

# Testimony before the House Committee on Appropriations Subcommittee on Budget Transparency and Reform

## *Regarding House Joint Resolution 111*

*by The Honorable Talmadge Heflin*

Chair Crossover and Members of the Committee:

My name is Talmadge Heflin, and I am the Director of the Center for Fiscal Policy at the Texas Public Policy Foundation, a non-profit, non-partisan free market think tank based here in Austin. Thank you for taking this opportunity to hear the merits of House Joint Resolution (HJR) 111, a beneficial bill that would create strong protections around the state's Economic Stabilization Fund (ESF), or "rainy day" fund.

For the record, I will be testifying in support of HJR 111.

In recent years, the ESF, with its billions in reserve, has become something of a magnet for those looking for ways to expand the size and scope of government outside the traditional budgeting process. It is this point of view that, I believe, makes it imperative that the Legislature enact strong protections surrounding the ESF and its potential use.

To put things into better context, consider that the ESF currently has a balance of approximately \$8 billion, according to the Legislative Budget Board. The Texas Comptroller estimates that by the end of the coming biennium, "the balance in the Economic Stabilization Fund will be \$11.8 billion," assuming no appropriations are made this session.

With close to \$12 billion available in the 2014-15 biennium, some have been eager to tap the fund to pay for all manner of government services and programs. In many cases, this would not only commit one-time funds for ongoing expenses, but also deprive the state of much of its reserves needed for any unforeseen natural disasters.

Of course, a three-fifths vote of the Legislature is needed to tap the fund, and this provides at least some semblance of protection; but, in my estimation, further safeguards could be enacted to protect this critical resource. That's where HJR 111 comes in.

### **What Would HJR 111 Do?**

- Require that the ESF maintain a fund balance of at least five percent of estimated revenue to be deposited into the general revenue (GR) fund at all times.
- Require a four-fifths vote of the Legislature before the fund balance could fall below the five percent GR threshold.

### **Why is HJR 111 Needed?**

- Stronger protections would better safeguard the state's AAA bond rating. Unofficially, investment professionals have indicated that the state should retain at least 7.5 percent of estimated GR to guarantee its rating.
- Stronger protections would provide some assurance that the state could readily respond to any unforeseen natural disasters.

Thank you for your time. I look forward to answering any questions that you may have. ★