

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 709** HLS 24RS 22

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 1, 2024	2:33 PM	Author: GEYMANN
Dept./Agy.:		Analyst: Deborah Vivien
Subject: Limit on appropriations		

APPROPRIATIONS

OR SEE FISC NOTE GF EX

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Limits the amount of monies that may be appropriated in a fiscal year

Current Law requires the Division to provide for the determination of an expenditure limit through JLCB, prohibits appropriations from the state general fund and dedicated funds from exceeding the official forecast at the time the appropriations are made, establishes timing and content requirements for the governor's annual proposed budget, and prohibits the proposed budget from exceeding the lesser of the official forecast or the expenditure limit for the fiscal year being appropriated.

Proposed Law establishes, for FY 26 and each year thereafter, a Louisiana Sustainability Limit, sets the limit in FY 26, establishes a methodology for setting the limit in subsequent fiscal years, provides for conditions on lowering the limit, provides for recurring revenues recognized above the limit and allowable uses thereof, provides for exclusions from the limit, provides for changes to the limit, restricts appropriations above the limit, and establishes content requirements of the governor's annual proposed budget.

Contingent upon voter approval of HB ___ of 2024 Regular Session on November 5, 2024

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$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	2024-25	2025-26	2026-27	2027-28	2028-29	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 material agency costs associated with proposed law.

Proposed Law would serve to restrict the legislature's ability and flexibility to appropriate the entirety of state revenues available for expenditure (see page 2). Beginning in FY 26, this measure would establish the Louisiana Sustainability Limit by the Revenue Estimating Conference (REC) during the first quarter of the calendar year for the next fiscal year, above which appropriation from the state general fund and dedicated funds can only be made (up to the expenditure limit or official revenue forecast) for certain purposes. The sustainability limit for FY 26 shall equal the actual appropriations from the state general fund and dedicated funds for FY 24 grown by three percent.

The calculation of the LA Sustainability Limit after FY 26 is the sum of the base plus the result of the base times the positive growth factor. The growth factor shall be the ten-year average percentage rate of change in the state's gross domestic product (assumed to be the gross state product) using the percentage rate of change as defined and reported by the U.S. Department of Commerce for the ten fiscal years immediately preceding the fiscal year in which the limit is calculated (assumed to be an average of the annual change). After the initial year, the base shall be the actual appropriations from the

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REVENUE EXPLANATION

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

Revenues collected above the Louisiana Sustainability Limit **and** below the expenditure limit may only be appropriated for the following purposes: for return to natural persons domiciled in Louisiana if the legislature has established by law qualifications for, calculation of, and procedures for implementation of the return, or for any purpose for which nonrecurring revenue may be appropriated pursuant to La Constitution Art. VII, § 10(D)(2), such as retiring or defeasance of bonds, providing payments against the unfunded accrued liability of the public retirement systems, capital outlay projects, the Budget Stabilization Fund, the Coastal Protection and Restoration Fund, or for new highway construction for which federal matching funds are available. The amendment authorizes the legislature to consider legislation to provide for a return to natural persons during any regular session of the legislature.

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}

Alan M. Boxberger

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CONTINUED EXPLANATION from page one:

state general fund and dedicated funds for the immediately prior fiscal year, which is a two year look back from the budget year. Thus, economic impacts are smoothed over ten years to proxy a measure of local economic conditions, then the annual measure is effectively spread over two years to determine the LA Sustainability Limit.

The LA Sustainability Limit can never exceed the Expenditure Limit, even if the Expenditure Limit is lowered by the legislature. If the LA Sustainability Limit calculation is greater than the Expenditure Limit, it will be set equal to the Expenditure Limit. If the LA Sustainability Limit calculation is lower than the Expenditure Limit, the amount of recurring revenue between the two limits may only be appropriated for two purposes: a resident taxpayer payment or constitutional non-recurring uses (as detailed in the revenue section below). These funds, mineral revenue returned to the locals and any use of the Budget Stabilization Fund will not be counted under the LA Sustainability Limit. Finally, if the official revenue forecast is lower, it constrains both the Expenditure Limit and the LA Sustainability Limit.

Note: This instrument does not appear to contemplate a use of monies out of the Revenue Stabilization Fund.

Proposed Law provides that the LA Sustainability Limit may be changed by favorable vote of two-thirds of the elected members of each house, but **the vote to change the LA Sustainability Limit may only occur in years in which funds from the Budget Stabilization Fund were incorporated into the official forecast of the immediately prior fiscal year AND the official forecast for the ensuing fiscal year reflects growth in state general fund revenue relative to the current fiscal year (assumed to be SGF Direct)**. Thus, since a budget deficit is required to access the Budget Stabilization Fund, recovery must already be underway before the legislature is able to consider a vote to access any recurring revenue above the Sustainability Limit for uses other than the restricted purposes.

Proposed Law provides that any proposal by the governor to exceed the LA Sustainability Limit shall be itemized by program and shall constitute a submission by the governor separate and apart from the executive budget.

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}

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