LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 12** HLS 181ES 12
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: February 19, 2018 8:23 PM
Author: BARRAS
Dept./Agy.:
Subject: Expenditure Limit
Analyst: Greg Albrecht

BUDGETARY CONTROLS OR SEE FISC NOTE GF EX See Note
Provides for changes in the expenditure limit calculation (Item #12)

Present law establishes the expenditure limit growth factor as the 3-year average of state personal income growth, with specific computation procedures. The limit is applied to appropriations of all money required to be deposited in the state treasury except federal sourced funds, higher education self-generated revenue, interagency transfers, and the constitutional allocations to the parish severance tax and royalty receipt distributions. Available funds in excess of the limit shall be deposited into the Budget Stabilization Fund (BSF). Proposed law establishes the growth factor as the average of (1) the 3-year average of state personal income growth, (2) the percent change in the official forecast from between the current and next fiscal year, (3) the 3-year average of state population growth and, (4) the 3-year average percent change in the CPI for the South Region, but can not exceed 6%. Changes in methodology shall require prior approval of the JLCB and data sources used and the funds to include and exclude in the implementation of the expenditure limit require JLCB review. The provision to deposit excess funds into the BSF is repealed. Contingent upon adoption of the constitutional amendment in HB 15.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**					**$0**

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

To assess the potential implications of these proposed changes to the calculation of the expenditure limit, proposed law calculations of the growth factor for the ten-year historical period FY09 - FY18 were applied to annual appropriations as of the typical December 1 (Existing Operating Budget - EOB) stage of the annual budget cycle, to establish an annual expenditure limit for the ensuing fiscal year. This limit amount was compared to appropriations that would be subject to the limit. For this exercise, these appropriations were the same concepts utilized in the current law limit. These concepts are all appropriations other than federally sourced funds, interagency transfers or charges, funds held in a fiduciary capacity, and higher education self-generated revenues. Other than these excluded funds, appropriations subject to the limit are state general fund, statutory dedications, and fees & self-generated revenue.

Applying the new growth factor to the appropriation base each year resulted in allowable annual appropriation growth that averaged $231.1 million over this ten-year period; ranging from a low of $183.5 million to a high of $297.5 million. This compares to annual growth amounts that have averaged $434.7 million under the current law. These comparisons are not entirely comparable because the two different growth factors are applied to different base figures; prior year appropriations under proposed law, and prior year expenditure limit under current law; and the current law expenditure limit has been re-based both up and down in the past. However, it can be said with a fair degree of confidence that the proposed law growth factor will be significantly lower than under current law; averaging slightly under 2% per year under proposed law versus about 3.4% per year under current law. This occurs primarily because of the inclusion of state population growth in the averaging of the growth factor and, to a lesser extent, the inclusion of the regional CPI in the averaging, over the historical period of the exercise.

Under the proposed law, it seems more likely that the budget will be constrained by the new limit than under present law. While the companion constitutional amendment provides the authority to change the law establishing the growth factor with a 2/3 vote of the legislature, the proposed law may require ongoing monitoring to restrict in-house and JLCB budget adjustments during the interim months of the fiscal year.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

House

- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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