

## **BILL ANALYSIS**

Senate Research Center

S.B. 1350  
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Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Under current law, the constitutional spending cap restricts the growth rate of state expenditures to the rate established by dividing the estimated total personal income of Texas residents for the next biennium by the same figure estimated for the current biennium. These estimates are based upon the projections of private companies which are considered and adopted by vote of the Legislative Budget Board (LBB). As a result, the projections have varying degrees of reliability, and those figures that may prove to be less reliable cannot be corrected during the course of the biennium.

As proposed, S.B. 1350 establishes a more reliable method of establishing a spending cap that is based upon a federally established gross state product and authorizes the adjustment of the cap in order to avoid compounding growth due to incorrect estimates.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter A, Chapter 316, Government Code, by amending Sections 316.001 and 316.002, and adding Section 316.0081, as follows:

Sec. 316.001. LIMIT. Prohibits the rate of growth of appropriations in a biennium from state tax revenues not dedicated by the constitution from exceeding the estimated rate of growth of the state's economy (estimated rate of growth) calculated as gross state product (GSP), and not by state personal income or any other measure.

Sec. 316.002. DUTIES OF LEGISLATIVE BUDGET BOARD. (a) Makes no changes to this subsection.

(b) Deletes existing text providing that Subsection (c) is an exception to this subsection, regarding the method by which the estimated rate of growth is determined. Makes conforming changes.

(c) Prohibits the Legislative Budget Board (LBB) from using any other definition of the rate of growth in calculating the limit on appropriations, rather than allowing for the use of a more comprehensive definition of said rate that is developed and is approved by the committee specified in Section 316.005 (Adoption by Committee), Government Code.

(d) - (e) Makes no changes to these subsections.

(f) Requires the LBB to adjust the spending limit in each biennium by correcting errors in growth projections from the preceding biennium by replacing estimated projected GSP with actual GSP as reported by the United States Department of Commerce or its successor agency. Requires the LBB to treat the revised rate of growth of the state's economy as the projected rate of growth for purposes of calculating the previous biennium's budget cap, and for the following session's cap going forward, to prevent the compounding of errors in projections over time.

Sec. 316.0081. APPROVAL OF THE BUDGET LIMIT BY THE LEGISLATURE.  
Requires the legislature to approve the budget limit by a record vote of both houses.  
Requires that the estimated rate of growth from the current biennium to the next biennium be treated as if it were zero if either house does not approve the budget limit.  
Requires that the amount of state tax revenue not dedicated by the constitution that could be appropriated within the limit established by the estimated rate of growth be the same as the level of appropriations in the current biennium.

SECTION 2. Effective date: upon passage or September 1, 2007.