LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 10, 2007

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

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

IN RE: **HB3172** by Talton (Relating to limits on the appropriations by the Legislature.), **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 (LBB) to use gross state product (GSP) when determining the estimated rate of growth of the state's economy and would prevent the use any other definition in calculating the limit on appropriations. LBB would be required to adjust the spending limit from the preceding biennium by replacing the estimated projected GSP for the previous biennium with the actual GSP, as reported by the United States Department of Commerce or its successor agency. LBB would treat the revised rate of growth as the projected rate for purposes of calculating the previous biennium's budget cap and for the following session's cap going forward.

The bill would add Section 316.0081 to require the Legislature, by record vote of both houses, to approve the spending limit. If either house did not approve the limit, the estimated rate of growth in the state's economy from the current biennium to the next would be treated as if it were zero; and the amount of state tax revenues not dedicated by the constitution that could be appropriated within the limit would be the same as the level of appropriations for the current biennium.

The change from a limit using the growth of personal income to one using the growth of gross state product 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 growth of the gross state product for 2008-09 is 10.43 percent.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, SJS