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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Curry Lann.

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DIGEST

SB 3 Original

2024 Third Extraordinary Session

Hensgens

Present constitution (Art. VII, §10) requires the legislature to provide for the determination of an expenditure limit for each fiscal year for state general fund and dedicated fund appropriations. Proposed constitutional amendment retains present constitution.

Proposed constitutional amendment (Art. VII, §10) further establishes the growth limit for Fiscal Year 2026-2027 and for each fiscal year thereafter. Except in certain limited circumstances provided in proposed constitutional amendment, prohibits spending of recurring revenues above such limit. Requires the Revenue Estimating Conference to adopt a growth limit during the first quarter of the calendar year for the ensuing fiscal year. Further requires the legislature to provide by law for a procedure to calculate such limit. Additionally provides that the initial growth limit (for Fiscal Year 2026-2027) shall equal the appropriations for recurring expenses from the state general fund and dedicated funds for Fiscal Year 2024-2025 plus the product of such amount and three percent.

Proposed constitutional amendment requires that if the growth limit calculated for any fiscal year exceeds the expenditure limit calculated for the same fiscal year, the growth limit shall be equal to the expenditure limit for that fiscal year. Additionally provides that if the legislature lowers the expenditure limit in a fiscal year and the resulting limit is lower than the growth limit for that fiscal year, the growth limit for that fiscal year is automatically lowered to equal the expenditure limit set by the legislature.

Proposed constitution restricts appropriation of recurring revenue amounts recognized in the official forecast above the growth limit and below the expenditure limit to nonrecurring expenses. For the purposes of proposed constitutional amendment, the term "nonrecurring expense" means an expense that is not of a continuing or recurring character and that in the normal course of administration is not expected to be necessary in approximately the same amounts each year.

Proposed constitutional amendment provides that the growth limit does not apply to the appropriation of funds from the Budget Stabilization Fund incorporated into the official forecast for the current fiscal year.

Further authorizes the legislature to change a growth limit by a favorable vote of two-thirds of the elected members of each house if each of the growth factors for the two fiscal years immediately preceding the year to be changed was two percent or less. Requires any change to the limit be approved by passage of a specific legislative instrument which clearly states the intent to change the limit.

Proposed constitutional amendment exempts certain severance and royalty payments made pursuant to present constitution (Art. VII, §4(D) and (E)) from the provisions of proposed constitutional

amendment.

Present constitution prohibits appropriations from the state general fund and dedicated funds for any fiscal year from exceeding the official forecast in effect at the time the appropriations are made. Proposed constitutional amendment retains present constitution. Further requires appropriations of recurring revenues to comply with the provisions of proposed constitutional amendment regarding the growth limit.

Present constitution (Art. VII, Sec. 11(A)) establishes timing and content requirements for the governor's annual proposed budget. Prohibits the proposed budget from exceeding the official forecast and the expenditure limit for the fiscal year being appropriated. Proposed constitutional amendment retains present constitution. Present constitution requires the proposed budget to comply with the provisions of present constitution regarding use of nonrecurring revenues. Proposed constitutional amendment also requires the proposed budget to comply with the provisions of the growth limit.

Specifies submission of the amendment to the voters at the statewide election to be held March 29, 2025.

(Amends Const. Art. VII, Sec. 10(C) and (E) and 11(A))