

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 584** HLS 16RS 959
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 20, 2016 6:16 AM **Author:** SCHRODER
Dept./Agy.: **Analyst:** Alan M. Boxberger
Subject: Provides for additional budget reduction authority

BUDGETARY PROCEDURES OR SEE FISC NOTE SD EX Page 1 of 1
 (Constitutional Amendment) Provides for additional authority for the governor and legislature to reduce budgets if there is a projected deficit

Present Constitution provides for a procedure for adjusting appropriation if there is a projected deficit in any fund. Present Constitution provides for adjustment to constitutionally protected or mandated allocations or appropriations, and transfer of such monies to the fund in a projected deficit, not to exceed 5% when state general fund (SGF) appropriations have been reduced in an aggregate amount of 7/10 of 1%. Present Constitution further provides for adjustment to constitutionally protected or mandated allocations or appropriations, and transfer of such monies to the fund in a projected deficit, not to exceed 5% when the official forecast of recurring revenues for the next fiscal year is at least 1% less than the official forecast for the current year. Proposed Constitutional Amendment increases the maximum amount of adjustments from 5% to 10% and further clarifies that the adjustments may include fees and self-generated revenues (SGR) for each budget unit. Provides for submission of the proposed amendment to the voters at the statewide election to be held November 8, 2016.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

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

EXPENDITURE EXPLANATION

Proposed Constitutional Amendment would provide executive and Joint Legislative Committee on the Budget (JLCB) authority to reduce appropriated amounts of statutory dedications and self-generated revenues (SGR) in the event that the official forecast for recurring revenues for the next fiscal year is at least one percent less than the official forecast for the current fiscal year. While statutory dedications are included for potential reduction in the present constitution, the proposed amendment will add SGR to the means of finance allowable for reduction. Proposed Constitutional Amendment also increases the amount that can be reduced with executive and JLCB approval from 5% to 10% and establishes the base reduction for SGR at 10%. Funds so reduced shall be employed to avoid a budget deficit in the subsequent fiscal year.

For illustrative purposes, the current General Appropriations Bill (HB 1) has a recommended appropriation exceeding \$6 billion in SGR and statutory dedications. A 10% reduction would accommodate over \$600 million in reductions available for consideration by the governor and JLCB. As the current constitution allows a 5% reduction of dedications, and by some legal interpretations 5% of SGR, the proposed amendment would increase the potential reduction amount by \$300-\$450 million over existing authority. The Division of Administration and the LFO assume the actual amounts available for reduction would be less than this total once policy decisions excluded some of the potential reductions.

The proposed constitutional amendment will be considered by voters at the statewide election to be held on October 8, 2016. The Secretary of State may incur minimal ballot printing costs associated with this measure. 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 SGF resources for the November 8, 2016, statewide election.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure. If in the event the official forecast for recurring revenues for the next fiscal year is at least one percent less than the official forecast for the current fiscal year, proposed Constitutional Amendment would provide executive and JLCB authority to reduce appropriations in statutory dedications and SGR by a maximum of \$300-\$450 million and that amount would be available to offset revenue reductions in the subsequent fiscal year.

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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