

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 26, 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 of appropriations of revenue.), **Committee Report 1st House, Substituted**

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.

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 the estimated rates of change of 1) the state's population during the state fiscal biennium for which the appropriations are made and 2) monetary inflation or deflation during the state fiscal biennium for which the appropriations are made.

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 rates of change of population and monetary 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 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 6.45 percent based on population and inflation estimates in the Comptroller's Winter 2012-13 Economic Forecast.

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

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