



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 884** HLS 22RS 1353
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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| Date: April 24, 2022 3:45 PM | Author: BEAULLIEU |
| Dept./Agy.: Division of Administration | |
| Subject: Provides additional expenditure limit calculation | Analyst: Deborah Vivien |

BUDGETARY CONTROLS OR SEE FISC NOTE GF EX Page 1 of 1
 Provides for changes in the expenditure limit calculation

Present law establishes the expenditure limit growth factor as the 3-year average of state personal income growth, with specific computation procedures. The growth factor is applied to the prior year expenditure limit to establish the limit for the ensuing year. Appropriations subject to the limit are 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 as reported to JLCB and determined by the Commissioner. Available funds in excess of the limit shall be deposited into the Budget Stabilization Fund (BSF). Changes to the limit require a 2/3 vote.

Proposed law adds an additional calculation to the expenditure limit beginning in FY 24 and for all subsequent years. The expenditure limit for the ensuing year would be the lesser of the current expenditure limit calculation or the current year enacted state general fund and statutory dedication appropriation times the expenditure limit growth adjustment. The bill also replaces the Commissioner with JLCB to determine the expenditures subject to the limit.

| EXPENDITURES | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$0 |
| Agy. Self-Gen. | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$0 |
| Ded./Other | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | | | | | \$0 |

| REVENUES | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

The bill provides an additional calculation for the expenditure limit beginning with the FY 24 budget and for all ensuing years. A test determined at least 35 days prior to the regular session will compare the current law expenditure limit calculation to a new calculation as described in the bill wherein the prior year enacted appropriation for state general fund and statutory dedications is multiplied by the expenditure limit growth factor for that year. The lesser of the current expenditure limit calculation and the new expenditure limit calculation becomes the expenditure limit for the ensuing year.

As referenced in the bill, the statutory dedications that are appropriated contain more than state general fund, and all recent year calculations place the new calculation well above the existing expenditure limit. However, should the state general fund or statutory dedications decrease to the level of the new calculation using the enacted appropriation becoming binding as the limit, the expenditure limit would rebase to that amount and any future expenditure limit calculation would grow from that level.

The expenditure limit growth factor would provide the only available budget growth for expenses included under the limit, as determined by JLCB, without a 2/3 vote of the legislature to exceed the limit. Because the enacted budget could become the base of the expenditure limit calculation, any mid-year adjustments, including carryforwards, BA-7 adjustments or supplemental appropriations, may require a 2/3 vote of the legislature, not just JLCB, to exceed the expenditure limit.

In past experience, a reduction in state general fund, like the one that may cause the expenditure limit to rebase down in this bill, could be the result of a natural disaster or economic downturn that requires additional spending during the recovery period. The expenditure limit was raised in FY 07 and FY 08 to accommodate Katrina recovery spending under the current calculation method. This bill would further restrict the limit during these times.

The bill also removes the authority for determination of expenditures subject to the limit from the Commissioner and gives it to the JLCB, which is not anticipated to require additional resources.

REVENUE EXPLANATION

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

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |  |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} | | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} | Alan M. Boxberger Interim Legislative Fiscal Officer |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |