HCS HJR 23 -- LIMITS ON STATE APPROPRIATIONS

SPONSOR: Icet

COMMITTEE ACTION: Voted "do pass" by the Committee on Budget by a vote of 16 to 13.

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.

In any fiscal year when 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 transferred to the Taxpayer Protection Stabilization Fund, created by the substitute, and used to temporarily reduce the individual income tax rate when the Commissioner of the Office of Administration determines that sufficient amounts exist in the fund for at least a .25% reduction. The substitute authorizes the General Assembly, by a two-thirds majority vote, to appropriate money from the Taxpayer Protection Stabilization Fund if the commissioner determines that total state general revenue appropriations will exceed projected state revenues.

Total state general revenue appropriations may exceed the appropriations limit only if the Governor declares an emergency and the General Assembly, by a two-thirds majority, 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.

Sixty-seven percent 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 Taxpayer Protection Stabilization 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 Taxpayer Protection Stabilization 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 $0 in FY 2010, $0 in FY 2011, and $64,448,584 in FY 2012. Estimated Income on Other State Funds of $0 in FY 2010, $0 in FY 2011, and $64,448,584 in FY 2012.

PROPONENTS: Supporters say that the bill will limit the growth of government spending, provide long-term fiscal planning and rainy day funds, help balance the economic highs and lows, protect programs and funding, reduce 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. Colorado's TABOR is accomplishing exactly what it was designed to do, and it remains the most effective tax and spending limit in the country. Unlike Colorado, adjustments have been made in the bill to prevent the ratchet-back effect.

Testifying for the bill were Representative Icet; Taxpayers Research Institute of Missouri; Associated Industries of Missouri; and Americans for Prosperity and 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 Colorado's TABOR that hurt the state by reducing funding for education and health care for its citizens. Missouri has a current limit, 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 will 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 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 causes the burden for vital services to shift to the local level and to individuals.

Testifying against the bill were Missouri Budget Project; Partnership for Children; Cooperative School Districts of Greater Kansas City; AARP; Catholic Charities Archdiocese of St. Louis; Missouri National Education Association; Penney Rector, School Administrators Coalition; Missourians for Tax Justice; Missouri Association for Social Welfare; Greater Kansas City Chamber of Commerce; Missouri Hospital Association; Paraquad, Incorporated; The Whole Person, Incorporated; DeAnna Noriega, Services for Independent Living; Wayne Lee; Missouri Association for Community Action; Missouri Federation of Teachers and School Related Personnel; Kristi Sobbe, Covenant House Missouri; Lutheran Family and Childrens Services of Missouri; and Susan McLoughlin, Mother and Child Health Coalition.