



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 526** HLS 24RS 899
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 1, 2024	2:27 PM	Author: BEAULLIEU
Dept./Agy.: Division of Administration		Analyst: Deborah Vivien
Subject: Expenditure Limit calculation guidelines		

BUDGETARY CONTROLS OR SEE FISC NOTE GF EX See Note Page 1 of 2
 (Constitutional Amendment) Provides relative to the expenditure limit

Present constitution mandates the expenditure limit calculation as applying an annual growth factor based on the average change in LA Personal Income as reported by the US Dept of Commerce for 3 prior calendar years to the prior year limit with a minimum of 0% change. Expenditure limit may be changed with a 2/3 vote of the legislature.

Proposed constitution moves the expenditure limit growth factor methodology to a statutory provision (see companion HB 619), allows the growth factor to be negative and caps the growth factor at 5% annually. The bill mandates that the FY 26 expenditure limit, which will be the first effective year, is the FY 24 actual appropriations grown by 3% with subsequent years growing by the factor established in statute. The bill allows a change to the expenditure limit **only** if two successive years of year-over-year decline preceded it. Any law changes will require a 2/3 vote. Re-basing the limit if increased is disallowed. Effective upon enactment and voter approval at the November 5, 2024 election.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	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

There are no anticipated agency costs from the bill.

The bill removes from the Constitution the methodology for the calculation of the expenditure limit growth factor and makes it statutory. Current law mandates using an average growth in state personal income to determine the expenditure limit growth. The bill eliminates that mandate and allows the use of other economic indicators to determine expenditure limit growth or decline. The bill also caps the expenditure limit annual growth at 5% and directs the FY 26 expenditure limit to be 103% of actual FY 24 appropriations. The current expenditure limit contains no growth cap and cannot decrease without a specific vote. The 2/3 vote requirement to change the expenditure limit remains.

The bill removes the ability to rebase the expenditure limit by disallowing any increase apart from the statutory calculation to be considered in the base of the subsequent fiscal year's expenditure limit. Current law allows for a rebase of the expenditure limit depending on the language in the instrument adopted to change the limit.

Additionally, **the bill allows a vote to change the expenditure limit ONLY if there are two consecutive years of negative growth, as calculated by the statutory methodology.** Most economic indicators will not show two consecutive years of negative growth, unless economic conditions deteriorate substantially, particularly using national indicators. Given this highly unlikely occurrence, this provision may tightly constrain the legislature's ability to adjust the expenditure limit, especially during unforeseen circumstances.

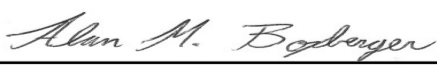
Fixing the FY 26 expenditure limit growth at 3% of FY 24 actual appropriations could restrict spending in FY 26. As of the start of the 24 RS, current FY 24 appropriations were \$17.7 B (including spending the FY 23 surplus for capital outlay and before consideration of a 24 RS supplemental bill). Growing by 3% would place the FY 26 expenditure limit at \$18.2 B, which is below the FY 25 expenditure limit of \$18.6 B. Thus, the FY 26 budget may be constrained, depending on actual FY 25 appropriations.

(CONTINUED ON PAGE 2)

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} |
| <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} |


Alan M. Boxberger
Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

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EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

With the exception of the 5% cap, the methodology to determine the expenditure limit calculation is speculative and falls outside the boundaries of this constitutional amendment. The impacts of any such change in calculation methodology is indeterminable but will likely be reflected in any fiscal note attached to such instrument (see HB 619 of 24RS). For informational purposes, since the inception of the expenditure limit in 2003 and using actual personal income tax data that was preliminary at the the time of each calculation, the expenditure limit would have exceeded 5% in five years, most of them in the years post-Katrina and the other post-Covid.

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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