

Lawmaker urges permanently reducing three popular rebates

BY MARK BALLARD

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As the Louisiana Senate takes up a House-passed state budget proposal that makes deep cuts in popular government services, the lower chamber is being asked to look at Senate-passed legislation that would raise some revenue by permanently reducing three popular tax rebates.

Sen. Jay Luneau, D-Alexandria, wants to make permanent reductions set to expire June 30 for three growing economic development incentives: Quality Jobs, Enterprise Zones and Competitive Salaries.

How well-received the idea is in the House could be an early indicator of whether Louisiana lawmakers can overcome their philosophical differences about raising revenue.

"Citizens say no new taxes and I agree," Luneau told The Advocate. "We have a lot of taxes on our rolls, but we don't collect a lot."

Though Senate Bill 493 passed the Senate easily, he knows that the business community opposes the measure. He's frustrated because business leaders won't meet with him.

Sen. Barrow Peacock, RShreveport, is one who is vocal in his opposition.

"I'm concerned that we are losing private sector jobs, and we're not going to get out of our budget problems until we bring back those private sector jobs," Peacock argued. Shorting popular incentives won't bring new businesses to Louisiana and won't encourage existing businesses to expand, he said.

"These are some of the most lucrative programs of any state in the United States," Luneau countered. "We give away a lot of money to these folks, so when we have an opportunity to throttle them back a little bit and the department (Louisiana Economic Development) agrees they can live within those means ... we ought to take advantage of that."

Louisiana gives away a lot of its possible tax revenue in the form of exemptions, credits and rebates. The state expects to collect \$15.6 billion in taxes in 2018, according to the Department of Revenue. But various tax breaks should keep about \$7 billion out of the public treasury.

The House on Thursday sent the Senate a spending plan for the fiscal year beginning July 1 with cuts to the Taylor Opportunity Program for Students, safety-net hospitals, disabled care and other services to cover a revenue shortfall of about \$650 million.

Senators had to thread a legal and political obstacle course to get to the legislation Luneau is championing.

For more than three decades, the Louisiana Constitution allows lawmakers to consider taxes, fees and credits only during sessions in odd-numbered years. This is why legislators met - and failed - in a special session two months ago to find the money to cover the deficit without having to cut services.

Lawmakers can't touch credits, like the one that attracts filmmakers to Louisiana, but the constitution is silent on rebates. This gave Senate lawyers enough wiggle room to give the OK to go after three of the rebate programs.

In 2015 and 2016, the Legislature reduced by 20 percent the rebates on various taxes - the state writes checks directly for companies that located in Louisiana and created jobs with health care benefits, or built or expanded manufacturing facilities. Luneau's bill makes that reduction permanent for all facets of the three rebate programs.

SB493 wouldn't change existing contracts. But for projects beginning after July 1, for example, that would qualify for a \$1 million rebate would get \$800,000 instead. It would save \$96.5 million over five years.

The Quality Jobs program is expected to cost the state \$100 million in 2018; the Enterprise Zones, another \$40 million; and Competitive Payroll Incentive, an additional \$400,000.

"My solution is we need to chip away at the stone a little bit," Luneau said.

When issues arose, the bill was amended.

For instance, Luneau initially wanted to limit the total amount of money available, similar to what the state did for the film tax credit program last year. But some worried that capping this year didn't give industry or state officials who actually solicit businesses to move here enough time to plan and prepare. Luneau removed that provision.

Senate Revenue and Finance Committee Chairman JP Morrell, D-New

Orleans, said he introduced the amendment "to see if there is any reasonableness in this building or if they are just people who like free money."

Speaking during a committee hearing attended by a phalanx of trade association lobbyists, sitting quietly as the measure was debated, Morrell asked for input from the business community. "We always hear, consistently, this affects so many industries, but they never show up," Morrell said.

Only one person spoke against the measure.

Rhonda Reap-Curiel, a lobbyist representing the Louisiana Industrial Development Executives Association, said her clients were concerned that the number of applications would decrease.

"I appreciate these programs, but we don't have the revenue to pay for them," Morrell lectured the business community representatives. "If you want to afford these programs, I hope you have a solution for the budget crisis. Because if we don't solve these problems in a very comprehensive, coherent way, we're just going to start slashing stuff."

Luneau is worried about the measure's reception in the House Ways and Means Committee. "The immediate concern is getting it out of that committee; not a whole lot of bills have moved out there," Luneau said.

Some Ways and Means Committee members deny that their panel is where revenue-raising measures go to die, but they say they haven't read the bill.

Vice Chairman Jim Morris, R-Oil City, is one of them, saying he couldn't offer an opinion yet, other than it would be fairly considered.

"It may be a great idea. I just don't know," Morris said. "We'll see." Follow Mark Ballard on Twitter, @MarkBallardCnb.