LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 543** SLS 14RS 569
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 10, 2014 4:37 PM **Author:** DONAHUE
Dept./Agy.: Revenue, Economic Development etc
Subject: Bring Incentive Expenditures Into Budget Process **Analyst:** Greg Albrecht

FISCAL CONTROLS EG SEE FISC NOTE GF RV See Note
Provides with respect to the state budget. (7/1/14)

Current law authorizes many incentive expenditures as unappropriated open-ended payments from current collections of taxes. Programs are often administered by one Department (e.g. Economic Development, CRT etc.) while payments are made by the Department of Revenue from tax collections before all other state expenditures.
Proposed law requires specified incentive expenditures to be separately forecast by the Revenue Estimating Conference (REC), and be stated in the executive budget and appropriation bills as specific allocations, beginning with FY16. If forecasts are insufficient to meet 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.
Effective July 1, 2014.

EXPENDITURES	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**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	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**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						

EXPENDITURE EXPLANATION
Affected departments such as the Revenue Dept., Economic Development, and CRT will incur some costs, primarily in staff time, to develop monitoring, estimating, and reporting procedures that can support the REC and the budgeting process on a routine basis. Developing the necessary protocols is a collaborative process between the REC, the administering departments, the legislative fiscal office, and the division of administration.

REVENUE EXPLANATION
Currently, the specified incentive expenditures are realized against the state fisc as foregone gross tax collections; then all other expenditures are budgeted on the basis of net tax collections. The bill does not appear to change the fundamental revenue side priority of these expenditures, but attempts to bring them into the budget presentation as explicit claims on total public resources along side all other programs. Estimates of incentive expenditures expected each fiscal year would be made through a process involving the administering agency, the Revenue Dept., and the REC. Those estimates would be included in the REC official forecast, the executive budget, and in the appropriation bill. When incentive expenditures are likely to exceed forecasts during a fiscal year, the administering department is to notify the REC, and revisions to forecasts may be made as necessary. Estimates of net state tax receipts supporting all other expenditures would continue to be made as they are currently.

The bill specifies 27 incentive expenditure programs to include in the budget presentation. These programs exhibit varying degrees of size and activity. Some are very small and/or have little or no activity, some are relatively new and have yet to ramp up to a status reflecting actual expenditures, and some are fairly long-lived and large. As a group, these programs expended $372.2 million in FY13 ($412.2 million FY12 and $379.1 million FY11). These amounts are likely to increase in future years as programs recently enacted but not yet making payments come on line. The larger of the affected programs include the motion picture investor/incentive programs, the enterprise zone and quality jobs programs, the commercial historic rehabilitation program,and the research & development and new markets programs. Programs not yet ramped up but potentially material in the future include the ports and cargo programs, competitive projects payroll program, and the corporate headquarters relocation program. Programs with small expenditures include the Cane River and Atchafalaya Trace programs, and the university R&D parks program.

Historical data on program participation and expenditures will be used to develop projections for each program's future expenditures, and each program's current progress will have to be monitored on a monthly basis to assess the need for revisions to the expenditure forecasts.

Senate | Dual Referral Rules | House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 6.8(F)(2) >= $500,000 State Rev. Reduc. {H & S}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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