

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 140** HLS 051ES 294
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Sub. Bill For.:
 Proposed Amd.:

Date: November 19, 2005 10:28 AM	Author: ALARIO
Dept./Agy.: Treasury	
Subject: Budget Stabilization Fund Maximum Balance Calculation	Analyst: Greg Albrecht

FUNDS/FUNDING RE SEE FISC NOTE SD RV See Note Page 1 of 1
 Provides relative to the balance in the Budget Stabilization Fund (Item #19)

Current law, Article VII §10.3.(C)(4) of the State Constitution, provides that the balance of the Budget Stabilization Fund is not to exceed 4% of total state revenue receipts for the previous fiscal year.

Proposed law places this maximum balance provision into the statutes and provides that for the purposes of the Budget Stabilization Fund total state revenue receipts shall not include any monies received by the state from the Federal Emergency Management Administration or other federal sources providing disaster relief assistance.

Effective upon governor's signature.

EXPENDITURES	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>5 -YEAR TOTAL</u>
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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Currently, Article VII §10.3.(C)(4) of the State Constitution provides that the balance of the Budget Stabilization Fund is not to exceed 4% of total state revenue receipts for the previous fiscal year. The Fund receives 25% of nonrecurring revenues, mineral revenue over \$850 million (plus parish severance and royalty allocations), and its own earnings. There is no constitutional or statutory definition of total state revenue. A similar reference to total state revenue receipts for the previous fiscal year is contained in Article VII §7.(C) concerning the annual allocation of the state general fund for purposes of the Interim Emergency Board. By practice, the Treasury has interpreted total state revenue receipts to include a variety of funds including federal aid. For example, the calculation of the Interim Emergency Board allocation of state general funds for FY06 was based on \$17.047 billion of total state revenue receipts for FY05. This total included \$6.191 billion of federal monies (36% of the total).

In the absence of clarification, this practice would presumably be extended to the calculation of the maximum balance of the Budget Stabilization Fund. On that basis, the FY06 maximum balance is \$681.9 million. A new maximum balance will be calculated for FY07 on the basis of total state revenue receipts in the current year (FY06). The state is currently receiving very large amounts of federal aid through the Federal Emergency Management Administration as the result of hurricanes Katrina and Rita (the state is currently anticipating over \$2 billion of federal aid and possibly more). Inclusion of those monies in total state revenue receipts could significantly increase the maximum balance of the Budget Stabilization Fund above what it would otherwise be and reduce the amount of revenue available to the state general fund.

This bill will preclude the inclusion of receipts from FEMA and other federal disaster relief monies in the base of total state revenue receipts for purposes of calculating the maximum balance of the Budget Stabilization Fund. Federal aid that is typically received would still be included in the calculation of the maximum balance of the Budget Stabilization Fund, and receipts from FEMA and other federal disaster relief monies would presumably still be included in the calculation of the Interim Emergency Board allocation.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

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Legislative Fiscal Officer