

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 9, 2007

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

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

IN RE: HB354 by Howard, Charlie (Relating to estimating the rate of growth of the state's economy for purposes of the constitutional spending limit.), **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.

Section 316.002, Government Code, instructs the Legislative Budget Board to determine the growth of the state's economy by estimating the growth in Texas personal income unless a more comprehensive definition of the rate of growth of the state's economy is developed and approved by the committee composed of the Governor, Lieutenant Governor, Speaker of the House of Representatives, and Comptroller of Public Accounts.

The bill would require the Legislative Budget Board to consider the gross state product growth rate in addition to the personal income growth rate, and it would require Legislative Budget Board to adopt the lesser of the two rates in setting the constitutional spending limit.

The bill would prohibit Legislative Budget Board's use of a more comprehensive definition of the rate of growth of the state economy by repealing Section 316.002(c) of the Government Code.

Adopting the lesser of the personal income growth rate or the gross state product growth rate would likely 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 growth of the gross state product for 2008-09 is 10.43 percent.

The bill would take effect September 1, 2007. It would only affect appropriations made for the 2010-11 biennium and subsequent biennia.

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