

Senator Stuart C. Reid proposes the following substitute bill:

JOINT RESOLUTION ON STATE SPENDING

LIMITATIONS

2012 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Stuart C. Reid

House Sponsor: Kenneth W. Sumsion

LONG TITLE

General Description:

This joint resolution of the Legislature proposes to amend the Utah Constitution to modify a provision of the Revenue and Taxation Article relating to state expenditures.

Highlighted Provisions:

This resolution proposes to amend the Utah Constitution to:

- ▶ limit legislative appropriations or expenditures from tax revenues to the amount the state spent in one of the five preceding fiscal years, adjusted by inflation or deflation and any change in population, unless three-fifths of both houses approve;
- ▶ require surplus state revenue to be used for debt service, for budget reserves, and for reserves for emergency preparedness and disaster relief, and require any remaining surplus revenue to be refunded to taxpayers;
- ▶ reduce the spending limit by the amount required to sustain funding levels for a program or service transferred from state to political subdivision responsibility, and increase the spending limit by the amount required to sustain funding levels for a program or service transferred from political subdivision to State responsibility; and
- ▶ make technical changes.

Special Clauses:



26 This resolution directs the lieutenant governor to submit this proposal to voters.

27 This resolution provides a contingent effective date of January 1, 2013 for this proposal.

28 **Utah Constitution Sections Affected:**

29 AMENDS:

30 **ARTICLE XIII, SECTION 5**

31

32 *Be it resolved by the Legislature of the state of Utah, two-thirds of all members elected to each*
33 *of the two houses voting in favor thereof:*

34 Section 1. It is proposed to amend Utah Constitution Article XIII, Section 5, to read:

35 **Article XIII, Section 5. [Use and amount of taxes and expenditures -- State**
36 **spending limit.]**

37 (1) The Legislature shall provide by statute for an annual tax sufficient, with other
38 revenues, to defray the estimated ordinary expenses of the State for each fiscal year.

39 (2) (a) Unless three-fifths of all the members of each house vote in favor of the
40 appropriation or expenditure, and except for an increased appropriation or expenditure required
41 by federal law, the Legislature may not make an appropriation or authorize an expenditure from
42 tax revenues for any fiscal year if the appropriation or expenditure would cause the State to
43 spend from tax revenues in that fiscal year an amount that exceeds the amount spent from tax
44 revenues in any one of the five immediately preceding fiscal years, as designated by statute.

45 (b) The amount that may be spent in any fiscal year under Subsection (2)(a) shall be
46 adjusted, as provided by statute, by a single measure of inflation or deflation and an amount
47 that is directly proportional to the change in the State's population.

48 (c) (i) State revenue prohibited from being appropriated or expended because of
49 Subsection (2)(a) shall be used for debt service, for budget reserves, and for reserves for
50 emergency preparedness and disaster relief, in that order of priority, until the debt service and
51 reserves are funded to a level that the Legislature by statute determines to be adequate, and then
52 any remaining State revenue shall be refunded to taxpayers.

53 (ii) Until debt service, budget reserves, and reserves for emergency preparedness and
54 disaster relief are adequately funded, as provided in Subsection (2)(c)(i), the Legislature may
55 not lower a tax rate if the effect is to reduce revenue to the State.

56 (d) If a program or service funded by State revenue becomes instead the financial

57 responsibility of a political subdivision of the State, the amount of allowable appropriations or
58 expenditures under Subsection (2)(a) for that fiscal year is reduced by the amount of funding
59 that the program or service had while being funded by State revenue.

60 (e) If a program or service funded by one or more political subdivisions of the State
61 becomes the financial responsibility of the State, the amount of allowable appropriations or
62 expenditures under Subsection (2)(a) for that fiscal year is increased by the amount that the
63 State would be required to spend to maintain the same level of funding that the program or
64 service had while being funded by the political subdivision or subdivisions of the State.

65 (f) An appropriation or expenditure of federal funds or for emergency preparedness,
66 disaster relief, or debt service may not be considered for any purpose under Subsection (2)(a).

67 [~~2~~] (3) (a) For any fiscal year, the Legislature may not make an appropriation or
68 authorize an expenditure if the State's expenditure exceeds the total tax provided for by statute
69 and applicable to the particular appropriation or expenditure.

70 (b) Subsection [~~2~~] (3)(a) does not apply to an appropriation or expenditure to
71 suppress insurrection, defend the State, or assist in defending the United States in time of war.

72 [~~3~~] (4) For any debt of the State, the Legislature shall provide by statute for an annual
73 tax sufficient to pay:

74 (a) the annual interest; and

75 (b) the principal within 20 years after the final passage of the statute creating the debt.

76 [~~4~~] (5) Except as provided in Article X, Section 5, Subsection (5)(a), the Legislature
77 may not impose a tax for the purpose of a political subdivision of the State, but may by statute
78 authorize political subdivisions of the State to assess and collect taxes for their own purposes.

79 [~~5~~] (6) All revenue from taxes on intangible property or from a tax on income shall
80 be used to support the systems of public education and higher education as defined in Article
81 X, Section 2.

82 [~~6~~] (7) Proceeds from fees, taxes, and other charges related to the operation of motor
83 vehicles on public highways and proceeds from an excise tax on liquid motor fuel used to
84 propel those motor vehicles shall be used for:

85 (a) statutory refunds and adjustments and costs of collection and administration;

86 (b) the construction, maintenance, and repair of State and local roads, including
87 payment for property taken for or damaged by rights-of-way and for associated administrative

88 costs;

89 (c) driver education;

90 (d) enforcement of state motor vehicle and traffic laws; and

91 (e) the payment of the principal of and interest on any obligation of the State or a city

92 or county, issued for any of the purposes set forth in Subsection [~~(6)~~] (7)(b) and to which any of

93 the fees, taxes, or other charges described in this Subsection [~~(6)~~] (7) have been pledged,

94 including any paid to the State or a city or county, as provided by statute.

95 [~~(7)~~] (8) Fees and taxes on tangible personal property imposed under Section 2,

96 Subsection (6) of this article are not subject to Subsection [~~(6)~~] (7) of this Section 5 and shall

97 be distributed to the taxing districts in which the property is located in the same proportion as

98 that in which the revenue collected from real property tax is distributed.

99 [~~(8)~~] (9) A political subdivision of the State may share its tax and other revenues with

100 another political subdivision of the State as provided by statute.

101 Section 2. **Submittal to voters.**

102 The lieutenant governor is directed to submit this proposed amendment to the voters of
103 the state at the next regular general election in the manner provided by law.

104 Section 3. **Effective date.**

105 If the amendment proposed by this joint resolution is approved by a majority of those
106 voting on it at the next regular general election, the amendment shall take effect on January 1,
107 2013.