

HCS HJR 49 -- LIMITS ON STATE APPROPRIATIONS

SPONSOR: Lager

COMMITTEE ACTION: Voted "do pass" by the Committee on Budget by a vote of 12 to 11 with 1 present.

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, in equal amounts, the excess is to be transferred to the Cash Operating Reserve Fund and the Budget Reserve Fund. 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.

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

FISCAL NOTE: Not available at time of printing.

PROPOSERS: Supporters say that the amendment will help in the years when we have budget shortfalls. The Hancock Amendment has worked well and this will further help the appropriation process. The states of Georgia and Colorado have similar language in their constitutions, and it has helped them to weather the recent budget shortfalls. Amounts that can be appropriated each year will already be set by the constitution.

Testifying for the bill were Representative Lager; and Missouri Chamber of Commerce and Industry.

OPPOSERS: Those who oppose the amendment say that the starting point is wrong. We do not want to be locked in during a low income year. There is a structural deficit of \$700 million starting this base year. We need to make sure this is an effective solution to budget stabilization and that it will cover a shortfall if we have three successive bad years.

Testifying against the bill was Missouri National Education Association.

Marc Webb, Legislative Analyst