

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 15, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3580 by Strama (Relating to the state spending limit.), **As Introduced**

The provisions of the bill would not affect appropriations made by the 83rd legislature; however, there could be significant fiscal implications in the 84th Legislature relating to FY 2015 supplemental appropriations as well as significant fiscal implications in future biennia.

This bill would amend Section 316 of the Government Code with regard to the constitutional limit on the rate of growth of certain appropriations, commonly referred to as the spending limit.

The bill would require the Legislative Budget Board (LBB) to update its estimate of the rate of growth of the state's economy, and the resulting spending limit, relating to the current biennium in addition to the upcoming biennium as required by current law.

Currently, before the LBB submits the budget, the Board is required to establish the 1) estimated rate of growth of the state's economy from the current biennium to the next biennium, 2) the level of appropriations for the current 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 biennium within the limit established by the estimated rate of growth of the state's economy. Under current law, the Board does not update the growth rate once adopted and it remains in effect for the entire biennium to which it applies.

Requiring the Board to update the growth rate and the resulting spending limit for the current biennium would have significant fiscal implications to the State. Increasing the growth rate estimate for the current biennium would increase the spending limit for the current biennium and permit additional supplemental appropriations in the current biennium. Conversely, decreasing the growth rate estimate for the current biennium would decrease the spending limit for the current biennium and would further restrict supplemental appropriations in the current biennium. Adoption of a lower growth rate could trigger appropriation reductions in the current biennium. These changes would correspondingly change the spending limit for the upcoming biennium because the spending limit is based on growth from the previous biennium.

For illustrative purposes, the Board met on November 15, 2010 and adopted a growth rate of 8.92 percent from the 2010-11 biennium to the 2012-13 biennium. The Comptroller's Winter 2012-13 Forecast estimated that personal income growth from the 2010-11 biennium to the 2012-13 biennium would be 11.53 percent, 2.61 percent higher than the estimate adopted by the Board in November 2010.

2010-11 appropriations subject to the spending limit total \$70,935 million. These appropriations are currently grown by 8.92 percent to calculate the 2012-13 spending limit of \$77,262 million. If the Board increased the growth rate from 8.92 percent to 11.53 percent, the 2012-13 spending limit would increase by \$1,851 million to \$79,114 million. As a result, the 83rd Legislature could appropriate an additional \$1,851 million in FY 2013 subject to the spending limit based on this illustrative example. If the Legislature increased 2012-13 appropriations, there would be a corresponding increase in the 2014-15 spending limit because the 2014-15 spending limit is based on 2012-13 appropriations subject to the spending limit. Conversely, if the Board reduced the estimated growth rate by 2.61 percent, the 2012-13 spending limit would be reduced by \$1,851 million resulting in decreased appropriation authority in 2012-13.

The bill would take effect on September 1, 2013, requiring the Board to update the estimated growth rate from the 2012-13 biennium to 2014-15 biennium and the resulting 2014-15 spending limit when the Board meets prior to the 84th Legislature. If the Board adopted a higher growth rate, than the originally adopted 10.71 percent, the 2014-15 spending limit would be increased and the 84th Legislature would have additional appropriation authority relating to the 2014-15 spending limit. If the Board decreased the growth rate, appropriation authority would be further restricted.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies:

LBB Staff: UP, KK, SD, SJS