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Perry: Rainy Day Fund Last Resort

By ADAM RUSSELL and CALVIN MAYNARD

Staff Writers

Gov. Rick Perry used the potential for darker times as a selling point for not breaking into the state's piggy-bank, at a news conference Tuesday.



Perry said the state's Rainy Day Fund should be used "as a last resort" rather than as a "quick fix" to "delay any tough decisions" this session during a stop in Tyler on Tuesday. He recently told legislators the \$9 billion reserve represented a "very valuable insurance policy against a future that continues to be uncertain," he said.

"If we use the Rainy Day Fund to kick the can down the road and basically say we are going to delay any tough decisions until 2013, here's a scenario -- what if things don't get better."

With oil and gas prices escalating along with violence and instability in the Middle East and an uncertain domestic economy, Perry said spending the fund may lead to "real emergencies" during future bienniums with nothing to fall back on.

He said naysayers want revenue and tax increases to close the expected \$15 billion to \$27 billion budget shortfall, but that saddling Texans with more of the burden will further inhibit any economic recovery. Texas' overall employment rates, which have been better than the national average, and job creation numbers were highlighted by Perry as results of past conservative business policies.

The governor held the news conference at Brookshires' distribution center and called the company's growth "a great Texas success story." He said Brookshires began with a man and an idea and now employs more than 12,000 people in three states.

Perry said his focus is on job creation and giving small businesses and entrepreneurs the ability and tools to grow. He continued to parallel the state's budget, and "tough decisions looming" in Austin, with struggles for Main Street Texans.

He said families and businesses are prioritizing and making decisions regarding their own budgets and urged legislators to do the same.

"They are separating wants from needs," he said. "They are making responsible decisions to live within their means."

Perry said the state "has an obligation to do the same." He called the Nov. 2 elections, where state and national GOP candidates dominated, a clear message for fiscally conservative governing.

Texas Tea Party Caucus Resident Advisory Committee member JoAnn Fleming said legislators have shown no political will thus far to address tough decisions such as a potential doubling of the state's Medicaid costs by 2013.

"If this bunch was in Wisconsin they would have folded already," she said. "I haven't seen any political leadership yet."

Ms. Fleming said members in the House and Senate have not fully acknowledged the extent of needed cuts to state agencies and programs. She said the Tea Party Caucus, which includes state senators and representatives, is suggesting multiple opportunities for cuts, including consolidation of overlapping state agencies.

Two conservative heavy-hitters from Austin accompanied the governor and spoke at the news conference. The Texas Public Policy Foundation's Center for Fiscal Policy director Talmadge Heflin and Empower Texans' Michael Quinn Sullivan, backed the governor's push to close the budget shortfall without dipping into savings.

Heflin, a 25-year state representative and former House Appropriations Committee chairman, said legislators must be mindful of where the state's funding comes from.

"We have to always be reminded as legislators that when writing the budget we are using other people's money," he said.

Heflin said the task before legislators will be difficult but that legislators and state agency leaders must partner to define how to maintain essential services and cut marginal services. He said expressing needs to spend savings before identifying cuts is irresponsible.

Sen. Kevin Eltife, R-Tyler, said he agrees with Perry and Heflin that dipping into the Rainy Day Fund should be done as a last resort. He said spending reductions should be the focus but believes based on projected budget numbers and reports from the comptroller, the reserve will be tapped.

Eltife's initial concern is not the projected \$27 billion shortfall but more than \$4 billion the state will be short for the current budget by Aug. 31. He said the comptroller informed legislators recently that the deficit could be bridged two ways -- with cash or by taking on debt.

Taking on debt is not prudent, Eltife said.

"That is real money the state will be short," he said. "The Rainy Day Fund was designed to address down economic times, when revenue projections fall short, and that is where we are."