

RÉSUMÉ DIGEST

HB 166

2023 Regular Session

Bacala

Proposed law would have required certain financial information and analysis regarding ensuing year finances to be included in the governor's executive budget (ex. budget) and in the General Appropriation Bill (GAB).

Existing law (R.S. 39:24) requires the Revenue Estimating Conference (REC) to adopt an official forecast for each fiscal year of all state revenues available for appropriation in each such year. Proposed law would have required REC to forecast revenues for the current fiscal year, the ensuing fiscal year, and the two fiscal years following the ensuing fiscal year for the state general fund, each dedicated fund, and fees and self-generated revenues.

Existing law (R.S. 39:51) sets forth the requirements for each GAB. To the existing requirements, proposed law would have added the requirement that, beginning with the GAB for Fiscal Year 2024-2025, each GAB would include an appendix, created by the division of administration, that lists the ex. budget proposed appropriations from the state general fund and dedicated funds for the ensuing fiscal year by schedule, budget unit, and program—as applicable—and projected each entry out over the following two fiscal years to illustrate the amounts needed in the future to fully fund the current year's recommended appropriations. Further, would have defined the phrase "state general fund and dedicated funds" to have the same meaning as in existing constitution (Art. VII, Sec. 10(J)).

Existing law (R.S. 39:36) sets forth requirements for the governor's ex. budget. To the existing requirements, proposed law would have added the requirement that beginning with the ex. budget for Fiscal Year 2024-2025, each ex. budget would include a summary of the appendix information contained in proposed law and analysis of whether and to what extent sufficient revenues are projected in the most recent official forecast adopted by the Revenue Estimating Conference to cover the projected costs in each of the two fiscal years following the fiscal year being appropriated. Further, would have required the preamble of each GAB to contain a summary of this analysis.

(Proposed to amend R.S. 39:24(A) and 36(A)(7); Proposed to add R.S. 39:36(A)(8) and 51(H) and (I))

VETO MESSAGE:

"Please be advised that I have vetoed House Bill 166 of the Regular Session of 2023.

This bill would have required the state to adopt economic forecasts for additional years into the future, essentially requiring state economists to commit to speculative guesses about future economic conditions. It would have also required departmental budgeting authorities to make the same speculative projections about what their budgets would contain, multiple years into the future.

Currently, the legislature crafts the budget for the next fiscal year using an estimate of available funds adopted by the Revenue Estimating Conference ("REC"). The REC adopts an official forecast based on an estimate generated by the Division of Administration or the Legislative Fiscal Office. Economists from each entity use detailed economic models to formulate projections, which are derived from examining the current year's performance and account for any expected gain or loss in revenue. During my tenure as Governor, we have seen how unpredictable even current year projections can be. Just last month, the REC adopted a forecast of expected tax taxes, licenses, and fees more than \$800 million higher than the forecast it had approved five months earlier in December.

Furthermore, it would be unworkable for departments to provide detailed speculative estimates of expenditures and budget analysis in out years. Departmental expenditures are reliant on appropriations by the legislature, which can change from year to year in response to legislative priorities and changing circumstances. Moreover, while the fiscal note acknowledges a relatively modest \$97,000 one-time cost to begin this process, it does not account for the significant increase in workload and staff that would be necessary to achieve the directives of this legislation. And such a process would yield results that are, at best, unreliable.

Ultimately, even with expert economists and sophisticated economic modeling, there is no oracular solution that could provide us in December 2023 with precise or useful predictions about Louisiana's total revenues and expenditures in 2027. For these reasons, I have vetoed this bill.

Accordingly, House Bill 166 will not become law."