

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 19, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB715 by Creighton (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. The provisions of the bill would only apply to appropriations made for the 2016-17 biennium and subsequent biennia.

This bill would amend the Government Code with regard to the constitutional limit on the rate of growth of certain appropriations.

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 1) the estimated rate of the increase or decrease in the state's population during the preceding state fiscal biennium, expressed as a percentage, and 2) the estimated rate of monetary inflation or deflation in this state during the preceding state fiscal biennium, expressed as a percentage.

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 change from a limit applying the growth of personal income to one applying the sum of the estimated rate of increase in the state's population in the preceding biennium and the estimated rate of monetary inflation in this state during the preceding biennium 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 2014-15 spending limit was 10.71 percent. The 2014-15 growth rate proposed by the bill, based on population growth plus inflation growth during 2012-13, would be 6.82 percent based on population and inflation estimates in the Comptroller's Winter 2012-13 Economic Forecast.

The provisions of the bill would only apply to appropriations made for the 2016-17 biennium and subsequent biennia.

The bill would take effect on the date on which the constitutional amendment proposed by the 83rd Legislature regarding the limitation on the rate of growth of appropriations takes effect. If the amendment is not approved by the voters, the bill would have no effect.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 405 Department of Public Safety, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 758 Texas State University System

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