

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **SB 34** SLS 09RS 253  
 Bill Text Version: **REENGROSSED**  
 Opp. Chamb. Action: **w/ HSE FLOOR AMD**  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> June 25, 2009	10:45 AM	<b>Author:</b> CHAISSON
<b>Dept./Agy.:</b>		<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Funds		

FUNDS/FUNDING REF SEE FISC NOTE SD EX See Note 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)**

<b>EXPENDITURES</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	SEE BELOW					
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>

<b>REVENUES</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	SEE BELOW					
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**

When the legislature notifies the governor of a current year deficit, this proposed legislation 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 statute, to balance a current year budget, excluding all funds derived from fees and assessments from not only the additional 5% reduction this legislation provides for, but also the 5% reduction allowable under current law.

Proposed fund exclusions, as proposed by House amendments, will preclude the state legislature/governor the ability to utilize up to \$36.5 million to balance a projected deficit, which is based upon current law of 5%. However, by increasing the potential reduction from 5% to 10%, the legislature/governor will have an additional \$111.9 million available in FY 10 to balance a potential FY 10 deficit. Included within HB 1 (ENROLLED) is \$3.7 billion budgeted for statutory dedicated funds. Based upon House amendments, approximately \$729.2 million of the \$3.7 billion will presumably be completely excluded from a potential reduction of up to 10%.

See Table below based upon HB 1 ENROLLED with contingencies.

Current Law provides for up to 5% reduction

Total Statutory Dedications	\$3,697,763,849
5% Reduction Available	\$184,888,192

With specific fund exclusions up to 10%

Total Statutory Dedications	\$3,697,763,849
<u>Less: Fee/Assessment Funds</u>	<u>(\$729,201,137)</u>
Adj. Total Statutory Dedications	\$2,968,562,712
10% Reduction Available	\$296,856,271

Essentially these dedicated fund budget authority reductions force a fund balance which is then transferred into the state general fund. The FY 09 Deficit Reduction Plan reduced statutory dedicated budget authority \$24.4 million, while HB 802 of the 2009 Regular Legislative Session will likely direct the state treasurer to transfer those forced fund balances into the state general fund to alleviate the FY 09 deficit. **(Cont. on Page 2)**

**REVENUE EXPLANATION**

This legislation provides for the federal stimulus monies may be included within the adopted revenue forecast. Currently, the state's revenue estimate only consists of state dollars. Presumably, as federal monies are depleted, the overall revenue forecast will decrease, which will allow for the trigger of certain budget balancing items such as the governor's 3% interim budget balancing powers and the 5%-10% reduction in dedicated funds and state general fund, and **(Cont. On Page 2)**

- 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

*H. Gordon Monk*  
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 Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

LEGISLATION EXPLANATION CONTINUED:

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. Proposed legislation provides that any adjustments in excess of 5% shall not be effective unless approved by the Joint Legislative Committee on the Budget (JLCB) and subsequently the legislature by a favorable vote of the majority. Proposed legislation provides for the funding received from the American Recovery and Reinvestment Act of 2009 may be included within the adopted revenue forecast from FY 09 - FY 13. Proposed legislation with House amendments protects all funds derived from fees and assessments from the 10% total potential reduction allowable under proposed legislation. Allowing the governor/legislature the ability reduce dedicated budget authority from 5% to 10% will not take effect until Article VII, Section 10(F)(2)(a) and (b) of the constitution is amended, which originated as SB 1 of the 2009 Regular Legislative Session, is adopted by the voters.

EXPENDITURE EXPLANATION CONTINUED:

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. In addition, this legislation also allows for the state general fund to be reduced an additional 5%, or up to 10%.

This bill with House amendments provides that the federal monies received from the American Recovery and Reinvestment Act of 2009 may be included within the official revenue forecast. Including the federal stimulus monies within the adopted revenue forecast will increase the overall monies available for expenditure, but could also allow for the trigger of certain budget balancing items such as the governor's 3% interim budget balancing powers, the 5%-10% reduction in dedicated funds, and access to the Budget Stabilization Fund in subsequent fiscal years when stimulus monies will be depleted as opposed to this not happening due to projected state general fund forecasts alone. Based upon the latest adopted revenue forecast, state general fund is anticipated to grow from \$8.1 billion in FY 10 to \$8.9 billion in FY 13.

In addition, this bill repeals R.S. 39:75(F), which 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.

REVENUE EXPLANATION CONTINUED:

grant access to the Budget Stabilization Fund (Rainy Day Fund). According to the Division of Administration (DOA), the amount of federal stimulus dollars that could be included within the revenue forecast from FY 10 to FY 12 is as follows: FY 10 - \$1,009,049,805, FY 11 - \$1,006,875,944, FY 12 - \$230,000,000.

SB 1 of the 2009 Regular Legislative Session is the companion legislation to SB 34. SB 1 seeks to amend these similar provisions in the constitution. SB 34 will not go into effect unless the constitutional amendments proposed in SB 1 are approved by the voters.

Senate Dual Referral Rules

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

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