

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 72** SLS 11RS 153
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
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| Date: May 20, 2011 10:17 AM | Author: MICHOT |
| Dept./Agy.: Revenue/Economic Development | Analyst: Deborah Vivien |
| Subject: Extends the La. Quality Jobs Program for six years | |

ECONOMIC DEVELOPMENT EG DECREASE GF RV See Note Page 1 of 1
 To extend the deadline for application to receive tax credits or rebates relative to the Louisiana Quality Jobs Program. (8/15/11)

Current law provides a rebate for up to ten years of 5% of an employee's wages for those eligible employers paying \$14.50 per hour for wages and health benefits or 6% of wages for eligible employers paying \$19.10 per hour for wages and health benefits for participating direct jobs. Employers must be in certain industries, serve low income or distressed regions or sell (or resell) at least 50% of their merchandise to out-of-state customers or the federal government. If the project meets Enterprise Zone hiring requirements, employers are also eligible for either a state (and local if locally approved) sales tax rebate on certain construction costs or an investment credit of 1.5% for certain capital expenditures. The current Quality Jobs program will no longer accept applications beginning January 1, 2012.

Proposed law extends the program for six years to January 1, 2018.

| EXPENDITURES | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|--------------------|----------------------|----------------------|-----------------------|-----------------------|
| State Gen. Fd. | \$0 | (\$500,000) | (\$3,000,000) | (\$8,000,000) | (\$14,000,000) | (\$25,500,000) |
| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | (\$500,000) | (\$3,000,000) | (\$8,000,000) | (\$14,000,000) | (\$25,500,000) |

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The Quality Jobs program offers a payroll rebate and the choice of a sales tax rebate or investment credit identical to those offered in the Enterprise Zone program. The Department of Economic Development indicates that virtually all projects currently eligible for Quality Jobs will also be eligible for the Enterprise Zone program and are anticipated to apply for Enterprise Zone benefits if the Quality Jobs program expires. Thus, the fiscal impact of extending the Quality Jobs program is the difference in the calculation of the Enterprise Zone program jobs tax credit and the Quality Jobs program payroll rebates since the sales tax rebate and investment credit are identical. The Enterprise Zone tax credit is a one time benefit of \$2,500 per job while the Quality Jobs rebate is a 10 year annual payment of 5% or 6% of the wages. Using Calendar Year 2009 data in the LED Quality Jobs Program 2009 Report, the average payment per job for the Quality Jobs program was \$2,750 with about 30 new contracts per year and about 3,000 qualifying jobs. Participating direct jobs are expected to phase in at 20% per year for five years. Assuming that projects would apply for the Quality Jobs program instead of the Enterprise Zone program due to this bill, state revenue would decrease by about \$500,000 in FY 13, the first year after the extension. State revenue reductions grow larger in the remaining five years as new projects become eligible for the extended Quality Jobs program and additional participating jobs are phased into the program.

In practice, costs in this program's extensions should begin slowly as projects complete their expansions, but a 10 year annual payment program inherently means that annual revenue losses accumulate from year to year as additional projects and jobs enter the program each year. According to data from the Department of Revenue, actual costs of the jobs rebate has increased from \$13.8 million in FY 08 to \$25.4 million in FY 10. Total costs of the Quality Jobs Program have increased from \$47.1 million in FY 08 to \$87.1 million in FY 10.

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| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}</p> <p><input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}</p> | <p><u>Dual Referral Rules</u></p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}</p> <p><input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> | <p></p> <p>Gregory V. Albrecht Chief Economist</p> |
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