

Task Force on Structural Changes in Budget and Tax Policy

Meeting Minutes

July 22, 2016

I. Call to order

The meeting of the Task Force on Structural Changes in Budget and Tax Policy convened at 9:14 a.m. on Friday, July 22, 2016 in the House Committee Room 1 located on the ground floor of the Louisiana State Capitol Building, 900 North Third Street, Baton Rouge, LA 70802.

II. Roll call

a) The following Task Force Members were confirmed as present:

- Dr. James A. Richardson
- Kimberly L. Robinson
- V. Thomas Clark, Jr.
- Sean Reilly
- Dr. Steve Sheffrin
- Randy Roach
- William C. Potter
- Louis Reine
- Jason DeCuir
- Barry Erwin
- Jay Dardenne

Alternates:

- Steven Procopio (Robert Scott)

b) Approval of Minutes:

The minutes from the meeting on July 15, 2016 were approved as written.

c) Approval of Agenda:

The agenda was unanimously approved as distributed.

III. Agenda Topics

- a) Presentation: Local Impact on the Louisiana Criminal Justice System by Gary Bennett, Assistant Director, Sherriff's Association, Pete Adams, Executive Director, District Attorney's Office and Sherriff Greg Champagne

Mr. Adams provided an overview of the functions of District Attorney's Office and the possible impact that policy changes would have on those offices. The civil responsibilities, daily obligations, administrative and specialty duties of the DA's office were identified and discussed in detail. An evaluation of revenues and expenditures for the DA's office, done by the legislative auditor, was also given. The percentage of self-generated revenues vs. state and local funding was identified. Retirement funding was also discussed.

During Mr. Bennett's presentation, an over was given on the functions and duties of the Sherriff's Office. The role of the Sherriff as the tax collector of Ad Valorem taxes including inventory for each parish was identified. The Sherriff's responsibility to distribute the taxes collected to the appropriate taxing bodies was also discussed. Property tax, sales tax and self-generated funds were identified as the three main funding sources for the Sherriff's offices. The cost associated with housing inmates vs. the amount which is actually reimbursed was discussed in length.

Mr. Champagne provided his perspective on the role and challenges of the Sheriff's office with emphasis on the heavy dependence on Ad Valorem taxes. The effect that the price of oil has on the tax collection was identified. The lack of profitability in housing inmates was discussed in length.

Housing inmates was also discussed in length as well as currents mandates on holding inmates. The practices of other states in regards to holding inmates were identified as well as federal contracts for holding federal inmates. Staffing obligations of jails were also discussed.

- b) Presentation: SCR 6 Task Force ITEP Overview by James Chappell, Director of State Economic Competiveness for Louisiana Economic Development and Mandi Mitchell, Assistant Secretary, Louisiana Economic Development

Mr. Chappell provided an overview of how ITEP has traditionally worked and how the June 24, 2016 Executive Order has impacted the program. The foregone revenues under ITEP and the programs impact on tax and business climate were discussed. Benchmarking of Louisiana's ITEP against programs in peer states was also detailed. The two ways to apply for and receive ITEP exemptions was outlined by Mr. Chappell as well.

Terms and conditions by which the Governor is to determine whether or not contracts with ITEP applicants are in the best interest of the State were identified. These requirements include:

- Cooperative Endeavor Agreement with LED
- Approval of local governing authorities
- Miscellaneous Capital Additions no longer eligible for ITEP contracts
- Other types of capital not eligible for ITEP contracts

A comparison with other states that offer property tax exemptions to new and expanding companies was given. The types of property tax exemptions offered in Louisiana and neighboring states was outlined during the comparison. A direct comparison of property tax exemptions in Texas and Louisiana before the executive order was also provided.

The totals for renewal stage ITEP contracts and initial stage ITEP contracts currently in the system were identified. A breakdown of Ad Valorem revenue forgone by parish was displayed. Foregone revenue estimates by year were also given. The importance of the exemption to companies was discussed.

- c) Presentation: Adjusting the Ad Valorem Tax Scheme by Tab Troxler, St. Charles Parish Assessor

Mr. Troxler provided information on the impact that the Industrial Tax Exemptions Program and inventory tax has on local governments. After providing facts about St. Charles Parish and specific inventory held in the parish, a brief breakdown of basic inventory tax was given.

During a brief discussion of the Industrial Tax Exemption Program, Mr. Troxler provided information on the structure of credits and exemptions under current legislation. Exemptions on oils stored by producers prior to

first sale, agricultural products, materials, boiler fuels, energy sources used by public utilities and raw materials were all discussed. Industrial exemptions contracts and depreciation of property under contract were also discussed in length. The total dollar amounts of exemptions that have expiration dates through 2024 were identified. After questions from members, the assessed value vs, Market value of inventory was discussed.

The population, 2015 millages, assessed value, inventory AV, total inventory, ITE cost exempted and major tax base(s) in the following parishes was identified:

- Point Coupee Parish
- St. Tammany Parish
- St. Charles Parish
- Ascension Parish
- Plaquemines Parish
- Lafourche Parish
- St. James Parish

Mr. Troxler included these parishes in scenarios displaying the impact of removing and /or adjusting the inventory tax, ITE and MCA. The models were based on 2015 numbers. The effects that the scenarios provided would have on millages of general obligation bonds was discussed. The importance of being competitive while keeping the best interest of the locals and the state in mind was also discussed.

- d) Local Commentary : Andy Kopplin, New Orleans First Deputy and Chief Administrative Officer

During a discussing of a letter to the Task Force which was drafted by Mayor Landrieu, Mr. Kopplin identified the need to analyze the link between state and local revenue sources, taxes, dedications and priorities to achieve balance between local and state government. A brief recap of previous attempts to generate revenue for locals through taxation was provided. The need for a fair broad tax base was identified. Using practices of other states as a guideline on the limitation of exemptions was discussed.

- e) Presentation: Local Services and Municipal Responsibilities by Ronnie Harris, Executive Director of Louisiana Municipal Association and Mayor Roach

Mr. Harris provided an overview of the obligations and responsibilities of the Louisiana Municipal Association. The composition of its members, and mission of the organization were also identified. Educational requirements and the importance of educational based programs were identified.

During a discussion of member services, the Louisiana Municipal and Technical Assistance Bureau (LAMATS) was discussed. This service provides tax collection on insurance premium tax, occupational license tax, delinquent property tax and adjudicated property sales, municipal debt recovery, capital outlay, labor consulting, and blighted property abatement program. The major sources of LMA revenue were identified as:

- Ad Valorem Property Tax
- Sales Tax
- Occupational Tax
- Charges for Fees & Services
 - Franchise Fees
 - Regulatory Permits
 - Utilities
- Charges for Fines, Court costs, collection of State mandated fees

The issues regarding municipal taxing authority when collecting these revenues were identified. The disconnection with the state in this process was discussed in length. Municipal taxing authority recommendations to address current issues were given. These recommendations included the following:

- Centralized collection of local sales taxes with local government control
- Local government approval on industrial tax exemption
- Local Option gas tax
- Fund State tobacco tax proceeds at full funding
- Reconstitute the advisory commission on intergovernmental relations
- Review local sales tax exemptions
- Limit future local sales tax exemptions
- Constitutionally protect revenue in lieu of inventory tax
- Lift cap on franchise fees
- Coordinate community college education with certification programs for water and waste water operations

f) Discussion on state collection of sales taxes by Local Government Associations deferred to July 29th meeting

IV. New Business / Potential Agenda Items

- a) Agenda topic for July 29, 2016 meeting: Dedications
- b) Agenda topic for August 12, 2016 meeting: Retirement Systems
- c) No meeting on Friday, August 5, 2016
- d) Scheduling of Small Group meetings

V. Adjournment

The meeting was adjourned at 3:41 p.m.

Minutes submitted by: Marisha Patterson