June 4, 2020

Dear Gov. Edwards,

House Bill 846, which passed the Legislature on the final day of the 2020 session, would create an expensive new state subsidy program for jobs in the retail, food service and accommodation industries. While this bill appears well-intentioned, it would saddle Louisiana with a large, unpredictable new expense that will drain scarce resources that could better be used to provide education, healthcare, public safety, and other services to Louisianans at this difficult time.

We urge you to veto this bill.

This bill would create the Competitive Projects Payroll Incentive Program. But it has nothing to do with competing for big economic development projects. Instead, it commits Louisiana taxpayers to underwriting 6% of the salaries for people who are hired or re-hired for jobs in three industries that pay some of the lowest average wages in Louisiana. The subsidy would apply to companies with fewer than 50 workers, and the only requirement is that the jobs pay at least the federal minimum wage of $7.25 an hour. There is no requirement that the subsidized workers be provided with health insurance, paid sick leave, retirement, or any of the other benefits that we associate with good jobs.

The Legislative Fiscal Office analyzed this bill and said it could “result in substantial state revenue losses.” While it’s impossible to determine exactly how much this program will cost, our own calculations (attached) suggest the tab could easily reach into the hundreds of millions of dollars.

There is no evidence that this new subsidy will produce any economic activity that would not happen without this support. Instead, Louisiana taxpayers would be underwriting low-wage jobs that will come back on their own as businesses and communities reopen.

This new spending program would exist outside the normal budget. It would not be subject to appropriation. It would instead crowd out revenue that could otherwise be appropriated to important needs.

As you know, Louisiana has a long and unpleasant history of launching tax credit programs that quickly spiral out of control. It’s one of the main reasons you inherited a structural deficit upon taking office, which required seven special sessions to solve. We urge you to not repeat the mistakes of the past, and to veto this misguided and unaffordable legislation.

Sincerely,

Jan Moller
Louisiana Budget Project

Ashley Shelton
Power Coalition for Equity and Justice

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