

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 28, 2011

TO: Honorable Jim Pitts, Chair, House Committee on Appropriations

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

IN RE: HB581 by Hancock (Relating to the constitutional limit on the rate of growth of appropriations.), **As Introduced**

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

Currently, Article VIII, Section 22 of the 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 of the Government Code, instructs the Legislative Budget Board to determine the growth of the state's economy by estimating the growth in Texas personal income.

The bill, in conjunction with a proposed constitutional amendment, would limit the biennial growth of appropriations from state tax revenue not dedicated by the constitution to the sum of the estimated rate of growth of the state's population and the estimated rate of inflation in the state during the preceding biennium.

The change from a limit using the growth of personal income to one using 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 2012-13 limit was 8.92 percent. Based on the Comptroller's economic forecast, the biennial estimate of the sum of population growth and inflation growth for the previous biennia as proposed by the bill for 2012-13 would be 6.07 percent.

The bill would take effect on the date on which the constitutional amendment proposed by the 82nd Legislature regarding the limitation on the rate of growth in appropriations takes effect. If the amendment is not approved by the voters, this bill has no effect. The provisions of the bill would first apply to appropriations for the 2014-15 biennium.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies:

LBB Staff: JOB, KK, SD, SJS