

SECOND REGULAR SESSION
HOUSE COMMITTEE SUBSTITUTE FOR

HOUSE JOINT RESOLUTION NO. 56

98TH GENERAL ASSEMBLY

4731H.02C

D. ADAM CRUMBLISS, Chief Clerk

JOINT RESOLUTION

Submitting to the qualified voters of Missouri an amendment repealing section 27(a) of article IV of the Constitution of Missouri, and adopting three new sections in lieu thereof relating to the state budget.

Be it resolved by the House of Representatives, the Senate concurring therein:

That at the next general election to be held in the state of Missouri, on Tuesday next following the first Monday in November, 2016, or at a special election to be called by the governor for that purpose, there is hereby submitted to the qualified voters of this state, for adoption or rejection, the following amendment to article IV of the Constitution of the state of Missouri:

Section A. Section 27(a), article IV, Constitution of Missouri, is repealed and three new sections adopted in lieu thereof, to be known as sections 23, 27(a), and 27(c), to read as follows:

Section 23. 1. As used in this section and sections 27(a) and 27(c) of this article, the following terms mean:

(1) "Appropriations growth limit", a percentage figure that is the greater of zero or the sum of the annual rate of inflation and the annual percentage change in the population of Missouri;

(2) "Emergency", an event or series of events or a state of affairs that requires the immediate appropriation of moneys for the health, safety, and general welfare of the people;

(3) "Inflation", the rate of inflation as measured by the Consumer Price Index for All Urban Consumers for the United States, semi-annual average of the first six months of the current calendar year;

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

12 (4) "Net general revenue collections", all revenue deposited into the general
13 revenue fund less refunds and revenues originally deposited into the general revenue fund
14 but designated by law for a specific distribution or transfer to another state fund as
15 reported by the office of administration;

16 (5) "Population of Missouri", the number of persons residing in the state of
17 Missouri as determined by the United States Census Bureau in the last decennial census
18 including the most recent calendar year update; and

19 (6) "Total state general revenue appropriations", the total of appropriations from
20 net general revenue collections for a fiscal year, including supplemental appropriations
21 from any regular, special, or extraordinary session from the previous fiscal year from net
22 general revenue collections, passed by the general assembly and approved by the governor
23 as reported by the office of administration, except reappropriations, appropriations to pay
24 principal and interest on general obligation bonded indebtedness, and appropriations from
25 general revenue for final court judgments and costs in cases to the extent that the state was
26 not the prevailing party.

27 2. Total state general revenue appropriations for any fiscal year shall not exceed
28 total state general revenue appropriations for the immediately preceding fiscal year by
29 more than the appropriations growth limit determined by subsection 1 of this section,
30 except that new or increased tax revenues or fees that are below the limits in subsection 1,
31 section 18(e), article X of the Constitution of Missouri or receive voter approval shall be
32 exempted from the calculation of the appropriations growth limit for the year in which
33 they are passed.

34 3. For any fiscal year in which net general revenue collections exceed total state
35 general revenue appropriations allowed under subsection 2 of this section by more than
36 one percent of total state general revenue appropriations allowed, the commissioner of
37 administration shall, by August first following the end of the fiscal year, transfer the excess
38 funds over one percent to the cash operating reserve fund established by section 27(a) of
39 this article and to the budget reserve fund established by section 27(c) of this article,
40 subject to the limits specified in such sections. Any such excess general revenue funds over
41 one percent remaining after such transfers shall be tracked by the commissioner of
42 administration and applied to the permanent reduction of all state income tax rates as
43 established in section 27(a).

44 4. Total state general revenue appropriations for any fiscal year may exceed total
45 state general revenue appropriations for the immediately preceding fiscal year by more
46 than the appropriations growth limit only under the following conditions:

47 **(1) The governor declares an emergency, specifying the nature of the emergency**
48 **and requesting appropriations to meet the emergency; and**

49 **(2) The general assembly, by a vote of two-thirds of the members elected to serve**
50 **in each house, enacts and the governor approves a separate bill or bills appropriating**
51 **moneys to meet the emergency. Any such appropriation bill or bills shall not be included**
52 **in total state general revenue appropriations for purposes of compliance with subsection**
53 **2 of this section for the next succeeding fiscal year.**

54 **5. The total state general revenue appropriations limit shall not be reduced or**
55 **increased if the amount of total state revenues, as defined in section 17, article X of the**
56 **Constitution of Missouri, for the prior fiscal year is less than the amount of total state**
57 **revenues for the next preceding fiscal year.**

58 **6. The general assembly may enact laws implementing this section.**

 Section 27(a). 1. **On July first following the adoption of this section, there is hereby**
2 **established within the state treasury a fund to be known as the "[Budget] Cash Operating**
3 **Reserve Fund". [The balances in the cash operating reserve fund and the budget stabilization**
4 **fund shall be transferred to the budget reserve fund.] Sixty-seven percent of the balance in the**
5 **budget reserve fund on July first following the adoption of this section shall be transferred**
6 **to the cash operating reserve fund.**

7 2. The commissioner of administration may, throughout any fiscal year, transfer amounts
8 from the [budget] **cash operating** reserve fund to the general revenue fund or any other state
9 fund without other legislative action if he **or she** determines that such amounts are necessary for
10 the cash requirements of this state. Such transfers shall be deemed "cash operating transfers".

11 3. The commissioner of administration shall transfer from the general revenue fund or
12 other recipient fund to the [budget] **cash operating** reserve fund an amount equal to the cash
13 operating transfer received by such fund pursuant to subsection 2 of this section, together with
14 the interest that would have been earned on such amount, prior to May sixteenth of the fiscal year
15 in which the transfer was made. No cash operating transfers out of the [budget] **cash operating**
16 reserve fund [may] **shall** be made after May fifteenth of any fiscal year.

17 4. Funds in the [budget] **cash operating** reserve fund shall be invested by the treasurer
18 in the same manner as other state funds are invested. Interest earned on such investments shall
19 be credited to the [budget] **cash operating** reserve fund. Subject to the provisions of subsection
20 [7] **5** of this section, the unexpended balance in the [budget] **cash operating** reserve fund at the
21 close of any fiscal year shall remain in the fund.

22 5. [In any fiscal year in which the governor reduces the expenditures of the state or any
23 of its agencies below their appropriations in accordance with section 27 of this article, or in
24 which there is a budget need due to a disaster, as proclaimed by the governor to be an emergency,

25 the general assembly, upon a request by the governor for an emergency appropriation and by a
26 two-thirds vote of the members elected to each house, may appropriate funds from the budget
27 reserve fund to fulfill the expenditures authorized by any of the existing appropriations which
28 were affected by the governor's decision to reduce expenditures pursuant to section 27 of this
29 article or to meet budget needs due to the disaster. Such expenditures shall be deemed to be for
30 "budget stabilization purposes". The maximum amount which may be appropriated at any one
31 time for such budget stabilization purposes shall be one-half of the sum of the balance in the
32 fund and any amounts appropriated or otherwise owed to the fund, less all amounts owed to the
33 fund for budget stabilization purposes but not yet appropriated for repayment to the fund.

34 6. One-third of the amount transferred or expended from the budget reserve fund for
35 budget stabilization purposes during any fiscal year, together with interest that would otherwise
36 have been earned on such amount, shall stand appropriated to the budget reserve fund during
37 each of the next three fiscal years, and such amount, and any additional amounts which may be
38 appropriated for that purpose, shall be transferred from the fund which received such transfer to
39 the budget reserve fund by the fifteenth day of the fiscal year for each of the next three fiscal
40 years or until the full amount, plus interest, has been returned to the budget reserve fund. The
41 maximum amount which may be outstanding at any one time and subject to repayment to the
42 budget reserve fund for budget stabilization purposes shall be one-half of the sum of the balance
43 in the fund and all outstanding amounts appropriated or otherwise owed to the fund.

44 7. If the balance in the budget reserve fund at the close of any fiscal year exceeds seven
45 and one-half percent of the net general revenue collections for the previous fiscal year, the
46 commissioner of administration shall transfer that excess amount to the general revenue fund
47 unless such excess balance is as a result of direct appropriations made by the general assembly
48 for the purpose of increasing the balance of the fund; provided, however, that if the balance in
49 the fund at the close of any fiscal year exceeds ten percent of the net general revenue collections
50 for the previous fiscal year, the commissioner of administration shall transfer the excess amount
51 to the general revenue fund notwithstanding any specific appropriations made to the fund. For
52 purposes of this section, "net general revenue collections" means all revenue deposited into the
53 general revenue fund less refunds and revenues originally deposited into the general revenue
54 fund but designated by law for a specific distribution or transfer to another state fund.

55 **8.] If the balance in the cash operating reserve fund at the close of any fiscal year**
56 **exceeds five percent of the net general revenue collections for the previous fiscal year, the**
57 **commissioner of administration shall transfer the excess amounts to the general revenue**
58 **fund notwithstanding any specific appropriations made to the cash operating reserve fund.**
59 **Excess amounts transferred under this subsection and subsection 5 of section 27(c) of this**
60 **article shall be tracked by the commissioner of administration and immediately applied to**

61 **the permanent reduction of all state income tax rates rounded to the nearest one-quarter**
62 **of one percent. The commissioner of administration shall notify the director of revenue to**
63 **reduce such rates accordingly and to adjust corresponding income tax returns to reflect**
64 **the reduction. This subsection shall be self-enforcing, and the general assembly may enact**
65 **laws implementing this subsection.**

66 **6. If the sum of the ending balance of the [budget] cash operating reserve fund in any**
67 **fiscal year [and any amounts owed to the fund pursuant to subsection 6 of this section] , after**
68 **any transfers made under subsection 3 of section 23 of this article, is less than [seven and**
69 **one-half] five percent of the net general revenue collections for the same year, the difference**
70 **shall stand appropriated and shall be transferred from the general revenue fund to the [budget]**
71 **cash operating reserve fund by the fifteenth day of the succeeding fiscal year.**

Section 27(c). 1. On July first following the adoption of this section, there is hereby
2 **established within the state treasury a fund to be known as the "Budget Reserve Fund".**
3 **Thirty-three percent of the balance in the budget reserve fund, as formerly established by**
4 **section 27(a) of this article, as it exists on July first following the adoption of this section,**
5 **shall remain in the budget reserve fund as established by this section.**

6 **2. In any fiscal year in which the governor reduces the expenditures of the state or**
7 **any of its agencies below their appropriations in accordance with section 27 of this article,**
8 **the general assembly, upon a proclamation by the governor that the reductions need to be**
9 **restored and that no other funds are available for such restoration and upon his or her**
10 **request for an emergency appropriation supported by a vote of two-thirds of the members**
11 **elected to and serving in each house, may appropriate funds from the budget reserve fund**
12 **to fulfill the expenditures authorized by any of the existing appropriations.**

13 **3. In any fiscal year in which there are appropriation needs due to an emergency**
14 **proclaimed by the governor, and affirming that no other funds are available to meet such**
15 **needs, the general assembly, upon a request by the governor for an emergency**
16 **appropriation and by a vote of two-thirds of the members elected to and serving in each**
17 **house, may appropriate funds from the budget reserve fund to meet the appropriation**
18 **needs due to the emergency.**

19 **4. Funds in the budget reserve fund shall be invested by the state treasurer in the**
20 **same manner as other state funds are invested. Interest earned on such investments shall**
21 **be credited to the budget reserve fund. Subject to the provisions of subsection 5 of this**
22 **section, the unexpended balance in the budget reserve fund at the close of any fiscal year**
23 **shall remain in the fund.**

24 **5. If the balance in the budget reserve fund at the close of any fiscal year exceeds**
25 **seven percent of the net general revenue collections for the previous fiscal year, the**

26 **commissioner of administration shall transfer the excess amount to the general revenue**
27 **fund notwithstanding any specific appropriations made to the fund.**

28 **6. If the sum of the ending balance of the budget reserve fund in any fiscal year,**
29 **after any transfers made under subsection 3 of section 23 of this article, is less than seven**
30 **percent of the net general revenue collections for the same year, the difference shall stand**
31 **appropriated and shall be transferred from the general revenue fund to the budget reserve**
32 **fund by the fifteenth day of the succeeding fiscal year, except that if the actual balance of**
33 **the budget reserve fund remaining in the fund in accordance with this section is less than**
34 **seven percent of net general revenue collections for the fiscal year prior to the adoption of**
35 **this section, then the commissioner of administration shall transfer amounts necessary to**
36 **reach seven percent of the previous year's net general revenue collections no later than five**
37 **years from July first following the adoption of this section. The provisions of this**
38 **subsection shall not apply following any fiscal year in which net general revenue collections**
39 **are less than in the previous fiscal year.**

40 **7. The full amount of any funds appropriated and expended from the budget**
41 **reserve fund under subsection 2 or 3 of this section shall be paid back to the fund no later**
42 **than five years from the date of the original transfer.**

Section B. Under section 116.155, RSMo, and other applicable constitutional provisions
2 and laws of this state authorizing the general assembly to adopt ballot language for the
3 submission of this act to the voters of this state, the official ballot title of this act shall be as
4 follows:

5 "Shall the Missouri Constitution be amended to set an appropriations growth limit
6 formula, based on inflation and population, that restricts total state general revenue
7 appropriations, possibly require the reduction of all state income tax rates, and subject tax credits
8 to appropriations?".

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