LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 30** HLS 202ES 80
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: September 30, 2020 12:18 PM | **Author:** WRIGHT
Dept./Agy.: Economic Development
Subject: Re-Shoring Incentive Program | **Analyst:** Greg Albrecht

TAX CREDITS OR DECREASE GF RV See Note
Establishes the Louisiana Re-shoring Incentive Program (Item #65)

Proposed law provides payroll rebate up to 10% and a 1.2% capital expenditures rebate or a rebate of sales & use tax paid. Benefits are paid from net state tax collections without appropriation. Eligible businesses include those that are re-shoring their production supply chain to the state, or are businesses selected by eight specified regional economic development organizations from up to two industry sectors that the organizations believe will diversify their regional economies. Participating firms must also offer a basic health benefits plan to employees. Contracts are for up to ten years (5-year initial, 5-year renewal), and no contracts shall be approved after December 31,2023. Existing contracts may continue and be renewed

Effective upon governor's signature.

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

The bill creates a new program that could involve a substantial number of participating firms. The Dept of Economic Development indicates the likely need for an additional position to administer the program on a timely basis ($90,000 per year with benefits), and one-time IT staff time expense to modify the incentive database that helps administer these programs ($75,000).

REVENUE EXPLANATION

The program offers payroll and capital expenditure subsidies to an indeterminable number of firms through 2033. The participation in the program (number of firms, payroll, capital expenditures) can not be known or reasonably estimated in advance. The window for entry into the program is over three years, and it is possible that a substantial amount of participation could occur. Actual re-shoring is likely to be difficult to ascertain in that many firms already maintain worldwide supply chains and can claim re-shoring in the state for normal supply chain shifting. Eight regional economic development organizations are also allowed to select an unlimited number of firms to participate from up to two unspecified industry sectors, and it is not clear if these selected participants have to be moving production activity to the state.

In addition, LED points out that many of the firms eligible for this new program would likely be eligible for the existing and similar Quality Jobs Program that has a lower payroll subsidy (6% max), but could participate in this new program that offers a higher payroll subsidy (10% max), thus increasing the state’s cost exposure. The similar Quality Jobs program has had annual costs of $100 million to $150 million in the 2016 - 2019 period, with 45% of those costs realized through the payroll subsidy component. As illustration, the additional 4% payroll rebate provided by this program relative to the existing Quality Jobs program translates into an additional $30 million to $45 million of annual cost. While the additional costs of this new program are unknown, the existing Quality Jobs program suggests that additional costs could be several millions of dollars per year. Implementation time suggests that costs are not likely to begin being realized against tax collections until FY22.

The bill also calls for participating firms to exhibit a significant net positive tax revenue to the state as determined by a standard economic impact methodology utilized by LED. These analyses typically do not discount for activity that was going to occur anyway regardless of the availability of the incentive program, nor do they typically impose the balanced budget constraint necessarily applicable to state and local governments. These omissions along with other limitations of impact methodology typically result in net positive economic and fiscal estimates that will not likely occur. Thus, the new program proposed by the bill is likely to reduce state revenue collections.

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}
[x] 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}

Christopher A. Keaton
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