

BILL ANALYSIS

Senate Research Center

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 Texas comptroller of public accounts. The estimated rate of growth in personal income for the 2018-2019 budget cycle ranged from 9.99 percent, by the Texas comptroller, to IHS's estimate of 11.44 percent. However, a rate of 8 percent was adopted for this budget cycle based on available revenue updates from 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 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.

S.B. 9 applies the spending limit to consolidated general revenue funds (General Revenue, General-Revenue Dedicated). This in effect significantly broadens the base of funds the spending limit applies to.

S.B. 9 establishes a three-fifths vote threshold to exceed the spending limit.

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) Defines "consolidated general revenue appropriations."

(b) Creates this subsection from existing text. Prohibits the rate of growth of appropriations in a state fiscal biennium, rather than 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) Prohibits the rate of growth of consolidated general revenue appropriations in a state fiscal biennium from exceeding the estimated rate of growth of the state's economy.

(d) Provides that for purposes of this subchapter, the estimated rate of growth of the state's economy is 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.

(e) Provides that the legislature finds that, for purposes of Section 22 (Restriction on Appropriations), Article VIII (Taxation and Revenue), Texas Constitution, 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, is an appropriate measure of the estimated rate of growth of this state's economy.

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

(g) Requires the Legislative Budget Board (LBB) to determine the rates using the most recent information available from certain sources LBB considers reliable.

Sec. 316.002. DUTIES OF LEGISLATIVE BUDGET BOARD. (a) Requires the LBB, before it transmits, rather than submits, the budget for the next state fiscal biennium, to establish:

(1) the limit on the rate of growth of appropriations of state tax revenues not dedicated by the constitution for that state fiscal biennium, as compared to the previous state fiscal biennium, by subtracting one from the product of certain formulas based on estimated average biennial rates of state population growth and monetary inflation, rather than the estimated rate of growth of the state's economy from the current biennium to the next biennium; and

(2) the limit in the rate of growth in consolidated general revenue appropriations for that state fiscal biennium, as compared to the previous, by subtracting one from the product of certain formulas based on estimated average biennial rates of state population growth and monetary inflation.

Deletes text of existing Subdivisions (2) and (3)

(b) Requires LBB to determine, except as provided by Subsection (c), for the next state fiscal biennium a limit on the amount of appropriations of state tax revenues not dedicated by the constitution and consolidated general revenue appropriations by certain formulas. Deletes existing text relating to calculating the estimated rate of growth of the state's economy.

(c) Prohibits the amount of appropriations of state tax revenues not dedicated by the constitution for the next state fiscal biennium from exceeding the amount of appropriations of state tax revenues not dedicated by the constitution in the current state fiscal biennium, if the rate determined under Subsection (a)(1) is a negative number. Prohibits, if the rate determined under Subsection (a)(2) is a negative number, the amount of consolidated general revenue appropriations for the next state fiscal biennium from exceeding the amount of consolidated general revenue appropriations in the current state fiscal biennium. Deletes existing text authorizing the LBB to use a more comprehensive definition of the rate of growth of the state's economy if one is developed and approved.

(d) Prohibits the LBB, to ensure compliance with this subchapter and Section 22, Article VIII, Texas Constitution, from transmitting the budget as prescribed by Section 322.008(c) or the general appropriations bill as prescribed by Section 322.008(d) until the LBB adopts the limit on the rate of growth of appropriations of state tax revenues not dedicated by the constitution under Section 316.001(b); and the limit on the rate of growth of consolidated general revenue appropriations under Section 316.001(c). Deletes existing text prohibiting the LBB from transmitting the budget or general appropriations bill until the limit on the rate of growth of appropriations has been adopted as required by the subchapter. Makes a nonsubstantive change

(e) Provides that in the absence of an action by the LBB to adopt the limits, rather than a spending limit, as provided by this section:

(1) for purposes of Section 316.001(b):

(A) requires that the estimated rate of growth in the state's economy from the current fiscal biennium to the next fiscal biennium be treated as if it were zero; and

(B) requires the amount of state tax revenues not dedicated by the constitution that could be appropriated within the state 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 fiscal biennium; and

(2) for purposes of Section 316.001(c):

(A) requires that the estimated rate of growth in the state's economy from the current fiscal biennium to the next fiscal biennium be treated as if it were zero; and

(b) requires that the amount of consolidated general revenue appropriations that could to be appropriated with the limit established be the same as the level of appropriations for the current fiscal biennium.

Sec. 316.006. **LIMIT ON BUDGET RECOMMENDATIONS.** Provides that unless authorized by majority vote of the members of the board from each house, the LBB budget recommendations:

(1) relating to the proposed appropriations of state tax revenues not dedicated by the constitution may not exceed the limit on appropriations from those sources adopted by the committee under Section 316.005 (Adoption by Committee); and

(2) relating to the proposed consolidated general revenue appropriations may not exceed the limit on appropriations from those sources adopted by the committee under Section 316.005.

SECTION 2. Amends Section 316.007(a), Government Code, to require the LBB to include the proposed limit of appropriations from state tax revenues not dedicated by the constitution and the proposed limit of consolidated general revenue appropriations in its budget recommendations.

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

(a) Provides that, unless the legislature adopts under Section 22, Article VIII, Texas Constitution, rather than under Article VIII, Section 22(b), of the Texas Constitution, a resolution raising the proposed limit on appropriations from state tax revenues not dedicated by the constitution, the proposed limit is binding on the legislature with respect to all appropriations for the next fiscal biennium made from those revenues, rather than

binding on the legislature with respect to all appropriations for the next biennium made from state tax revenues not dedicated by the constitution. Provides that the proposed limit on consolidated general revenue appropriations is binding on the legislature with respect to all appropriations for the next fiscal biennium made from those sources unless the legislature adopts a resolution raising the proposed limit that is approved by a record vote of three-fifths of the members of each house of the legislature. Requires that the resolution find that an emergency exists, identify the nature of the emergency, and specify the amount authorized. Prohibits the authorized excess from exceeding the amount specified in the resolution.

SECTION 4. Provides that the changes in law made by this Act apply only in relation to appropriations made for the state fiscal biennium beginning September 1, 2019, and subsequent state fiscal bienniums. Provides that appropriations for the state fiscal biennium that begins September 1, 2017, are governed by Sections 316.001, 316.002, 316.006, 316.007, and 316.008, Government Code, as those sections existed on December 1, 2016, and the former law is continued in effect for that purpose.

SECTION 5. Effective date: September 1, 2017.