LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HCR 6** HLS 13RS 528
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action: **W/ SEN FLOOR AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 4, 2013 11:12 AM **Author:** MORRIS, JIM
Dept./Agy.:
Subject: Expenditure Limit **Analyst:** Greg Albrecht

BUDGETARY CONTROLS EGF SEE FISC NOTE EX See Note
Reduces the expenditure limit for FY 2013-2014

Current law specifies that the expenditure limit for the ensuing fiscal year shall be the limit for the current fiscal year multiplied by a positive growth factor. The growth factor is defined as the average annual percentage rate of change of personal income for Louisiana for the three calendar years prior to the fiscal year for which the limit is calculated. The U.S. Department of Commerce defines and reports personal income for the state. The limit is calculated once a year at the beginning of the calendar year for use in the ensuing fiscal year. The limit applies to appropriations of 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. The limit for FY14 is $15,686,646,424.
Proposed law establishes the expenditure limit for FY14 at $14,916,140,654 for purposes of calculating the limit for FY15 and thereafter.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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**

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	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

Under current law, the expenditure limit for FY15 will grow from its current FY14 level. This calculation will be done approximately half way through FY14, based on the official release of state personal income estimates by the U.S. Department of Commerce, Bureau of Economic Analysis in late December 2013. Using current projections of those personal income estimates, a projected expenditure limit for FY15 would be $16.264 billion (3.68% growth, $577.4 million growth).

This resolution re-bases the FY14 limit from which the FY15 limit will be calculated. Applying the projected growth rate above, the resolution would result in an FY15 limit projection of $15.465 billion. This projected FY15 limit is 3.68% greater than the re-based FY14 limit required by the resolution, and is some $221 million less than the current FY14 limit and some $799 million less than the projected FY15 limit.

A substantial share of total appropriations are not subject to the expenditure limit (federal sourced funds, higher education tuition, transfers among agencies, etc.), and a projection of those that are subject to the limit is not available for FY15. However, a sense of what the new limit provided by this resolution may allow can be gained by comparing the projected limit for FY15 under this resolution ($15.465 billion) to the appropriations subject to the limit in FY13 ($11.300 billion). That difference is some $4.165 billion, implying 36.8% growth over the two year period from the FY13 appropriations to the FY15 limit projected under the provisions of this resolution.

Thus, this resolution may limit appropriations subject to the limit to roughly 18.3% growth per year over the next two years; from the current year FY13 to the effective year of FY15. After that, appropriations subject to the limit would be allowed to grow on the basis of the three-year moving average of state personal income growth provided in current law. While the resolution allows for substantial appropriations growth, the availability of a large surge of revenue such as from BP oil spill settlements may still close the gap in large part or wholly. In such a case, a 2/3 vote is required to appropriate above the limit (as was done twice in post-Katrina/Rita period, FY07 and FY08)

Appropriations subject to the limit have been relatively stable in recent years at $11.300 billion for FY13, $11.242 billion for FY12, $11.421 billion for FY11, and $11.221 billion for FY10 after peaking at $12.195 billion for FY09.

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) >= $500,000 Annual Fiscal Cost {S}
☐ 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}

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