

Texas' Constitutional Tax and Expenditure Limit *Testimony before the House Appropriations Committee*

by James Quintero, Policy Analyst, Center for Fiscal Policy

Chairman Pitts and Members of the Committee,

My name is James Quintero and I am the fiscal policy analyst at the Texas Public Policy Foundation. Thank you for the opportunity to testify today and share our thoughts on strengthening the state's constitutional Tax and Expenditure Limit (TEL). This is an issue that the Foundation has aggressively pursued in the past and one that we are glad to see addressed this session by the three bills before your committee today—House Bill 380, House Bill 581, and House Bill 756 along with their accompanying constitutional amendments.

Stepping back for a moment, it is important to realize why these reforms are needed and what the ideal changes look like. Consider that:

- In 1978, 84 percent of Texas voters cast their support in favor of the Texas Tax Relief Act, a constitutional amendment to restrict the growth of state government spending. Based on such overwhelming election results, it is safe to say that Texans vigorously supported the idea of fiscal discipline. Unfortunately, in the years since its adoption, the state's TEL has been largely ineffective at controlling the growth of government spending.
- Between fiscal years 1990 and 2010, All Funds appropriations have grown from \$23 billion to \$92.3 billion, an increase of 300 percent. Meanwhile, the state's population growth has increased just 49 percent and inflation grown by only 66 percent, making for a combined growth of 115 percent.¹
- Poor design has led to Texas' TEL being largely ineffective. The state's spending limit suffers from three major flaws:
 1. ***Only certain types of appropriations are covered.*** In Article VIII, Section 22(a) of the state's Constitution, the only appropriations subject to the spending limit are those derived from "state tax revenues not dedicated by this constitution," which only represent about half of the budget.
 2. ***Personal income is the sole determinant of spending growth.*** Reasoning suggests that government spending on programs and services should be tied to need, not to what taxpayers can afford. A better approach would be to limit the rate of growth of appropriations to the sum of population growth plus inflation or personal income growth, whichever is less.
 3. ***Political will is another stumbling block.*** With just a simple majority vote of each chamber, the Legislature can declare an "emergency" and bypass the appropriations limit altogether.
- Five reforms for the state's spending limitation:
 1. Make sure the TEL is self-contained within the state's constitution and does not require enabling legislation.
 2. Apply the provisions to the rate of growth of all appropriations—not just non-dedicated, non-federal funds.
 3. Base the spending limit on the sum of population growth plus inflation or the growth of personal income, whichever is less.

4. Require a supermajority vote of each chamber to exceed the limit rather than the current standard of a simple majority vote.
5. Bring all levels of government in Texas under the scope of the amendment.”²

To one degree or another, all of the spending limitation bills before the House Appropriations Committee today—**House Bill 756 & House Joint Resolution 70, House Bill 380 & House Joint Resolution 42, House Bill 581 & House Joint Resolution 58**—achieve one or more of the reforms listed above, though none of them achieve them all. Even still, the passage of any one of these bills would do much to achieve a greater level of fiscal discipline.

Thank you for your time and I look forward to answering any questions you may have. ★

1 Heflin, Talmadge and Katy Hawkins, “Trends in Texas Government: State Government Spending,” Texas Public Policy Foundation (October 2010) <http://www.texaspolicy.com/pdf/2010-10-PB05-StateSpendingTrends-th-kh.pdf>.

2 Texas Public Policy Foundation, “Keeping Texas Competitive: An Agenda for Prosperity and Growth” (January 2011) <http://www.texaspolicy.com/pdf/2011-01-KeepingTexasCompetitive-AgendaforProsperity.pdf>.

