made from the Fund and, when necessary, in subsequent FY's.
South Carolina	$21,904.00	$105	By appropriation an amount equal to 2% of GF revenue of the latest completed fiscal year	Fund capped at 2% of GF appropriations for the prior FY	By appropriation when revenues at the end of the FY are projected to be less than expenditures authorized by appropriations for that year	
South Dakota	$3,698.00	$71	Transfer of prior year unobligated cash balance to GRF	10% of GF	By special appropriation of the legislature to address unforeseen expenditure obligations or unforeseen revenue shortfalls	
Tennessee	$31,077.00	$326	By appropriation an amount 10% or greater of the estimated growth in state tax revenues	5% of estimated state tax revenues to be allocated to the GF and education trust fund for given FY	By Transfer by the Commissioner of Finance and Administration to offset revenue shortfalls, with notification to the chairs of the Finance, Ways & Means Committees of the Senate and House. Expenditure from the Fund cannot exceed $100M of 1/2 of the available reserve to meet expenditure requirements in excess of budgeted appropriation levels. In addition, revenues must be offset in expenditures before using amounts in the reserve fund (legislative intent, to the extent predictable).	

Texas	$92,300.00	$6,100	The Constitutional Amendment creating the Fund mandates the following revenue transfers to it: 1) one-half of any unencumbered GRF balance at the end of each fiscal biennium; 2) an amount of General Revenue equal to 75% of the amount by which oil production tax collections in any future fiscal year exceed oil production tax collections in fiscal year 1987; 3) an amount of General Revenue equal to 75% of the amount by which natural gas production tax collection in any future fiscal year exceed all oil production tax collections in the fiscal year 1987; 4) the legislature also may appropriate additional funds.	Fund capped at 10% of GRF deposits (excluding interest and investment income) during the preceding biennium.	By appropriation with a 3/5 vote of members present if: the Comptroller certifies that appropriations from General Revenue made by the preceding legislature for the current biennium exceed available General Revenues for the remained of the biennium; 2) an estimate of anticipated revenues for a succeeding biennium is less than the revenues estimated to be available for the current biennium; 3) for any purpose with 2/3 vote of members present.	
Utah	$13,227.00	$233	25% of general fund surplus.	Fund capped at 6% of the General Fund appropriation and Uniform School Fund appropriation amount for the FY in which a surplus occurred.	By appropriation to cover operating fund deficits, state settlement agreements, retroactive tax refunds, or deficits in public education appropriations	
Vermont	$4,849.00	$58	Undesignated General Fund Surplus; also, any additional amounts as may be authorized by the general assembly	Fund is capped at 5% of GF appropriations for the prior fiscal year	Transfer by the Commissioner of Finance and Management to the extent necessary to offset a GF deficit.	
Virginia	$43,372.00	$304	There is established a fund to be known as the Revenue Stabilization Fund (the "Fund") for the stabilization of the expected revenues of the Commonwealth. The Fund shall be available to offset, in part, anticipated shortfalls in revenues when appropriations based on previous forecasts exceed expected revenues in subsequent forecasts.	15% of revenues from income and sales taxes	In the event that a revised general fund forecast presented to the General Assembly reflects a decline when compared to total general fund revenues appropriated, and the decrease is more than two percent of certified tax revenues collected in the most recently ended fiscal year, the General Assembly may appropriate an amount for transfer from the Fund to the general fund to stabilize the revenues of the Commonwealth. However, in no event shall the transfer exceed more than one-half of the forecasted shortfall in revenues.	

Washington	$32,238.00	$267	By June 30th of each FY, an amount equal to 1% of the general state revenues for that FY shall be transferred to the budget stabilization account.	10% of estimated general state revenues	Withdrawal may be made if: 1) Governor declares emergency, legislature may by majority vote of both House provide an appropriation; 2) employment growth forecast is less than 1% , "monies may be withdrawn from the Fund" by a majority vote of both Houses; 3) an appropriation may be made at any time with a 3/5 vote from both Houses.	
West Virginia	$22,517.00	$758	By transfer of the first 50% of all surplus expenditures accrued during the FY just ended	Fund capped at 10% of GF appropriations for the fiscal year just ended	By appropriation to meet any anticipated revenue shortfall, for emergency revenue needs caused by acts of God or natural disasters or other fiscal needs as determined solely by the legislature	
Wisconsin	$41,324.00	$125	By Transfer of 50% of surplus revenues	Fund capped at 5% of estimated expenditures from the GF	Appropriation	
Wyoming	$6,128.00	$752	Year-end surplus plus Appropriations		Appropriation	
		$223				

Table 3: 4 Summary Statistics: Variable Type

Obvs:	49
Vars:	15
Size:	2,205

Variable Name	Storage Type	Display Format	Variable Label
Bill	byte	%8.0g	Bill
passage	byte	%8.0g	Passage
majority	byte	%8.0g	Majority
standingcc	byte	%8.0g	Standing Committee Chair
Numpt	byte	%8.0g	Number of People Testifying
moneyspent	double	%8.0g	Money Spent
unemployment	float	%8.0g	Unemployment
gfrevenue	double	%8.0g	General Fund Revenue
budgetbalance	byte	%8.0g	Budget Balance
amtappropriated	double	%8.0g	Amount Appropriated
testifyfor	byte	%8.0g	Testify For
testifyagainst	byte	%8.0g	Testify Against
testifyon	byte	%8.0g	Testify On
gfrevinfl	float	%9.0g	General Fund Revenue
amntapprop2	float	%9.0g	Amount Appropriated

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Table 4: Four Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Passage	49	0.2244898	0.4215698	0	1

Variable	Obs	Mean	Std. Dev.	Min	Max
Majority	49	0.6734694	0.4738035	0	1

Variable	Obs	Mean	Std. Dev.	Min	Max
Standing Committee Chair	49	0.5918367	0.496587	0	1

Variable	Obs	Mean	Std. Dev.	Min	Max
Money Spent	49	255.5512	1253.404	0	6584

Variable	Obs	Mean	Std. Dev.	Min	Max
Unempployment	49	6.742653	0.9054045	4.35	7.95

Variable	Obs	Mean	Std. Dev.	Min	Max
Testify For	49	1.653061	7.143036	0	48

Variable	Obs	Mean	Std. Dev.	Min	Max
Testify Against	49	0.1428571	0.5400617	0	3

Variable	Obs	Mean	Std. Dev.	Min	Max
Testify On	49	1.142857	2.40343	0	18

Variable	Obs	Mean	Std. Dev.	Min	Max
General Fund Revenue	49	78.57505	15.1775	49.16955	93.44291

Variable	Obs	Mean	Std. Dev.	Min	Max
Amount Appropriated	49	1.239842	1.711146	-0.1258	6.1