# LEGISLATIVE FISCAL OFFICE
## Fiscal Note

Fiscal Note On: **HB 220** HLS 11RS 328
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

**Date:** June 11, 2011 9:54 AM
**Author:** GEYMANN
**Dept./Agy.:**
**Subject:** Expenditure Limit
**Analyst:** Greg Albrecht

BUDGETARY CONTROLS OR SEE FISC NOTE EX See Note 

Limits the growth factor used to determine the expenditure limit to three percent

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.

Proposed law limits the expenditure limit growth rate to no more than 3%.

Effective upon adoption of the constitutional amendment contained in HB 211 of this session, that is to be submitted at the statewide election on October 22, 2011.

| **EXPENDITURES** | **2011-12** | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **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 | $0 | $0 | $0 | $0 | $0 | **$0** |
| **Annual Total** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |

| **REVENUES** | **2011-12** | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **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**

This change seems likely to limit the expenditure limit growth rate to a maximum of 3% each year. In all years except one, since calculations of the growth rate first began for FY93, the calculated growth rate has exceeded 3%. Only the calculation for FY07, reflecting the effect on personal income in the second half of 2005 from hurricanes Katrina and Rita, resulted in a growth rate lower than 3%; it was 1.94% for that fiscal year. Even during the latest recession, only the state personal income growth for 2009 was negative, and all three years that will utilize that year's growth in the averaging process will still likely result in growth rates in excess of 3%.

While this change is likely to limit the expenditure limit growth rate, it may not constrain appropriations subject to the expenditure limit for the foreseeable future. The expenditure limit dollar base (which will grow at no more than 3% per year under this proposal) is already substantially greater than current appropriations subject to the limit. For example, the FY11 appropriations subject to the limit were some $2.983 billion below the FY11 limit. Only a dramatic step-up in appropriations (as occurred after the Katrina/Rita events) or a legislated downward re-basing of the level of the expenditure limit (as allowed in current law) would allow the maximum growth rate proposed in this bill to be a potential constraint on appropriations subject to the limit in the foreseeable future. Steady growth in appropriations at rates greater than 3% would eventually provide a constraint, but only after several years.

**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 >= $500,000 Annual Fiscal Cost {S}
  6.8(F)2 >= $100,000 Annual SGF Cost {H&S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

H. Gordon Monk

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**Legislative Fiscal Officer**