BILL ANALYSIS

Senate Research Center

S.J.R. 46
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Finance
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DIGEST AND PURPOSE

Under current law, the Economic Stabilization Fund (ESF), established in 1989, receives four types of transfers. One of these transfers involves the unencumbered balance of the General Revenue Fund 0001. One-half of the uencumbered balance in Fund 0001 at the close of each biennium must be transferred to the ESF. Encumbrances include tax allocations yet to be made, state agency encumbrances and accounts payable, and dedicated account balances. Only once has an unencumbered balance transfer been made, in fiscal 1992. The December 31, 2000, ESF balance was $186 million, and the comptroller estimates that the fiscal 2001 ending balance will be $197.5 million.

Texas has historically rated near the bottom of state rankings in its budget stabilization fund balances as a percent of general revenue appropriations. This chronically low balance in the ESF is regularly scrutinized by rating agencies and is often cited as a contributing factor in Texas' inability to regain its AAA rating. Regaining the top rating could save state general obligation (GO) bond programs and borrowers over $1 million per $100 million issued over the life of each issue. Over the past 13 years the state has issued in average of $254 million of GO bonds per year.

In addition, the amount of general revenue available to the legislature is potentially affected by the ESF balance. Texas has an excellent short-term credit rating, and the interest rate that the state must pay is lower than the interest it receives on treasury investments, thus the average general revenue benefit is more than $50 million per year on this rate spread. However, this rate spread would likely diminish, or could even become negative, if the credit rating suffered. The high rating that the state has historically been awarded has been in part based on the large surpluses that it has been able to demonstrate to the ratings agencies. But in this period of declining surpluses, the rainy day fund may be the only source of surplus to point to in order to retain the current short-term rating and, therefore, protect the $50 million revenue stream.

As proposed, S.J.R. 46 requires 75 percent of any general revenue interest and investment income in excess of the Biennial Revenue Estimate used to certify the General Appropriations Act, excluding constitutionally restricted funds and dedicated accounts, to be transferred to the Economic Stabilization Fund after the end of each fiscal year.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 49-g, Article III, Texas Constitution, by amending Subsections (c) and (h), and adding Subsection (e-1), as follows:

> (c) Requires the comptroller of public accounts, not later than the 90th day of each fiscal year, to transfer from general revenue to the economic stabilization fund the amounts prescribed by Subsection (e-1) of this section.

(e-1) Requires the comptroller, not later than the date specified in Subsection (c) of this section, to transfer to the economic stabilization fund 75 percent of excess earnings. Defines “excess earnings” under this subsection.

(h) Makes a conforming change.

SECTION 2. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held November 6, 2001. Requires the ballot be printed to permit voting for or against the proposition: "The constitutional amendment providing for the transfer to the economic stabilization fund of certain earnings received from investment of money in the general revenue fund."