

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 562** HLS 20RS 582
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|---|-----------------------------------|
| Date: April 22, 2020 6:03 AM | Author: EDMONDS |
| Dept./Agy.: Statewide | Analyst: Alan M. Boxberger |
| Subject: Provides for allocation of expenditures | |

BUDGETARY PROCEDURES OR SEE FISC NOTE GF EX Page 1 of 1
 Provides relative to the allocation of expenditures of the state operating budget

Present law requires the executive budget supporting document to include expenditures for each agency, itemized by category; requires the General Appropriation Bill and the bill appropriating funds for ancillary expenses of state government to include the allocation of expenditures by category for all state agencies except those in higher education and the Health Care Services Division; and authorizes the commissioner of administration to review and approve the initial allocation of expenditures of each appropriation for a fiscal year. Proposed law requires that the amount included in the supporting document in the personal services category shall be the initial amount allocated in the bills for personal services for the ensuing fiscal year; requires the commissioner to review and approve the initial allocation; specifies that the allocation of expenditures is for the categories contained in the General Appropriation Act and the act appropriating the ancillary expenses of state government; and prohibits any changes in expenditures or any transfer of expenditures in or out of the personal services expenditure category from exceeding 10% of the agency's initial allocation to the personal services expenditure category for the fiscal year. Proposed law is effective July 1, 2020.

| EXPENDITURES | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 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 | | | | | | |
| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The provisions of proposed law may create an indeterminable impact on the state's ability to adjust budget appropriations and allocations outside of legislative sessions (noted as SGF only for purposes of this fiscal note although all means of finance may be affected). Proposed law specifies that the General Appropriation and Ancillary Appropriation Bills shall be filed so as to match the amount allocated in the executive budget supporting document for personal services for the ensuing fiscal year. Additionally, the commissioner shall review and approve the initial allocation of expenditures by expenditure category contained in the General Appropriation Act bill and the act appropriating funds for ancillary expenses of state government for each appropriation for a fiscal year. NOTE: Legislative amendments as adopted into the appropriation bills historically do not always specify an expenditure category, but appropriate expenditures will require a personal services designation in the future in order to permit an accurate initial allocation by the commissioner.

Proposed law further specifies that any change in expenditures, or transfer of expenditures in or out of the personal services expenditure category shall not exceed ten percent of the agency's initial allocation to the personal services expenditure category for the fiscal year. This provision will restrict movement of appropriation authority in or out of the personal services expenditure category through the EB process, if such movements would exceed 10% of the personal services amount established as of the initial appropriation. This provision would also impact budget adjustments by the established BA-7 process, wherein mid-year budget adjustments are executed at the direction of the commissioner of administration with or without the approval of the Joint Legislative Committee on the Budget as appropriate and provided for in present law. The LFO assumes that the full legislature could effectuate transfers or changes in excess of 10% during the regular legislative session, through a supplemental appropriation bill for example, as an expression of legislative will and intent. However, proposed law seems to essentially prohibit any such transfers in excess of 10% through all other mechanisms. In select cases, this may prohibit processing BA-7s to accept federal grant awards in smaller agencies.

For informational purposes, the Division of Administration reports that if proposed law were in effect in FY 20, three agencies would have been impacted to date that realized approved BA-7s and/or EB adjustments that changed the personal services category by 10% or more. In FY 19, seven agencies would have been impacted and in FY 18, one.

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) >= \$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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