LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **HB 418** HLS 23RS 798
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 5, 2023 4:07 PM **Author:** GEYMANN
Dept./Agy.: Statewide
Subject: Establish the La Sustainability Limit **Analyst:** Alan M. Boxberger

APPROPRIATIONS OR SEE FISC NOTE GF EX See Note
Limits the amount of monies that may be appropriated in a fiscal year

Current Constitution and law require the legislature to provide for the determination of an expenditure limit, prohibits appropriations from the state general fund and dedicated funds from exceeding the official forecast at the time the appropriations are made, establishes timing and content requirements for the governor's annual proposed budget, and prohibits the proposed budget from exceeding the official forecast and the expenditure limit for the fiscal year being appropriated.
Proposed law further establishes, for FY 25 and each year thereafter, a La Sustainability Limit, sets the limit in FY 25, establishes a methodology for setting the limit in subsequent fiscal years, provides for conditions on lowering the limit, provides for recurring revenues recognized above the limit and allowable uses thereof, provides for exclusions from the limit, provides for changes to the limit, restricts appropriations above the limit, and establishes timing and contents of the governor's annual proposed budget. Contingent upon passage of the constitutional amendment proposed in HB 451.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**					**$0**

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

Proposed law would serve to restrict the legislature's ability and flexibility to appropriate the entirety of state revenues available for expenditure beginning in FY 25. Beginning in FY 25, this measure would establish the Louisiana Sustainability Limit for each fiscal year above which appropriation from the state general fund and dedicated funds can only be made (up to the expenditure limit or official revenue forecast) for certain purposes. The limit for FY 25 shall equal the actual appropriations from the state general fund and dedicated funds for FY 23.

Proposed law provides for the calculation of the La Sustainability Limit as the sum of the base plus the result of the base times the positive growth factor. The growth factor shall be the ten-year average percentage rate of change in the state's gross domestic product using the percentage rate of change as defined and reported by the U.S. Department of Commerce for the ten fiscal years immediately preceding the fiscal year in which the limit is calculated. After the initial year, the base shall be the actual appropriations from the state general fund and dedicated funds for the immediately prior fiscal year (a two year look back from the budget year). In any year that the sustainability limit may exceed the expenditure limit, it shall be reduced to equal the expenditure limit.

See expenditure explanation continued on page two.

REVENUE EXPLANATION

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

When certain conditions are met, revenues collected above the La Sustainability Limit may only be appropriated for the following purposes: a state sales tax rebate to taxpayers if the legislature has established by law qualifications for, calculation of, and procedures for implementation of the rebate, or for any purpose for which nonrecurring revenue may be appropriated pursuant to La Constitution Art. VII, § 10(D)(2), such as retiring or defeasance of bonds, providing payments against the unfunded accrued liability of the public retirement systems, capital outlay projects, the Budget Stabilization Fund, the Coastal Protection and Restoration Fund, or for new highway construction for which federal matching funds are available.

In situations where a state income tax credit is authorized by the legislature, proposed law establishes the Excess Revenues Return Fund and the mechanism for calculating any tax credit awarded. Monies in the fund are to be used to offset any decrease in ensuing fiscal year revenue collections due to use of current year amounts in excess of the limit. The legislature

See revenue explanation continued on page two.

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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Interim Deputy Fiscal Officer

CONTINUED EXPLANATION from page one:

Expenditure Explanation continued from page one.

Recurring revenue amounts recognized in the official forecast above the La Sustainability Limit and below the expenditure limit may only be appropriated for certain purposes (as detailed in the revenue section below). The La Sustainability Limit shall not apply to the appropriation of funds from the Budget Stabilization Fund incorporated into the official forecast for the current fiscal year.

Proposed law requires the Secretary of the Department of Revenue (LDR) to submit to the JLCB prior to September 1st following the passage of a legislative instrument evidencing intent to grant a tax credit a calculation of the amount that would be due to each qualified individual if the money were distributed on a pro rata basis (dividing the total amount of revenue to be offset by the credit by the total number of qualified individuals as of the immediately prior tax year). If the result of the certified calculation is less than or equal to $15, each qualified individual filing a state tax return for the taxable year in which the calculation was performed shall receive a nonrefundable income tax credit equal to the certified amount, or double that amount for two individuals filing jointly. If the result is greater than $15, the nonrefundable state income tax credit shall be awarded to individual filers as designated percentages of the certified amount within certain income tax tiers:

- 25% of the certified amount for adjusted gross income (AGI) less than or equal to $25,000.
- 23% for AGI from $25,001 to less than $50,000.
- 19% for AGI from 50,000 to less than $75,000.
- 12% for AGI from $75,000 to less than $100,000.
- 11% for AGI from $100,000 to less than $125,000.
- 10% for AGI equal to or greater than $125,000.

NOTE: It appears that the credit mechanism does not distribute the entirety of the set aside, with only a percentage of the certified amount in excess of $15 being refunded to the taxpayer in each AGI category.

The Secretary of LDR shall promulgate rules as necessary to implement the provisions of proposed law.

The LFO anticipates LDR would incur operating expenses of $92,040 in any fiscal year for which a tax rebate is authorized associated with programming, testing and system development costs to revise the tax obligations of individuals to determine the amount of the authorized credit. LFO believes that the department can potentially absorb this amount within its current budget but may require additional resources if the aggregate impact of all bills enacted during any session is substantive. The two year carryforward provision may require additional workload and the uncertainty whether the activity may occur in some years but not others may create budgetary and operational planning hurdles.

Creating a new statutory dedication (Excess Revenues Return Fund) within the state treasury will result in a marginal workload increase for the Department of Treasury, which can generally be absorbed within existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be additional material costs associated with the aggregate effort to administer these funds. The Treasury performs fund accounting, financial reporting, banking, and custodial functions for 436 special funds. When unable to absorb additional workload with existing resources, the Treasury anticipates that it will be required to add one T.O. position at a total personnel services cost of approximately $78,000 plus approximately $2,450 for a one-time purchase of new office equipment. These expenditures are assumed to be SGR in this fiscal note.

Revenue Explanation continued from page one.

shall deposit into the Excess Revenues Return Fund an amount equal to the amount specified to be offset by the credit. Any unobligated balance in the return fund on July 30 of any year shall be transferred to the state general fund on that date.

Proposed law provides that the rebate amount need not be proportional to state sales taxes paid when prior payments are impractical to identify or return. The legislature may provide by law for the rebate amount to be applied against state income tax liability as a nonrefundable credit. Proposed law defines a "qualified individual" for purposes of a rebate as: a natural person domiciled in the state for the entire taxable year preceding the year in which the return fund monies are distributed AND who has state income tax liability for that year, as well as providing for the estate of any citizens who may die during the same time period. Proposed law excludes any individual that was incarcerated for a total of 180 days or more during the taxable year preceding the return distribution.