ADVISORY GROUP ON_____Efficiency and Benchmarking____________PROPOSAL#:_____AGEB # 21____________
SUBJECT:____State Spending Limit____________________________DATE ADOPTED BY ADVISORY GROUP:___10-6-09________
COMMISSION ACTION:________________________________ DATE:____________________

RECOMMENDATION: To provide, by statute, for a Louisiana spending limit identical to the Oregon spending limit, known as the Oregon kicker law, with the exception that, under the Louisiana spending limit, excess revenues would first be deposited into the Louisiana Budget Stabilization Fund (the Rainy Day Fund) until that fund reaches its cap before any rebates are returned to individual or corporate taxpayers. The spending limit shall be cancelled or overridden in a particular year only by a two-thirds vote of the Louisiana Legislature, which shall be subject to veto by the governor.

Summary Description/Nature of Change	Key Implementation Responsibilities	Need	Action Needed	Benefit/Saving	Done/Study
To provide, by statute, for a Louisiana spending limit identical to the Oregon spending limit, known as the Oregon kicker law, with the exception that, under the Louisiana spending limit, excess revenues would first be deposited into the Louisiana Budget Stabilization Fund (the Rainy Day Fund) until that fund reaches its cap before any rebates are returned to individual or corporate taxpayers. The spending limit shall be cancelled or overridden in a particular year only by a two-thirds vote of the Louisiana Legislature, which shall be subject to veto by the governor.	Legislature	To save money by setting stricter spending limits on state government. In addition, the spending limit will direct more revenues into the Budget Stabilization Fund and will possibly refund revenues to individual and corporate taxpayers.	Statutory amendment		

Five states have laws providing for a spending limit with a mechanism to return revenue above a designated target to taxpayers. These states are Oregon, Florida, Michigan, Missouri and Colorado.

The Oregon spending limit, commonly referred to as its "kicker law," is established in the Oregon Constitution. It is a tax rebate program through which a rebate is given to both individual and corporate taxpayers when actual revenue in a fiscal year exceeds the forecast revenue by more than 2%. The amount rebated is the excess above 2%. Stated otherwise, Oregon refunds excess revenue to taxpayers when actual general fund revenues exceed the forecast amount by more than 2%. Oregon's kicker law applies separately to corporations and individuals. If revenues from the corporate income tax exceed their forecast by more than 2%, all revenue in excess ofthe forecast is refunded to corporations. If revenues from all other general fund sources, including personal income tax, exceed their forecast, the excess is refunded to individuals through the personal income tax program. In some years, rebates may be made to corporations but not individuals, and vice-versa. The rebates are not given in the form of tax credits; the Oregon Department of Revenue distributes the rebate in what is known to Oregonians as a kicker check.

The purpose ofthe Oregon kicker law is to limit spending from the state's general fund and to prevent the state from adding recurring expenditures to its budget in economic booms for which there will not be revenue during economic downturns. Voters overwhelmingly approved the law in 1980, but the first kicker rebate did not occur until 1985 when actual revenue exceeded the forecast revenue by 7.7%. The kicker was triggered again in 1987, 1995, 1997, 1999, 2001 and 2007. Oregon's kicker law was placed in its constitution in 1999 by vote ofthe people, with 62% of the voters in favor. The Oregon kicker law is administered through its corporate and personal income tax programs because Oregon relies more heavily on the income tax than any other state relies on a single revenue source; income taxes generate 75% of the money in Oregon's general fund. The Oregon legislature may vote to cancel either the corporate kicker rebate or the individual kicker rebate in a given year.

The Louisiana Streamlining Government Commission recommends to the governor and the Louisiana Legislature that Louisiana law be changed to provide, by statute, for a Louisiana spending limit identical to the Oregon spending limit, known as the Oregon kicker law, with the exception that, under the Louisiana spending limit, excess revenues would first be deposited into the Louisiana Budget Stabilization Fund (the Rainy Day Fund) until that fund reaches its cap. The Commission further recommends that the Louisiana spending limit shall be cancelled or overridden in a particular year only by a two-thirds vote ofthe Louisiana Legislature, which shall be subject to veto by the governor.