HCS HJR 48 -- LIMITS ON STATE APPROPRIATIONS

SPONSOR: Icet (Bearden)

COMMITTEE ACTION: Voted "do pass" by the Committee on Budget by a vote of 14 to 9.

This proposed constitutional amendment prohibits, upon voter approval, 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% of the authorized net general revenue appropriations allowed, 67% of the excess is to be transferred to the Cash Operating Reserve Fund and 33% to the Budget Reserve Fund, which are created by the substitute. Any revenue in excess of the specified limits of the funds 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 his or her 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 appropriation bills 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 on July 1 of each year is to be transferred to the Cash Operating Reserve Fund. If the balance in the Cash Operating Reserve Fund exceeds 5% of the net general revenue collected in the previous fiscal year, the excess amount 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. If the balance in the Budget Reserve Fund at the end of a fiscal year exceeds 7% of the net general revenue collections for the previous fiscal year, the excess funds will be transferred to the General Revenue Fund. If the balance is less than 7%, the difference will be transferred from the General Revenue Fund within five years.

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

FISCAL NOTE: Estimated Cost on General Revenue Fund of $131,400 in FY 2007, $0 in FY 2008, and $0 in FY 2009. No impact on Other State Funds in FY 2007, FY 2008, and FY 2009.

PROPONENTS: Supporters say that the bill will limit the growth of government spending, provide long-term fiscal planning, provide rainy day funds, help to balance the economic highs and lows, protect programs and funding, provide refunds to taxpayers, and create a better business environment. The bill doesn't apply to local governments and will not limit the power of the legislature to appropriate funds between programs.

Testifying for the bill were Representatives Bearden and Lager; Taxpayers Research Institute of Missouri; Associated Industries of Missouri; and Dr. Barry Paulson, Americans for Prosperity Foundation.

OPPONENTS: Those who oppose the bill say that it places a new constitutional lid on state spending growth that contains an excessive growth restriction formula and is similar to the TABOR adopted by Colorado that hurt the state. Missouri already has a current lid, called the Hancock Amendment, which protects taxpayers. The bill ties state spending to population growth plus inflation, is constitutional, and has a ratchet effect since Missouri's future spending would be tied to today's historic budget levels. Establishing the Rainy Day Fund is beneficial to the state. The bill could result in an increase in property taxes and erode Missouri's ability to fund the new education formula, public transportation, highways, infrastructure, parks, health care, mental health services, and other needed programs. The bill might work for a while, when times are good, but inevitably will become a restriction that prevents needed accommodations to changing economic circumstances and cause the burden for vital services to shift to the local level and individuals.

Testifying against the bill were Missouri Budget Project; AARP; Cooperating School Districts of Greater St. Louis; Covenant House Missouri; Missouri Federation of Teachers and School-Related Personnel; Missouri AFL-CIO; Brad Young; Megan Payne, Lutheran Family and Children's Services of Missouri; Missouri National Education Association; Missouri School Boards' Association; Missouri Association of School Business Officials; Missouri School Administrators Coalition; Southwest Center for Independent Living; Missourians for Tax Justice; Missouri Association for Social Welfare; Citizens for Missouri's Children; American Federation of State, County, and Municipal Employees Council 72; Greater Kansas City Chamber of Commerce; Paraquad, Incorporated; Maternal, Child and Family Health Coalition; and Missouri Planning Council for Developmental Disabilities.

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