

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1103** HLS 12RS 2252
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 27, 2012 7:22 PM	Author: LEGER
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: LA Sports and Entertainment District - TIF	

DISTRICTS/SPECIAL EN DECREASE GF RV See Note Page 1 of 1
 Provides relative to the La. Sports and Entertainment District

Current law establishes the LA Sports and Entertainment District, and area essentially defined as the streets that surround the LA Superdome and the N.O. Arena complex, in downtown New Orleans. The district has the authority to engage in tax increment financing, as provided in Title 33. State tax increments can participate but can not exceed the local tax increment. The state department of Economic Development (LED) must enter into an agreement with the district and submit the project to the Joint Budget Committee (JLCB) for approval.

Proposed law expands the district to a two block area adjacent to the existing district. The bill also explicitly provides for the dedication of state sales tax increments. The commissioner of administration is to determine the state sales tax increment and is to submit the project to the JLCB for approval. The dedicated state tax increment can not exceed the dedicated local increment. No cooperative endeavor agreement with LED is required and State Bond Commission approval is required only to the extent state sales tax increments are pledged to service district debt.

EXPENDITURES	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>5 -YEAR TOTAL</u>
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	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue has a protocol for identifying tax remitters in the particular TIF districts around the state and rebating back the appropriate amounts of tax to the districts, and will apply that process to this new district. Additional costs associated with any particular district are likely relatively minor, although incremental funding may be necessary as the number of TIF districts increases (8 currently operating with state tax increments).

REVENUE EXPLANATION

The bill seems to contemplate a situation where the Department of Economic Development does not agree to submit a project for JLCB approval. This bill will allow such projects to be submitted for approval by the commissioner of administration, including state participation in the tax increment financing, after determination of the state tax increment by the commissioner of administration. This participation would essentially dedicate state sales tax receipts to the purposes of the District. Current law defines the area of the district as essentially the streets that surround the LA Superdome and the N. O. Arena complex, in downtown New Orleans, with this bill expanding the district to include an adjacent area. The current (and expanded) district encompasses existing activities that generate state and local sales tax receipts; most likely food & beverage service and events held in and around Superdome/Arena complex. Dedication of sales tax receipts generated in the district results in a reduction of state and local funds utilized for their current purposes, and provides a like amount of dedicated revenue flow to the purposes of the district.

Tax increment financing (even in currently undeveloped areas) results in net revenue reductions to the existing tax recipient bodies (local and/or state) in various ways: (a) it diverts existing tax growth away from its current uses and toward the uses of the financing district, or (b) it diverts economic activity and the consequent tax revenue from areas outside the district to within the district, or (c) it encompasses areas that are currently experiencing economic growth or will experience growth and dedicates the tax receipts resulting from that growth. The economic activity that generates much of the various kinds of sales tax collections (retail sales of goods, food & entertainment services, hotel occupancy services etc.) is largely an indication or symptom of a community's growth & development and not a cause of that growth & development. That growth & development is part of the expected baseline of future activity, in the aggregate if not in the specific district area. Dedication of the consequent revenue growth or increment generated in the district is a loss to its existing uses and a gain only to the narrow confines of the increment financing district. Thus, to the extent the bill facilitates the creation of more TIF projects than would otherwise occur, the table above depicts decreases in expected local and state revenue baselines and an increase in the revenue dedicated to the new increment financing districts.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<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"/> 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}	

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