



# Bill Hammond: Use rainy day funds for water and transportation

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There is a big debate in the Legislature over whether using money in the rainy day fund should count against the state's constitutional spending limit. If we are talking about actually increasing the state's budget by growing the size of government, then the answer may be yes. If we are simply making up for a temporary revenue shortfall for a priority that is already budgeted, the answer may be no. But if we are transferring money on a one-time basis to other accounts that will be used to help finance critical water and transportation projects, the answer is emphatically no.

The money proposed to be used for transportation and water infrastructure will not be spent. It will be invested. There is a very big difference. The money may be used to underwrite local obligations to obtain better credit terms for infrastructure projects. This use is basically the same as parents using their good credit rating to save their children money by co-signing their first car loan. In that case, the parent's money stays where it is and earns interest while the new car owner spends less money. In the same way, local citizens save money through lower water rates and transportation costs. That can hardly be considered an expense.

The money can also be lent to local infrastructure project sponsors. In this case, the loans are secured by the water utility rates and other revenue generated from projects at the local level. The essential point is this: The money loaned will be paid back. When a bank makes a loan, it considers that loan an asset on its balance sheet, not an expense. Why should the state of Texas be any different? Why should Texas water utility customers and drivers be asked to pay any more in new fees or taxes than necessary when the state has billions of dollars of revenue that we can put to productive use? The answer is they shouldn't be.

The Texas Association of Business is supporting HB 652 and similar legislation that makes it clear that certain uses of the rainy day fund do not count against the state spending limit. Some legislators, however, believe that any use should count and that there should be a vote to exceed the spending limit for any transfer from the rainy day fund. It will be a challenge getting the required two-thirds vote to move rainy day fund money into new funds for water and transportation in the first place. Adding another vote to break the spending cap might doom our efforts to ensure these future projects are built.

Then there are those who say we shouldn't move any money out of the fund. I appreciate the conservative and careful position that suggests that we should always retain sufficient resources to address disasters and emergencies. But the fact is that the potential impact of our failure to address the basic infrastructure needs of our population is an emergency. It may not have the immediate visibility of a hurricane, but the economic impact to the state can be just as significant and even longer lasting.

I would ask those who oppose using any of the rainy day fund what the better alternatives are for funding the water and transportation projects our state desperately needs. There is clearly not enough revenue that can be cut from education or health and human service budgets to fund infrastructure. In fact, to fully fund our transportation needs will probably require new sources of revenue, but we should certainly make the most use of money we already have before we ask for more.

Bill Hammond is president and CEO of the Texas Association of Business and may be contacted through [txbiz.org](http://txbiz.org).

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