

## **BILL ANALYSIS**

Senate Research Center  
83R1290 JJT-D

S.J.R. 10  
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Finance  
4/3/2013  
As Filed

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

Currently, the constitution limits the rate of growth of appropriations from state tax revenues not dedicated by the constitution to exceed the estimated rate of growth of the state's economy. The enabling statute interprets this language to be the growth of the state's personal income as adopted by the Legislative Budget Board.

S.J.R. 10 reforms the constitutional spending limit by replacing personal income with the state's population and inflation. The joint resolution goes on to apply the limit to the expenditure of all tax revenue except for funds from the federal government. S.J.R. 10 also requires two-thirds of the members of each chamber, instead of a majority, in order to bust the cap and requires the comptroller of public accounts of the State of Texas to certify compliance with the cap before it is sent to the governor.

Finally, S.J.R. 10 addresses the issue of how to administer surplus revenue by requiring that 25 percent of the surplus be placed in the economic stabilization fund. The remaining surplus will be distributed to franchise tax payers and the property tax relief fund in order to reduce public school district property taxes.

S.J.R. 10 proposes a constitutional amendment concerning the limitation on the rate of growth in appropriations and the use of unencumbered surplus state revenues to provide for a rebate of state franchise taxes, to reduce public school district property taxes, and to fund the state's rainy day fund.

### **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 Section 22, Article VIII, Texas Constitution, as follows:

Sec. 22. (a) Prohibits the rate of growth of appropriations from all sources of revenue other than the federal government in any biennium from exceeding a rate equal to the sum of the estimated rates of increase or decrease, during the biennium preceding the biennium for which the appropriations are made, of the state's population and inflation or deflation in this state in the prices of goods, rather than prohibiting the rate of growth of appropriations from state tax revenues not dedicated by this constitution from exceeding the estimated rate of growth of the state's economy.

(b) Requires that the rates described by Subsection (a) of this section be estimated in the manner provided by general law. Requires that appropriations for the biennium from all sources of revenue other than the federal government decrease by a rate at least equal to the sum of those estimated rates if the sum of those estimated rates is a negative number.

(c) Provides that in this section, the rate of change of appropriations from all sources of revenue other than the federal government is the percentage difference between:

(1) the amount of money appropriated for the current biennium from those sources as estimated in the manner prescribed by law at or near the time the legislature convenes in regular session during the current biennium; and

(2) the amount of money appropriated for the next biennium from those sources as finally estimated by the comptroller of public accounts of the State of Texas (comptroller) at the times the Acts making appropriations are considered by the comptroller under Article III (Legislative Department), Section 49a (Financial Statement and Estimate by Comptroller of Public Accounts; Limitation of Appropriations), of this constitution.

(d) Requires the legislature to provide by general law procedures to implement Subsections (a), (b), and (c) of this section, rather than to implement this subsection.

(e) Redesignates existing Subsection (b) as Subsection (e). Authorizes the legislature to provide for appropriations in excess of the amount authorized by Subsection (a) of this section if the legislature by adoption of a resolution approved by a record vote of two-thirds, rather than a majority, of the members of each house finds that an emergency exists and identifies the nature of the emergency.

(f) Redesignates existing Subsection (c) as Subsection (f) and makes no further change to this subsection.

SECTION 2. Amends Section 49a, Article III, Texas Constitution, by adding Subsections (c) and (d), as follows:

(c) Prohibits a bill containing an appropriation from being considered as passed and being sent to the governor for consideration until the comptroller endorses on the bill the comptroller's certificate showing that the amount appropriated does not exceed the limitation on the rate of growth of appropriations imposed by Section 22 (Restriction on Appropriations), Article VIII (Taxation and Revenue), of this constitution.

(d) Requires the comptroller, when the comptroller finds that a bill containing an appropriation exceeds the limitation on the rate of growth of appropriations imposed by Section 22, Article VIII, of this constitution, to endorse that finding on the bill, return the bill to the house in which it originated, and immediately notify the House of Representatives and the Senate of the finding.

SECTION 3. Amends Section 49-g(b), Article III, Texas Constitution, as follows:

(b) Requires the comptroller to, not later than the 90th day of each biennium, transfer to the economic stabilization fund 25 percent of any unencumbered positive balance of general revenues on the last day of the preceding biennium, rather than one-half of any unencumbered positive balance of general revenues on the last day of the preceding biennium. Provides that general revenues, for purposes of this subsection, are considered encumbered on the last day of a biennium only to the extent that general revenues are subject to payment for particular identifiable and legally enforceable obligations of this state that were incurred on or before that day and intended to be paid out of appropriations for that biennium.

SECTION 4. Amends Article III, Texas Constitution, by adding Section 49-g-1, as follows:

Sec. 49-g-1. (a) Requires the comptroller, not later than the 90th day of each state fiscal biennium, to ascertain the amount of the unencumbered positive balance of general revenues on the last day of the preceding state fiscal biennium that remains after the transfer of revenues to the economic stabilization fund under Subsection (b) (relating to the transfer of certain balances to the economic stabilization fund), Section 49-g (Economic Stabilization Fund), Article III, of this constitution. Provides that general revenues, for purposes of this subsection, are considered encumbered on the last day of a state fiscal biennium only to the extent that general revenues are subject to payment for particular identifiable and legally enforceable obligations of this state that were incurred on or before that day and intended to be paid out of appropriations for that state fiscal biennium.

(b) Requires the legislature by general law to provide a procedure by which the comptroller is required to issue to payers of this state's franchise tax a rebate of franchise taxes paid during the preceding state fiscal biennium so that:

(1) the total amount of rebates issued equals the lesser of one-third of the amount of the remaining unencumbered positive balance of general revenues ascertained under Subsection (a) of this section or the total amount of state franchise taxes collected during that preceding state fiscal biennium; and

(2) each payer of the franchise tax during that preceding state fiscal biennium receives a share of the total amount of rebates issued that is directly proportionate to the share that the amount of that taxpayer's franchise taxes paid during that preceding state fiscal biennium bears to the total amount of franchise taxes collected during that preceding state fiscal biennium.

(c) Requires the comptroller, not later than the 91st day of each state fiscal biennium, to transfer to the property tax relief fund established by general law two-thirds of the amount of the unencumbered positive balance of general revenues ascertained under Subsection (a) of this section to be used for reducing public school district property taxes as provided by general law.

SECTION 5. (a) Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 4, 2014.

(b) Sets forth the required language of the ballot.