

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 16** HLS 182ES 53

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 22, 2018	4:10 PM	Author: BARRAS
Dept./Agy.: Statewide		Analyst: Alan M. Boxberger
Subject: Expenditure Limit		

BUDGETARY CONTROLS OR SEE FISC NOTE GF EX See Note
Provides for changes in the expenditure limit calculation

Present law establishes the expenditure limit growth factor as the 3-year average of state personal income growth with specific computation procedures. The growth factor is applied to the prior year expenditure limit to establish the limit for the ensuing year. Appropriations subject to the limit are all money required to be deposited in the state treasury except federal sourced funds, higher education SGR, interagency transfers, and the constitutional allocations to the parish severance tax and royalty receipt distributions. Available funds in excess of the limit shall be deposited into the Budget Stabilization Fund (BSF). Changes to the limit require a 2/3 vote. Proposed law establishes the growth factor as the average of: 1) the 3-year average of state personal income growth, 2) the percent change in the official forecast between the current and next fiscal year, and 3) the 3-year average percent change in the CPI for the South Region. However, the computed growth factor cannot exceed 6%. The provision to deposit excess funds into the BSF is repealed. A 2/3 vote mail ballot is provided to change the limit when not in session. Contingent upon adoption of the constitutional amendment proposed in HB 14.

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

To assess the potential implications of these proposed changes to the calculation of the expenditure limit, proposed law calculations of the growth factor were projected out for five years, resulting in annual projected growth factors ranging from 2.36% to 2.73%. This compares to projections of the current growth factor ranging from 3.3% to 4.1% per year. The lower proposed growth factor would be applied to the existing expenditure limit for FY 19 (\$14.805 billion) to establish the limit for FY 20 (\$15.154 billion). The limit would grow for each year as the annually calculated growth factor is applied to the prior year's limit.

Appropriations subject to the limit, essentially non-federally sourced state general fund, dedicated funds, and non-higher education fees & self-generated revenue, for FY 18 are \$13.194 billion (the last fiscal year prior to consideration of the expiration of temporary taxes). This allows for an estimated appropriation growth of \$1.96 billion over the next two years before hitting the projected limit for FY 20, presuming REC-adopted revenue projections sufficient to support those appropriations were to occur.

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