

Regular Session, 2014

SENATE BILL NO. 338

BY SENATOR DONAHUE

FISCAL CONTROLS. Provides relative to economic and financial reports for projects submitted in conjunction with the request for the review or approval of the Joint Legislative Committee on the Budget. (7/1/14)

1 AN ACT

2 To enact R.S. 24:653(M), relative to duties and function of the Joint Legislative Committee
3 on the Budget; to provide relative to economic reports for projects submitted in
4 conjunction with the request for approval of the Joint Legislative Committee on the
5 Budget; to provide for an effective date; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 24:653(M) is hereby enacted to read as follows:

8 §653. Duties and functions

9 * * *

10 **M.(1) All economic and financial reports for projects submitted in**
11 **conjunction with the request for approval of the Joint Legislative Committee**
12 **on the Budget in excess of a total state commitment of ten million dollars for the**
13 **term of the project shall provide the following information:**

14 **(a) Inclusion of all input information, data, and assumptions, including**
15 **but not limited to data sources, economic growth assumptions, and an**
16 **assessment/basis of the reasonableness of each.**

17 **(b) A description of the analytical model employed for the report and**

1 how each input was utilized with that model.

2 (c) Results in terms of value-added, household earnings, and
3 employment, and a description of each concept.

4 (d) Results by industry sector, with an assessment of possible adverse
5 effects on sectors that compete with the subsidized company for in-state
6 customers.

7 (e) Explicit identification of the project's effect on direct expenditure
8 requirements in the state budget or any reduction in taxes or state revenues,
9 including but not limited to tax exemptions, exclusions, deductions, reductions,
10 repeals, rebates, incentives, abatements, or credits.

11 (f) An additional assessment by the secretary of the Department of
12 Economic Development regarding the extent to which the project would not
13 have occurred but for the proposed state financial support. The secretary's
14 assessment shall reference other business factors which contributed to the
15 project activity occurring and factors which will be required for ongoing
16 sustainability including but not limited to labor, transportation, energy, among
17 others.

18 (g) Cost/benefit comparisons of the incentives in the package compared
19 to the costs in the package shall be for the same period of time or the same term,
20 both for the direct benefits to the state as well as the indirect benefits to the
21 state.

22 (2)(a) The department shall submit the request for Joint Legislative
23 Committee on the Budget approval of the project with the analysis to the
24 committee for its review at least seventeen business days, or as permitted by the
25 chairman, prior to the meeting for which the department is seeking the
26 committee's approval. In the event that the chairman specifies a request
27 submission period that is less than seventeen business days, the chairman shall
28 notify all members of the committee of the revised submission time period.
29 Presentation of the information required shall be in a format developed in

1 consultation with the Joint Legislative Committee on the Budget.

2 **(b) Upon receipt of the request, the Joint Legislative Committee on the**
 3 **Budget shall transmit the report to the legislative fiscal office for evaluation of**
 4 **the department's assessment and the legislative fiscal office shall make such**
 5 **information available to the committee during its review.**

6 **(3) For the purposes of this Section and notwithstanding any other**
 7 **provision of law to the contrary, "project" shall mean any public-private**
 8 **partnership, agreement with a nonpublic party, lease, cooperative endeavor**
 9 **agreement, memorandum of understanding, or other contractual agreement**
 10 **which would result in or is expected to result in the obligation of state resources**
 11 **or the expenditure of revenues from the operation, management, or control of**
 12 **a state resource for the purposes of engendering economic growth or**
 13 **development in the state through the utilization of certain incentives, including**
 14 **but not limited to tax exemptions, exclusions, deductions, reductions, repeals,**
 15 **rebates, incentives, abatements, or credits.**

16 Section 2. This Act shall become effective on July 1, 2014; if vetoed by the governor
 17 and subsequently approved by the legislature, this Act shall become effective on July 1,
 18 2014, or on the day following such approval by the legislature, whichever is later.

The original instrument was prepared by Jay Lueckel. The following digest,
 which does not constitute a part of the legislative instrument, was prepared
 by Ann S. Brown.

DIGEST

Donahue (SB 338)

Proposed law provides that all economic and financial reports for projects in excess of a total state commitment of ten million dollars for the term of the project submitted in conjunction with the request for approval of the Joint Legislative Committee on the Budget (JLCB) shall provide the following information:

- (1) Inclusion of all input information, data, and assumptions, including but not limited to data sources, economic growth assumptions, and an assessment/basis of the reasonableness of each.
- (2) A description of the analytical model employed for the report and how each input was utilized with that model.
- (3) Results in terms of value-added, household earnings, and employment, and a description of each concept.

- (4) Results by industry sector, with an assessment of possible adverse effects on sectors that compete with the subsidized company for in-state customers.
- (5) Explicit identification of the project's effect on direct expenditure requirements in the state budget or any reduction in taxes or state revenues, including but not limited to tax exemptions, exclusions, deductions, reductions, repeals, rebates, incentives, abatements, or credits.
- (6) An additional assessment by the secretary of the Department of Economic Development regarding the extent to which the project would not have occurred but for the proposed state financial support. The secretary's assessment shall reference other business factors which contributed to the project activity occurring and factors which will be required for ongoing sustainability including but not limited to labor, transportation, energy, among others.
- (7) Cost/benefit comparisons of the incentives in the package compared to the costs in the package shall be for the same period of time or the same term, both for the direct benefits to the state as well as the indirect benefits to the state.

Proposed law also provides the department shall submit the request to the committee at least seventeen business days, or as permitted by the chairman prior to the meeting for which the department is seeking the committee's approval and provides for notification of the Joint Legislative Committee on the Budget membership if the time period for submission is shortened.

Proposed law provides that the Joint Legislative Committee on the Budget shall transmit the report to the legislative fiscal office for evaluation of the department's assessment upon receipt of the request. Further provides that the legislative fiscal office shall make such information available to the committee during its review.

Clarifies definition of project to include various agreements with nonpublic parties which would result in the obligation of state resources for the purposes of engendering economic growth or development in the state through the utilization of certain incentives.

Effective July 1, 2014.

(Adds R.S. 24:653(M))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Finance to the original bill

1. Establishes a threshold of projects requiring approval of the Joint Legislative Committee on the Budget in excess of a total state commitment of \$10 million for the term of the project.
2. Requires various information, including all input information, data, assumptions, data sources, economic growth assumptions, description of the analytical model used, information by industry sector, assessments of possible adverse effects, identification of direct expenditure requirements in the state budget, effects on of state revenues or taxes, proposed state financial support, cost/benefit comparisons, among other analyses of the requested project.
3. Extends period for request submission up to 17 business days from two full weeks and provides for notification of the Joint Legislative Committee on the

Budget membership if the time period for submission is shortened.

4. Deletes requirements for static and dynamic economic model analysis.
5. Clarifies definition of project to include various agreements with nonpublic parties which would result in the obligation of state resources for the purposes of engendering economic growth or development in the state through the utilization of certain incentives.

Senate Floor Amendments to engrossed bill

1. Deletes the requirement that the project's report, submitted to the Joint Legislative Committee on the Budget (JLCB), include an analysis addressing the wage, labor and price dynamics analytically.
2. Specifies that the project's report include an assessment of possible adverse effects on sectors that compete with the subsidized company for in-state customers.
3. Adds a requirement that the JLCB transmit the project's report to the legislative fiscal office for evaluation upon receipt of the request. Further provides that such information be made available to the committee during its review.
4. Adds financial reports to the requirements of proposed law.
5. Technical amendments.