



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 80** HLS 22RS 361
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 26, 2022	2:33 PM	Author: EDMONDS
Dept./Agy.: State Budget		
Subject: State Operating Budget		Analyst: Deborah Vivien

BUDGETARY CONTROLS EG -\$218,100,000 GF EX See Note Page 1 of 1
 Restricts spending of state general fund revenue-direct to 98% of the official forecast

Starting with the FY 23-24 budget, the proposed law restricts the executive budget and state general fund direct appropriations by the legislature to 98% of the official forecast of the Revenue Estimating Conference in effect at the time the appropriations are made. State general fund is defined as "total taxes, licenses and fees and any additional funds incorporated into the forecast less dedications," which includes both recurring and non-recurring revenue.

EXPENDITURES	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	(\$218,100,000)	(\$217,400,000)	(\$211,300,000)	(\$211,300,000)	(\$858,100,000)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	(\$218,100,000)	(\$217,400,000)	(\$211,300,000)	(\$211,300,000)	(\$858,100,000)

REVENUES	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>5 -YEAR TOTAL</u>
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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The bill limits the amount of state general fund (SGF) direct monies available for appropriation annually by the legislature. The proposed bill provides that the governor's executive budget and appropriation by the legislature from forecasted SGF not exceed 98% of the official forecast of SGF direct revenue, whether recurring or non-recurring. SGF direct is defined as "total taxes, licenses and fees and any additional funds incorporated into the forecast less dedications."

Based upon the currently adopted SGF direct revenue forecast (1/11/22), 2% of SGF anticipated resources equates to \$218 million in FY 24, \$217 million in FY 25, and \$211 million in FY 26. Since no forecasts are in place beyond FY 26, the 2% equivalent for FY 27 is the same as the prior year. The expiration of the 0.45% sales tax is included in the negative growth in FY 26, which distorts the growth factor for use in projecting. 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 (25% to Budget Stabilization Fund, 10% to UAL, and 65% available for debt retirement and capital projects). Any non-recurring revenue that contributes to the SGF direct total would also be subject to the 2% spending limitation, presumably including any Rainy Day funds that are used in the budget. All unappropriated funds would then roll into the surplus and be subject to the constitutional limitations.

Due to the 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. This bill does not clarify that issue.

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 impacted by exogenous events currently unforeseen. The amounts of the 2% equivalent can vary 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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