

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 3** HLS 16RS 435
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 20, 2016 2:54 PM	Author: IVEY
Dept./Agy.:	Analyst: Greg Albrecht
Subject: Expenditure Limit	

BUDGETARY PROCEDURES OR SEE FISC NOTE GF EX See Note Page 1 of 1
 Reduces the expenditure limit for Fiscal Year 2016-2017

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 FY17 is \$14,188,108,716.

Proposed law establishes the expenditure limit for FY17 at \$12,688,108,716 for purposes of calculating the limit for FY18 and thereafter; a reduction of 10.6% or \$1,500,000.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$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

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	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 FY18 will grow from its current FY17 level. This calculation will be done approximately half way through FY17, based on the official release of state personal income estimates by the U.S. Department of Commerce, Bureau of Economic Analysis in late December 2016. Using current projections of those personal income estimates, a projected expenditure limit for FY18 would be \$14.545 billion (2.5% growth, \$357.1 million growth). This resolution re-bases the FY17 limit from which the FY18 limit is to be calculated. Applying the projected growth rate above (2.5%) to the re-based FY17 limit of this resolution (\$12.688 billion) results in a FY18 limit of \$13.008 billion; some \$1.537 billion less than the projected FY18 limit under current law.

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 FY18. However, a sense of what the new limit provided by this resolution may allow can be gained by comparing the projected limit for FY18 under this resolution (\$13.008 billion) to the appropriations subject to the limit in FY16 (\$12.333 billion). That difference is some \$675 million, implying 5.5% total growth over the two year period from the FY16 appropriations to the FY18 limit projected under the provisions of this resolution.

Thus, this resolution may limit appropriations subject to the limit to roughly 2.25% growth per year over the next two years; from the current year FY16 to the effective year of FY18. 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 some appropriations growth, step-ups in revenue from tax policy changes or economic growth may still largely or entirely close the gap and constrain appropriations. In such a case, a 2/3 vote is required to appropriate above the limit (which has been done twice in the post-Katrina/Rita period, during FY07 and FY08). Appropriations subject to the limit fell modestly by 0.6% from FY15 at \$12.414 billion to FY16 at \$12.333 billion, after growing 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 a previous peak of \$12.195 billion for FY09.

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} | |

John D. Carpenter
 Legislative Fiscal Officer