LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 611** SLS 10RS 892
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 24, 2010 1:09 PM
Author: DORSEY
Dept./Agy.: Revenue
Subject: Tax Increment Financing
Analyst: Greg Albrecht

SPECIAL DISTRICTS EN DECREASE GF RV See Note
Provides relative to the River Park Development District (gov sig)

Authorizes the creation of a new tax increment financing district in Baton Rouge, the River Park Development District, generally encompassing mostly undeveloped land running north along the riverside from the Hollywood Casino, with precise boundaries specified in the bill. Specifies the make up of a governing board, its operations, and its powers, including the power to issue debt and levy certain taxes. The District can create subdistricts within its boundaries, each with the same powers as the District. The District can dedicate local and state sales taxes within the district to the development projects of the district (state sales tax participation is authorized by reference to R.S. 33:9038.34). State tax participation is limited to the same extent as the local tax, subject to a cooperative endeavor agreement with the state and approval by the Joint Legislative Committee on the Budget (JLCB), with any bonding subject to approval of the State Bond Commission. State sales tax increments dedicated back to the district can not be used to construct or operate any privately-owned hotel within the district, without the consent of the JLCB. Effective upon governor's signature.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	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	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	$0	DECREASE	DECREASE	DECREASE	DECREASE	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	INCREASE	INCREASE	INCREASE	INCREASE	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	DECREASE	DECREASE	DECREASE	DECREASE	**$0**
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.

REVENUE EXPLANATION

The bill precisely defines the boundaries of the district and does not appear to encompass any existing business activity generating affected state and local tax receipts (the tracts encompassing the Hollywood Casino land-side facilities have been removed from the bill). While there may be no existing baseline activity within the district itself, the bill will still eventually result in a diversion of state and local taxes from competing businesses outside the district when business(s) within the district begin operating. The level of tax collections and future growth of those collections that will be diverted are not specifically known at this time. The time required to complete development projects suggests that revenue impacts during FY11 are unlikely.

Tax increment financing (even in currently undeveloped districts) results in net revenue reductions to the existing tax recipient bodies (local and/or state) in various ways: (a) it diverts existing tax growth away from its current uses and toward the uses of the financing district, or (b) it diverts economic activity and the consequent tax revenue from areas outside the district to within the district, or (c) it encompasses areas that are currently experiencing economic growth or will experience growth and dedicates the tax resulting from that growth. The economic activity that generates much of the various kinds of sales tax collections (retail sales of goods, food & entertainment services, hotel occupancy services etc.) is largely an indication or symptom of a community's growth & development and not a cause of that growth & development. That growth & development is part of the expected baseline of future activity, in the aggregate if not in the specific district area. Dedication of the consequent revenue growth or increment generated in the district is a loss to its existing uses and a gain only to the narrow confines of the increment financing district. Thus, the table above depicts decreases in expected local and state revenue baselines and an increase in the revenue dedicated to the new increment financing district. This logic appears to be supported by a House floor amendment that prohibits the use of state sales tax increments associated with this district for the costs of construction or operation of any privately-owned hotel located in the district, without JLCB consent.

For information purposes, according to the Louisiana Department of Revenue (LDR), there are eight districts in the state that are currently receiving state tax increments. The state remitted approximately $9.6 million in state sales taxes back to these districts as a whole in calendar year 2009; an average of $1.2 million per district, ranging from $561,000 to $2.9 million. However, the amount and timing of any specific revenue dedicated as a result of the district created by this bill will depend on the specifics of this particular district.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost		[x] 6.8(F) >= $100,000 Annual SGF Cost
[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease

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