LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 13** HLS 201ES 33
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: June 30, 2020 3:59 PM
Author: WRIGHT
Dept./Agy.: Economic Development
Subject: Enterprise Zone Program
Analyst: Greg Albrecht

TAX CREDITS EN DECREASE GF RV See Note
Authorizes certain retail businesses to participate in the Enterprise Zone incentive (Item #18)

Present law allows five-year contracts to provide a choice of a sales tax rebate on construction and equipment expenditures or a refundable credit of 1.5% of qualifying capital expenditures, and one-time tax credits of $1,000 or $3,500 per participating job, with both options capped at $100,000 per participating job. Participating jobs must exceed the median job count of the business in the state, and not exist in the enterprise prior to the contract effective date. Businesses classified as retail trade, restaurants & bars, and accommodations are not eligible for the program. Advance notification filings are allowed up to July 1, 2021.
Proposed law allows businesses classified as retail trade, restaurants & bars, and accommodations, that have no more than 50 employees nationwide including affiliates, into the program with advance notification filings from July 1, 2020 to December 31, 2021. Eligibility to earn benefits terminates after June 30, 2023.
The program as a whole is extended to allow advance notification filings up to July 1, 2026. Effective July 1, 2020.

EXPENDITURES	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**5 -YEAR TOTAL**
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	($5,150,000)	($15,300,000)	($22,725,000)	($25,075,000)	**($68,250,000)**
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**	**($5,150,000)**	**($15,300,000)**	**($22,725,000)**	**($25,075,000)**	**($68,250,000)**

EXPENDITURE EXPLANATION

Extension of the existing program will require the continuation of current resources devoted to program administration. The expansion of the eligibility of the program to retail trade, restaurants & bars, and accommodations businesses will result in additional applications within the next year and one-half. The workload increase could be material, in that LED would have the additional qualifying determination of employee count, nationwide including affiliates. Depending on the number of applications under the bill's parameters additional resources may be required to administer the program expansion.

REVENUE EXPLANATION

The bill has two basic fiscal effects. The first is related to the extension of the program as a whole, without regard to the expansion of eligibility for its benefits. Program costs have come down by approximately one-half after various changes implemented in recent years, and now appears to range near $25 million per year of credit and rebate realizations. Allowing the program to stop accepting participation as of July 1, 2021 would result in a gradual phase-down of annual revenue costs over a roughly five year period. Extension of the current program would prevent this from occurring. The annual dollar distribution of this phase-down is based on the Dept's assessment of the historical lag time between entry into the program and benefit claims, resulting in cumulative annual revenue losses relative to the baseline that would occur of: 0% or $0 in FY21, 20% or -$5M in FY22, 60% or -$15M in FY23, 90% or -$22.5M in FY24, and 100% or -$25M in FY25.

The second effect is related to the expansion of eligibility for program benefits to retail trade, restaurants & bars, and accommodations. Without a maximum employee count limitation, the Dept. of Economic Development estimated that, based on previous participation of the retail trade and accommodations sectors (restaurants & bars have not previously been allowed in the program) as well as subsequent program changes capping the benefits at $100,000 per participating job, the expansion of eligibility and the 1.5 year window available for these firms to apply for participation as they ramp back up from significantly reduced activity resulting from the Covid-19 pandemic event would increase program credit and rebate benefit costs by a total of $7.5 million. Limiting the program expansion to firms with not more than 50 employees nationwide, including affiliates, is likely to significantly reduce potential new participation. That likelihood is acknowledged by utilizing only 10% of the initial analysis estimate. Historically, benefit claims lag entry into the program, and the Dept. estimates a distribution of new benefit claims as 0% in FY21, 20% in FY22 (-$150,000), 40% in FY23 (-$300,000), 30% in FY24 (-$225,000), and 10% FY25 (-$75,000). Based on historical claims, much of this program cost is likely to be the investment credit component (~70+%) rather than the jobs credit. The new inclusion of restaurants & bars works to increase the state's cost exposure beyond the estimates here. The combination of these two effects are contained in the table above as: FY21 $0, FY22 -$5.150M, FY23 -$15.3M, FY24 -$22.725M, FY25 $25.075M.

Uncertainty as to the specific annual magnitude and timing of both effects of the bill should be acknowledged. Program benefit realizations can vary materially from year-to-year depending upon the particular participants moving through the program. In addition, the extent of participation of retail trade, restaurants & bars, and accommodations businesses as they return operations toward pre-pandemic levels over the next year and one-half is highly uncertain.

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}

John D. Carpenter
Legislative Fiscal Officer

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 19** HLS 201ES 40
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 30, 2020 4:02 PM
Author: PRESSLY
Dept./Agy.: Economic Development
Subject: Quality Jobs Program
Analyst: Greg Albrecht

TAX/TAX REBATES EN DECREASE GF RV See Note

Extends eligibility requirements for certain industries to participate in the Quality Jobs Program (Item #18)

Present law allows ten years of payroll subsidy to qualifying firms of 4% or 6% of participating payroll depending on hourly wage, as well as a choice of a sales tax rebate on qualifying expenditures or a refundable credit of 1.5% of qualifying capital expenditures. Firms are required to offer a healthcare benefit.

Proposed law allows businesses classified as Covid-19 impacted retail trade, restaurants & bars, and accommodations, that have no more than 50 employees nationwide including affiliates, to participate in the program with advance notification filings from July 1, 2020 to December 31, 2021. Further defines covid-19 impacted eligible retail businesses. Eligibility to earn benefits terminates after June 30, 2023.

Effective July 1, 2020.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	$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**

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	$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**

EXPENDITURE EXPLANATION

The expansion of the eligibility of the program to retail trade, restaurants & bars, and accommodations businesses will result in additional applications within the next year and one-half. The workload increase could be material, in that LED would have the additional qualifying determination of employee count, nationwide including affiliates. Depending on the number of applications under the bill's parameters additional resources may be required to administer the program expansion.

REVENUE EXPLANATION

Expansion of eligibility to the program to retail trade, restaurants & bars, and accommodations could result in substantial state revenue losses. The pool of potentially eligible firms and hires/rehires is large. Workforce Commission data for the fourth quarter of 2019 indicates nearly 17,945 retail trade employer units in the state with 226,979 employees, and 11,255 accommodation and food service employer units with 207,191 employees. Through May 23, 2020, approximately 34% of retail trade employees and 66% of accommodation & food service employees statewide had filed for unemployment compensation. Approximately 41,450 retail trade employees and 80,196 accommodation & food service employees were receiving unemployment compensation by that point. These counts will stabilize, and decline as the economy recovers from the coronavirus pandemic shock. That decline will be reflected in hiring/rehiring of employees regardless of the availability of this program to those businesses. Thus, extension of the program to these businesses results in revenue losses associated with the baseline of economic activity. The bill's limitation to firms with no more than 50 employees nationwide, including affiliates, likely greatly reduces the number of eligible firms for the bill's program expansion.

The extent of qualifying participation in the program is speculative, but the size of the potentially eligible pool of firms and employees suggests some state revenue loss exposure is possible. Various realities will influence actual state costs, such as the fact that these business sectors are relatively low wage and provide low or no benefits for many of their employees, and they would still have to meet the wage and health benefits requirements of the existing Quality Jobs Program to qualify. In addition, the bill limits the program to those businesses with no more than 50 employees nationwide including affiliates. However, the bill allows a 1.5 year window for firms to apply for the program. Thus, some additional program costs are possible, and are illustrated with simple assumptions: each 1% of the potentially eligible firms qualifying for participation (292) and being rebated 4% of the minimum amount of participating payroll (5 employees at $18/hour for 30 hours per week for 52 weeks) results in $1.6 million per year of state payroll rebate cost exposure. Historically, nearly half of program costs are payroll subsidies. However, given the relatively low average wages/benefits of the newly eligible firms targeted by this bill, additional costs of this bill may be predominately investment credits and sales tax rebates rather than job-based costs. Uncertainty as to the specific annual magnitude and timing of the effects of the bill should be acknowledged. Program benefit realizations can vary materially from year-to-year depending upon the particular participants moving through the program. In addition, the extent of participation of retail trade, restaurants & bars, and accommodations businesses as they return operations toward pre-pandemic levels over the next year and one-half is highly uncertain.

Senate	Dual Referral Rules	House
☐	13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & 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}

John D. Carpenter
Legislative Fiscal Officer

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 24** SLS 201ES 168
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 30, 2020 5:00 PM
Author: HARRIS, JIMMY
Dept./Agy.: Economic Development
Subject: Angel Investor Tax Credit Program / Opportunity Zones
Analyst: Greg Albrecht

TAX/TAXATION EN DECREASE GF RV See Note

Provides for eligibility for the Angel Investor Tax Credit for investments made in federal opportunity zones. (Item #19) (gov sig)

Present law provides the Angel Investor Tax Credit Program which awards tax credits for investments in qualified businesses. The credit rate is currently 25% of eligible investments, with an annual program credit award cap of $3.6 million for applications received before July 1, 2021. No additional credits can be awarded for applications received after that date. Credits can be claimed against tax liabilities starting two years beyond the year of award, and allows them to be spread evenly over a three-year period.

Proposed law extends the program applications through fiscal year 2025. Provides an enhanced credit of 35% for investments in businesses located in newly established federal opportunity zones (Tax Cuts and Jobs Act enacted in late 2017). All program credits, with or without enhancement can be spread over two years rather than three years. The annual program credit award cap is increased by $3.6 million (to a program total of $7.2 million; $3.6 million for opportunity zone investments provided in this bill). Effective upon governor's signature.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Dept. of Economic Development indicates that the changes to the program proposed by this bill will not require additional resources to administer.

REVENUE EXPLANATION

The current program can award tax credits though FY21, with realization of those credits against state tax liabilities beginning in FY24, and occurring through FY26. Thus, some program credit costs will occur throughout the fiscal note horizon regardless of the program application extension proposed by this bill.

Extension of Program: Considering FY14 - FY19 (excluding abnormally low FY16 claims) as a baseline of credit awards that the bill is likely to maintain; an average of $1.6 million annually. These costs do not account for any additional participation in the program attributable to this bill, beyond a continued baseline assumption. LED has not typically fully awarded the available current law program cap of credit ($3.6 million from 2015 to present, $5 million from 2011 - 2015). The bill's extension of the program will add increasing costs each year relative to the baseline expectation of annually declining costs sometime after FY23. Based on the program's 24-month delay between credit certification and the ability of taxpayers to utilize the credits, the earliest year of potential impact is FY25, with costs rising each year, maintaining the roughly $1.6 million per year normal cost of the program. Shortening the time frame within which program credits can be claimed from three years to two years effectively increases annual credit realizations relative to the program baseline by roughly 1/3 ($533,000 per year). If applicable to existing program participants, additional credits may be realized as early as FY21.

Opportunity Zone Enhancement: Based on a 2019 analysis by LED, approximately 16 applications per year receive reservation amounts for the existing program credit total ($3.6 million per year), with an average of 10 per year actually receiving credit awards. LED indicates that under the new federal law, there have been 150 Opportunity Zones designated for the state, although LED is not aware of the number of potentially eligible investments within these zones. It is possible that some additional applications would be received and approved, over and above the normal level for the program, as result of this bill (applying for the opportunity zone enhanced credit of 35%), and program credit costs would be greater than what would occur with only a simple program extension baseline. This additional cost increase is speculative, and not included in the estimates above, but may be able to begin being realized as early as FY23.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & 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}

John D. Carpenter
Legislative Fiscal Officer

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 5** SLS 201ES 12
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 25, 2020 4:21 PM
Author: JOHNS
Dept./Agy.: Public Safety
Subject: Deduct Promotional Play From Gaming Tax Base
Analyst: Greg Albrecht

GAMING EN -$11,200,000 RV See Note
Provides relative to promotional play wagers. (Item #36) (gov sig)

Present law defines gaming operator revenue subject to tax and fee levies for riverboat casinos, the land-based casino, and racetrack slot machines.

Proposed law provides that $5 million annually of net gaming proceeds attributable to promotional play wagers be deducted from gaming operator revenue subject to tax and fee levies for riverboat casinos, the land-based casino, and racetrack slot machines.

Effective upon governor's signature.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	($4,600,000)	($6,700,000)	($7,500,000)	($7,600,000)	($7,600,000)	**($34,000,000)**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	($6,600,000)	($9,600,000)	($10,800,000)	($11,000,000)	($11,000,000)	**($49,000,000)**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**($11,200,000)**	**($16,300,000)**	**($18,300,000)**	**($18,600,000)**	**($18,600,000)**	**($83,000,000)**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

State Police reports that promotional play wagers accounted for approximately $251 million (10.2%) of gaming operator revenue in 2019. Using a weighted average tax rate of 20.6% across all three forms of gaming affected by the bill, State Police estimated that exclusion of these wagers from state tax and fee levies in 2019 would have reduced total state gaming receipts by some $52 million. State Police then applied an exemption of $5 million of operator gaming revenue to the 2019 activity levels to generate a state gaming tax revenue loss totaling $19.8 million.

Scaling that aggregate approach to the official state revenue forecasts of gaming receipts adopted May 11, 2020, reduced in response to the coronavirus pandemic, the loss of state gaming receipts attributable to the bill is estimated at $11.2 million in FY21, with approximately 41% of this loss associated with the state general fund ($4.6 million), and approximately 59% associated with various statutory dedications ($6.6 million; the SELF Fund-$2.1M, riverboat enforcement-$3.4M, parish education funds & N.O. sports franchise support-$1.1M). Revenue losses here are attributable to promotional play deducted by riverboat and racetrack slot casinos only, since the land-based casino has a minimum payment obligation. This bill would reduce land-based casino remittances to the state in the case where casino gross revenue exceeds $280 million per year. This has occurred often in the past, but is not expected to occur in the current official forecast horizon. As gaming activity returns over time, state revenue losses increase as contained in the table above.

It is possible that exempting promotional play from the tax base would encourage more use of it by the industry, and attract more taxable play. Based on the official revenue forecasts, taxable play would have to increase by some 11.4% (solely attributable to the use of promotional wagers) more than the recovery of the industry already anticipated in the official forecasts in order to offset the state tax revenue loss from exempting promotional play entirely from tax. The $5 million/property exemption here requires a 4.3% increase in taxable play (solely attributable to the use of promotional wagers) above the already anticipated industry recovery. It is also possible, though, that the reluctance of customers to return to casinos in the period of recovery/reopening after the Covid-19 pandemic event may require the industry to use more promotional play for any given dollar of taxable play, resulting in greater state revenue losses than estimated above.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & 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}

Evan Brasseaux

Evan Brasseaux
Staff Director