

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 2** HLS 181ES 9
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 22, 2018 5:02 PM	Author: BARRAS
Dept./Agy.:	Analyst: Greg Albrecht
Subject: Expenditure Limit	

BUDGETARY CONTROLS EG SEE FISC NOTE GF EX See Note Page 1 of 1
 Reduces the expenditure limit for FY 2018-2019 (Item #12)

Present 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 near 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 FY19 is \$14,805,436,238.

Proposed law establishes the expenditure limit for FY19 at \$13,591,805,919 for purposes of calculating the limit for FY20 and thereafter; a reduction of \$1,213,630,319 or 8.2%.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	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	2018-19	2019-20	2020-21	2021-22	2022-23	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 present law, the expenditure limit for FY19 has been calculated at \$14,805,436,238, growing 1.29% from the FY18 limit. This relatively low growth rate is influenced by a negative 1.03% growth rate of 2016 from 2015, in the three-year averaging that establishes the growth in the limit. This negative rate will influence the average growth for one more year, likely resulting in a comparable growth factor for FY20 purposes. This resolution re-bases the FY19 limit from which the FY20 limit is to be calculated. Applying a comparable three-year average growth factor (~1.3%) to this new base, would result in a FY20 limit of \$13.9 billion; some \$1.3 billion less than the projected FY20 limit is likely to be under current law without the re-basing of this resolution.

For the last two fiscal years FY17 & FY18, appropriations subject to the limit have been essentially \$13 billion both years. The new limit generated by this bill would allow approximately \$900 million of appropriation growth over the next two years, FY19 & FY20.

While the resolution allows for appropriations growth, step-ups in revenue from tax policy changes (federal and/or state) or economic growth could still substantially close the gap and constrain affected 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).

REVENUE EXPLANATION

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

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}

John D. Carpenter
Legislative Fiscal Officer