

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 26, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1336 by Hancock (Relating to a limit on the rate of growth of certain appropriations.), **As Introduced**

No fiscal implication to the State is anticipated in the upcoming biennium. The provisions of the bill would take effect with the 2024-25 biennium.

Starting in the 2024-25 biennium, the fiscal implication of restricting the biennial growth of consolidated general revenue appropriations (General Revenue and General Revenue-Dedicated), would depend on both the actions of the Legislative Budget Board with respect to adopting the rate and future appropriation decisions by the legislature.

The bill would create a new statutory limit on the growth of consolidated general revenue appropriations (General Revenue and General Revenue-Dedicated).

The bill would limit the biennial growth of consolidated general revenue appropriations 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 period. If that calculated rate is negative, consolidated general revenue appropriations for the forthcoming biennium cannot exceed that of the current biennium.

Any appropriation to for a purpose that provides tax relief or to pay costs associated with disaster recovery would not be subject to the calculation.

A three-fifths vote of the members in each house of the legislature would be required to exceed the new limit.

The establishment of a new statutory limit on the biennial growth of consolidated general revenue appropriations applied to the population and inflation growth methodology described above would restrict the Legislature's ability to appropriate from General Revenue and General Revenue-Dedicated accounts. The fiscal implication of applying the new statutory limit would depend on both on the actions of the Legislative Budget Board with respect to adopting the rate and future appropriation decisions by the legislature.

The Legislative Budget Board met on November 30th, 2020 to adopt the growth rate for the spending limit established by Article VIII, Section 22 of the Texas Constitution. For the purpose of illustration, the 2022-23 growth rate proposed by the bill ranged from 5.41 percent to 6.67 percent, based on population and inflation estimates provided to the Board prior to the meeting.

The new statutory limit would not change the limit established by Article VIII, Section 22 of the Texas Constitution that restricts 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.

The bill would take effect on September 1, 2021.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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