LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 381** HLS 11RS 775
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 18, 2011 2:29 PM
Author: GREENE
Dept./Agy.: Revenue/Economic Development
Subject: Valuation of health benefits in Quality Jobs program
Analyst: Deborah Vivien

TAX/TAX REBATES EG DECREASE GF RV See Note

Clarifies and specifies the value of health care benefits offered to employees as a factor in the determination of qualification for tax rebates under the Louisiana Quality Jobs Program

Current law provides a rebate for up to ten years of 5% of an employee's wages for those eligible employers paying $14.50 per hour for wages and health benefits or 6% of wages for eligible employers paying $19.10 per hour for wages and health benefits for participating direct jobs. Employers must be in certain industries, serve low income or distressed regions or sell (or resell) at least 50% of their merchandise to out-of-state customers or the federal government. If the project meets Enterprise Zone hiring requirements, employers are also eligible for either a state (and local if locally approved) sales tax rebate on certain construction costs or an investment credit of 1.5% for certain capital expenditures. The current Quality Jobs program will no longer accept applications beginning January 1, 2012.

Proposed law allows for the establishment of the jobs rebate rate if wages and offered health benefits reach the appropriate threshold, which treats health coverage offered to employees with the same valuation as health coverage accepted by employees. These provisions will be applied to rebate requests filed on or after July 1, 2012.

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	$0	$0	$0	$0	$0	**$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.	$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**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

This bill will decrease state general fund revenue by allowing more rebates to be issued through the Quality Jobs program. It is expected that the majority of payments affected are based on those employees with wages lower than $14.50 per hour or $19.10 per hour who have not accepted their employer's offered health insurance coverage, and will now surpass the thresholds necessary to qualify for rebate payments due to the valuation of rejected health benefits. Due to the expiration of the program on 1/1/12, this bill will only impact those employers with existing contracts on the effective date of 7/1/12 (see note below). The first impact will occur in FY 12/13 with rebates related to calendar year 2011 activity that are filed after July 1, 2011 and those related to calendar year 2012 activity filed in the spring of 2012.

The magnitude of the decrease in state revenue is difficult to establish due to the lack of comprehensive data regarding the program. Speculative estimates range from tens of thousands of dollars to several millions of dollars per year. The Department of Economic Development (LED) contends that denials (mostly made verbally) indicate about 10% of payroll rebates applied for under existing contracts will now be eligible for the program, leading to a decrease in state revenue of several million dollars. However, there has been no documentation of this figure. Conversely, the estimated impact based on limited documentation provided by a program applicant is rounded to $50,000 annually based on a written denial issued by LED. The document showed one large employer with disqualified payroll rebates of $6,824 or 3% of the earned amount of payroll credits due to the employee's denial of insurance benefits. However, no other documentation concerning similar denials was made available by LED or any other program participants. Currently, there are about 64 existing contracts that could be impacted by this bill. However, using LED's determination of 10% being affected, a more likely estimate may be about 7 contracts. If each contract had a similar situation to the submitted denial of $6,824, the fiscal impact would be $47,768 (7 * $6,824). In addition, during the six months between the passage of the bill and the effective date of the bill (1/1/12), new projects may qualify. Thus, the estimated impact is rounded up to $50,000 annually, with admittedly broad assumptions that extrapolate the experience of one entity over the entire population.

Note: Under current law, the Quality Jobs program expires before this bill becomes effective, which means this bill will only impact those employers already in the program on 1/1/12. However, there are other bills filed this session to extend the program. If the program is extended with this bill enacted as well, the effects this bill will apply to all firms that enter the program after 7/1/12, increasing the costs of the program over its extended life span.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
☐ 6.8(F)1 >= $500,000 Annual Fiscal Cost {S}
☐ 6.8(F)2 >= $100,000 Annual SGF Cost {H&S}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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