



A long-standing legacy in shaping Texas fiscal policy

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TTARA report explores: Why was the ‘Rainy Day Fund’ created?

As the Texas Legislature looks at options to pay for the next biennial state spending plan, the Texas Taxpayers and Research Association (TTARA) today released a report that explores the creation and original purpose of the Economic Stabilization Fund, more popularly known as the “Rainy Day Fund.”

To better inform the current discussion underway at the Texas Capitol, TTARA’s analysis delves into the history of the fund, detailing the stated purposes for which it was created in 1987, as well as how the fund has been used in the budget processing over the past 30 years.

The report – [The Economic Stabilization Fund: Origins and Historical Use](#) – is written by TTARA President Dale Craymer, who helped draft the legislation that created the fund as a legislative aide to the author of the bill, Rep. Stan Schlueter, then-chairman of the House Ways and Means Committee.

At the time of the fund’s creation, Texas legislators were struggling to cope with a boom/bust cycle of oil prices that had battered state finances and led, in 1987, to passage of the largest tax increase in state history.

“The Economic Stabilization Fund was designed to smooth out the volatility in state revenue,” Craymer recalled. “That’s how it was presented to the Legislature and to Texas voters, who approved it overwhelmingly. During periods of fiscal prosperity, a portion of the state’s largesse would be reserved and placed in the fund, rather than used to grow the budget. During periods of fiscal duress, the Legislature could draw from the fund instead of raising taxes or cutting critical programs. It was designed to be used during times of diminished revenue, which is why the law allows a reduced three-fifths vote threshold to access the fund for the upcoming budget.”

The report can be found on the TTARA website at: www.ttara.org/files/document/file-58b9a42fb728c.pdf. Hard copies of the report also are available upon request.

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The Texas Taxpayers and Research Association (TTARA) is a non-profit, non-partisan membership-supported organization of businesses and individuals interested in state and local fiscal policies in Texas and the way those policies impact our economy. TTARA members operate in every part of Texas; they employ and provide incomes to thousands of Texans; they produce or provide every type of good or service Texans consume; and, they provide a major portion of the revenue that supports public services at every level of government. TTARA has been recognized as the state’s leading organization specializing in tax and fiscal policy for more than 50 years. The organization’s annual meeting, held in the fall each year, features top elected leaders and government officials discussing current tax, expenditure, and other public policy issues.

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