



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 507** HLS 01- 151
 Bill Text Version: **ENROLLED**
 Opp Chamb Action:
 Sub Bill For:
 Proposed Amd:

Date: July 3, 2001 2:19 PM	Author: DANIEL
Dept/Agy: Executive	
Subject: Authorizes budget adjustments in certain cases (Constl. Amend.)	Analyst: Gordon Monk

BUDGETARY CONTROLS EN SEE FISC NOTE GF EX See Note Page 1 of 2
 (Constitutional Amendment) Authorizes budget adjustments in certain circumstances

The proposed constitutional amendment, to be submitted to the electors at the November 5, 2002 statewide election, will change the manner in which the Governor and the Legislature can deal with deficit situations.

EXPENDITURES	2001-02	2002-03	2003-04	2004-05	2005-06	5 YEAR TOTAL
State General Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					

REVENUES	2001-02	2002-03	2003-04	2004-05	2005-06	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./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 proposed constitutional amendment (along with HB 1019 substantive law proposal) will allow the Governor and the Legislature more flexibility in dealing with deficit budget situations caused by appropriations exceeding the official revenue forecast. The constitutional amendment will authorize reductions of up to 5% of any constitutionally protected or mandated appropriation or allocation if aggregate reductions of .7% are made in State General Fund allocations and appropriations. In addition, the Legislature will be allowed to appropriate up to 5% from constitutionally or statutorily dedicated funds for other expenditures (un-related to the dedication) if the official revenue forecast of recurring revenue for the next fiscal year is at least 1% less than the official forecast of recurring revenue for the current fiscal year. There are exceptions to these grants of general authority discussed below.

Current law allows the Governor to reduce appropriations for any program that is appropriated from a fund that is in a deficit posture. The reduction can not exceed 10% of the amount appropriated from that fund for the budget unit in that fiscal year. The application of SGF budget reductions is now limited to what is typically considered discretionary (non-mandatory) spending areas which make up approximately 36% of the SGF budget. In practice, the preponderance of reductions are applied to budget units in health and social services agencies and education agencies, which make up approximately 36% and 46% respectively, of discretionary spending items. Discretionary expenditure items total approximately \$2.2 billion of the \$6.2 billion SGF budget. Non-discretionary or mandated SGF expenditure items in the budget include such things as state debt service, funds for federal Medicaid match, the Minimum Foundation Program (MFP), and court-order / consent decree expenditures.

With this constitutional amendment, after the Governor reduces SGF appropriations by .7% in the aggregate (trigger cut is approximately \$39.5 million of SGF), up to 5% of any appropriation or allocation can be made, with certain exceptions shown on page two. Such adjustments in the MFP are limited to 1% (\$22.9 million in the current fiscal year) and are not applicable to instructional activities. Excluded from the SGF base are SGF appropriations required by federal law, court order, or contractual agreement.

When the official forecast of recurring revenue for the next fiscal year is at least 1% less than the forecast for the current fiscal year, the Legislature may appropriate, up to 5% from any dedicated funds, even those which are constitutionally or statutorily protected or mandated. This would allow the Legislature to utilize funding from such items **(Continued on page 2)**

REVENUE EXPLANATION:

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

Senate

- 13.5.1 >= \$500,000 Annual Fiscal Cost
- 13.5.2 >= \$500,000 Annual Tax or Fee Change

House

- 6.8(F) >= \$500,000 Annual Fiscal Cost
- 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

Gregory V. Albrecht
CHIEF ECONOMIST



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Table with 2 columns: Field (Date, Dept/Agy, Subject) and Value (July 3, 2001 2:19 PM, Executive, Authorizes budget adjustments in certain cases (Constl. Amend.))

PURPOSE OF BILL (continued from page one) EN SEE FISC NOTE GF EX See Note

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EXPENDITURE EXPLANATION (continued from page one) :

as the State Revenue Sharing Fund and dedicated funding sources such as the Transportation Trust Fund, Riverboat Gaming Enforcement Fund, etc. to fund expenditures in certain circumstances.

The provisions of the proposed constitutional amendment are not applicable to the Bond Security and Redemption Fund or any funds pledged for debt security, severance tax and royalty allocations to the parishes, state retirement contributions, the Louisiana Education Quality Trust Fund, the Millennium Trust, except for appropriations from the Trust, and any monies not required to be deposited in the State Treasury as provided in Article VII, Section 9 of the Constitution.

In addition, the cumulative percentage reduction in constitutionally or statutorily protected or mandated appropriations, allocations or expenditures from any fund may not exceed 5% in any two consecutive fiscal years.

For the purposes of this fiscal note, Executive Budget "yellow pages" were used for FY 00-01 budget amounts and percentages for discretionary/non-discretionary SGF spending.

NOTE: The 1% drop in recurring revenues necessary to trigger some of the provisions of this bill is a relatively small adjustment to the revenue forecast (amounting to a \$65 million to \$75 million change). This is particularly noteworthy in light of the common budget practice of renewing substantial amounts of tax revenue every two years. The current official long-run forecast for FY03 reflects a drop in revenue of \$359 million because of the legal expiration of a number of taxes. The recurring absence of these "renewal" monies might authorize the provisions of this bill on a recurring basis.

REVENUE EXPLANATION (continued from page one) :

Dual Referral Rules

Senate

- 13.5.1 >= \$500,000 Annual Fiscal Cost
13.5.2 >= \$500,000 Annual Tax or Fee Change

House

- 6.8(F) >= \$500,000 Annual Fiscal Cost
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

Handwritten signature of Gregory V. Albrecht

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