LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HCR 8** HLS 20RS 539
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 2, 2020 3:51 PM	**Author:** BEAULLIEU
Dept./Agy.: Division of Administration	
Subject: Expenditure Limit	**Analyst:** Greg Albrecht

BUDGETARY CONTROLS OR SEE FISC NOTE GF EX See Note
Reduces the expenditure limit for FY 2020-2021

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 annually 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 FY21 is $14,353,474,249.
Proposed law establishes the expenditure limit for FY21 at $13,302,068,317 for purposes of calculating the limit for FY22 and thereafter; a reduction of $1,051,405,932 or 7.3%.

EXPENDITURES	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**					**$0**

REVENUES	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

Under present law, the expenditure limit for FY21 has been calculated at $14,353,474,249, growing 3.70% from the FY20 limit. This relatively high growth rate is influenced by a 5.00% personal income growth rate of 2017 from 2016, in the three-year averaging that establishes the growth in the limit. This fairly high annual rate reflects the recovering from the oil price induced state recession of 2015/16, and will influence the average growth for one more year before falling out of the growth factor moving average calculation.

This resolution re-bases the FY21 limit from which the FY22 limit is to be calculated. Applying a projected three-year average growth factor (~2.97%) to this new base, would result in a FY22 limit of $13.697 billion; some $1.082 billion less than a projected FY22 limit is likely to be under current law without the re-basing of this resolution ($14.779 billion).

For the last two fiscal years FY19 & FY20, appropriations subject to the limit have been essentially $13.3 billion both years. The new limit generated by this bill would allow approximately $400 million of appropriation growth combined over the two years of FY20 & FY21.

While the resolution allows for some appropriation growth, federal and/or state tax policy changes, as well as economic growth could 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).

It should be noted that both the current law and proposed law projected expenditure limits are being heavily influenced by the Covid-19 virus pandemic event. This event is likely to reduce the growth factor materially over the next three years as the weakness in state personal income, resulting from the virus' effect on economic activity, works its way through the three-year moving average calculation.

REVENUE EXPLANATION

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

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer