

BILL ANALYSIS

Senate Research Center
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S.B. 9
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The current constitutional spending limit on the growth of certain appropriations states that the rate of growth of appropriations from state tax revenue not dedicated by the Constitution may not exceed the estimated rate of growth of the state's economy. The Government Code outlines the process of determining the "growth of the state's economy." This law requires the Legislative Budget Board (LBB) to estimate the growth of the state's personal income.

In practice, LBB seeks out estimates from several sources, which include Moody's, Perryman, the IHS Global Insight, and the Comptroller of Public Accounts. The estimated rate of growth in personal income for the 2016-2017 budget cycle ranged from 11.68 percent, by the Texas comptroller, to Moody's estimate of 15.71 percent. The rate of 11.68 percent was adopted for this budget cycle as suggested by the comptroller. This wide disparity and the inaccuracies of past estimates clearly suggest the need for spending limit reform.

S.B. 9 improves the spending limit by tying the spending limit to the projected growth in population plus inflation. As a result, the growth of the Texas budget would be tied to what Texans need instead of what they can afford.

S.B. 9 provides necessary consistency in existing constitutional spending limits by aligning the spending limit with the pay-as-you-go limit. This broadens the base to all funds rather than only applying the spending limit to constitutionally dedicated revenue.

S.B. 9 amends current law relating to the constitutional limit on the rate of growth of appropriations of revenue.

As proposed, S.B. 9 amends current law relating to the constitutional limit on the rate of growth of appropriations.

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 Sections 316.001, 316.002, and 316.006, Government Code, as follows:

Sec. 316.001. LIMIT. (a) Prohibits the rate of growth of appropriations subject to certification by the comptroller of public accounts of the State of Texas (comptroller) under Section 49a(b) (prohibiting appropriations in excess of the cash and anticipated revenue of the funds from which appropriation is to be made from being valid and any bill containing such appropriations from being passed or sent to the governor until and unless the comptroller endorses his certificate), Article III, Texas Constitution, in a state fiscal biennium, from exceeding a rate determined by adding the rate of the increase or decrease in this state's population during the preceding state fiscal biennium and the rate of inflation or deflation in this state during that preceding biennium. Deletes existing text prohibiting 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.

(b) Requires that, for purposes of this subchapter, an appropriation to pay for a rebate of state taxes be excluded from computations used to determine whether appropriations exceed the amount authorized by Subsection (a).

(c) Requires the Legislative Budget Board (LBB) to determine the rates described by Subsection (a) using the most recent information available from sources the LBB considers reliable, including the Federal Reserve Bank of Dallas.

Sec. 316.002. DUTIES OF LEGISLATIVE BUDGET BOARD. (a) Requires the LBB, before the LBB transmits, rather than submits, the budget for the next state fiscal biennium as prescribed by Section 322.008(c) (relating to the transmission of a copy of the budget of estimated appropriations prepared by the board-appointed director (director) to the governor and each member of the legislature), to establish:

(1) the maximum allowable rate of growth of appropriations between the current state fiscal biennium and the next state fiscal biennium, in accordance with Section 22 (Restriction on Appropriations), Article VIII, Texas Constitution, expressed as a percentage, by adding the following rates determined by the LBB in the manner provided by Section 316.001(c):

(A) the rate of change of this state's population during the current state fiscal biennium, expressed as a percentage; and

(B) the rate of inflation or deflation in this state during the current state fiscal biennium, expressed as a percentage;

(2) the amount of appropriations for the current state fiscal biennium subject to certification by the comptroller under Section 49a(b), Article III, Texas Constitution; and

(3) the amount of appropriations subject to certification by the comptroller under Section 49a(b), Article III, Texas Constitution, available for the next state fiscal biennium within the limit established in accordance with the maximum allowable rate of growth determined under Subdivision (1) and the amount of appropriations for the current state fiscal biennium determined under Subdivision (2).

Deletes existing text in Subdivision (1) including the estimate rate of growth of the state's economy from the current biennium to the next biennium among the factors to be established by the LBB before it submits the budget. Deletes existing text in Subdivision (2) requiring LBB to establish the level of appropriations for the current biennium from state tax revenues not dedicated by the constitution. Deletes existing text in Subdivision (3) requiring LBB to establish the amount of state tax revenues not dedicated by the constitution that could be appropriated for the next biennium within the limit established by the estimated rate of growth of the state's economy.

(b) Provides that if the sum of the rate of increase or decrease in this state's population and the rate of inflation or deflation is a negative number, the amount of appropriations for the next state fiscal biennium subject to certification by the comptroller under Section 49a(b), Article III, Texas Constitution, may not exceed the amount of appropriations from those sources in the current state fiscal biennium.

Deletes existing text requiring the LBB, except as provided by Subsection (c), to determine the estimated rate of growth of the state's economy by dividing the estimated Texas total personal income for the next biennium by the estimated Texas total personal income for the current biennium. Deletes existing text requiring the LBB, using standard statistical methods, to make the estimate by projecting through the biennium the estimated Texas total personal income reported by the United States Department of Commerce or its successor in function.

(c) Redesignates Subsection (d) as Subsection (c). Prohibits the LBB, to ensure compliance with Section 22, Article VIII, Texas Constitution, from transmitting in any form to the governor or the legislature the budget as prescribed by Section 322.008(c) (requiring the director to transmit a copy of the budget of estimated appropriations prepared by the director to the governor and each member of the legislature) or the general appropriations bill as prescribed by Section 322.008(d) (requiring the director to transmit a copy of the general appropriations bill to the governor and each member of the legislature) until the limit on the rate of growth of appropriations has been adopted as required by this subchapter. Makes a nonsubstantive change.

Deletes existing Subsection (c) authorizing the LBB, if a more comprehensive definition of the rate of growth of the state's economy is developed and is approved by the committee established by Section 316.005 (Adoption by Committee), to use that definition in calculating the limit on appropriations. Makes a nonsubstantive change.

(d) Redesignates Subsection (e) as Subsection (d). Requires that the sum of the rate of population growth and the rate of inflation or deflation, in the absence of an action by the LBB to adopt a spending limit as provided by this section, be treated as if that sum were zero, and provides that the amount of appropriations subject to certification by the comptroller under Section 49a(b), Article III, Texas Constitution, available for the next state fiscal biennium within the limit established by this section is the same as the amount of those appropriations for the current state fiscal biennium.

Deletes existing text requiring the estimated rate of growth in state's economy from the current biennium to the next biennium to be treated as if it were zero, and requiring the amount of state tax revenues not dedicated by the constitution that could be appropriated within the limit established by the estimated rate of growth in the state's economy to be the same as the level of appropriations for the current biennium in the absence of an action by the LBB to adopt a spending limit as provided in Subsections (a) and (b).

Sec. 316.006. LIMIT ON BUDGET RECOMMENDATIONS. Prohibits the LBB budget recommendations relating to the proposed appropriations subject to certification by the comptroller under Section 49a(b), Article III, Texas Constitution, unless authorized by majority vote of the members of the LBB from each house, from exceeding the limit adopted by the committee under Section 316.005.

Deletes existing text prohibiting the LBB budget recommendations relating to the proposed appropriations of state tax revenues not dedicated by the constitution, unless authorized by majority vote of the members of the LBB from each house, from exceeding the limit adopted by the committee under Section 316.005.

SECTION 2. Amends Section 316.007(a), Government Code, to require the LBB to include in its budget recommendations the proposed limit of appropriations subject to certification by the comptroller under Section 49a(b), Article III, Texas Constitution, rather than appropriations from state tax revenues not dedicated by the constitution.

SECTION 3. Amends Section 316.008(a), Government Code, as follows:

(a) Provides that, unless the legislature adopts a resolution under Section 22, Article VIII, Texas Constitution, raising the proposed limit on appropriations, the proposed limit is binding on the legislature with respect to all appropriations for the next state fiscal biennium subject to certification by the comptroller under Section 49a(b), Article III, Texas Constitution, rather than made from state tax revenues not dedicated by the constitution. Changes a reference to Section 22(b) (authorizing the legislature to provide for appropriations in excess of the amount authorized by this section if the legislature by adoption of a resolution approved by a record vote of a majority of the members of each house finds that an emergency exists and identifies the nature of the emergency) of the Texas Constitution to Section 22, Article VIII, Texas Constitution.

SECTION 4. Provides that the changes in law made by this Act apply only, as applicable, in relation to appropriations made for the state fiscal biennium beginning September 1, 2017, and subsequent state fiscal bienniums. Provides that appropriations for the state fiscal biennium that begins September 1, 2015, are governed by Sections 316.001, 316.002, 316.006, 316.007, and 316.008, Government Code, as those sections existed on December 1, 2014, and the former law is continued in effect for that purpose.

SECTION 5. Effective date: contingent upon approval by the voters of the constitutional amendment relating to the limitation on the rate of growth in appropriations.