



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 884** HLS 22RS 1353  
 Bill Text Version: **REENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 15, 2022	12:08 PM	<b>Author:</b> BEAULLIEU
<b>Dept./Agy.:</b> Division of Administration		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Provides additional expenditure limit calculation		

BUDGETARY CONTROLS RE SEE FISC NOTE GF EX See Note Page 1 of 2  
 Provides for changes in the expenditure limit calculation

Present law 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.

Proposed law 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

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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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<b>\$0</b>
Agy. Self-Gen.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<b>\$0</b>
Ded./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

  

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	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The bill replaces the expenditure limit calculation beginning with the FY 24 budget and for all ensuing years. The LFO is unable to determine a feasible schedule through which this expenditure limit calculation can be effectuated unless the intention is to have mid-year expenditures instead of actual expenditures serve as the basis of the limit. For illustrative, the bill references amounts "expended" from certain sources for the fiscal year in which the calculation is made. At the designated statutory dates, full-year expenditures will not be available.

The relevant dates are:

**-October 2022** JLCB meets to determine expenditures to be excluded from the limit

**-At least 35 days prior to regular session**, the bill instructs the commissioner to calculate an expenditure limit and recommend expenditures subject to the limit in the Executive Budget. In what is approximately January of the current year, the bill instructs the commissioner to calculate the limit as the lesser of: 1) the new calculation as described in the bill, wherein a sum equaling the current year enacted appropriation as of July 1<sup>st</sup> for state general fund and dedicated funds less vetoes plus current year expenditures from Highway Fund #2, IEB, revenue sharing, non-appropriated debt, and carryforwards, is multiplied by the current expenditure limit growth factor for that year; or 2) the limit established by the legislature pursuant to La Const. Art. VII, Section 10(C)(2), which is a 2/3 vote of the legislature (see **NOTE** on page two). The lesser of these two options becomes the expenditure limit for the ensuing fiscal year. Thus, the new calculation will have in its base current year expenditures-to-date for Highway Fund #2 (presumably the 50% sent to the Causeway Commission every 6 months), the non-appropriated components of IEB, revenue sharing, non-appropriated debt, and carryforwards. Because expenditures, especially at the mid-point of the fiscal year, are necessarily lower than appropriations, the new calculation is expected to lower the ensuing year expenditure limit unless the growth factor offsets the reductions due to the use of expenses instead of appropriations, which seems unlikely without atypical growth in personal income.

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.**

**CONTINUED ON PAGE TWO**

**REVENUE EXPLANATION**

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

Senate      Dual Referral Rules  
 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}

*Alan M. Boxberger*  
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 Interim Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

CONTINUED from Page One BILL SUMMARY

Proposed Law (cont'd)

(SGF) and dedicated funds appropriation less vetoes plus current year expenditures from Highway Fund #2, Interim Emergency Board (IEB), revenue sharing, non-appropriated debt, and carryforwards, all multiplied by the expenditure limit growth factor (Section 33.1(B)(1)(a)), or the limit established by the legislature, presumably a 2/3 vote, 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 (but by exclusion) and adds mandatory expenditure items that will be subject to the limit. JLCB is required to meet during October 2022 to determine the expenditures to exclude from the limit.

CONTINUED from Page One EXPENDITURE EXPLANATION

The bill removes the authority for determination of expenditures subject to the limit from the Commissioner and gives it to the JLCB, who will determine exclusions instead of inclusions, which is not anticipated to require additional resources. The bill also appears to mandate that year-to-date expenses related to non-appropriated constitutional requirements, such as revenue sharing, non-appropriated debt and IEB, along with Highway Fund #2 expenses to date shall be included under the limit, as well as certain fiduciary expenditures and carryforward expenditures to date, unless exempted by JLCB. These expenditures are not currently counted against the expenditure limit, and this mandate may cause the state to reach the limit faster.

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 the constitutional provision, but assumes the expenditure limit would default to the calculation detailed in Section 33.1(B)(1)(a).

Senate Dual Referral Rules
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}

Signature of Alan M. Boxberger
Alan M. Boxberger
Interim Legislative Fiscal Officer