

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 333** HLS 19RS 723

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 12, 2019	10:33 AM	<b>Author:</b> CONNICK
<b>Dept./Agy.:</b> Statewide/LDH		<b>Analyst:</b> Tanesha Morgan
<b>Subject:</b> Public procurement		

PURCHASING OR DECREASE GF RV See Note Page 1 of 1  
 Institutes "supported employment provider" as the successor term for "sheltered workshop" in laws on public procurement, public contracts, taxation, and work release programs

Present law provides the state shall give a preference in its purchasing practices to goods manufactured and services performed by organizations that employ individuals with a severe physical or mental disability or a substance abuse disability. Present law defines goods manufactured and services performed by individuals with severe disabilities to mean no less than 75% of the direct labor required for manufacture or performance is provided by this group of individuals. Proposed law amends present law by expanding preference to organizations that employ individuals with a behavioral, developmental, or intellectual disability. Proposed law also amends present law by lowering the percentage of direct labor required for manufacture or performance provided by individuals with disabilities from no less than 75% to no less than 25%. Proposed law provides that goods or services purchased as a result of this preference be acquired at a "reasonable" cost when compared to the cost of the same goods or services available from other providers.

<b>EXPENDITURES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

<b>REVENUES</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law will likely result in an indeterminable increase in state expenditures for each new organization that will qualify for an exemption from the competitive bid process. More organizations may qualify for an exemption due to the expansion of a preference to organizations that employ individuals with behavioral, developmental, or intellectual disabilities and the reduction of the required ratio of direct labor by individuals with disabilities from no more than 75% to no more than 25%. The LFO is not able to determine the number of additional organizations that will qualify for an exemption.

Additionally, giving preference to these organizations may potentially result in increased costs to the state if the goods or services could have been purchased at a lower price from a different provider through the competitive bid process. Purchases are limited to a "reasonable" cost when compared to the cost of the same goods or services available from other providers; however, "reasonable" is not quantified in the proposed law.

**REVENUE EXPLANATION**

Proposed law relaxes qualifications for certain tax exemptions and credits. This measure reduces the required ratio of direct labor by individuals with disabilities as described above, while expanding the admissible list of disorders that may contribute to the ratio.

This is anticipated to expand the category of organizations that are eligible to claim the New Jobs corporate income tax credit, and increase the volume of sales eligible for the Sheltered Workshops sales tax exemption. An increase of unknown magnitude in claims for these tax benefits is thus anticipated, which will result in a corresponding decrease to the state general fund and local funds. The magnitude of the decrease will depend on the number of additional workers determined eligible for employment under supported employment providers, and the number of organizations and transactions that take advantage of the relaxed requirements to be designated a supported employment provider.

The LFO is not able to estimate the anticipated reduction. For informational purposes, the general fund impact of the New Jobs credit has averaged approximately \$400,000 in recent years, while the impact of the Sheltered Workshops sales tax exemption has averaged approximately \$150,000.

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}

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