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Senate Bill 9 by Sen. Kelly Hancock

CPPP Position: Opposed

Eva DeLuna Castro, deluna.castro@cppp.org

The Center for Public Policy Priorities is an independent public policy organization using data and analysis to advocate for solutions that enable Texans of all backgrounds to reach their full potential. Many of these solutions require Texas state and local governments to be able to raise and spend the revenue needed for services such as preK-12 public education, state-supported universities and community colleges, health care, and public safety and consumer protection.

CPPP opposes SB 9 because it reduces legislators' budget-writing flexibility with a population/inflation formula, an inclusion of non-tax sources of General Revenue, and a required supermajority vote (three-fifths) to exceed the new limit it creates for General Revenue-related spending. The Article VIII constitutional growth limit, combined with legislative tax cuts and the "pay as you go" constitutional cap that limits General Revenue spending to the Comptroller's biennial forecast and certification, already keeps budget growth below economic growth. Texas has been and continues to be a low-spending state, and All Funds and General Revenue spending are now a smaller share of Gross State Product than they were in 2002-03. New statutory requirements that would further constrain the Legislature's ability to make budgeting decisions are not needed; the "pay as you go" limit already applies to a larger share of the state budget (75 percent, versus the 65 percent covered by the Article VIII cap), and requires a four-fifths vote to exceed.

Population Times Inflation

The sponsor's [Statement of Intent](#) says that using an average of the historical and forecasted rates of population growth and inflation (the Consumer Price Index is mentioned in SB 9), rather than the current forecast of personal income growth, would ensure that "the growth of the Texas budget would be tied to the needs of the state rather than the wants of the state." Population growth is certainly a major driver of additional "need" in many state budget areas, such as public and higher education, and in recent biennia has consistently been close to 3.7 percent. But the Consumer Price Index, as the Legislative Budget Board has noted, "tracks the increased price of consumer goods such as groceries. Inflation of governmental services, such as education and health care, tend to grow faster than the price of consumer goods." The CPI responds much more to energy prices, such as the cost of gasoline, while health care inflation reflects health insurance premium increases, prescription drug price growth, hospital costs, and other medical cost drivers.

Non-Tax Revenue

The current growth cap applies only to tax revenue – and only to taxes that are not constitutionally dedicated, as spelled out in the 1978 amendment creating the Article VIII cap. SB 9 would create a cap on all spending of General Revenue and General Revenue that is statutorily dedicated. Lottery revenue would be capped, for example, though currently any unforeseen significant increase (such as took place in January 2016) usually leads to less tax-supported General Revenue support for that part of the budget. However, increases in university tuition that is appropriated through GR-Dedicated funds, or in hunting and fishing license revenue, or occupational fees, could require reductions which would disproportionately affect education, health, and public safety.

Three-Fifths Vote

A simple majority vote in the House and Senate is needed to exceed the constitutional growth cap, and this has happened only once: to implement the 2006 session's \$14 billion compression of local school property tax rates. Requiring a three-fifths vote is much more difficult and makes it very unlikely that the state budget would ever recover from recession-driven decreases in General Revenue, such as occurred in 2012-13.

Conclusion

Texas has a long-standing history of being extremely fiscally conservative and is consistently in the bottom ten states in taxes collected or dollars spent per resident. We urge the 85th Legislature to create no new statutory limits, given how well the current constitutional limits are working as intended to keep Texas a low-spending state.

For more information or to request an interview, please contact Oliver Bernstein at bernstein@cphp.org or 512.823.2875.

About CPHP

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