LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office Fiscal Notes

Fiscal Note On: **SB 183** SLS 17RS 260

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 7, 2017 12:56 PM

Author: MORRELL

Dept./Agy.: Economic Development / Revenue

Subject: Termination Dates for Certain Incentive and Rebates

Analyst: Greg Albrecht

TAX/TAXATION EN INCREASE GF RV See Note

Provides termination dates for certain tax incentive and rebate programs. (gov sig)

The bill prohibits entering into contracts with businesses to participate in the following programs: University Research and Development Parks, Enterprise Zone, Mega-Project Energy Assistance, and Competitive Projects Payroll Incentive. The dates after which contracts can not be entered into or advance notification applications can no longer be submitted range from July 1, 2017 to July 1, 2022, depending on the particular program. In addition, extensive changes are made to the Quality Jobs Program.

Effective upon governor's signature.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	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	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$10,400,000	$22,200,000	$25,000,000	**$57,600,000**
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**	**$10,400,000**	**$22,200,000**	**$25,000,000**	**$57,600,000**

EXPENDITURE EXPLANATION

Sunsetting the major LED programs of Enterprise Zone and Quality Jobs would eventually result in costs savings in the Dept., although existing participants would continue in these programs for a number of years beyond their termination, requiring continued staffing. Eventually, self-generated fee collections would decline and staff reductions may be possible.

REVENUE EXPLANATION

The staggered dates for ceasing to enter contracts or accept applications associated with these programs is not likely to affect net state revenue receipts until FY19 or later at the earliest. The University R&D Parks program, the Mega-Project Energy Assistance program, and the Competitive Projects program all have no activity or very small activity realized in recent years. Any entities already in these programs will continue to be able to participate and cost realizations against the state fisc would still occur for those participants.

The EZ program has substantial current participation and is likely to continue to be a popular program. Stopping entrance into the program can eventually have a material positive affect on net state receipts. Stopping advance notification acceptance on July 1, 2021 likely results in small cost savings possibility beginning in FY22 but more likely in FY23 savings will accumulate for several years afterwards as firms complete the program without new firms entering the program. With established termination dates, surges in contracts and/or applications are possible prior to the termination date, followed by surges in program costs and delay in program cost savings. Thus, the degree and timing of potential cost savings is highly speculative.

Extensive changes are made to the Quality Jobs Program, and the Dept. of Econ. Dev has estimated the program costs savings for the major changes using applications for the FY14-FY16 period and FY16 participating wage averages (and assuming no termination of the program). (I) raising the eligible hourly wage to $18.00 to receive a 4% subsidy and to $21.66 to receive a 6% subsidy (from $14.50 for a 5% subsidy & $19.10 for a 6% subsidy) reduces costs by some $3.3M in FY20, climbing to $7.9M by FY22. Increasing the job count requirement to 15 (from 5) for businesses with 50 or more existing employees reduces costs by some $1.8M in FY20, climbing to $4.3M by FY22. Restricting qualification of firms to more than Census Track Block Group status alone reduces costs by some $5.3M in FY20, climbing to $12.8M by FY22. Total program cost savings are estimated at $10.4M in FY20, climbing to $25M by FY22. Program cost savings are realized by the state fisc as greater net state tax receipts. Cost savings should continue to accumulate beyond FY22, until about FY28 when current participation expires out of the program as new participation has been entering under the changes proposed by this bill. Initial impacts are expected no earlier than FY20 due to the lag time between advance notification/application and project completion when benefits begin to be realized. Additional exceptions are provided for professional, construction, and medical firms if multi-state headquarters or generating 50% or more of sales from out-of-state, or meet other conditions.

Senate — Dual Referral Rules

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 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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