



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 573** HLS 16RS 639
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: April 27, 2016	1:32 PM	Author: BACALA
Dept./Agy.:		
Subject: Authorizes certain budget reduction actions to avoid deficit		Analyst: Alan M. Boxberger

STATE AGENCIES EG DECREASE GF EX See Note Page 1 of 1
(Constitutional Amendment) Authorizes certain budget reduction actions to avoid a deficit if a deficit has been projected

Present Constitution provides for the Revenue Estimating Conference developing the official forecast of state revenue available for appropriation and requires the legislature to provide by law for procedures to determine if appropriations will exceed forecasted revenues and methods of adjusting appropriations to eliminate the projected deficit. Proposed constitutional amendment additionally authorizes the governor, subject to JLCB approval if the legislature is not in session or the legislature by law if it is in session, to reduce the salary of all persons holding elective or appointive state positions and all state government employees by up to 1%. Proposed constitutional amendment provides that such actions remain in effect until the end of the fiscal year or as otherwise provided by the action, and requires that savings realized shall be retained in or transferred to the SGF and used to reduce or eliminate the current year deficit with excess amounts available to offset deficits in the next fiscal year.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	DECREASE	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	\$0	\$0	\$0	\$0	\$0
Federal Funds	DECREASE	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	\$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

EXPENDITURE EXPLANATION

Proposed constitutional amendment may result in a decrease in personal services expenditures from all MOF of approximately \$34-\$35 M in the event of a recognized budget deficit. This fiscal note illustrates one potential recognized deficit in FY 17 in the expenditure table above. To the extent that a recognized deficit occurs in any year, the impact would be similar to the example reflected above.

To the extent that a budget deficit should trigger the provisions of proposed constitutional amendment, the Department of State Civil Service reports that a 1% reduction of all employee salaries in FY 17 would equal approximately \$32.9 M in the personal services expenditure category. State Civil Service also assumes that the pay rate of all WAE (while actually employed) employees would be similarly impacted, resulted in an additional potential savings of \$946,925. Likewise, the legislature reported that employees and elected officials within the legislative branch would contribute an additional savings of approximately \$251,080. The LFO assumed the judicial branch would be similarly impacted by proposed constitutional amendment, resulting in an additional unknown potential for salary savings. The combined potential savings from the three branches of government reported above would generate approximately \$34-\$35 million in combined salary savings.

The LFO is not able to accurately estimate the savings by means of financing (MOF). However, for illustrative purposes assuming the ratio for the means of financing as depicted within the FY 16 Existing Operating Budget as of 12/1/15 is applicable, and assuming that this ratio would continue in subsequent fiscal years, the savings by MOF assuming a total \$34 million reduction would be approximately: \$10.98M SGF (32.3%), \$4.97M SGR (14.62%), and \$5.28M statutory dedication (15.52%). The balance would be comprised of Federal Funds at \$12.77M (37.56%) and unavailable for re-appropriation. The potential amount available to address a projected deficit or appropriate toward a projected deficit in the subsequent fiscal year would be approximately \$21.23 M (SGF + SGR + Stat Deds).

As a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments and statewide propositions for the fall statewide elections. To the extent the ballot includes more than 10 constitutional amendments and statewide propositions, the Secretary of State may require additional resources for the November 8, 2016 statewide election.

REVENUE EXPLANATION

Proposed constitutional amendment provides that potential savings generated under the provisions of this instrument will be retained in or transferred to the SGF to address current year budget deficits while any balances in excess of the amount needed to eliminate the deficit may be appropriated in the next fiscal year. To the extent that any such balance were created, SGF revenues available for expenditure in the subsequent year may increase accordingly from fund balance transfers between fiscal years. For illustrative purposes, this fiscal note assumes that a recognized FY 17 deficit would result in an increased SGF deposit in FY 18 (equal to state-funds savings from FY 17).

Senate

☐ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

Dual Referral Rules

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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