

## **BILL ANALYSIS**

Senate Research Center  
83R2917 JJT-F

S.B. 1656  
By: Williams  
Finance  
4/3/2013  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Section 22(a), Article VIII, Texas Constitution, limits biennial growth in appropriations from tax revenue not dedicated by the constitution to the estimated growth of the state's economy. This applies to taxes on general sales, motor vehicle sales, and rental, franchises, cigarettes and tobacco, alcoholic beverages, inheritance, and hotel occupancy, and portions of taxes on motor fuels, insurance, natural gas, oil production and regulation, utilities, and other taxes.

As required by Section 316.002 (Duties of Legislative Budget Board), Government Code, prior to each legislative session the Legislative Budget Board (LBB) adopts a projected growth rate of the state's economy. The current measure—personal income growth—is generally considered to track the health of the economy, and is commonly used by other states in setting spending limits. An alternative approach of using the combined rate of inflation and population growth in effect freezes per capita spending, adjusted for inflation and is more successful at stabilizing and slowing spending growth.

S.B. 1656 amends the Government Code to limit the rate of growth of appropriations from state tax revenue not dedicated by the constitution to a rate to be calculated by LBB that is the sum of the estimated rates of population growth and inflation.

As proposed, S.B. 1656 amends current law relating to the constitutional limit on the rate of growth of appropriations.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Sections 316.001 and 316.002, Government Code, as follows:

Sec. 316.001. LIMIT. (a) Creates this subsection from existing text. Prohibits the rate of growth of appropriations in a state fiscal biennium from state tax revenues not dedicated by the constitution from exceeding a rate determined by adding the estimated rate of the increase or decrease in the state's population during the preceding state fiscal biennium and the estimated rate of monetary inflation or deflation in this state during that preceding biennium, rather than prohibiting the rate of growth of appropriations in a biennium from state tax revenues not dedicated by the constitution from exceeding the estimated rate of growth of the state's economy.

(b) Provides that, if the sum of the estimated rates described by Subsection (a) is a negative number, the amount of appropriations authorized for the next state fiscal biennium from state tax revenues not dedicated by the constitution must decrease as prescribed by this subchapter.

Sec. 316.002. DUTIES OF LEGISLATIVE BUDGET BOARD. (a) Requires the Legislative Budget Board (LBB), before LBB submits the budget for the next state fiscal biennium as prescribed by Section 322.008(c), to establish:

(1) the maximum allowable rate of growth of appropriations between the current state fiscal biennium and the next state fiscal biennium, in accordance with Section 22 (Restriction on Appropriations), Article VIII, Texas Constitution, expressed as a percentage, by adding the following estimated rates, as determined by LBB:

(A) the estimated rate of change of the state's population during the current state fiscal biennium, expressed as a percentage; and

(B) the estimated rate of monetary inflation or deflation in this state during the current state fiscal biennium, expressed as a percentage;

(2) the estimated amount of appropriations for the current state fiscal biennium from state tax revenues not dedicated by the constitution; and

(3) the amount of state tax revenues not dedicated by the constitution that could be appropriated for the next state fiscal biennium within the limit established in accordance with the maximum allowable rate of growth determined under Subdivision (1) and the estimated amount of appropriations for the current state fiscal biennium determined under Subdivision (2).

Deletes existing text requiring LBB, before LBB submits the budget as prescribed by Section 322.008(c), to establish the estimated rate of growth of the state's economy from the current biennium to the next biennium; the level of appropriations for the current biennium from state tax revenues not dedicated by the constitution; and the amount of state tax revenues not dedicated by the constitution that could be appropriated for the next biennium within the limit established by the estimated rate of growth of the state's economy.

(b) Prohibits the amount of appropriations authorized for the next state fiscal biennium from state tax revenues not dedicated by the constitution, if the sum of the estimated rate of increase or decrease in the state's population and the estimated rate of monetary inflation or deflation in this state is a negative number, from exceeding the amount of appropriations from those revenues in the current state fiscal biennium reduced by the product of that amount and the additive inverse of the sum of those rates.

Deletes existing Subsection (b) requiring LBB, except as provided by Subsection (c), to determine the estimated rate of growth of the state's economy by dividing the estimated Texas total personal income for the next biennium by the estimated Texas total personal income for the current biennium. Deletes existing text requiring LBB, using standard statistical methods, to make the estimate by projecting through the biennium the estimated Texas total personal income reported by the United States Department of Commerce or its successor in function.

(c) Redesignates existing Subsection (d) as Subsection (c). Makes nonsubstantive changes.

Deletes existing Subsection (c) authorizing LBB, if a more comprehensive definition of the rate of growth of the state's economy is developed and is approved by the committee established by Section 316.005 (Adoption by Committee), to use that definition in calculating the limit on appropriations.

(d) Redesignates Subsection (e) as Subsection (d). Requires that the sum of the estimated rate of population growth and the estimated rate of inflation, in the absence of an action by LBB to adopt a spending limit as provided by this section,

be treated as if that rate were zero, and the amount of state tax revenues not dedicated by the constitution that could be appropriated for the next state fiscal biennium is the same as the amount of appropriations from those revenues for the current biennium, rather than requiring that the estimated rate of growth in the state's economy from the current biennium to the next biennium, in the absence of an action by LBB to adopt a spending limit as provided in Subsections (a) and (b), 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 established by the estimated rate of growth in the state's economy is required to be the same as the level of appropriations for the current biennium. Makes nonsubstantive changes.

SECTION 2. Amends Section 316.008(a), Government Code, to provide that, unless the legislature adopts a resolution under Section 22, Article VIII, Texas Constitution, rather than unless the legislature adopts a resolution under Article VIII, Section 22(b) (relating to authorizing the legislature to provide for appropriations in excess of a certain amount if the legislature by adoption of a resolution approved by a record vote of a majority of the members of each house finds that an emergency exists and identifies the nature of the emergency), of the Texas Constitution, raising the proposed limit on appropriations, the proposed limit is binding on the legislature with respect to all appropriations for the next state fiscal biennium made from state tax revenues not dedicated by the constitution.

SECTION 3. Provides that the changes in law made by this Act apply only, as applicable, in relation to appropriations made for the state fiscal biennium beginning September 1, 2015, and subsequent state fiscal bienniums. Provides that appropriations for the state fiscal biennium that begins September 1, 2013, are governed by Sections 316.001, 316.002, and 316.008 (Effect of Limit; Enforcement), Government Code, as those sections existed on January 1, 2013, and the former law is continued in effect for that purpose.

SECTION 4. Effective date: contingent upon approval by the voters of the constitutional amendment proposed by the 83rd Legislature, Regular Session, 2013, regarding the limitation on the rate of growth of appropriations.