

BILL ANALYSIS

Senate Research Center
84R8458 JJT-D

S.J.R. 37
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Finance
4/16/2015
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The economic stabilization fund (ESF), commonly referred to as the "Rainy Day Fund," was created in 1988. The funds allocated to the ESF include a portion of oil and natural gas production tax revenues, one-half of any unencumbered general revenue surplus at the end of each fiscal biennium, any interest earned on the fund's balance, and any direct appropriations made by the legislature. The Texas Constitution limits the maximum ESF balance to an amount not to exceed ten percent of the previous fiscal biennium's general revenue fund balance. Given the previous fiscal biennium's GRF balance, the ESF cap for the 2014-15 biennium is \$14.1 billion.

If the ESF reaches the constitutionally-established cap, the comptroller of public accounts of the State of Texas is required to halt deposits in the ESF and transfer any interest earned on the fund's balance to the credit of the general revenue fund. The Texas Constitution does not instruct the legislature on how those excess revenues may be used.

As introduced, S.J.R. 37 proposes to amend the Texas Constitution to require that any revenues that cannot be deposited in the ESF due to the fund's balance reaching its constitutionally-established cap be allocated by the legislature to certain other qualified purposes. Specifically, the resolution requires that excess revenues be credited to the general revenue fund for subsequent appropriation toward the following four purposes: (1) making an additional contribution to the Employees Retirement System pension fund; (2) making an additional contribution to the Teacher Retirement System pension fund; (3) making an additional contribution to the health benefit plan for retired teachers; or (4) making an additional contribution to the Texas tomorrow fund.

The resolution authorizes the legislature to appropriate excess revenues to one, several, or all of these qualified purposes. The amounts that may be appropriated toward each qualified purpose are subject to the legislature's discretion. Further, the resolution specifies that any contribution made to the ERS pension fund, the TRS pension fund, the health benefit plan for retired teachers, or the Texas tomorrow fund would be in addition to those contributions required of the legislature. The resolution does not provide express or implied authority for the legislature to appropriate lesser amounts if the excess funds would make up the difference for the required amount. The intent of this requirement is to ensure that excess funds ineligible for deposit within the ESF are allocated toward resolving the state's long-term actuarial liabilities.

If the legislature is unable to appropriate excess funds toward a qualified purpose, the resolution requires that those monies be deposited equally within the permanent school fund and the permanent university fund.

As proposed, S.J.R. 37 proposes a constitutional amendment providing for certain excess revenue to be dedicated toward contributions to state retirement systems, the health benefit plan for retired education employees and their dependents, the Texas tomorrow fund, the permanent school fund, and the permanent university fund.

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 adding Subsections (p), (q), and (r), as follows:

(p) Requires the comptroller of public accounts of the State of Texas (comptroller), upon acting to prevent the amount in the economic stabilization fund from exceeding the limit in effect for a biennium under Subsection (g) of this section by reducing an amount transferred to the fund from general revenue as provided by Subsection (b) (relating to certain transfers to the economic stabilization fund) or (c) (relating to certain transfers to the general revenue fund) of this section or by crediting to general revenue interest due to the economic stabilization fund as provided by Subsection (i) (relating to credit to general revenue) of this section, to credit to an account in the general revenue fund of the state treasury:

(1) if the comptroller reduces the amount transferred under Subsection (b) of this section, an amount of general revenue equal to the difference between the amount transferred to the economic stabilization fund under Subsection (b) of this section and the amount that would have been transferred under that subsection but for the limit in effect under Subsection (g) of this section;

(2) if the comptroller reduces the amount transferred under Subsection (c) of this section, an amount of general revenue equal to the difference between the amount transferred to the economic stabilization fund under Subsection (c) of this section and the amount that would have been transferred under that subsection but for the limit in effect under Subsection (g) of this section; and

(3) if the comptroller reduces the amount credited to the economic stabilization fund under Subsection (i) of this section, an amount of general revenue equal to the amount credited to general revenue under that subsection.

(q) Authorizes the general revenue credited to the account of the general revenue fund in the state treasury as provided by Subsection (p) of this section, and the interest or other earnings on the balance of that account, to be appropriated only for making an additional contribution to the Employees Retirement System of Texas created under Section 67(b) (State Retirement Systems), Article XVI (General Provisions), of this constitution, to the Teacher Retirement System of Texas created under Section 67(b), Article XVI, of this constitution, or to the health benefit plan created for the retired members of the Teacher Retirement System of Texas and their dependents, and to the Texas tomorrow fund created under Section 19 (Texas Tomorrow Fund), Article VII (Education), of this constitution.

(r) Requires the comptroller, on the last day of the state fiscal biennium during which the money was credited to the account of the general revenue fund in the state treasury as provided by Subsection (p) of this section, to transfer the remaining unappropriated and unobligated balance of that account to the credit of the permanent school fund and the permanent university fund in equal amounts.

SECTION 2. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 3, 2015. Sets forth the require language of the ballot.