

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 846** HLS 20RS 1337
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 19, 2020 3:30 PM	Author: WRIGHT
Dept./Agy.: Economic Development	Analyst: Greg Albrecht
Subject: Competitive Projects Payroll Incentive Program Covid-19	

TAX/TAX REBATES RE DECREASE GF RV See Note Page 1 of 1
 Establishes a Competitive Projects Payroll Incentive Program rebate for COVID-19-impacted businesses

Proposed law also creates a new payroll subsidy for Covid-19 impacted businesses operating on March 13, 2020 and classified as retail trade (NAICS codes 44 & 45) and accommodation and food service (72). Six percent of payroll associated with at least 5 hires/rehires between May 15, 2020 and December 31, 2021 is rebated to participating firms for as long as 5 years. Hires/rehires must be paid at least federal minimum wage, with at least \$40,000 of associated annual payroll.

EXPENDITURES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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>	\$0
Annual Total						

REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The new Covid-19 Impacted Business Program is likely to require additional personnel and associated costs. While LED will have to assess the potential resources required, the large number of potentially eligible firms makes it likely that additional resources will have to be provided in order to adequately administer the new program.

REVENUE EXPLANATION

The new Covid-19 Impacted Business payroll subsidy program could result in substantial state revenue losses. The pool of potentially eligible firms and hires/rehires is large. Workforce Commission data for the third quarter of 2019 indicates some 18,000 retail trade employer units in the state with over 221,000 employees, and over 11,000 accommodation and food service employer units with over 207,000 employees. Through May 9, 2020, approximately 32% of retail trade employees and 62% of accommodation & food service employees statewide had filed for unemployment compensation. Approximately 38,700 retail trade employees and 70,500 accommodation & food service employees were receiving unemployment compensation by that point. These counts are likely to continue rising for some time, but will eventually decline as the coronavirus pandemic recedes. That decline will be reflected in hiring/rehiring of employees regardless of this new subsidy. The extent of successful participation in this new program is speculative, but given the size of the potentially eligible pool of firms and employees, state revenue losses could be substantial; likely several millions of dollars per year. This is illustrated with simple assumptions: each 10% participation cohort of the current employee pool, paid \$7.25/hour for 35 hours per week for 52 weeks, could result in \$8.6 million of state 6% payroll cost exposure. Various realities will influence actual state costs such as the ultimate size of the pool of potential eligible employees (likely to be larger than discussed here), required compensation at the federal minimum wage exclusive of tips, bonuses, and commissions (some may be paid less than \$7.25/hr), the attainment of at least 5 hires/rehires, their length of employment, and \$40,000 of associated annual payroll (relatively low \$8,000/yr average at a 5 employee count, and roughly 1.5 years to attain), and the actual pace and intensity of hiring/rehiring as the economy reopens and recovers from the pandemic closures.

As a note, the program provides payments to firms, which are paid from current tax collections without appropriation.

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}

John D. Carpenter
Legislative Fiscal Officer