

HCS HJR 12 -- LIMITS ON STATE APPROPRIATIONS

SPONSOR: Lager (Bearden)

COMMITTEE ACTION: Voted "do pass" by the Committee on Budget by a vote of 17 to 9.

This proposed constitutional amendment prohibits appropriations in any fiscal year from exceeding the total state general revenue appropriations from the previous year by more than the appropriations growth limit. The appropriations growth limit is the greater of zero or the sum of the annual rate of inflation and the annual Missouri population growth.

For any fiscal year in which the net general revenue collections are in excess of 1% above the authorized net general revenue appropriations allowed, the excess is to be transferred in equal amounts to the Cash Operating Reserve Fund and the Budget Reserve Fund. Any revenue in excess of the specified limits will be refunded, pro rata, based on tax liabilities reported in the tax year in which the fiscal year ended. Any taxpayer can designate on the state income tax return that any refund be credited to the taxpayer's future tax years.

Total state general revenue appropriations may exceed the appropriations limit only if the Governor declares an emergency and the General Assembly approves appropriations to meet the emergency. The funds appropriated to meet the emergency will not increase the appropriation limit for the succeeding fiscal year.

New or increased tax revenues or fees receiving voter approval will be exempt from the calculation of the appropriations growth limit for the year in which they are passed.

One-half of the balance in the Budget Reserve Fund is to be transferred to the Cash Operating Reserve Fund. The Cash Operating Reserve Fund's maximum balance is 5% of the net general revenue collected in the previous fiscal year. Funds in excess of the maximum balance will be transferred to the General Revenue Fund.

In any fiscal year in which the Governor reduces expenditures below amounts appropriated, the Governor may request an emergency appropriation from the Budget Reserve Fund. If the request is approved by the General Assembly, funds may be restored to any expenditure authorized by existing appropriations. The Budget Reserve Fund's maximum balance at the end of a fiscal year is 7% of the net general revenue collections for the previous fiscal year. Funds in excess of the maximum balance are to be transferred to the General Revenue Fund. If the balance is less

than 7%, the difference will be transferred from the General Revenue Fund.

Funds appropriated and expended from the Budget Reserve Fund must be paid back within five years of the original transfer date.

FISCAL NOTE: Estimated Effect on General Revenue Fund of an Income of \$0 in FY 2006, a Cost of \$116,010 in FY 2007, and an Income of \$0 in FY 2008. No impact on Other State Funds in FY 2006, FY 2007, and FY 2008.

PROPOSERS: Supporters say that the bill is a spending limitation bill based on a weighted Consumer Price Index and will make needed changes to the constitution. The constitution's current revenue limit has not been sufficient to keep state government expenditures from growing. Periods of recession will be helped by the rainy day provisions of the bill. Expenditures in Missouri have out-paced the growth in family incomes. When Missouri needs to reduce spending, the state tends to reduce salaries, staff, expenses, and programs. Other states have a similar spending limit and have reduced taxes and are improving and growing. Anytime an economy grows, employment will improve as new jobs are created.

Testifying for the bill were Representative Bearden; American Legislative Exchange Council; Missouri Chamber of Commerce and Industry; and Associated Industries of Missouri.

OPPOSERS: Those who oppose the bill say that it is totally unnecessary. When Missouri is short on funds, programs are underfunded; but when revenue allows, programs can grow along with the economy. Missouri state workers are the lowest paid state workers in the nation, and Missouri state taxes are one of the lowest in the nation. The bill will make the current budget crunch permanent and shrink state government. It will cut state jobs, lose federal funds, and ignore the needs of Missouri's low income, senior, disabled, and mentally ill citizens.

Testifying against the bill were Missouri Budget Project; AARP; Covenant House Missouri; Missouri National Education Association; Missourians for Tax Justice; and Paraguard, Incorporated.

Karla Strobel, Legislative Analyst