# LEGISLATIVE FISCAL OFFICE
## Fiscal Note

Fiscal Note On: **SB 98** SLS 17RS 321
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

| | | | |
|---|---|---|---|
| **Date:** | April 27, 2017 6:15 PM | **Author:** | DONAHUE |
| **Dept./Agy.:** | Revenue, Economic Development, and Various Others | | |
| **Subject:** | Tax Expenditure Appropriation | **Analyst:** | Greg Albrecht |

FISCAL CONTROLS OR SEE FISC NOTE See Note 
Provides for the appropriation of incentive expenditures. (7/1/17)

Present law requires specified incentive expenditures (R.S. 39:2(15.1)) to be forecast by the Revenue Estimating Conference (REC) separately from the forecasts of revenue available for appropriation, beginning with FY17. If forecasts are insufficient to meet program requirements, the program administrator shall notify the REC, and the REC may revise the forecast as necessary. Administering departments shall aid the REC in making appropriate forecasts.
Proposed law specifies that incentive expenditures or programs means payments to businesses and individuals as refunds, rebates, or transferable credits granted through contracts or certifications or approvals. These incentive expenditure programs are to be separately included in the executive budget as recommendations for appropriation, as well as in the appropriations bills within the section for the agency that administers the program. The total amount recommended and appropriated for each program shall not exceed its forecast amount.
Effective July 1, 2017 and applicable for the 2018-2019 fiscal year and subsequent years.

| **EXPENDITURES** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **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** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **5 -YEAR TOTAL** |
|---|---|---|---|---|---|---|
| State Gen. Fd. | $0 | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | **$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** |

**EXPENDITURE EXPLANATION**

While tax credits and rebates are charged against specific tax types and are reflected in net revenue collections, development and implementation of processes to forecast, constrain, and allocate affected incentive expenditure programs to appropriated levels will involve general administrative expenses. Those expenses may be substantial given the number of programs affected by the bill. Costs are speculative at the outset of consideration of the change in processes that may be required to implement this bill. Expenses will be incurred in FY18 in preparation for implementation in FY19.

**REVENUE EXPLANATION**

The bill affects the 28 benefit statutes listed in R.S. 39:15.1, and possibly others on the basis of the definition of incentive expenditures or programs in this bill. While ultimately the claim and receipt of these programs' benefits occurs through the Department of Revenue, a number of other agencies are involved in administering and granting these benefits, including in addition to the Departments of Revenue, the Departments of Economic Development, Culture & Tourism, Labor, and Education. The bill speaks to appropriations, which implies constraint at the point of the Treasury, but coordination among a variety of agencies will be required to implement the bill.

Currently, the Department of Revenue is charged with limiting the realization of film and solar tax credits to maximum dollar amounts per year, and may be able to extend that process to all incentive expenditure programs affected by this bill. This appears to require stopping and alternatively processing every tax return with an affected credit and/or rebate claim, in order to constrain the total of claims payments for each program to the appropriated amount for each, and allocate the available appropriations to the claimants for each program each year.

Whether total incentive expenditures are affected by the bill depends on the amount of claims that would otherwise be paid relative to the specific appropriation levels. Presumably, the processes developed and implemented will have to account for the potential for the over(under)-subscription of annual claims relative to annual appropriations, the allocation of those discrepancies, as well as the possibility of changes in appropriation within the fiscal year. While specifically appropriated, presumably credits/rebates would still be paid out of current collections but only up to the appropriation amount for each.

Since appropriations can not exceed the official REC revenue forecasts, modifications of the reporting, tracking, and forecasting processes of various agencies including the Department of Revenue, the Division of Administration, and the Legislative Fiscal Office will have to be made in order to incorporate forecasts of each credit/rebate into the REC process. Since each credit/rebate has unique characteristics, the degree of rigorousness desired will dictate the amount of current resource diversion or additional resources needed to implement the bill.

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}

**John D. Carpenter**
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