

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 3** SLS 181ES 26
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 18, 2018 5:12 PM	Author: MORRELL
Dept./Agy.: Economic Development	
Subject: Continue Reductions in Certain Rebate Programs	Analyst: Greg Albrecht

TAX/TAXATION OR +\$15,000,000 GF RV See Note Page 1 of 1
 Makes permanent reductions to certain tax incentive rebate programs. (Item # 3)(gov sig)

Present law reduces the rebate benefits provided by the Competitive Projects Payroll Incentive Program, the Mega Project Energy Assistance Program, the Corporate Headquarters Relocation Program, and the Quality Jobs Program through June 30, 2018.

Proposed law removes the June 30, 2018 sunset date for the rebate reductions in present law.

Effective upon governor's signature.

EXPENDITURES	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

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$15,000,000	\$30,000,000	\$30,000,000	\$30,000,000	\$105,000,000
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	\$15,000,000	\$30,000,000	\$30,000,000	\$30,000,000	\$105,000,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

When continuation of the limits on these programs was considered in the 2017 session, the Department of Economic Development indicated that the lack of activity in the Competitive Projects Payroll Incentive Program, the Mega Project Energy Assistance Program, and the Corporate Headquarters Relocation Program, resulted in essentially no effect from the bill with respect to limiting the rebates provided by those programs. However, the Quality Jobs Program has consistent activity and a fiscal impact from continuing its limitation could be anticipated with respect to that program. With this 2018 session bill, the Department of Revenue indicates that consultation with the Department of Economic Development has resulted in comparable assessment of the likely effect of continuing the limitation of these programs' benefits, and no further evaluation was going to be carried out. The discussion of the potential impact of continuing the limitations that was contained in the fiscal note on the 2017 session bill (HB 173) is repeated below.

Realized program costs in FY16 were \$149.2 million, likely a blend of costs associated with applications before and after July 1, 2015, when the current 20% rebate reductions became applicable. With that distortion in mind, a simple assumption that 20% of this amount would reflect program cost savings by retaining the current 20% rebate reduction provides a safe figure for the effect of this bill, or some \$30 million per year. The first fiscal year of material effect would likely be FY20, as the current reduction was going to sunset at the start of FY19, and the flow of applications and participation would delay cost saving realization into the following fiscal year. A simple assumption of one-half effect in the first year (\$15 million in FY20), then full effect in the second year and beyond (\$30 million in FY21 - FY22) anticipates this program lag time.

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
Legislative Fiscal Officer