

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**March 16, 2015**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SJR2** by Hancock (Proposing a constitutional amendment concerning the limitation on the rate of growth in appropriations.), **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 \$118,681.

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 subject to certification by the comptroller of public accounts under Section 49a(b), Article III, of this constitution, to the sum of 1) the rate of change in this state's population during the preceding state fiscal biennium, and 2) the estimated rate of inflation or deflation during the preceding state fiscal biennium.

The proposed amendment would allow the legislature to exceed the limit with the adoption of a resolution approved by a record vote of three-fifths vote 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.

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 all state appropriations 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 change in the state's population in the preceding biennium and the estimated rate of inflation or deflation during that 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

2016-17 spending limit was 11.68 percent. The 2016-17 growth rate proposed by the resolution, based on population growth plus inflation growth during 2014-15, would be 4.86 percent based on population and inflation estimates in the Comptroller's Fall 2014 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 three-fifths record vote.

The proposed amendment only would apply to appropriations made for the 2018-19 biennium and subsequent biennia.

The proposed constitutional amendment would be submitted to the voters at an election to be held November 3, 2015.

### **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