



LEGISLATIVE BUDGET BOARD

Overview of the Economic Stabilization Fund

**PRESENTED TO THE JOINT SELECT COMMITTEE TO STUDY THE BALANCE OF
THE ECONOMIC STABILIZATION FUND**

URSULA PARKS, LEGISLATIVE BUDGET BOARD

December 11, 2014

Sufficient Balance

Texas Government Code Section 316.092

- Statute created by H.B. 1, 83rd Legislature, 3rd Called Session
- Select Committee shall “*determine and adopt for the next state fiscal biennium a sufficient balance of the fund in an amount that the committee estimates will ensure an appropriate amount of revenue available in the fund.*”
 - Sufficient balance does not restrict appropriations from the Economic Stabilization Fund (ESF).
 - Sufficient balance does affect the level of transfers of General Revenue to the ESF and the State Highway Fund (SHF).

ESF History

- Created by a constitutional amendment approved by voters in 1988.
- The constitution provides for deposits to and appropriations from the ESF. The primary source of revenue is severance tax-related transfers. With a two-thirds vote, the ESF may be appropriated at any time and for any purpose.
- FY 1990 – FY 2014:
 - Total deposits: \$17.3 billion
 - Total appropriations: \$10.6 billion
 - FY 2014 ending balance: \$6.7 billion
- Proposition 1 approved by voters in November 2014 modified the calculation of transfers to the ESF

Transfers to the ESF

Provision of Article III, Section 49-g	Subsection	Amount
Oil Tax Related	(d)	GR transfer equal to at least 37.5%, but no more than 75% of fiscal year collections in excess of 1987 collections.
Natural Gas Tax Related	(e)	GR transfer equal to at least 37.5%, but no more than 75% of fiscal year collections in excess of 1987 collections.
Unencumbered Balance	(b)	One half of any GR unencumbered balance at the end of a biennium
Appropriations to the Fund	(f)	Amount appropriated
Interest on Deposits	(i) and (j)	Interest earned on average daily balance (calculated as if no inter-fund borrowing from the ESF occurred)
Repayment of Inter-fund Borrowing	(j)	Amount borrowed
Recoupment of Excess Appropriation	(l)	Amount by which appropriations made under subsection (l) exceed the actual biennium-to-biennium decline in revenue.

Transfers to the ESF (\$ millions)

Fiscal Year	Oil Production Tax Related Transfer	Natural Gas Production Tax Related Transfer	Unencumbered Balance Transfer	Interest	Total Revenue
1990		18.5		0.8	19.3
1991		7.8		1.9	9.7
1992	118.0	18.4	20.2	6.8	163.4
1993				7.4	7.4
1994		31.0		3.0	34.0
1995				0.6	0.6
1996				0.4	0.4
1997				0.4	0.4
1998		47.5		2.3	49.8
1999		17.9		3.8	21.7
2000				4.7	4.7
2001		103.1		8.7	111.8

Transfers to the ESF (\$ millions)

Fiscal Year	Oil Production Tax Related Transfer	Natural Gas Production Tax Related Transfer	Unencumbered Balance Transfer	Interest	Total Revenue
2002		685.8		21.6	707.4
2003		83.6		19.4	103.0
2004		352.6		5.5	358.1
2005		594.5		17.3	611.8
2006	112.1	793.0		21.5	926.6
2007	247.3	1,304.5		65.8	1,617.6
2008	226.9	971.8	1,779.9	136.0	3,114.6
2009	678.3	1,563.7		128.8	2,370.8
2010	263.9	606.0		97.0	966.9
2011	357.2	94.3		67.0	518.5
2012	705.2	382.5		33.3	1,121.0
2013	1,177.9	701.1		29.6	1,908.6
2014	1,843.3	671.6		24.5	2,539.4

Appropriations from the ESF

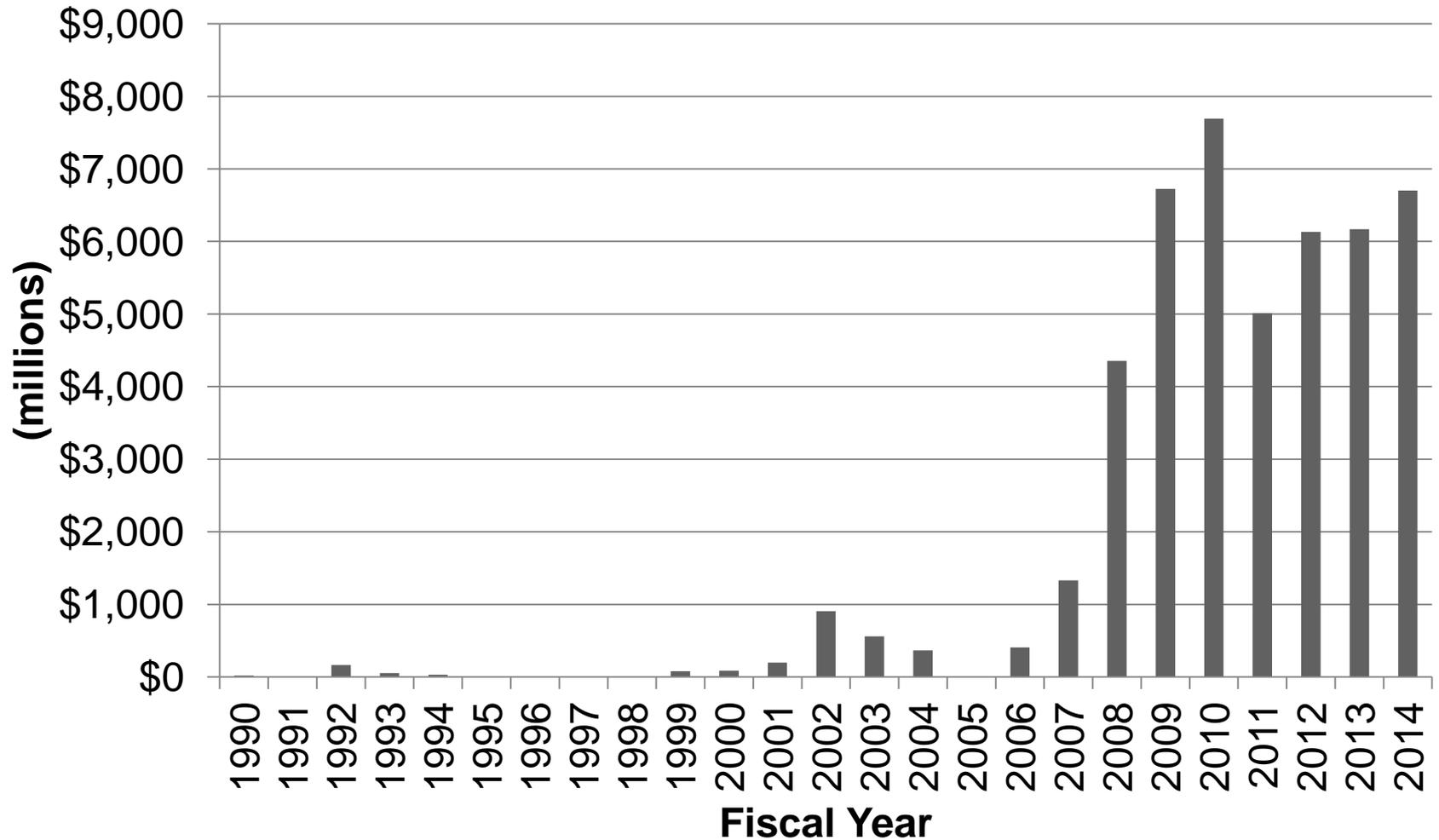
Circumstance	Subsection	Restriction	Vote Needed
Deficit in Current Biennium	(k)	<ul style="list-style-type: none"> -Not greater than the deficit -Regular Session: only for a purpose funded by a previous Legislature -Special Session: for a purpose funded by earlier session of same legislature -Only for the current biennium 	3/5 of Members Present
CPA estimates that revenue will decrease from current biennium to the next biennium	(l)	Not greater than revenue decrease/recoupment of over-appropriation	3/5 of Members Present
Any time, any purpose	(m)	None	2/3 of Members Present

Appropriations from the ESF

ACT	Appropriation (millions)	Estimated ESF Available	Appropriation% Of Available
SB 11, 71 st Legislature, 6 th Called Session, 1990	\$29.0	\$29.0	100%
SB 171, 73 rd Legislature, Regular Session, 1993	\$125.8	\$197.8	100%
SB 532, 73 rd Legislature, Regular Session, 1993	\$72.0		
HB 7, 78 th Legislature, Regular Session, 2003	\$1,260.5	\$1,297.6	97%
HB 10, 79 th Legislature, Regular Session, 2005	\$2,030.1	\$2,013.2	101%*
HB 275, 82 nd Legislature, Regular Session, 2011	\$3,198.7	\$9,405.3	34%
HB 1025, 83 rd Legislature, Regular Session, 2013	\$3,936.2	\$11,756.4	33%
TOTAL	\$10,652.3		

* A portion of the HB 10 appropriation was contingent on transfers to the ESF exceeding estimate.

ESF Ending FY Balance



ESF Estimates

- CPA recently released an estimated range of transfers to the ESF for FY 2015 - 2017. The estimate assumes no further appropriations from the ESF.
- Where the actual transfer falls within this range is dependent on the sufficient balance adopted by this committee.

Estimated Transfer and Balance Amounts (billions)

	Minimum ESF Transfer	Maximum ESF Transfer
FY 2015 ESF Transfer	\$1.740	\$3.480
FY 2015 Ending ESF Balance*	\$8.444	\$10.184
FY 2016 ESF Transfer	\$1.308	\$2.615
FY 2016 Ending ESF Balance*	\$9.752	\$12.799
FY 2017 ESF Transfer	\$1.267	\$2.533
FY 2017 Ending ESF Balance*	\$11.019	\$15.332
3 year total transfer to SHF	\$4.315	\$0

* Balances are approximate and do not include estimated interest earnings or expenditures relating to remaining HB 1025 appropriation authority. Totals may not sum due to rounding.

Estimated Transportation Expenditure Needs

- TxDOT reports that \$10.8 billion in highway investment per year is needed to maintain roads and capacity at 2010 levels, based on a 2011 report by the 2030 Committee.
- Energy sector road repair and maintenance needs are estimated to be an additional \$1 billion per year based on research conducted by the Texas A&M Transportation Institute.
- TxDOT estimates a shortfall of \$5 billion per year between the expenditure needs and the current construction and maintenance budget, including:
 - \$3 billion for mobility and connectivity
 - \$1 billion for statewide highway and bridge maintenance
 - \$1 billion for energy sector road repair and maintenance
- The estimated \$5 billion shortfall excludes funding from TxDOT bond programs, regional toll revenue, and Proposition 1 transfers to the SHF.



LEGISLATIVE BUDGET BOARD

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