

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 4** HLS 17RS 765
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|-----------------------------------|---------|-------------------------------|
| Date: May 9, 2017 | 8:34 AM | Author: IVEY |
| Dept./Agy.: | | Analyst: Greg Albrecht |
| Subject: Expenditure Limit | | |

BUDGETARY CONTROLS OR SEE FISC NOTE GF EX See Note Page 1 of 1
 Reduces the expenditure limit for FY 2017-2018

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 FY18 is \$14,616,943,593.

Proposed law establishes the expenditure limit for FY18 at \$13,366,943,593 for purposes of calculating the limit for FY19 and thereafter; a reduction of \$1,000,000,000 or 6.8%.

| EXPENDITURES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | \$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 |

| REVENUES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 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

Under current law, the expenditure limit for FY19 will grow from its current FY18 level. This calculation will be done approximately half way through FY18, based on the official release of state personal income estimates by the U.S. Department of Commerce, Bureau of Economic Analysis in late December 2017. Using current projections of those personal income estimates, a projected expenditure limit for FY19 would be \$15.035 billion (2.9% growth, \$419 million growth). This resolution re-bases the FY18 limit from which the FY19 limit is to be calculated. Applying the projected growth rate above (2.9%) to the re-based FY18 limit of this resolution (\$13.367 billion) results in a FY19 limit of \$13.755 billion; some \$1.280 billion less than the projected FY19 limit under current law.

A substantial share of total appropriations are not subject to the 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 FY19. However, a sense of what the new limit provided by this resolution may allow can be gained by comparing the projected limit for FY19 under this resolution (\$13.755 billion) to the appropriations subject to the limit in FY17 (\$12.938 billion). That difference is some \$817 million, implying 5.8% total growth over the two year period from the FY17 appropriations to the FY19 limit projected under the provisions of this resolution.

Thus, this resolution may limit appropriations subject to the limit to roughly 2.9% growth per year over the next two years; from the current year FY17 to the effective year of FY19. 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 some appropriations growth, step-ups in revenue from tax policy changes or economic growth may still largely or entirely close the gap and constrain appropriations. In such a case, a 2/3 vote is required to appropriate above the limit (which has been done twice in the post-Katrina/Rita period, during FY07 and FY08). Appropriations subject to the limit rose some 15% from FY16 at \$12.333B to \$14.188B in FY17, after falling modestly by 0.6% from FY15 at \$12.414 billion to FY16 at \$12.333 billion, growing by 5.6% from FY14 at \$11.758 billion to FY15 at \$12.414 billion, but were relatively stable in years before that at \$11.300 billion for FY13, \$11.242 billion for FY12, \$11.421 billion for FY11, and \$11.221 billion for FY10 after a previous peak of \$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
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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