

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 118** HLS 20RS 265
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 17, 2020	5:08 PM	Author: EDMONDS
Dept./Agy.: State Budget		Analyst: Greg Albrecht
Subject: State Operating Budget		

BUDGETARY CONTROLS EG -\$196,000,000 GF EX See Note Page 1 of 1
 Restricts spending of the state general fund (direct) from recurring money to 98% of the official forecast

Starting with FY 2021-2022 and each subsequent fiscal year, the proposed bill requires that recommendations for appropriations in the executive budget, and appropriations by the legislature of state general fund (direct) from recurring money shall not exceed 98% of the official forecast of the Revenue Estimating Conference in effect at the time the appropriations are made.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$196,000,000)	(\$211,000,000)	(\$219,000,000)	(\$227,000,000)	(\$853,000,000)
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	(\$196,000,000)	(\$211,000,000)	(\$219,000,000)	(\$227,000,000)	(\$853,000,000)

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

This bill limits the amount of state general fund direct (SGF) monies available for appropriation annually by the legislature. The proposed bill provides that the governor's executive budget and appropriations by the legislature from forecasted recurring SGF not exceed 98% of the official forecast. Based upon the current adopted SGF revenue forecast (5/11/2020), 2% of SGF anticipated resources equates to \$196 million in FY 22, \$211 million in FY 23, and \$219 million in FY24. Since no forecasts were made beyond FY 24, the 2% equivalent for FY 25 is simply extrapolated from the prior year's growth of 3.4% to estimate \$227 million for FY25. These forecasted resources would not be allowed to be budgeted or appropriated by the legislature. To the extent these 2%-equivalent general fund resources are realized, they would presumably become general fund surplus, and subject to constitutional allocations (10% to the Budget Stabilization Fund, 25% to UAL, and 65% available for debt retirement and capita outlay).

Due to budget practice of appropriating essentially all SGF forecasted revenues, any reduction in a SGF revenue forecast during a fiscal year typically triggers a mid-year deficit that must be eliminated within that current fiscal year. However, under this proposed legislation, the procedures outlined within R.S. 39:75 (Avoidance of Budget Deficits) for eliminating a projected current year deficit would presumably only be triggered if the current year SGF forecast were to fall in excess of the 2% SGF resources withheld from appropriation, since these withheld resources would still be collected and available in the general fund during a fiscal year.

The expenditure table above depicts the amount of SGF financed expenditure that will have to be foregone at the outset of each year relative to the current SGF forecast that would likely be budgeted under current practice.

It should be noted that revenue forecasts and actual collections will be heavily influenced by the Covid-19 virus pandemic event. It is likely that general fund forecasts and realizations of the 2%-equivalent amounts will differ materially from the amounts depicted above.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. This bill does not change overall revenues, but does provide a limitation on the amount of SGF revenues that can be budgeted and appropriated annually.

Senate
 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}

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Legislative Fiscal Officer