

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 3, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SJR10 by Patrick (Proposing a constitutional amendment concerning the limitation on the rate of growth in appropriations and the use of unencumbered surplus state revenues to provide for a rebate of state franchise taxes, to reduce public school district property taxes, and to fund the state's rainy day fund.), **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 \$108,921.

The resolution proposes amendments to the Texas Constitution concerning the limitation on the rate of growth of certain appropriations and the use of unencumbered surplus state revenue to provide for a rebate of state franchise taxes, to reduce public school district property taxes, and to fund the state's rainy day fund.

The proposed amendment to Section 22, Article VIII, would limit the biennial growth of appropriations from all sources of revenue other than the federal government to the sum of 1) the estimated rate of increase or decrease in the state's population during the preceding state fiscal biennium, expressed as a percentage, and 2) the estimated rate of inflation or deflation during the preceding state fiscal biennium in the prices of a set of goods determined by the Legislative Budget Board to be representative of this state's economy as a whole in that biennium, expressed as a percentage.

The proposed amendment would allow the legislature to exceed the limit with the adoption of a resolution approved by a record vote of two-thirds of the members of each house finding that an emergency exists and identifying the nature of the emergency. The excess may not exceed the amount specified in the resolution.

The proposed amendment to Section 49a, Article III, would require all bills containing an appropriation to be certified by the Comptroller as not exceeding the limit on the rate of growth of appropriations before the bill could be sent to the Governor. Should the Comptroller be unable to certify a bill, both houses of the Legislature would be notified and the bill would be returned to the originating house.

The share of any unencumbered positive balance of general revenues required by the Constitution

to be transferred to the Economic Stabilization Fund (ESF) would be reduced to 25 percent from 50 percent. Following the required ESF transfer, and from the remaining unencumbered general revenues, the Comptroller would provide a rebate to each payer of the franchise tax during the preceding biennium. Each taxpayer would be entitled to a share of that surplus, in proportion to their share of all franchise taxes paid. The total amount of the franchise tax rebates would be the lesser of one-third of the remaining unencumbered balance or the total amount of franchise taxes collected in the previous biennium. Two-thirds of the remaining unencumbered balance would be transferred to the Property Tax Relief Fund.

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 fiscal impact of expanding the application of the limit to appropriations from all sources of revenue other than the federal government would depend on the composition of state revenue in those biennia and appropriation decisions by the Legislature.

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 inflation during that preceding biennium in this state in the prices of a set of goods determined by the Legislative Budget Board to be representative of this state's economy as a whole 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 resolution, 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.

Also under current law, the legislature may exceed the limit with the adoption of a resolution approved by a majority record vote in each house. The resolution would require a stricter two-thirds record vote.

The amendment would have no impact on the state's revenue collections. With respect to unencumbered balances, no such amounts have been projected affecting the upcoming 2014-15 biennium. In future periods, it could be possible to have a negative impact on the ending balance of the General Revenue Fund available for certification, however the fiscal impact, if it were to occur, cannot be estimated at this time.

The proposed amendment only would apply to appropriations made for the 2016-17 biennium and subsequent biennia.

The proposed constitutional amendment would be submitted to the voters at an election to be held November 4, 2014.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts
LBB Staff: UP, KK, SD, SJS