

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 456** HLS 11RS 959
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **w/ SEN COMM AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 8, 2011	10:29 AM	Author: MORENO
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Includes residential elements in the Enterprise Zone Act		

ECONOMIC DEVEL/ENT ZONE RE1 -\$1,400,000 GF RV See Note Page 1 of 1
 Extends the La. Enterprise Zone Act to include transit-oriented multifamily developments

Under current law, the Enterprise Zone program offers a contract which includes a \$2,500 income tax credit per eligible job and either a state and local sales tax rebate on construction costs or an income tax credit of 1.5% of qualified capital expenditures. Residential developments are not eligible for enterprise zone benefits. Proposed law allows the residential portion of a transit-oriented development to be eligible for the Enterprise Zone program if it meets specific qualifiers, such as including 90-175 permanent dwelling units and filing an advanced notice between July 1, 2011 and January 1, 2012. The project must also be a transit oriented development defined as apportioned with at least 50% multi-family residential and at least 30% commercial or retail on one contiguous site located within a quarter mile of a multi-modal transit center. At least \$10 million in qualifying capital expenditures is required. Certification of revenue neutrality by the Division of Administration and the Legislative Fiscal Office for the entire Enterprise Zone program must be presented to the secretary of the Department of Revenue before September 1, 2011, or the program is no longer in effect.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	(\$853,133)	(\$576,367)	SEE BELOW	(\$1,429,500)
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	\$0	\$0	(\$853,133)	(\$576,367)	\$0	(\$1,429,500)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

This legislation will reduce state general fund revenue collections by qualifying certain multifamily residential components of projects for the Enterprise Zone program (the commercial and retail components of projects are already eligible for the program). In the legislation, a multi-modal transit center is defined as a public transit stop or exchange that includes no less than three modes of public transportation including bus, streetcar, rail, ferry or water taxi. This requirement will likely apply to the New Orleans downtown area and targets the South Market District proposed development in New Orleans.

According to data provided by the South Market District and verified by the Department of Economic Development, the project will qualify for an estimated \$1.4 million in subsidies once it becomes operational in FY 13/14 by taking advantage of the job credits based on 21 jobs (\$52,500) along with a 1.5% investment credit (\$1.38 million) over two years. Total cost to the state over the two years of qualification for this project under this scenario is \$1.4 million.

The Department of Economic Development initially calculated that this project is eligible for a greater amount of benefit if it opted for the sales tax rebates rather than the investment tax credit. Total cost to the state over the two years of qualification for this project under that scenario is \$4.7 million. However, LED also points out that the entity developing the project has opted for the investment tax credit for three other projects due to its ease of use compared to the documentation necessary to obtain all the sales tax benefit that is available.

According to Revenue Department data, Enterprise Zone jobs credits and sales tax rebates or investment credits have grown from \$17.7 million in FY06 to \$109.4 million in FY10. With the provision in this bill that the Division of Administration and the Legislative Fiscal Office must certify revenue neutrality before September 1, 2011, it is possible that the program could no longer be in effect by September 1, 2011, if revenue neutrality is not possible. In this case, presumably general fund revenue would increase beginning in FY 12.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	 Gregory V. Albrecht Chief Economist
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	
		<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	