



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 724** HLS 22RS 531
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE FLOOR AMD**
 Sub. Bill For.:

Date: May 3, 2022	2:44 PM	Author: BAGLEY
Dept./Agy.: Department of Economic Development		Analyst: Monique Appeaning
Subject: LA Competes Regional Economic Development Program Fund		

ECONOMIC DEVELOPMENT RE -\$8,000,000 GF RV See Note Page 1 of 2
 Establishes a grant program for site development and improvement

Proposed law creates the Louisiana Competes Regional Economic Development (LCRED) Program and provides for legislative intent of the program. Proposed law provides for definitions. Proposed law provides for the LCRED Program to be administered by the Department of Economic Development (LED) to provide grants to regional economic development organizations (REDOs) pursuant to the LCRED Program as established in proposed law. Proposed law creates the Louisiana Competes Regional Economic Development Fund (LCRED) in the state treasury as a special fund. Proposed law creates subfunds for the eight REDOs to be used solely to provide grants. Unexpended and unencumbered monies in the fund and subfunds a the end of the fiscal year shall remain in the fund and subfunds. Proposed law explains that the use of the fund and subfunds are limited to qualified expenditures. Proposed law explains qualified expenditures are limited to site development costs and economic development marketing of the region represented by the REDO. Proposed law prohibits the use of monies from the fund or subfunds such expenditures as salaries, wages or benefits, travel expenses, alcohol, or land, buildings, offices, equipment, or vehicles. Proposed law authorizes certain cooperative endeavor agreements and provides specific guidance on the execution for them. Proposed law provides for sales tax increments. Proposed law provides for the promulgation of rules.

EXPENDITURES	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	INCREASE	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	INCREASE	INCREASE	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						
REVENUES	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	(\$8,000,000)	DECREASE	DECREASE	DECREASE	DECREASE	(\$8,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$8,000,000	INCREASE	INCREASE	INCREASE	INCREASE	\$8,000,000
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

EXPENDITURE EXPLANATION

Proposed law may result in a workload impact to LED to administer the program; however, the agency reports that it anticipates that existing resources should be sufficient. NOTE: No revenue source is identified for the fund or subfunds to implement the program.

This fiscal note assumes all grants are applied for and expended in FY 23 or FY 24, but **proposed law** does not stipulate a deadline for expending funds and therefore appropriations and/or expenditures against any original deposit (and any corresponding local match) may extend into the out years depending on grant activity.

Proposed law may result in an indeterminable increase in expenditures for local governing authorities for the local match requirements.

Creating a new statutory dedication within the state treasury will result in a marginal workload increase for the Department of Treasury, which can generally be absorbed within existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be additional material costs associated with the aggregate effort to administer these funds. The Treasury performs fund accounting, financial reporting, banking, and custodial functions for 436 special funds. When unable to absorb additional workload with existing resources, the Treasury anticipates that it will be required to add one T.O. position at a total personnel services cost of approximately \$73,000 plus approximately \$2,450 for a one-time purchase of new office equipment. These expenditures are assumed to be SGF in this fiscal note.

EXPENDITURE EXPLANATION CONTINUES ON PAGE 2

REVENUE EXPLANATION

Proposed law creates the LA Competes Regional Economic Development Program (LCRED) Fund. **Proposed law** authorizes and directs the state treasurer to transfer \$8 M from the state general fund into the LCRED Fund and to credit the amount pro rata between each of the subfunds created by this Act.

Proposed law may result in an indeterminable increase in revenue for deposits into the appropriate subfund as a result of the establishment of specific sales tax increment boundaries for each project and determined by the LED in conjunction with the Department of Revenue (LDR). LDR is directed to transfer to the state treasurer for deposit into the appropriate subfund established equal to 3% of any sales tax collected above the sales tax baseline within a project's tax increment boundaries.

Louisiana Department of Revenue

LDR reports, under **proposed law** LED will be required to establish tax increment boundaries for each project located in a regional economic development organization's area. In the year prior to the year in which a project's boundaries is established, LED in conjunction with LDR must establish a baseline consisting of the total collected state sales tax within the tax increment. A total of **3%** of the state sales tax collected on **1.45% out of 4.45% (R.S. 47:321 and RS:47:321.1 impositions)** above the increment, within the project's boundaries and above the baseline, will be dedicated to the regional economic development organization's subfund.

Senate
 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}

Evan Brasseaux

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Interim Deputy Fiscal Officer

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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION CONTINUES FROM PAGE 1

Louisiana Department of Revenue (LDR)

Proposed law will result in system modification costs to LDR to administer the provisions of the bill. It is anticipated that costs would be \$102,720 for computer system development and modification, tax form redesign, and testing. Proposed law will also result in a workload and expenditure increase for additional personnel in the form of three Revenue Tax Research Analysts to prepare sales tax increment calculations. In year 1, the costs for these analyst positions including benefits would be \$368,160 (\$122,720 x 3). However, it is not known when costs will be incurred because the bill does not become effective until funds are appropriated by the legislature. In addition, it is not known when projects would begin in the areas of the regional economic development organizations to prompt the establishment of the state sales tax increments. LDR reports that it will absorb the implementation cost of the proposed law in its existing budget allocation. An assessment will be made at the end of the session to assess the cumulative effect of all new legislation. It may be determined that additional resources are needed at that time.

NOTE: LDR explains that HB 724 in its current posture does not contain any language to mandate a CEA with LDR. LDR uses the CEA's (in regard to TIFS arising out of an Economic Development Districts) to monitor the TIFS in terms of its established boundaries and the retail businesses remitting sales taxes within the boundaries of the EDD.

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}

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