

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: HJR33 by Riddle (Proposing a constitutional amendment concerning the restriction on the rate of growth of state appropriations.), **As Introduced**

No fiscal implication to the State is anticipated in the upcoming biennium, other than the cost of publication.

The cost to the state for publication of the resolution is \$77,468.

Currently, Article VIII, Section 22, Texas Constitution 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 resolution proposes a constitutional amendment which, if adopted, 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 proposed amendment would allow only net decreases in estimated appropriations to affect the appropriations limit for the subsequent biennium.

Also under current law, the legislature, after adopting a resolution to exceed the limit by a majority vote in each house, may make appropriations in excess of the limit. The proposed amendment would require that a resolution to exceed the limit receive a two-thirds vote of the membership of each house.

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 proposed amendment would include temporary provisions applying to the changes made to Article VIII, Section 22. The temporary provision would expire December 1, 2009.

The proposed amendment only would apply to appropriations made for the 2010-11 biennium and subsequent biennia.

The proposed constitutional amendment would be submitted to the voters at an election to be held November 4, 2008.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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