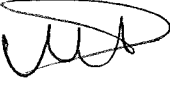


## LEGISLATIVE BUDGET BOARD

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**TO:** Lt. Governor David Dewhurst      Speaker Joe Straus  
Senator Kevin Eltife      Representative Drew Darby  
Senator Craig Estes      Representative John Otto  
Senator Juan Hinojosa      Representative Sylvester Turner  
Senator Jane Nelson      Representative John Zerwas

**FROM:** Ursula Parks, Director 

**DATE:** November 18, 2014

**SUBJECT:** Article VIII Spending Limit Update

In accordance with the instructions contained in the Legislative Budget Board's November 15, 2012 motion, LBB staff has updated the 2014-15 Article VIII spending limit calculation to account for final FY 2014 revenue and appropriation data.

Updating FY 2014 revenue estimates and estimated appropriations with actual FY 2014 totals increased 2014-15 spending capacity under the spending limit because a larger portion of the 2014-15 General Revenue budget is funded with revenue not subject to the limit. Significant examples of additional revenue not subject to the limit include the constitutionally dedicated portion of oil production taxes, natural gas production taxes, insurance premium taxes, and statutorily dedicated lottery proceeds. This increase in revenue not subject to the limit was partially offset by increased tax revenues subject to the limit, particularly increased sales tax collections. Additionally, estimated 2014 General Revenue appropriations decreased compared to recapped General Revenue appropriations. Notably, additional attendance credit revenue collections resulted in decreased General Revenue appropriations.

Overall, a slightly smaller percentage of the 2014-15 budget is funded with revenue subject to the spending limit than previously estimated. Specifically, 2014-15 appropriations funded with revenue subject to the spending limit decreased from \$85.0 billion to \$84.4 billion. As a result, 2014-15 appropriations subject to the spending limit are \$0.8 billion below the 2014-15 spending limit of \$85.2 billion.

After accounting for actual FY 2014 revenue and appropriation data, an additional \$1.1 billion could be appropriated from General Revenue Funds during the 2014-15 biennium before reaching the spending limit because General Revenue Funds are financed with both revenue subject to the spending limit (state tax revenue not dedicated by the Constitution) and revenue not subject to the spending limit (all other revenue). Please see the following table for additional information.

	February 2014 (in \$ millions)	November 2014 (in \$ millions)
2014-15 Spending Limit	\$85,245.7	\$85,245.7
2014-15 Appropriations Subject to Spending Limit	\$84,982.3	\$84,408.7
Below Spending Limit by	\$263.4	\$837.0
GR Spending Capacity	\$380.5	\$1,068.2

The 2014-15 limit of \$85.2 billion equals \$77.0 billion (2012-13 appropriations subject to the spending limit) multiplied by 110.71 percent (the growth rate adopted by the Board on November 15, 2012).

This estimate of 2014-15 appropriations subject to the limit, \$84.4 billion, will serve as the 2014-15 base for the 2016-17 limit calculation that will be discussed at the December 1<sup>st</sup> Legislative Budget Board hearing. This analysis will be updated in January 2015 when the Comptroller releases the *Biennial Revenue Estimate*. If you have any questions, please call me at (512) 305-9580.

cc: John Opperman

Jesse Ancira  
Andrew Blifford

November 18, 2014

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cc: Shannon Ghangurde  
Dave Nelson  
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Jennifer Saenz  
John McGeady  
Paul Priest  
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