HCS HJR 20 -- LIMITS ON STATE APPROPRIATIONS

SPONSOR: Icet (Bearden)

COMMITTEE ACTION: Voted "do pass" by the Committee on Budget by a vote of 12 to 10 with 1 present.

Upon voter approval, 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 will be 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 used to permanently reduce the income tax rate rounded to the nearest .25%.

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: No impact on state funds in FY 2008, FY 2009, and FY 2010.

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 a reduction in income tax rates, 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. Georgia has successfully implemented a similar bill. Colorado's TABOR is accomplishing exactly what it was designed to do. It remains the most effective tax and spending limit in the country and has resulted in over $3 billion in tax rebates and tax cuts in income tax, sales tax, and property tax for its taxpayers.

Testifying for the bill were Representative Bearden; 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. Higher education funding per student in Colorado dropped by 31%, elementary and secondary education funding has been reduced, health care for its citizens has diminished, and the number of uninsured children has doubled in 10 years from 16% to 32%. Missouri already has a current limit, 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. Education and other state-supported services typically grow at a pace significantly greater than inflation. 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, higher education, 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 to individuals. Fiscal policy should be in the state statutes and not the constitution.

Testifying against the bill were League of Women Voters of Missouri; Kansas City Civic Council; Cooperative School Districts of Greater Kansas City; Missouri Hospital Association; Missouri Library Association; Missouri Municipal League; Ron Sergent, AARP; Cooperating School Districts of Greater St. Louis; Kristi Sobbe, Covenant House Missouri; Missouri Federation of Teachers and School-Related Personnel; Missouri AFL-CIO; Missouri National Education Association; Missouri School Boards' Association; Missouri Council of School Administrators, School Administrators Coalition; Missouri School Administrators Coalition; Shelby Butler, Southwest Center for Independent Living and Ozark 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; and Terry Mackey, Missouri Planning Council for Developmental Disabilities.