LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 567** SLS 12RS 903
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: March 25, 2012 3:52 PM
Author: RISER
Dept./Agy.: Economic Development / Revenue
Subject: Corporate Headquarters Relocation Reimbursements
Analyst: Greg Albrecht

ECONOMIC DEVELOPMENT OR DECREASE GF RV See Note
Creates the Corporate Headquarters Relocation Program. (7/1/12)

Provides reimbursement of relocation or expansion costs of business headquarters. Reimbursements are 25% of costs and are paid in five equal annual installments. Eligible costs include capital expenditures for a facility and equipment, leasing costs, and personnel relocation costs. Firms are invited to participate in the program largely at the discretion of the Department of Economic Development (LED), but must have at least 25 jobs associated with the project paying the lower of $60,000 per year or 200% of the location parish annual average wage. Participants contract with LED and are paid installments by the Department of Revenue (LDR) after annual certification of performance. No other LED benefits are available to the business expenditures receiving the benefits of this program.

Effective July 1, 2012.

EXPENDITURES	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	INCREASE	INCREASE	**$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**

REVENUES	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	DECREASE	DECREASE	DECREASE	DECREASE	**$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**

EXPENDITURE EXPLANATION

Since the program is offered at the discretion of LED, it is anticipated that initial LED administrative costs will fall within its current budget. However, as business participation accumulates in the program, a growing number of firms will have annual certifications being processed. Meaningful compliance enforcement should eventually require additional resources in LED.

REVENUE EXPLANATION

The bill creates a program that reimburses a portion of headquarters relocation and expansion costs of selected firms, including the acquisition or construction of facilities and the acquisition of equipment, as well as personnel relocation costs. These state expenditures are determined by LED and paid by LDR from current collections before deposit in the state treasury, and charged against income and franchise tax revenue sources.

LED illustrates their possible implementation of the program with a numerical exercise based on a set of assumptions regarding program participation, associated direct jobs and payroll, and qualifying facilities, operations, and personnel relocation costs. Resulting state expenditures are $1 million in FY14, $3m FY15, $4 FY16, and $5m in FY17.
The LED exercise also includes net fiscal impact results (implying gross tax receipts) based on a set of assumptions that translate direct project jobs by industry into total jobs (direct, indirect, and induced), into total payroll/earnings, and into state tax receipts (7% of earnings/payroll). Implied gross state tax results are $3m in FY14, $6m FY15, $9m FY16, and $11m in FY17; net state fiscal results are $2m in FY14, $3m FY15, $5m FY16, and $6m in FY17.

The LED exercise implicitly assumes that each project occurs only as a result of the benefit provided by this bill, even though this bill's benefit will likely be one of a variety of benefits offered the project. This is a strong assumption and means that the return on investment analysis called for in the bill always begins in a positive position from which reimbursement costs are deducted. Along more technical lines, the standard economic multipliers utilized in these types of analysis overstate true economic impacts by not reflecting business and consumer wage & price responses and substitution effects. Also, the analysis is incomplete in that it does not include a governmental balanced budget requirement. The program's benefits reduce resources supporting government purchases in the economy with resultant negative multiplier effects, offsetting the positive effects from the targeted project spending. The program is ultimately a cost to the state fisc incurred to engage in governmental economic development activity.

Senate — Dual Referral Rules — House

[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
[x] 6.8(F)1 >= $500,000 Annual Fiscal Cost {S}
[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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