

BILL ANALYSIS

Senate Research Center
84R17587 CJC-D

C.S.S.B. 9
By: Hancock et al.
Finance
4/1/2015
Committee Report (Substituted)

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.

C.S.S.B. 9 improves the spending limit by calculating the average rate of population growth times the rate of inflation of the previous biennium and the upcoming biennium. As a result, the growth of the Texas budget would be tied to the needs of the state rather than the wants of the state.

C.S.S.B. 9 broadens the base to General Revenue and General Revenue Dedicated accounts rather than only applying the spending limit to constitutionally dedicated revenue.

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

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) Defines "consolidated general revenue appropriations" for purposes of this subchapter.

(b) Prohibits the rate of growth of consolidated general revenue appropriations in a state fiscal biennium from exceeding the average biennial rate of growth of this 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 average biennial rate of monetary inflation in this state during the same period, as determined under Section 316.002, rather than 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.

(c) 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 (b).

(d) Requires the Legislative Budget Board (LBB) to determine the rates described by Subsection (b) using the most recent information available from sources the LBB considers reliable, including the Federal Reserve Bank of Dallas and the Texas State Data Center.

Sec. 316.002. DUTIES OF LEGISLATIVE BUDGET BOARD. (a) Requires the LBB, before the LBB transmits 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 the limit on the rate of growth in consolidated general revenue appropriations for that state fiscal biennium, as compared to the previous state fiscal biennium, by subtracting one from the product of:

(1) the sum of one and the estimated average biennial rate of growth of this 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; and

(2) the sum of one and the estimated average biennial rate of monetary inflation during the state fiscal biennium preceding the biennium for which appropriations are made and during the state fiscal biennium for which appropriations are made.

Deletes existing text requiring the LBB to establish, before the LBB submits the budget as prescribed by Section 322.008(c), the estimated rate of growth of the state's economy from the current biennium to the next biennium, the level of appropriations for the current biennium from state tax revenues not dedicated by the constitution, and 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) Requires the LBB, except as provided by Subsection (c), to determine for the next state fiscal biennium a limit on the amount of consolidated general revenue appropriations by multiplying the amount of consolidated general revenue appropriations for the then current state fiscal biennium by the sum of one and the limit on the rate of growth of consolidated general revenue appropriations determined by the LBB under Subsection (a).

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) Prohibits the amount of consolidated general revenue appropriations for the next state fiscal biennium, if the rate determined under Subsection (a) is a negative number, from exceeding the amount of consolidated general revenue appropriations in the current state fiscal biennium.

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) 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 not later than the fifth day after a

regular legislative session convenes) 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 not later than the seventh day after a regular legislative session convenes) until the limit on the rate of growth of appropriations has been adopted as required by this subchapter.

(e) Provides that, in the absence of an action by the LBB to adopt a limit on consolidated general revenue appropriations as provided by this section, the amount of consolidated general revenue appropriations available for the next state fiscal biennium within the limit established by this section is the same as the amount of consolidated general revenue appropriations for the current state fiscal biennium.

Deletes existing text requiring the estimated rate of growth in the 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 consolidated general revenue appropriations, rather than the proposed appropriations of state tax revenues not dedicated by the constitution, from exceeding the limit adopted by the committee under Section 316.005 unless authorized by majority vote of the members of the LBB from each house.

SECTION 2. Amends Section 316.007(a), Government Code, to require the LBB to include in its budget recommendations the proposed limit on consolidated general revenue appropriations, rather than the proposed limit of 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 consolidated general revenue appropriations, the proposed limit is binding on the legislature with respect to all consolidated general revenue appropriations for the next state fiscal biennium. Changes a reference to Article VIII, Section 22(b) (authorizing the legislature to provide for appropriations in excess of the amount authorized by this section under certain conditions) of the Texas Constitution to Section 22, Article VIII, Texas Constitution. Makes a conforming change.

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 proposed by the 84th Legislature, Regular Session, 2015, concerning the limitation on the rate of growth in appropriations.