LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 15** SLS 182ES 23
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:
REVISED

Date: June 1, 2018 12:53 PM
Author: DONAHUE
Dept./Agy.: Revenue
Subject: Limits Annual Costs of Various Tax Credits and Rebates
Analyst: Greg Albrecht

BUDGET PROCEDURE EG +$109,600 GF EX See Note
Provides for annual incentive expenditure program analysis. (Item #21) (gov sig)

The bill requires the Department of Revenue to provide annual comprehensive return on investment analysis for all incentive expenditures defined in R.S. 39:2 (currently 28 programs). Results are to be reported by October 15 of each year, and shall rank the programs by return on investment. The commissioner of administration is to make one or more of several recommendations provided in the bill to the Joint Legislative Committee on the Budget regarding each program. Recommendations are not to impair any executed contracts with program participants. Effective upon governor's signature.

EXPENDITURES	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**5 -YEAR TOTAL**
State Gen. Fd.	$109,600	$111,800	$114,000	$116,300	$118,600	**$570,300**
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	**$109,600**	**$111,800**	**$114,000**	**$116,300**	**$118,600**	**$570,300**

REVENUES	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**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**

EXPENDITURE EXPLANATION

There are currently 28 programs defined in R.S. 39:2 as Incentive Expenditures. Some of these are quite small or even largely inactive, while some are quite large and active, involving numerous participants, eligible economic activities, and various ways of realizing program benefits. The bill calls for a comprehensive analysis of each of these programs on an annual basis. While the Department of Revenue (LDR) has some capacity for this analysis, return on investment analysis can be complex and time consuming, and the bill calls for a "comprehensive" analysis, implying the inclusion of cost effects and even macro-economic effects. Substantial time of any existing personnel could be required to complete these analyses, warranting additional personnel to avoid foregoing other activities. Associated costs of an Economist 1 position could approximate $110,000 per year (midpoint of salary range plus related benefits, 2% growth assumed).

This in-house cost may be adequate, but the extensiveness of the analysis and the requirement to complete the analyses each year by October 15, may also require outside professional services; typically in the range of $25,000 - $50,000 per analysis. Concepts of return on investment will have to be developed along with an analytical plan to insure comparable analysis since the bill requires a ranking of the programs. In addition, historical program participation data will have to be obtained from administering agencies, and updated annually. Economic and fiscal benefits would then be compared to program fiscal costs, inclusive of opportunity costs and the balanced budget requirement of the public resources paid out by the programs. While this might be fairly simple for the small and infrequently utilized programs, analysis for the larger frequently used programs would be more extensive and costly.

REVENUE EXPLANATION

The bill provides for a number of possible recommendations that can be made regarding the affected programs, implementation of which could possibly reduce program costs or enhance the effectiveness of the programs within a given cost. The costs of these programs are realized against the state fisc through net state tax collections, and any such revenue effects that might result are speculative.

Senate — Dual Referral Rules

- [x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

House

- [x] 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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