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Fiscal Note On: **HB 884** HLS 22RS 1353
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 9, 2022	5:40 PM	**Author:** BEAULLIEU
Dept./Agy.: Division of Administration		
Subject: Provides additional expenditure limit calculation		**Analyst:** Deborah Vivien

BUDGETARY CONTROLS   EG SEE FISC NOTE GF EX See Note   Page 1 of 1
Provides for changes in the expenditure limit calculation

<u>Present law</u> 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 self-generated revenue, interagency transfers, and the constitutional allocations to the parish severance tax and royalty receipt distributions as reported to JLCB and determined by the Commissioner. 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.

<u>Proposed law</u> retains the growth factor calculation and rebases the limit beginning in FY 24 and for all subsequent years. The expenditure limit for the ensuing year would be the lesser of a sum totaling the current year enacted state general fund (SGF) and dedicated funds appropriation less vetoes plus non-appropriated constitutional requirements times the expenditure limit growth factor (Section 33.1(B)(1) (a), or the limit established by the legislature pursuant to La Const. Article VII, Section 10(C)(2). The bill also replaces the Commissioner with JLCB to determine the expenditures subject to the limit and adds mandatory expenditure items to include in the limit.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	$0
Agy. Self-Gen.	$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	$0
Ded./Other	$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	$0
Federal Funds	$0	$0	$0	$0	$0	$0
Local Funds	$0	$0	$0	$0	$0	$0
Annual Total	**$0**					**$0**

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	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

The bill replaces the expenditure limit calculation beginning with the FY 24 budget and for all ensuing years. A test determined at least 35 days prior to the regular session will compare 1) the new calculation as described in the bill, wherein a sum equaling the current year enacted appropriation as of July 1st for state general fund and dedicated funds less vetoes plus non-appropriated constitutional requirements is multiplied by the expenditure limit growth factor for that year, to 2) the limit established by the legislature pursuant to La Const. Art. VII, Section 10(C)(2) (see **NOTE** below). The lesser of these two options becomes the expenditure limit for the ensuing fiscal year.

As referenced in the bill, the new limit becomes binding and will rebase annually to the level reported to JLCB prior to each regular session at a level equal to the lesser of the aforementioned calculation or the limit established by the legislature. The expenditure limit growth factor would provide the only available budget growth for expenses included under the limit, as determined by JLCB, without a 2/3 vote of the legislature to exceed the limit. **Because the enacted budget would become the base of the expenditure limit calculation, the likelihood increases that in certain circumstances mid-year adjustments, including carryforwards, BA-7 adjustments and/or supplemental appropriations, would require a 2/3 vote of the legislature, not just JLCB, to exceed the expenditure limit.**

The bill removes the authority for determination of expenditures subject to the limit from the Commissioner and gives it to the JLCB, which is not anticipated to require additional resources. The bill also mandates that non-appropriated constitutional requirements (as reported on the fiscal status statement at the most recent JLCB) shall be included under the limit, as well as fiduciary expenditures and carryforwards unless exempted by JLCB. Carryforward appropriations are not included in the base expenditure calculation added in this bill in Section 33.1(B), but the bill directs that carryforward appropriations shall be counted against the limit unless exempted by JLCB in Section 33.1(C) (2)(c). These expenditures are not currently counted against the expenditure limit, and this mandate may cause the state to reach the limit faster, although these expenditures would presumably become part of the newly calculated expenditure limit once appropriated.

NOTE: The bill directs that the lesser of two options be adopted as the expenditure limit for the subsequent fiscal year no later than 35 days prior to the regular session. The LFO cannot identify a year in which the legislature adopted or designated an expenditure limit under the provisions of La Const. Art. VII, Section 10(C)(2) during or prior to this timeframe. The LFO is uncertain as to the bill's intent if no expenditure limit is identified under this provision, but assumes the expenditure limit would default to the calculation detailed in Section 33.1(B)(1)(a).

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}	*Alan M. Boxberger*
☐ 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}	**Alan M. Boxberger** **Interim Legislative Fiscal Officer**