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FISCAL IMPACT STATEMENT

LS 7443

BILL NUMBER: HB 1663

NOTE PREPARED: Jan 11, 2003

BILL AMENDED:

SUBJECT: Appropriation Limitations.

FIRST AUTHOR: Rep. Noe

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill revises the formula for determining the state spending cap to be 99% of available general revenue. It voids general appropriations whenever total appropriations exceed 99% of available general revenue. The bill voids the appropriations made by a major budget bill whenever the bill or its conference committee report fails to include certain disclosures concerning the amount of spending being proposed by the General Assembly.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Expenditure Limits:* This bill establishes an appropriation limit based on revenue projections by the Budget Agency. The General Assembly may authorize an appropriation that exceeds the appropriation limit if the appropriation bill is adopted by a 2/3 majority of the members of both the House and Senate.

The bill repeals the expenditure limits set out in P.L. 192-2002ss for fiscal years beginning after June 30, 2005. P.L. 192-2002ss established a maximum annual percentage change for state government expenditures to be based on the percentage change in Indiana non-farm personal income over the last six calendar years or 6% beginning in FY 2006. The expenditure limit for FY 2004 and FY 2005 is 3.5%.

This bill applies to appropriations beginning in FY 2006. According to the July 11, 2002, *Reserve Statement*, FY 2003 budgeted appropriations are \$10,793.3 M and the expenditure limit would have been estimated to be \$10,417.3 M (based on 99% of FY 2003 revenue of \$10,522.6 M). If the bill applied to FY 2003, then appropriations would have had to be reduced by about \$376.0 M.

The December 2002 revenue forecast projects an 8.2% increase in General Fund and Property Tax Replacement Fund revenue for FY 2004 due to increased gaming and sales taxes, and a 4.7% increase for FY 2005. The projected percentage increase in revenue adjusted for the tax increases passed by the 2002 General Assembly is 3% for FY 2004 and 4.5% for FY 2005. There is no official forecast of revenue collections for FY 2006 and beyond. No projections are currently available for FY 2006 and FY 2007.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Expenditure Limits:* Distributions of state revenue to local units of government are dependent on the disposition of state appropriations.

State Agencies Affected: Attorney General's Office, State Budget Agency, General Assembly, Treasurer of State, All state agencies funded by the General Fund.

Local Agencies Affected: All.

Information Sources: *GF & PTRF Statement of Combined Estimated Unappropriated Reserve*, July 11, 2002 - State Budget Agency; December 18, 2002, *State Revenue Forecast* - Revenue Forecast Technical Committee.

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