



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 173** SLS 22RS 384
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP SEN COMM AMD**
 Sub. Bill For.:

Date: April 22, 2022 4:19 PM	Author: REESE
Dept./Agy.: Economic Development	Analyst: Deborah Vivien
Subject: Expands Quality Jobs program	

TAX/TAXATION OR DECREASE GF RV See Note Page 1 of 2
 Provides for program changes to the Louisiana Quality Jobs Program Act. (7/1/22)

Current law authorizes the Quality Jobs program in which eligible employers receive a payroll rebate for new direct jobs (that also offer a defined health benefit) and a rebate of either sales tax on building material purchases and machinery and equipment or 1.5% of capital expenditures for ten years (5 year renewal). The annual payroll rebate is 4% of payroll for new jobs paying at least \$18 per hour and 6% for new jobs paying at least \$21.66 per hour. Certain businesses are eligible by specific industry sector, out of state sales or services provided, 16 parishes with lowest per capita income or headquarters delineation all with minimum job creation requirements. Current law mandates that LED, Revenue and Workforce Commission each promulgate rules approved by the oversight committees, which are House Ways and Means and Senate Revenue and Fiscal Affairs. The Quality Jobs program sunsets on July 1, 2022, after which no advance notices will be accepted.

Proposed law retains current law and expands the Quality Jobs program by replacing eligibility of the 16 parishes with lowest per capita income with any parish with a median family income below the state median family income. Proposed law makes rules permissive instead of mandatory and oversight committee approval is no longer a program requirement. Effective July 1, 2022.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	DECREASE	DECREASE	DECREASE	\$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

EXPENDITURE EXPLANATION

The Department of Economic Development will require additional resources to implement the program given the magnitude of the expansion included in the bill. Advance notice will begin immediately requiring at least 1 FTE position along with support expenses with a total annual cost in excess of \$100,000. The Department of Revenue will use existing resources to accommodate the workload required by the bill, but if the cumulative effect of session action warrants an increase in resources, additional funding may be necessary.

REVENUE EXPLANATION

The Quality Jobs program sunsets on July 1, 2022, and the program expansion in the bill becomes effective on the same date. This note assumes the program is extended at least through the fiscal note horizon. Should the Quality Jobs program be allowed to expire, this bill will have no impact.


The bill expands the eligibility to the Quality Jobs program by making any employer in certain parishes eligible for the program by creating new jobs and meeting the payroll requirements of the existing program. These employers are subject to all other provisions of the program but, upon approval, would be eligible for either a 4% or 6% payroll subsidy along with either a sales tax or capital expenditure rebate for the full 10 years regardless of whether income figures changed during that time. Quality jobs has been one of the most heavily utilized programs in the state. **Due to the geographic expansion into heavily populated parishes (see page 2 for a parish list) and the potential for a material number of employers to qualify given recent wage increases, the bill is expected to reduce state general fund by a significant amount. The magnitude cannot be determined as new job creation and application to the program are unknown but the exposure could be high.** All employers that meet the qualification standards are allowed into the program. A list of ineligible employers is included on page 2. LED reports that the impact of the expansion is not expected for two years, beginning in FY 25 due to the lag between advance notice and application.

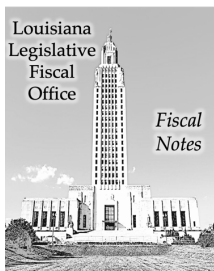
Though the bill removes the mandatory promulgation and hearing of rules, the oversight committees of House Ways and Means and Senate Revenue and Fiscal Affairs would retain the option to call a hearing to approve or reject any rules promulgated.

A list of impacted parishes and ineligible employers is included on page 2.

Revenue Explanation continued on page 2.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input checked="" type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}


Alan M. Boxberger
 Interim Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one:

Revenue Explanation (CONTINUED)

Under current law, employers in the 25% of parishes with the lowest per capita income are currently eligible for the program. Those 16 parishes are listed below under the column entitled Eligible under Current Law and Proposed Bill (except Grant parish, which will no longer be eligible under the proposed law). The bill expands eligibility to 26 additional parishes with median household incomes below the state median household income. These parishes are listed in two columns: Eligible under Current Law and Proposed Bill as well as Eligible under Proposed Bill.

Sources: 2020 per capita income as reported by the U.S. Bureau of Economic Analysis for current law and 2020 median household income as reported by the Census Bureau for proposed law

Eligible under Current Law and Proposed Bill	Eligible under Proposed Bill	Eligible under Current Law only
Acadia	Avoyelles	Grant
Allen	Bienville	
Caldwell	Caddo	
Catahoula	DeSoto	
Caliborne	East Carroll	
Concordia	Iberia	
Evangeline	Iberville	
Franklin	Jefferson Davis	
Jackson	Lincoln	
LaSalle	Morehouse	
Madison	Natchitoches	
Sabine	Orleans	
St. Bernard	Ouachita	
Washington	Pointe Coupee	
West Carroll	Rapides	
	Red River	
	Richland	
	St. Helena	
	St. Landry	
	St. Martin	
	St. Mary	
	Tangipahoa	
	Tensas	
	Union	
	Webster	
	Winn	

Under current law and the bill, the following employers would continue to be ineligible for the Quality Jobs Program:

Retail employers identified by NAICS Code Sections 44 and 45, business associations and professional organizations identified by NAICS Code 8139, state and local government enterprises, real estate agents, operators and lessors, automotive rental and leasing, local solid waste disposal, local sewage systems and local water systems businesses, employers engaged in the gaming industry identified by NAICS Code sections 713210 and 721120, all businesses identified by NAICS Code 5613 (employment agencies), nonprofit organizations, unless the department determines that the new direct jobs created by the organization would have a significant impact on Louisiana, professional service firms are ineligible except for the case in which at least 50% of its services are provided for out-of-state customers or for a multi-state (parent) company, construction companies are ineligible except for the case in which it is the corporate headquarters of a multi-state business or can demonstrate that at least 50% of its sales are to out-of-state customers, medical professionals except for those engaged in biomedical or biotechnology, servicing rural hospitals, or those in which at least 50% of its patient base is from out-of-state.

This fiscal note reflects SB 173 with proposed amendment set 2262 adopted.

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}

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