



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 578** HLS 20RS 631
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 29, 2020 3:15 PM	Author: AMEDEE
Dept./Agy.: Division of Administration	Analyst: Greg Albrecht
Subject: Expenditure Limit	

BUDGETARY CONTROLS OR SEE FISC NOTE GF EX See Note Page 1 of 1
 Provides relative to the expenditure limit

Present law establishes the expenditure limit growth factor as the 3-year average of state personal income growth, with specific computation procedures. The growth factor is applied to the prior year expenditure limit to establish the limit for the ensuing year. Appropriations subject to the limit are 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. Available funds in excess of the limit shall be deposited into the Budget Stabilization Fund (BSF). Changes to the limit require a 2/3 vote. Proposed law establishes the growth factor as the average of (1) the 3-year average growth of private sector employment, and (2) the 5-year average growth of state population. The growth factor can not exceed 6%. Changes in the methodology shall require approval of the JLCB. Contingent upon adoption of the constitutional amendment in HB 524.

EXPENDITURES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Agy. Self-Gen.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Ded./Other	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$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

REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</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	\$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

To assess the potential implications of these proposed changes to the calculation of the expenditure limit, proposed law calculations of the growth factor were projected out for five years under the presumption that the constitutional companion to this statutory bill is adopted in November 2020, and the provisions of this bill are applied to the expenditure limit calculation for FY22 and subsequent years. Projections are taken from the Moodys Analytics April 2020 baseline scenario for the state.

The resulting annual projected growth factors range from negative 0.49% (FY24) to positive 0.82% (FY25). This compares to projections of the current growth factor ranging from 1.98% (FY23) to 4.59% (FY25), with the proposed law growth factors lower than under current law in each year. The growth rates of state population and private sector employment are typically less than personal income growth, and would work to generate proposed growth factors materially below the current law projection. In addition, the average growth projected for these two factors are negative for the FY22 - FY24 periods.

The negative proposed growth factors for FY22 - FY24 mean that the expenditure limit for those years would remain at the level of the existing expenditure limit for FY21 (\$14.353 billion). This dollar limit would be allocated across all appropriations subject to the limit, essentially non-federally sourced state general fund, dedicated funds, and non-higher education fees & self-generated revenue, assuming REC-adopted revenue projections sufficient to support those appropriations were to occur. For budgeting context, the enacted appropriations and interim emergency board anticipated expenditures, subject to the limit for FY20 (\$13.303 billion), at the time of the publication of the State Budget document in October 2019, were some \$537 million below the FY20 limit (\$13.840 billion). This gap can narrow or widen depending on trends in state spending and personal income, as well as occasional re-basing of the limit .

It should be noted that both the current law and proposed law projected growth factors are utilizing projected components that are being heavily influenced by the Covid-19 virus pandemic event. This is likely influencing the level of the two projections with considerable uncertainty, but is not likely to change the relationship between the two projections, in that the proposed law growth factors are still likely to be materially lower than the current law factors.

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}

John D. Carpenter
 Legislative Fiscal Officer