LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 571** HLS 20RS 241
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date:	April 28, 2020 3:21 PM	**Author:**	MIGUEZ
Dept./Agy.:	Division of Administration		
Subject:	Expenditure Limit	**Analyst:**	Greg Albrecht

BUDGETARY CONTROLS OR SEE FISC NOTE GF EX See Note
Provides for changes in the expenditure limit calculation

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 state personal income, (2) the 3-year average growth of state gross domestic product, (3) the 3-year average growth of the CPI for the South Region, and (4) the 3-year average growth of state population. The growth factor can not exceed 6%. The provision to deposit excess funds into the BSF is repealed. Revisions to methodology require JLCB approval. Contingent upon adoption of the constitutional amendment in HB 528.

EXPENDITURES	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**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	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**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

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. Projected CPI growth reflects the nation as a whole rather than the only the Southern Region. This should not make a material difference in the calculated projections, and may work to overstate the proposed law results slightly.

The resulting annual projected growth factors range from 0.93% (FY23) to 3.37% (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, by approximately half to three-quarters of the current law factors. While state gross domestic product growth is often comparable to personal income growth, CPI growth and especially state population growth are less than personal income growth, and work to pull the proposed growth factors materially below the current law projection.

The lower proposed growth factor for FY22 (1.49%) would be applied to the existing expenditure limit for FY21 ($14.353 billion) to establish the limit for FY22 ($14.567 billion), dollar growth of $214 million. This dollar growth 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	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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