

## **BILL ANALYSIS**

Senate Research Center  
87R5268 KJE-D

S.B. 1336  
By: Hancock et al.  
Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The current constitutional spending limit only includes state tax revenue not dedicated by the constitution, which is not a true representation of our state spending. S.B. 1336 seeks to remedy this by creating an additional "consolidated general revenue appropriations" spending limit and places restrictions on the amount of appropriations of these funds using population and inflation.

S.B. 1336 creates a "consolidated general revenue appropriations" spending limit that applies to appropriations of general revenue, general revenue-dedicated funds, and general revenue-related funds. This additional limit would cap state appropriations from these consolidated funds at a rate of population growth, as adjusted by the rate of inflation, and would allow exceptions to the limit for the purposes of tax relief or costs associated with disaster recovery. Exceeding this limit would require a three-fifths vote of the legislature on a resolution declaring an emergency.

As proposed, S.B. 1336 amends current law relating to a limit on the rate of growth of certain 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" for the purposes of Subchapter A (Limit on Growth of 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 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 estimated average biennial rate of monetary inflation in this state during the same period, as determined under Section 316.002.

(d) Requires that, for purposes of Subchapter A, an appropriation for a purpose that provides tax relief or an appropriation to pay costs associated with disaster recovery be excluded from computations used to determine whether appropriations exceed the amount authorized by Subsection (c).

(e) Requires the Legislative Budget Board (LBB) to determine the rates described by Subsection (c) using the most recent information available from sources the

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 the LBB, before the LBB transmits the budget for the next state fiscal biennium, rather than submits the budget, as prescribed by Section 322.008(c) (relating to requiring the LBB to transmit a copy of the budget of estimated appropriations by a certain date), to establish:

(1) the limit on the rate of growth of appropriations from state tax revenues not dedicated by the constitution for that state fiscal biennium, as compared to the previous state fiscal biennium, based on the estimated rate of growth of the state's economy from the current state fiscal biennium to the next state fiscal biennium, rather than 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 of consolidated general revenue appropriations for that state fiscal biennium, as compared to the previous state fiscal biennium, by subtracting one from the product of:

(A) 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

(B) 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, before the LBB submits the budget as prescribed by Section 322.008(c), to establish the level of appropriations for the current biennium from state tax revenues not dedicated by the constitution, and 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 the LBB, except as provided by Subsection (c), to determine the estimated rate of growth of the state's economy for purposes of Subsection (a)(1) by dividing the estimated Texas total personal income for the next state fiscal biennium by the estimated Texas total personal income for the current state fiscal biennium, rather than 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.

(c) Authorizes 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 the rate of growth of appropriations from state tax revenues not dedicated by the constitution under Subsection (a)(1), rather than in calculating the limit on appropriations.

(d) Requires the LBB, except as provided by Subsection (e), to determine for the next state fiscal biennium a limit on the amount of appropriations from state tax revenues not dedicated by the constitution by multiplying the amount of appropriations from state tax revenues not dedicated by the constitution for the current state fiscal biennium by the sum of one and the limit on the rate of growth of appropriations from state tax revenues not dedicated by the constitution established by the LBB under Subsection (a)(1), and a limit on the amount of consolidated general revenue appropriations by multiplying the amount of

consolidated general revenue appropriations for the current state fiscal biennium by the sum of one and the limit on the rate of growth of consolidated general revenue appropriations established by the LBB under Subsection (a)(2).

(e) 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.

(f) Creates this subsection from existing text. Prohibits the LBB, to ensure compliance with Subchapter A and Section 22 (Restriction on Rate of Growth of 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 requiring the LBB to transmit a copy of the general appropriations bill by a certain date) until the LBB adopts the limit on the rate of growth of appropriations from 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). Makes nonsubstantive changes.

(g) Redesignates existing Subsection (e) as Subsection (g). Provides that in the absence of an action by the LBB to adopt the limits as provided by this section:

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

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

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

(A) the estimated average biennial rates of growth of this state's population and of monetary inflation is required to be treated as if they 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 amount of those appropriations for the current state fiscal biennium.

Makes nonsubstantive and conforming changes.

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

(1) relating to the proposed appropriations from 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.

Makes nonsubstantive changes.

SECTION 2. Amends Section 316.007(a), Government Code, to require the LBB to include the proposed limit of consolidated general revenue appropriations in its budget recommendations. Makes nonsubstantive changes.

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, rather than under Article VIII, Section 22(b) (relating to excess appropriations during an emergency), of the 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 state fiscal biennium made from those revenues. Provides that the proposed limit on consolidated general revenue appropriations is binding on the legislature with respect to all appropriations for the next state 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 amount authorized under this subsection from exceeding the amount specified in the resolution. Makes nonsubstantive changes.

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, 2023, and subsequent state fiscal bienniums. Provides that appropriations for the state fiscal biennium beginning September 1, 2021, are governed by Sections 316.001, 316.002, 316.006, 316.007, and 316.008, Government Code, as those sections existed on September 1, 2020, and the former law is continued in effect for that purpose.

SECTION 5. Effective date: September 1, 2021.