

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 34** SLS 09RS 253
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP SEN COMM AMD**
 Sub. Bill For.:

| | | |
|--|---------|---------------------------------|
| Date: May 16, 2009 | 1:40 PM | Author: CHAISSON |
| Dept./Agy.: | | Analyst: Travis McIlwain |
| Subject: Funds - Budget Deficit | | |

FUNDS/FUNDING OR SEE FISC NOTE SD EX Page 1 of 2

Authorizes limited redirection and transfer of funds supporting appropriations and allocations from the state general fund and dedicated funds in certain circumstances. (See Act)

Current law limits the reduction to any constitutionally protected or mandated allocations or appropriations to the lesser of 5% or the amount of the budget deficit, and only when state general fund allocations or appropriations have been reduced by at least 7/10 of 1%, or 0.7% (R.S. 39:75(C)(2)(b)). There is a 1% reduction limit to the Minimum Foundation Program (MFP) with no reductions in instructional activities and an exclusion for certain funds. If the official forecast for the next fiscal year is at least 1% less than for the current fiscal year, 5% of constitutionally protected or mandated allocations or appropriations in the current fiscal year shall be available for general use in the next fiscal year. The 1% limitation associated with the MFP applies in this case, as well. Proposed law changes the allowable reductions in constitutionally protected or mandated allocations or appropriations in both cases above from 5% to 10% within Title 39. Current law provides that in no event shall the cumulative percentage reduction in the constitutionally or statutorily protected or mandated appropriations, allocations or expenditures from any fund exceed 5% in any two consecutive fiscal years. (Cont. on Page 2)

| EXPENDITURES | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>5 -YEAR TOTAL</u> |
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| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
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| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

When the legislature notifies the governor of a current year deficit, this proposed constitutional amendment will allow the legislature to reduce up to 10% of constitutionally protected or mandated allocations or appropriations as opposed to 5%, which is currently within the constitution, to balance a current year budget and modifies the definition of a deficit.

10% Statutory Dedicated Fund Reductions

For example, HB 1 - original has approximately \$3.4 billion of total statutory dedications budgeted for FY 10. To the extent this constitutional amendment existed effective July 1, 2009, if the Joint Legislative Committee on the Budget (JLCB) notifies the governor of an FY 10 deficit during the year and the current appropriation for statutory dedicated funds is \$3.4 billion, the total amount of statutory dedications the legislature could reduce is \$334.2 million, 10%, as opposed to \$167.1 million, 5%. This illustration is likely an overstatement in that the legislature will likely not reduce certain statutory dedications.

Defining a Deficit

Based upon the proposed amendment language, the base year revenue estimate utilized will be the FY 08 adopted revenue forecast. Thus, if approved by the voters, from this point forward the governor and legislature will have the ability to utilize the dedicated fund reduction of 10% or access to the budget stabilization fund because the state will likely be in a defined deficit until the adopted revenue forecast equals or exceeds the FY 08 base revenue projection. Under the current law definition of a deficit, presumably the legislature and governor will likely only be able to utilize the proposed 10% statutory dedicated fund reduction in FY 09 due to the current 5-year revenue forecast increasing.

Repeal R.S. 39:75(F)

This bill will allow the governor and/or legislature additional flexibility in balancing a budget deficit by repealing R.S. 39:75 (F), which repeals the 5% limit on the cumulative percentage reduction in any 2 consecutive fiscal years. To the extent a midyear budget reduction requires the use of all 5% of statutory dedications to alleviate a current year deficit, under current law the ensuing year budget reductions are likely confined to undedicated funds. This measure repeals this limitation.

To reduce the FY 09 deficit, the governor and legislature reduced statutory dedicated expenditure authority in the amount of \$24.4 million, which at the time (January 2009) represented a 0.64% reduction of the total appropriated statutory dedicated budget authority of \$3.8 billion.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. Due to the current constitution defining a deficit based upon a comparison from year-to-year adopted SGF revenue forecast, this bill merely provides for a base adopted revenue forecast to be compared with the current/budget year to determine a budget deficit. The May '08 adopted forecast estimated SGF \$9.9 billion for FY 08, which is the base year. Latest revenue forecast: FY 09 - \$9.36 B, FY 10 - \$8.1 B, FY 11 - \$8.2 B, FY 12 - \$8.5 B, FY 13 - \$8.9 B.

Senate
 13.5.1 >= \$500,000 Annual Fiscal Cost

Dual Referral Rules

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

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CONTINUED EXPLANATION from page one:

This bill repeals the 5% limit on the cumulative percentage reduction in any two consecutive fiscal years and effectively allows a 5% reduction in dedicated funds in any fiscal year or up to the amount of the budget deficit. This proposed legislation will not take effect until Article VII, Section 10(F)(2)(a) and (b) of the constitution, which originated as SB 1 of the 2009 Regular Legislative Session.

Senate Dual Referral Rules
13.5.1 >= \$500,000 Annual Fiscal Cost
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