



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 428** HLS 21RS 566
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 11, 2021	4:40 PM	Author: GEYMANN
Dept./Agy.: Statewide		
Subject: Prohibits use of federally declared disasters funds		Analyst: Alan M. Boxberger

BUDGETARY CONTROLS EG SEE FISC NOTE GF EX See Note Page 1 of 1
 Prohibits the use of federally declared disaster funds for increases in recurring state expenditures

Proposed law prohibits any increase in recurring expenses for an executive branch entity for the remainder of any fiscal year in which money is received by the state from the federal government for costs associated with a federally declared disaster, and continuing each fiscal year thereafter until all such dollars are obligated and paid; provides for definitions; provides for application to all state offices, departments, divisions, boards, commissions, councils, committees, postsecondary education institutions, or other entities of the executive branch of state government; and provides for exceptions under two conditions: 1) if the federal funds received are payable to the state on a reimbursement basis, and 2) if the Revenue Estimating Conference adopts a revised forecast that shows recurring revenues sufficient to fully fund existing obligations and such increase for the current fiscal year and the next two fiscal years. Proposed law will be effective upon signature of the governor.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						
REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	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

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

Proposed law prohibits any increase in recurring expenditures for the remainder of any fiscal year in which money is received by the state from the federal government for costs associated with a federally declared disaster, and continuing each fiscal year thereafter until all such dollars are obligated and paid. This measure would not apply under two conditions: 1) if the federal funds received are payable to the state on a reimbursement basis, and 2) if the Revenue Estimating Conference (REC) adopts a forecast that shows recurring revenues sufficient to fully fund existing obligations and such increase for the current fiscal year and the next two fiscal years.

The prohibition on recurring expenditures applies to, but is not limited to, salary expenses, utilities and supplies, above the base amount budgeted in the previous fiscal year. The prohibition does not apply to acquisitions, major repairs, debt service, or employee or retiree benefits payments.

While proposed law does not directly impact governmental expenditures, it may have an indeterminable impact on expenditures overall as it will place limits on the governor's and legislature's ability to appropriate monies for expenditures allowable in present law.

Although the bill specifies costs associated with a federally declared disaster in its current posture, the bill appears to target monies that will be received through provisions of federal stimulus and emergency relief bills in FY 21 tied to COVID-19 response and economic recovery efforts: specifically the American Rescue Plan (ARP) Act of 2021 and the Emergency Rental Assistance Program (ERAP) established by the Consolidated Appropriations Act, 2021. The ARP funds generally expire on 12/31/24 and the ERAP funds on 9/30/22. Prospectively, utilization of these disaster funds could potentially prohibit increases in recurring expenditures until the midpoint of FY 25 unless such expenditures are allowable within the exception conditions listed above. The LFO cannot predict whether additional federal disaster declarations will allocate or appropriate funds to Louisiana on a non-reimbursement basis in the future, but generally federal disaster declarations would not be affected by the provisions of this measure as they are provided on a reimbursement basis.

Additionally, in its current posture the LFO does not believe the bill would apply to federal funds received due to the 6.2% emergency enhanced Federal Medical Assistance Percentages (FMAP) in effect since January 1, 2020, and projected to continue through at least December 31, 2021. The FMAP is adjusted regularly by formula or to make additional federal matching funds available to states during significant economic downturns.

REVENUE EXPLANATION

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

<p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p>	<p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p>	<p>Christopher A. Keaton Legislative Fiscal Officer</p>
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