

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

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

**April 2, 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.), **Committee Report 1st House, Substituted**

**No fiscal implication to the State is anticipated in the upcoming biennium**, other than the cost of publication. The provisions of SJR2 would take effect with the 2018-19 biennium.

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 consolidated general revenue appropriations (General Revenue and General Revenue-Dedicated) to the estimated average biennial rate of growth of the state's population during the state fiscal biennium preceding the biennium for which appropriations are made and during the state fiscal biennium for which appropriations are made adjusted by the estimated average biennial rate of monetary inflation in this state during the same 4-year period.

The proposed amendment would exclude an appropriation to pay for a rebate of state taxes from computations used to determine whether appropriations exceed the amount authorized by the limit.

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. Current law specifies a majority record vote in each house.

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 implication of applying the limit to consolidated general revenue appropriations would depend on the composition of state revenue in those biennia and appropriation decisions by the legislature. Assuming current and recent allocation of appropriations by method of finance, this methodology change would generally apply to a larger base (consolidated GR) than does the current limit (state tax revenue undedicated by the Constitution) but that could change depending

on legislative action.

The change from a limit applying the growth of personal income to one applying the estimated average biennial rate of growth of the state's population during the state fiscal biennium preceding the biennium for which appropriations are made and during the state fiscal biennium for which appropriations are made adjusted by the estimated average biennial rate of monetary inflation in this state during the same 4-year period would likely reduce the allowable growth rate in appropriations for subsequent biennia. Forecasted personal income has exceeded that of forecasted population and inflation over the last six biennia; twice, however, actual population and inflation has slightly exceeded actual personal income.

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. In November 2014, the Board was presented with personal income growth rates ranging from 11.68 percent to 15.71 percent. The 2016-17 growth rate proposed by the resolution, based on the estimated average rate of growth of population and inflation during 2014-15 and 2016-17, ranged from 6.35 percent to 8.32 percent, also based on information provided to the Board at that time.

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

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