

BILL ANALYSIS

Senate Research Center
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S.B. 18
By: Estes et al.
Government Reform, Select
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Constitution limits state spending in four categories: debt, welfare spending, a "pay-as-you-go" requirement, and a cap on growth of certain appropriations. While the state budget must adhere to these limitations, no such restrictions apply to municipal or county spending.

S.B. 18 institutes a cap on growth in municipal and county expenditures. Similar to the existing state cap on growth of certain appropriations, growth in county and municipal expenditures would be limited to a rate set by the product of growth in state population and inflation:

EX. 1.5% population growth rate X 1.5% rate of inflation = 2.25% maximum allowable expenditure growth rate

This limitation on growth in local spending closely tracks that contemplated in the state spending limit (S.B. 9, 85th Legislature, Regular Session, 2017, and S.B. 9, 85th Legislature, First Called Session, 2017, Hancock et al.)

Should the product of the population and inflation rates produce a negative rate, municipality or county expenditures would be capped at the preceding fiscal year's level. If a municipality or county sought to expend taxpayer funds that exceed those available under the maximum allowable growth rate, an affirmative local vote would be required. A vote would not be required if the area was subject to a disaster designation issued by the governor.

EXCLUSIONS

Two income sources are excluded from the calculation of available revenue and are therefore not subject to the spending limit:

1. Voter-approved bond revenue. *Corpus disbursements only—all debt servicing costs are considered expenditures. This exclusion allows capital improvement projects, typically financed by general obligation bonds, to continue unabated.
2. A grant, gift, or donation. This is important because without such an exclusion, the 85th Legislature's grant to local law enforcement for rifle-resistant vests could push a municipality or county over the spending limit.

As proposed, S.B. 18 amends current law relating to a limit on local government expenditures.

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 Chapter 140, Local Government Code, by adding Section 140.012, as follows:

Sec. 140.012. LIMIT ON ANNUAL EXPENDITURES. (a) Defines "local government."

(b) Prohibits a local government's total expenditures from all available sources of revenue in a fiscal year, except as provided by Subsection (d), from exceeding the greater of:

(1) the local government's total expenditures from all available sources of revenue in the preceding fiscal year; or

(2) an amount determined by multiplying:

(A) the local government's total expenditures from all available sources of revenue in the preceding fiscal year; and

(B) the sum of one and the rate most recently published by the Legislative Budget Board (LBB) under Subsection (c).

(c) Requires LBB staff, not later than January 31 of each year, to publish a rate equal to the product of:

(1) the rate of growth of this state's population during the preceding calendar year, using the most recent estimates published by the United States Census Bureau; and

(2) the rate of monetary inflation in this state during the preceding calendar year, using the effective consumer price index for all items for this state as determined by LBB based on information published by the Bureau of Labor Statistics of the United States Department of Labor.

(d) Authorizes a local government's total expenditures from all available sources of local revenue in a fiscal year to exceed the amount described by Subsection (b) if:

(1) the local government's voters approve the additional expenditures for that fiscal year at an election called for that purpose and held on a uniform election date; or

(2) the governor declares or renews a declaration of a state of disaster under Section 418.014 (Declaration of State of Disaster), Government Code, in that fiscal year, and the governor's designation of the area threatened includes all or part of the geographic territory of the local government.

(e) Provides that revenue received from the issuance of bonds approved by the voters or from a grant, donation, or gift is not considered an available source of revenue for the purposes of this section.

SECTION 2. Makes application of Section 140.012, Local Government Code, as added by this Act, prospective to December 1, 2017.

SECTION 3. Effective date: December 1, 2017.