

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 391** SLS 10RS 864
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: **Analyst:** Travis McIlwain
Subject: Funds - Constitutional amendment

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

Constitutional amendment to authorize limited redirection and transfer of funds supporting appropriations and allocations from the state general fund and dedicated funds in certain circumstances. (2/3 CA13s1(A))

The current constitution limits the reduction to any constitutionally protected or mandated allocations or appropriations including the state general fund to 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% (Art VII, Sec 10(F)(2)). There is a 1% limitation on the reduction to the Minimum Foundation Program (MFP) with no reductions in instructional activities. The current constitution provides that 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. In either case (current year deficit or budget year deficit), no fund transfer shall exceed the amount of the deficit. Proposed law changes the allowable reductions in constitutionally protected or mandated allocations or appropriations including the state general fund in both cases above from 5% to 10% and provides that such reduction in excess of 5% shall be approved by the legislature. Proposed law provides This bill provides for submission of the proposed amendment to the voters to be held on November 2, 2010.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The proposed constitutional amendment increases the percentage reduction allowed by the governor/legislature in the current year up to 10% of constitutionally protected or mandated allocations or appropriations including the state general fund as opposed to 5%, which is the existing limit within the constitution, to balance a current year deficit or to make available funds for expenditure in the subsequent fiscal year. This bill increases the interim budget reduction abilities of the governor and the Joint Legislative Committee on the Budget (JLCB) from 5% to 10% of various funds including the state general fund and increases the ability to make additional funds available for expenditure in the subsequent fiscal year to balance a budget deficit. However, the additional 5% reduction must be approved by the legislature by mail ballot.

For illustrative purposes, HB 1 has approximately \$3.64 billion of total statutory dedication and \$8.03 billion of state general fund budgeted for FY 11. To the extent this constitutional amendment is adopted and is effective July 1, 2010, if the Joint Legislative Committee on the Budget (JLCB) notifies the governor of a FY 11 deficit during the year the total amount of statutory dedications the governor/JLCB could reduce is \$364.0 million, or 10%, as opposed to \$182.0 million, or 5%. The total amount of state general fund the governor could reduce is \$802.5 million, or 10%, as opposed to \$401.3 million, or 5%. This illustration is likely an overstatement in that the governor/JLCB will likely not reduce all statutory dedications and that \$3.06 billion of the FY 11 state general fund is associated with the Minimum Foundation Program (MFP), which current constitutional provisions limit to a 1% of total appropriation upon approval of 2/3 vote of the legislature. In addition, the additional 5% reduction within various funds including the state general fund must be approved by the entire legislature by mail ballot.

As stated within the constitution, these statutory dedications cannot take place until 0.7% of the state general fund has been reduced (Article VII, Section 10(F)(2)(a)), or \$56.2 million (FY 11 SGF budget). This constitutional amendment does not modify this 0.7% threshold nor does it impact the governor's unilateral interim budget reduction limitation of 3% of the total appropriation per budget unit (R.S. 39:75(C)(1)(a)).

REVENUE EXPLANATION

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

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

H. Gordon Monk

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Legislative Fiscal Officer