

BILL ANALYSIS

Senate Research Center
85S10015 CJC-D

S.B. 9
By: Hancock et al.
Finance
7/20/2017
As Filed

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 (comptroller). The estimated rate of growth in personal income for the 2018-2019 budget cycle ranged from 9.99 percent, by the comptroller, to IHS's estimate of 11.44 percent. However, a rate of eight 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 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 (Limit on Growth of Appropriations), 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) Sets forth certain legislative findings.

(f) 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) or (c).

(g) Requires the Legislative Budget Board (LBB) to determine the rates described by Subsection (d) using the most recent information available from sources LBB considers reliable, including the United States Bureau of Labor Statistics Consumer Price Index and the Texas Demographic Center.

Sec. 316.002. DUTIES OF LEGISLATIVE BUDGET BOARD. (a) Requires LBB, before 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), rather than before LBB submits the budget as prescribed by Section 322.008(c), 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 amounts, rather than establish the estimated rate of growth of the state's economy from the current biennium to the next biennium; and

(2) 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 certain amounts.

Deletes existing 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 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) Requires LBB, except as provided by Subsection (c), to determine for the next state fiscal biennium a limit on the amount of:

(1) appropriations of state tax revenues not dedicated by the constitution by multiplying the amount of appropriations of state tax revenues not dedicated by the constitution for the then current state fiscal biennium by the sum of one and the limit on the rate of growth of appropriations of state tax revenues not dedicated by the constitution established by LBB under Subsection (a)(1); and

(2) 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 established by LBB under Subsection (a)(2).

Deletes existing text requiring LBB, except as provided by Subsection (c), to determine the estimated rate of growth of the state's economy by making certain calculations. Deletes existing text requiring 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 appropriations of state tax revenues not dedicated by the constitution for the next state fiscal biennium, if the rate determined under Subsection (a)(1) is a negative number, from exceeding the amount of appropriations of state tax revenues not dedicated by the constitution in the current state fiscal biennium. Prohibits the amount of consolidated general revenue appropriations for the next state fiscal biennium, if the rate determined under Subsection (a)(2) is a negative number, from exceeding the amount of consolidated general revenue appropriations in the current state fiscal biennium. Deletes existing text authorizing 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.

(d) Prohibits LBB, to ensure compliance with this subchapter and Section 22 (Restriction on Appropriations), Article VIII (Taxation and Revenue), Texas Constitution, rather than to ensure compliance with Article VIII, Section 22, of the Texas Constitution, from transmitting in any form to the governor or the legislature the budget as prescribed by Section 322.008(c) or the general appropriations bill as prescribed by Section 322.008(d) (relating to the transmission of a copy of the general appropriations bill) until LBB adopts the limit on the rate of growth of appropriations of certain state tax revenues and the limit on the rate of growth of certain consolidated general revenue appropriations, rather than 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 LBB to adopt the limits as provided by this section:

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

(A) the estimated rate of growth in the state's economy from the current fiscal biennium to the next fiscal biennium is required to be treated as if it were zero. Creates this paragraph from existing text; and

(B) 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 is required to be the same as the level of appropriations for the current fiscal biennium. Creates this paragraph from existing text; and

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

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

(B) the amount of consolidated general revenue appropriations that could be appropriated within the limit established by that subsection is required to be the same as the level of appropriations for the current fiscal biennium.

Deletes existing text requiring that the estimated rate of growth in the state's economy from the current biennium to the next biennium, in the absence of an action by LBB to adopt a spending limit as provided by Subsections (a) and (b), be treated as if it were zero.

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

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

(2) relating to the proposed consolidated general revenue appropriations are prohibited from exceeding 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 LBB to include in its budget recommendations the proposed limit of appropriations from state tax revenues not dedicated by the constitution and the proposed limit of consolidated general revenue appropriations.

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 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 provides that, unless the legislature adopts a resolution under Article VIII, Section 22(b) (relating to authorizing the legislature to provide for appropriations in excess of the authorized amount under certain circumstances), of the Texas Constitution raising the proposed limit on appropriations, the proposed limit is 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 excess authorized under this subsection 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 beginning September 1, 2017, are governed by Sections 316.001, 316.002, 316.006, 316.007 (Transmission of Recommendations), and 316.008 (Effect of Limit; Enforcement), 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: December 1, 2017.