



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 635** HLS 15RS 1237
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|-------------------------------|
| Date: April 19, 2015 4:00 PM | Author: JACKSON |
| Dept./Agy.: Economic Development / Revenue | Analyst: Greg Albrecht |
| Subject: Reduces Various Incentive Subsidies by 20% | |

TAX/TAX REBATES OR INCREASE GF RV See Note Page 1 of 1
 Reduces all tax rebates

Proposed law reduces the amount of benefit provided to participants of various state incentive subsidy programs by 20%. The affected programs are Donations to School Tuition Organizations, the Procurement Processing Company program, the Enterprise Zone program, the Mega-Project Energy Assistance program, the Quality Jobs program, the Corporate Headquarters Relocation program, and the Competitive Projects Payroll program. Effective for contracts/agreements entered into on or after July 1, 2015. For school tuition donations, effective for benefits paid on or after July 1, 2015.

| EXPENDITURES | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</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> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | INCREASE | INCREASE | INCREASE | INCREASE | \$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> | <u>\$0</u> |
| Annual Total | \$0 | | | | | \$0 |

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION


The bill reduces benefits the state will extend to program participants by 20% across these various programs, and can only work to increase net state revenue receipts above what they would otherwise be. Since in all but one case the benefit reduction occurs for contracts/agreements entered into on or after July 1, 2015 much of the savings to the state will likely be realized in fiscal years beyond FY16. The most active ongoing programs affected are the Enterprise Zone and Quality Jobs programs. While it is possible that some program participants entering the programs in FY16 could claim their benefits within FY16 at the 20% reduced rate provided by the bill, this is unlikely to be material due to the time it takes to complete projects, ramp up hiring, have performance verified, and file to claim benefits.

The Corporate Headquarters Relocation and Competitive Projects Payroll programs are similarly affected, but have not been in existence long enough to have any benefit claims made to the Revenue Department yet. Again, due to the time it takes participants to move through these programs, it is not likely that a 20% reduction in benefits will effect FY16.

To date the Mega-Project Energy Assistance program has not been implemented. The Procurement Processing program apparently has been contracted, but prior to July 1, 2015 and no claims for benefits have yet been submitted. Finally, the Department reports only one small claim has been submitted in FY 15 under the Tuition Donation program.

As participation in these programs occurs in FY16 and beyond, the 20% reduction in benefits imposed by the bill will result in greater net revenue receipts to the state. Due to the nature of these programs, no material revenue gains are likely in FY16, and the timing and magnitude of future gains are uncertain.

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


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