

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 112** HLS 15RS 1029
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.:		Analyst: Greg Albrecht
Subject: Expenditure Limit		

BUDGETARY CONTROLS OR SEE FISC NOTE EX See Note Page 1 of 1
 Reduces the expenditure limit for FY 2015-2016

Current law specifies that the expenditure limit for the ensuing fiscal year shall be the limit for the current fiscal year multiplied by a positive growth factor. The growth factor is defined as the average annual percentage rate of change of personal income for Louisiana for the three calendar years prior to the fiscal year for which the limit is calculated. The U.S. Department of Commerce defines and reports personal income for the state. The limit is calculated once a year at the beginning of the calendar year for use in the ensuing fiscal year. The limit applies 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. The limit for FY16 is \$13,853,769,302.

Proposed law establishes the expenditure limit for FY16 at \$13,259,694,781 for purposes of calculating the limit for FY17 and thereafter; a reduction of 4.3% or \$594,074,521.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	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

Under current law, the expenditure limit for FY17 will grow from its current FY16 level. This calculation will be done approximately half way through FY16, based on the official release of state personal income estimates by the U.S. Department of Commerce, Bureau of Economic Analysis in late December 2015. Using current projections of those personal income estimates, a projected expenditure limit for FY17 would be \$14.297 billion (3.20% growth, \$442.7 million growth).

This resolution re-bases the FY16 limit from which the FY17 limit will be calculated. Applying the projected growth rate above, the resolution would result in an FY17 limit projection of \$13.683 billion. This projected FY17 limit is 3.20% greater than the re-based FY16 limit required by the resolution, but is some \$170.3 million less than the current FY16 limit and some \$613.1 million less than the projected FY17 limit.

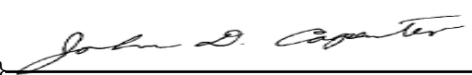
A substantial share of total appropriations are not subject to the limit (federal sourced funds, higher education tuition, transfers among agencies, etc.), and a projection of those that are subject to the limit is not available for FY17. However, a sense of what the new limit provided by this resolution may allow can be gained by comparing the projected limit for FY17 under this resolution (\$14.297 billion) to the appropriations subject to the limit in FY15 (\$12.414 billion). That difference is some \$1.883 billion, implying 15.2% growth over the two year period from the FY15 appropriations to the FY17 limit projected under the provisions of this resolution.

Thus, this resolution may limit appropriations subject to the limit to roughly 7.6% growth per year over the next two years; from the current year FY15 to the effective year of FY17. After that, appropriations subject to the limit would be allowed to grow on the basis of the three-year moving average of state personal income growth provided in current law. While the resolution allows for substantial appropriations growth, the availability of a large surge of revenue such as from BP oil spill settlements may still close the gap in large part or entirely. In such a case, a 2/3 vote is required to appropriate above the limit (as was done twice in post-Katrina/Rita period, FY07 and FY08).

Appropriations subject to the limit grew by 5.6% from FY14 at \$11.758 billion to FY15 at \$12.414 billion, but have been relatively stable in recent years before that at \$11.300 billion for FY13, \$11.242 billion for FY12, \$11.421 billion for FY11, and \$11.221 billion for FY10 after peaking at \$12.195 billion for FY09.

REVENUE EXPLANATION

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

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	 John D. Carpenter Legislative Fiscal Officer
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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}		