

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 13, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SJR56 by Williams (Proposing a constitutional amendment regarding limitations on the rate of growth of expenditures by the state government.), **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. 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 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 average rate of growth during the three previous fiscal bienna of the state's population and inflation, as estimated by the Comptroller.

The estimated rate of growth proposed in the resolution would be calculated by subtracting one from the product of: 1) the sum of one and the estimated average rate of growth of the state's population during the three previous fiscal bienna; and 2) the sum of one and the estimated average rate of growth in the consumer price index during the three previous fiscal bienna.

The change from a limit using the growth of personal income to one using the average rate of growth during the three previous fiscal bienna of the state's population and inflation 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 average rate of growth during the three previous fiscal bienna of the state's population and inflation for 2008-09 is estimated to be 9.56 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.

During the first week of each regular session, the Comptroller would specify the limit on the amount of permissible appropriations for the next biennium. The limit would be determined by multiplying the amount of appropriations for the then-current biennium by the sum of one plus the Comptroller's estimated average rate of growth.

If the Legislature, by adoption of a resolution approved by a majority vote in each house, found that an emergency existed, it could provide for an appropriations limit in excess of the amount specified by the Comptroller.

The proposed amendment would require the Comptroller to certify all appropriation bills not

exceeding the Section 22, Article VIII limit on appropriations. If the Comptroller determined that an appropriation bill exceeded the proposed constitutional limit, the Comptroller would have to endorse that finding, return the bill to the house from which it originated, and notify both houses of the Legislature.

The proposed amendment would include a temporary provision applying to the changes made to Section 22, Article VIII, and Section 49-a, Article III of the Constitution. The temporary provision would expire December 1, 2010.

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

In relation to appropriations made for the 2010-11 biennium and subsequent biennia, the changes made to Section 22, Article VIII of the Constitution would invalidate conflicting or inconsistent general laws of this state, including Sections 316.001 through 316.008 of the Government Code as that law existed on January 1, 2007.

The proposed constitutional amendment would be submitted to the voters on November 6, 2007.

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