

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 7, 2007

TO: Honorable Warren Chisum, Chair, House Committee on Appropriations

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB250 by Riddle (Relating to the constitutional limitation on the rate of growth of state appropriations.), **As Introduced**

No fiscal implication to the State is anticipated in the upcoming biennium.

Currently, Article VIII, Section 22, Texas Constitution, and Chapter 316, Government Code, limits the biennial growth of appropriations from state tax revenue not dedicated by the constitution to the estimated rate of growth of the state's economy. The bill, in conjunction with a proposed constitutional amendment, would limit the biennial growth of appropriations from all sources of state revenue except federal funds to the sum of the estimated rate of growth of the state's population and the estimated rate of inflation in the state.

Also under current law, the appropriations limit for a subsequent biennium can increase or decrease as a result of changes in estimated appropriations for the then current biennium. The bill would allow only net decreases in estimated appropriations to affect the appropriations limit for the subsequent biennium.

The change from a limit using the growth of personal income to one using population and inflation would be likely to reduce the allowable growth rate in appropriations for subsequent biennia. For the purpose of illustration, the estimated rate of growth of personal income used to set the 2008-09 limit was 13.11 percent, while the Comptroller's estimate of the sum of population growth and inflation for 2008-09 is 8.18 percent. The fiscal impact of expanding the application of the limit to all funds, except federal funds, in subsequent biennia would depend on the composition of state revenue in those biennia.

The bill would take effect only if a constitutional amendment expanding the application of the Article VIII, Section 22 limit to all state funds except federal receipts is adopted. The provisions of the bill would first apply to appropriations for the 2010-11 biennium.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SJS