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A Review of the Louisiana Industrial Tax Exemption Program

Cole Smiroldo

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A Review of the Louisiana Industrial Tax Exemption Program

by

Cole Smirollo

Undergraduate honors thesis under the direction of

Dr. Belinda Charlene Henderson

Department of Accounting

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Louisiana ITEP Program

Introduction and Program Review

The Louisiana's Industrial Tax Exemption Program (ITEP) was officially initiated as part of Louisiana's constitution in 1974 (Article VII, Part 2, Section 21(F) of the Louisiana Constitution of 1974.). The program goal centered on generating economic benefit for citizens of Louisiana through job development and capital investment. To accomplish this goal, the Louisiana government instituted the ITEP program, tasked with granting tax exemptions to companies willing to bring jobs and investment dollars to Louisiana. ITEP eligibility required a business classification in manufacturing limited to businesses in the North American Industry Classification System (NAICS) beginning with 31 through 33 (Louisiana Economic Development, 2021; NAICS, 2021). To qualify, the company had to provide detailed information related to its manufacturing activities in addition to verification of its NAICS coding. While specific coding identifies the business, significant variability exists across these companies. They range from manufacturers of food products to manufacturers of chemical products. Louisiana made the ITEP available to both businesses headquartered in Louisiana and those headquartered outside the state so long as the investment would occur within Louisiana (Louisiana Economic Development, 2021). Requirements for ITEP have not changed since the program's inception prior to the recent 2016 modifications.

Louisiana politicians and historians trace the origins of ITEP to business incentives initiated as a reaction to the taxation policies of Governor Huey Long (Together Baton Rouge, 2018). Opponents of Governor Long saw his approach to government as anti-corporation and anti-wealthy and argued that these approaches negatively impacted the state's economy. Both state publications and other sources note that this program remains unique to Louisiana

(Together Baton Rouge, 2018). While advocates of the program focused on how ITEP offered an important opportunity to bring jobs and positive economic impacts to Louisiana communities, the initial program structure did not require any statement of expected job creation or a specific magnitude of economic impacts.

Program Modifications

Governor John bel Edwards focused on modifying the program as he began his administration in January 2016. Edwards noted concerns regarding the costs of the program to the state in terms of lost revenue compared to the actual impact or lack of impact in terms of job creation. Additionally, he raised concerns about the local impacts of the program while simultaneously recognizing the lack of local involvement in decisions regarding exemptions. Two executive orders signed by Edwards in 2016 resulted in modifications to ITEP (JBE Executive Order 2016-26; JBE Executive Order 2016-73). These executive orders changed the program by increasing focus on job creation expectations, requiring local approval, and eliminating use for routine business improvements. Critics of the changes feared that businesses would view Louisiana less favorably in comparison to other states resulting in potential loss of business and associated revenue. (Louisiana Association of Business and Industry, 2016.)

Understanding the National Context

A national consensus regarding the benefit of implementation of programs similar to ITEP remains absent. Differences exist across states, parties, and localities within states regarding benefits and costs of these types of programs (Bartik, 2017; Davis, 2013; Louisiana Economic Development, 2016; Together Baton Rouge, 2018; Together Louisiana, 2016). Comparing programs is challenging due to differences in type of industry included, amount of

exemption offered, and length of exemption even amongst states with somewhat similar programs. A review of issues across states provides a look at several problem areas as it relates to ITEP like programs.

Important industrial changes occurred over the last several decades. Progress in technology resulted in an increasing automation within the manufacturing field which impacts jobs within the field (Oxford Economics, 2019; World Economic Forum, 2020). Robotics has resulted in decreased reliance on people to manufacture and distribute products. This type of automation impacts phases of the process from literally constructing items to packaging and dispersing. Twenty million manufacturing jobs could be eliminated by robots by 2030 (8.5% of the global manufacturing workforce) (Oxford Economics, 2019). Ironically, in the context of this increasing automation, programs like ITEP often unintentionally subsidize the organization's automation efforts. As automation increases jobs may decrease rather than increase. The Federal Bureau of Labor Statistics (2020) most recent data indicate that manufacturing plants increased in number between 1990 and 2017 while jobs in manufacturing decreased in the same period. Accordingly, manufacturing data from the Federal Reserve Bank of St. Louis states that jobs in manufacturing decreased by approximately 35% between 1970 and 2017 with the biggest decrease occurring between the late 1990s and early 2010s.

An additional area of concern centers on variability in administration of programs aimed at corporate level tax incentives. Management of tax exemption approvals and implementation within a state may occur at the state or local level with impacts happening at the local level. In some states like Louisiana, program approvals may come from state rules and regulations often with state level decisions (Article VII, Part 2, Section 21(F) of the Louisiana Constitution of 1974; Bartik, 2017; Together Louisiana, 2016). Until the 2016 changes, Louisiana evaluations

and approvals of ITEP applications occurred at the state level. Tax revenue foregone, however, affects local city or parish level budgets rather than the state budget. City and parish leadership oversee and have responsibility for meeting community needs including important education and infrastructure components. Meeting these needs becomes more challenging when local revenue is abrogated in an approved tax exemption.

Finally, in response to surveys on the importance of tax exemption in business decisions, organizations that may apply for these types of incentives indicate a more limited impact these options have on business decisions. Within the context of all costs these businesses incur, state and local taxes represent a small percentage of costs (Institute on Taxation and Economic Policy, 2013; Jensen, 2018; Tax Policy Center, 2015). Other factors related to specific local or geographic resources and infrastructure may limit location options existing for the organization requesting the exemptions (Sneath, 2019). Power infrastructure and resources, location to water supply, and transportation represent some of the factors that may impact business location decisions. For some industries, the locations in Louisiana near the Gulf of Mexico or the Mississippi River along with other resource and infrastructure considerations will determine the need for some businesses to locate in the region regardless of tax incentives.

Current Program Outlook

Although the intent of the 2016 executive orders involved efforts to improve the program and enhance the ability of the state to realize new jobs tied to any ITEP approvals, several problems and challenges emerged in the implementation of the modifications. One problem focused on the manner in which organizations counted jobs (Allen, 2017). Greater attention to the expected jobs created by a company's move to Louisiana, or expansion in theory allows for an improved result for the state with greater permanent job creation. The challenge arises with

the definition of jobs which now allows for counting of “indirect” jobs and contractors by the organization requesting exemptions. Indirect jobs represent those expected to occur in related fields or organizations rather than directly at the company requesting ITEP. Indirect jobs differ from temporary construction jobs and can theoretically be counted in new jobs even though they do not exist at the location/organization applying for the exemption. For example, if a manufacturing plant produces more product, then the companies that transport the product to the point of sale may need more drivers. The company that employs the drivers may then realize additional jobs but the manufacturer seeking the incentive may not increase jobs. These relational impacts do occur but represent difficult to prove outcomes. Contractors serve as a different problem because that these individuals may not be required to reside in the state and thus do not effectively represent a new job for Louisiana.

A second problem surrounds the continuation of existing ITEP approval tax relief. The executive orders only affected new approvals or required renewals (Louisiana Title 13, Chapter 5, 501A, 2018). A company’s ITEP approval last for 5 years with the option of an additional 5-year renewal. Organizations with existing ITEP approval retain the tax benefits until the renewal application occurs, so the state continues to incur large losses in tax revenue due to previously existing approvals under the old requirements potentially until 2026.

Finally, attempts to minimize use for routine improvements and capital additions represents another area difficult to define adequately. The program under the 2016 modifications continues to allow for requested approval for “expansion” within an existing business (Allen, 2017; Louisiana Title 13, Chapter 5, 502, 2018). Savvy or dishonest organizations succeeded in describing and defining large enough routine improvements in a manner that qualified under the

expansion option (Allen, 2017). The success of these businesses may undercut the intent of the executive order to minimize foregone tax revenue.

While well designed tax incentives provide the opportunity for positive impacts on state and local economies and constituents, the Louisiana ITEP's effectiveness remains questionable.

This paper aims to evaluate three key issues related to the program:

- 1) the program outcomes surrounding the goal of creating jobs and sustainable economic growth for the state.

- 2) the impact of the executive order modifications on local governments' ability to be more critical of potential exemptions given.

- 3) the effect of company size and geography on cost-benefit analysis.

ITEP Program Evaluation of Initial Core Criteria

Job Creation and Investment

The primary stated goals of the ITEP focused on creating jobs and achieving sustainable economic growth for the state. To analyze whether ITEP achieves the stated goals, the following calculations of impact occurred: 1) ratio analyses comparing permanent new jobs to total new jobs and temporary construction jobs and 2) comparative analysis of median estimated jobs for Louisiana projects approved to benchmarks used in Texas counties. Use of Texas benchmarks provided an available comparative standard in the absence of one being set in Louisiana.

Table 1. Ratio Analysis of ITEP outcomes from 1997 through 2021

Total projects receiving exemption 1997-2021	8,882
Ratio of new permanent jobs to estimated total new jobs	17.80%
Ratio of new permanent jobs to estimated new construction (temporary) jobs	21.66%
New Permanent Jobs	112,748
New Construction (temporary jobs)	520,502
Total New Jobs	633,250

Data Source: Louisiana Economic Development ITEP data

These ratio analyses indicate that creating new permanent jobs does not represent a significant outcome of the ITEP program. Given that supporters of the program cite job creation as a benefit for citizens within the local communities, the data does not support this statement in any routine manner. The best method for assisting individual citizens to increase their standard of living rests on the availability of jobs within the local community. While a large investment figure can represent positive economic change, the companies making this investment tend to realize the benefits more than the individual citizens of the state. Even when new job creation

exists in an application, most of the jobs involve temporary construction-based work. Temporary construction jobs refer to jobs created during the construction phase of a project or expansion but do not last at the organization past this phase. Typically, these jobs last 6 to 12 months. New jobs represent 17.8% of total jobs created through this program since 1997. All other new jobs, roughly 82%, created involved temporary construction jobs. The greater emphasis on temporary jobs further highlights the lack of positive impact on standard of living for citizens in impacted localities.

Table 2. Texas County Benchmarks

County	Minimum new jobs required	Minimum investment required
Bexar	25	\$1,000,000
Brazoria	10	\$1,000,000
Chambers	5	\$500,000
Collin	0	\$100,000,000
Dallas	50	\$3,000,000
Denton	retain existing	\$10,000,000
El Paso	0	\$2,500,000
Ellis	26	\$1,000,000
Galveston	15	\$3,000,000
Harris	25	\$1,000,000
Jefferson	retain existing	\$1,000,000
Johnson	10	\$1,000,000
Montgomery	retain existing	\$1,000,000
Nueces	10	\$2,000,000
San Antonio	25	\$1,000,000
San Patricio	20	\$2,000,000
Tarrant	25	\$3,000,000

County	Minimum new jobs required	Minimum investment required
Travis	100	\$1,000,000
Victoria	retain existing	\$500,000
Waco	200	\$300,000
Waller	0	\$500,000

Texas data source: Louisiana Economic Development presentation, 2019

Table 3. Louisiana Actual Data

Type	Mean	Median	Mode
New Jobs	13.56	0	0
Investment	\$20,892,260.29	\$1,818,980.50	\$1,816,946.50

Tables 2 and 3 provide data on tax incentive requirements from neighboring Texas counties and actual data from Louisiana's ITEP approved projects. The Texas county requirements apply per application. The mean, median and mode for the Louisiana data offers the best comparison of per project data. The median new jobs in Louisiana projects actually approved and completed sits at zero. The most commonly occurring outcome for an ITEP project involves no new jobs created. Of the 8,882 projects receiving the incentive, 5,728 or 64% estimated no new job creation from the project. The average per project new jobs created is 13.56. In neighboring Texas, specific counties set required expectations related to new jobs created. In review of 21 of these county benchmarks, required minimal new jobs expected from a project range from zero to 200. Only 7 of the 21 counties set a requirement at zero with three of these seven counties requiring higher investment than the Louisiana median investment. The average per project new jobs created in Louisiana would only meet 10 county requirements. Investment requirement across the Texas counties ranges from \$300,000 to \$1 million. Twelve of the Texas counties set investment minimums lower than the Louisiana median, but only 4 of

the 12 have no required minimum number of new jobs to create. The median investment remains at a similar level when considering only the subset of projects with no estimated new jobs. The projects without job creation do not invest more than those with new jobs. Localities for these projects realize similar investment with no new jobs. The average investment fares better in comparison; however, this level of investment does not represent most projects when considering the mean and mode data. Louisiana fails to set a requirement for either new jobs or investment. A significant percentage of Louisiana projects receiving the incentive would receive a rejection in most of the comparative Texas county processes.

Analysis of Core Indicators

Analysis of the core indicators does not support a significant positive impact of ITEP. The majority of new jobs created represent temporary constructions jobs. A comparison of program requirements across counties in neighboring Texas results in questions of benefits of programs receiving approval and indicates that most programs in Louisiana would not receive acceptance in the majority of these counties. The majority of projects receiving the incentives show limited positive impacts with regard to job creation and lack clear investment that might outweigh this factor.

Economic Indicators

To consider the economic impact of these tax incentives, a review of broader economic data provides initial context. Nationally, the landscape of manufacturing changed significantly with the emergence of automation and the co-occurring need for a higher trained and educated workforce (Yang, 2021). The number of manufacturing workers decreased from 17.5 million in 2000 to about 12 million in 2010. Eighty percent of jobs lost (approximately 4 million jobs)

occurred because of automation. Additionally, the composition of the workforce in manufacturing changed with manufacturing positions for people with graduate degrees growing by 32% in the same time frame. This data indicates that manufacturing may not represent the best area for incentives to increase jobs and impact citizens directly. Automation and need for a more skilled workforce will limit impacts in this area.

Louisiana Picture

To evaluate whether Louisiana's manufacturing workforce experienced similar changes, I reviewed state level data and compared it to national data. From 2009 to 2019 Louisiana's Labor Force Participation Rate¹ dropped from 61.9% to 58.6%, a slightly larger decrease than that of the national rate over the same time period (Louisiana Workforce Commission, 2019). Average weekly hours worked by manufacturers increased during this period from 40.8 to 42.8 with noted cuts in employment associated with the increase in hours. Employment in manufacturing decreased by approximately 700 jobs from 2016 to 2019 signaling a clear stagnation in growth for the manufacturing industry and following noted decreases beginning at least as far back as 2013 (Louisiana Workforce Commission, 2016). The manufacturing industry in Louisiana ranks 9th out of 10 ranked industries with regard to growth percentages (4% share of total GDP growth anticipated through 2026 and 6,657 new jobs projected through 2026) and state GDP has only grown 1.1% from 2016 to 2019 (Louisiana Workforce Commission, 2019). Manufacturing Extension Partnership of Louisiana (MEPOL) data through 2019 reveals Louisiana as below the national rate in Manufacturing Employment and Manufacturing GDP, though they project Louisiana will catch up to and surpass national rate of employment during the next decade

¹ Per the Bureau of Labor Statistics, the labor force participation rate represents the number of people in the labor force as a percentage of the civilian noninstitutional population. $(\text{Labor Force} / \text{Civilian Noninstitutional Population}) \times 100$

(2021). Louisiana’s average weekly hours worked has for the most part remained well above the national average from 2014 to 2019 with the only sub-industries in manufacturing showing growth over this same time period including Chemical Manufacturing (14% growth rate) and Food Manufacturing (2.8% growth rate). From 1990 to 2019, Louisiana manufacturing employment fell from 176,000 to 137,000. Based on this comparison, Louisiana experiences a lower general employment and fiscal status compared to the national data, with manufacturing experiencing impact along with other industries. Additionally, those employed worked 44 hours a week compared to the national average of 42 hours. Average hourly earnings, GDP growth, and total employment have lagged well below national rates from 2014 to 2019 (MEPOL, 2021, Federal Bureau of Labor Statics, 2021).

Table 4. National and Louisiana Wage and Employment Data from 2014 to 2019

Comparison	Hr. Earnings	GDP Growth	Employment to Population Ratio
National	\$28.46	14%	60.7%
Louisiana	\$23.87	3%	56.9%

Figures 1 and 2 show ITEP approvals over time and Louisiana GDP over time.

Comparison of Louisiana GDP data to ITEP incentives reveal little correlation between greater incentives and economic improvement. From 2014 to early 2017, Louisiana experienced a drop in GDP compared to previous years. In the same period, higher ITEP approvals occurred.

FYE over time

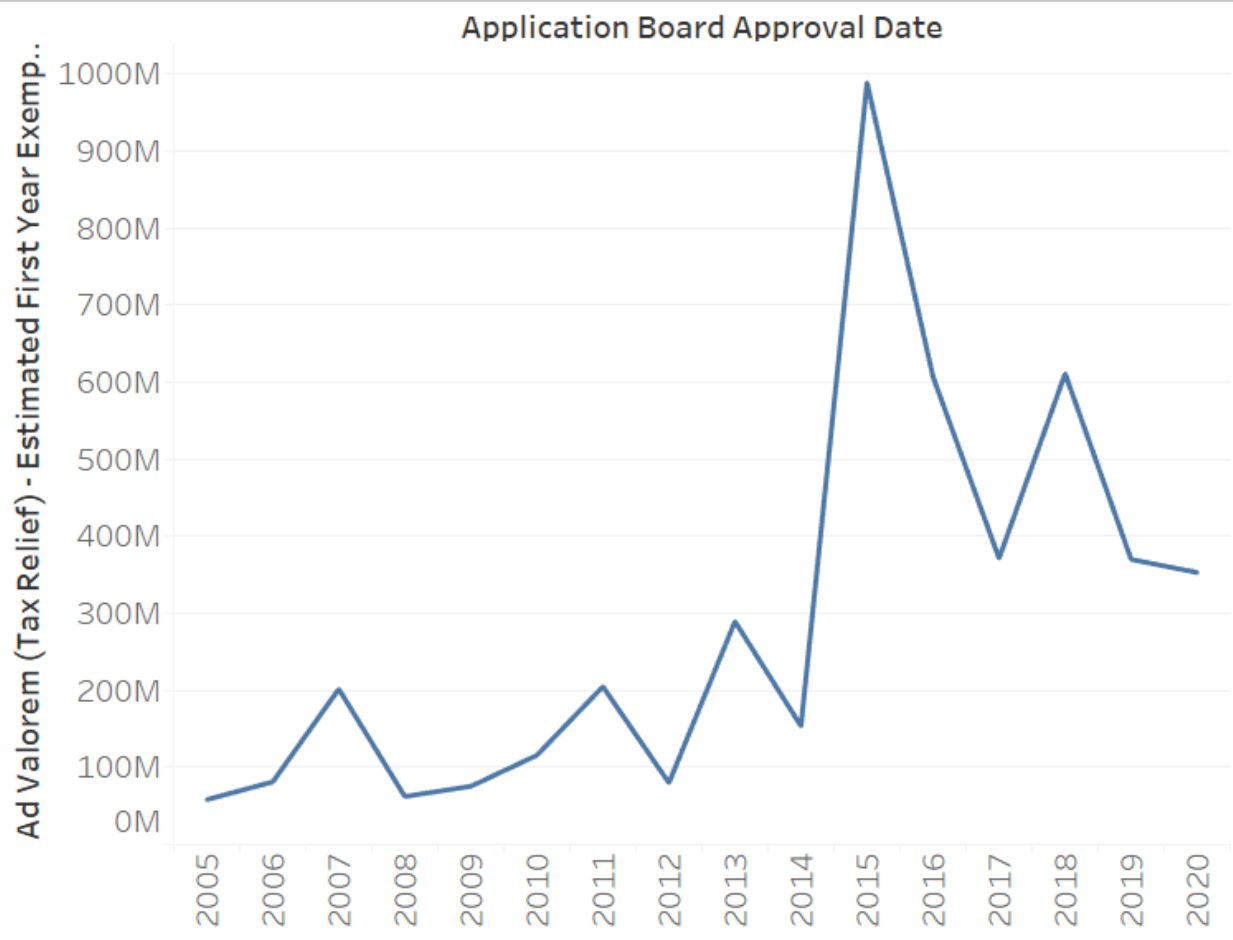


Figure 1. ITEP approvals (Data Source: Louisiana Economic Development ITEP Data)

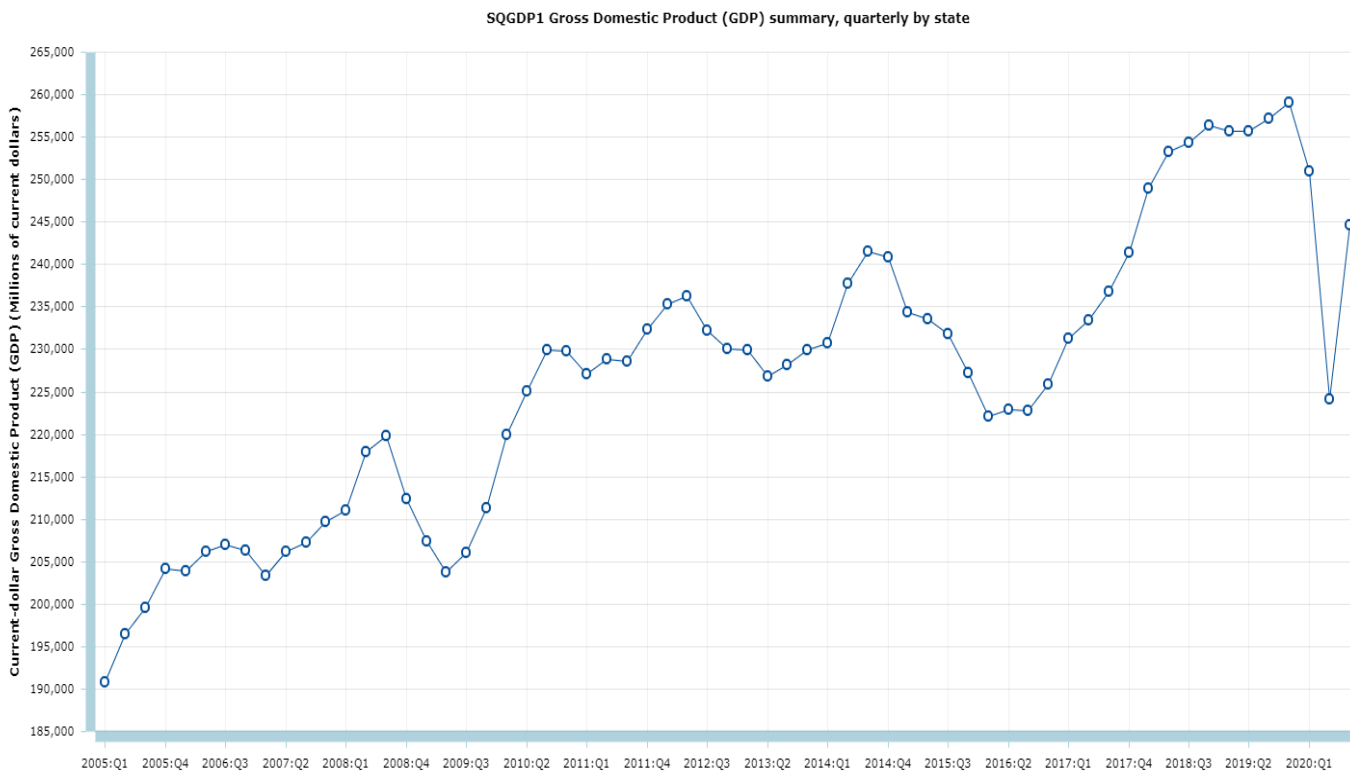


Figure 2. Louisiana GDP (Data Source: U.S. Bureau of Economic Analysis)

Parish Level Analysis

To explore the impacts of the ITEP, a parish-by-parish breakdown offers the ability to look directly at local indicators and impacts. In principle, the ITEP trades lost revenue at the local level for presumed benefits via jobs created and community economic investment. Evaluation of local impacts represents an important area for determining program outcomes. To analyze local impact of ITEP, I examined the following calculations: 1) ITEP approval dollars by parish to identify parishes with high ITEP approvals, 2) job creation and investment by parish for those identified, 3) key economic indicators for identified areas to ITEP program volume, and 4) ITEP approvals by parish and zip code, along with socioeconomic data.

The data contained in Figure 3 demonstrates the distribution of ITEP projects across Louisiana's 64 parishes since the program inception. Calcasieu and Cameron parishes represent

the two largest impacted localities. Further examination of these two parishes will occur in this section.

FYE by Parish

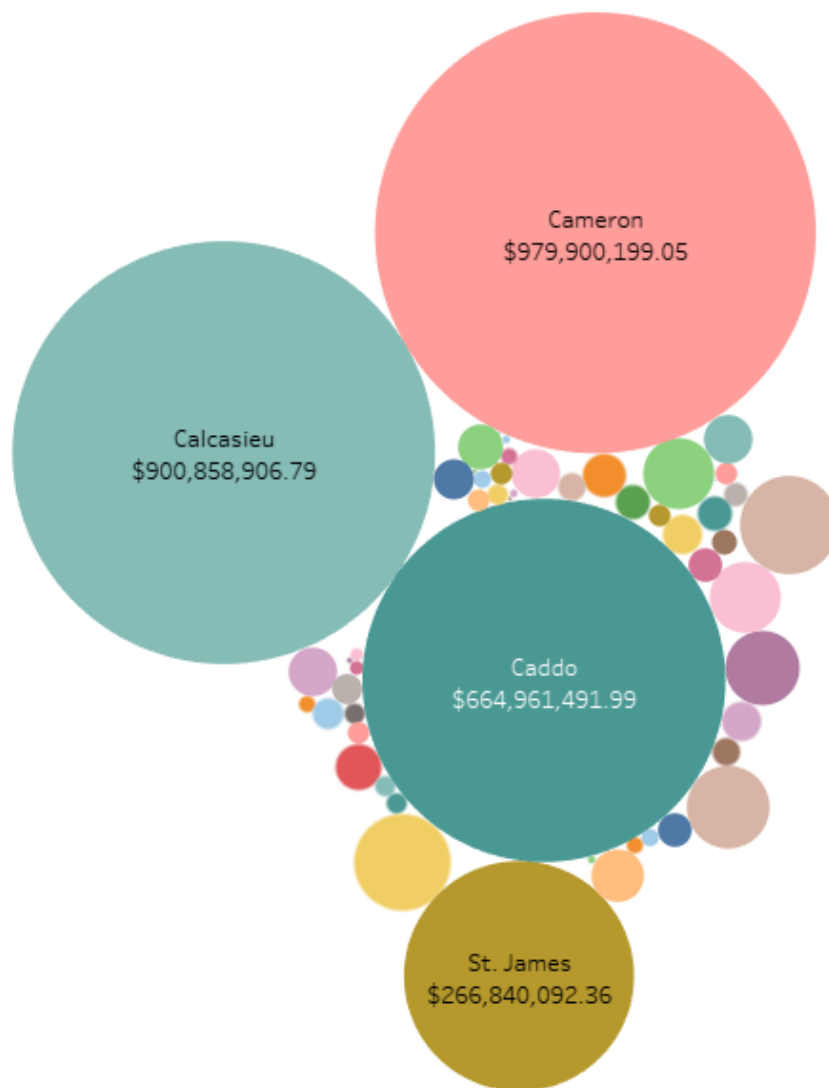


Figure 3. First Year Exemption by Parish Bubble Map

Calcasieu and Cameron Parishes: “Twin” SW Parishes

Together Calcasieu and Cameron parishes account for 10% of the ITEP approvals (890 of the 8,882 approved projects) between 1997 and 2021. The total permanent jobs represent a small

percentage of the total jobs the projects in these two parishes created. The lost revenue due to the exemptions for these projects represents a significant dollar amount for these two parishes.

Broader economic indicators for the Lake Charles regional labor market area (RLMA) do not support significant positive impact. For this RLMA, manufacturing projections through 2026 represent only 2.5% of total economic growth projected for the area (Louisiana Workforce Commission, 2019). Manufacturing ranks last in the areas studied for projected growth. Per the 2019 Louisiana Workforce Commission's Report, for the Lake Charles RLMA, manufacturing impacted GDP change in 2017 by -1.6%, ranking last of the 13 total industries surveyed by the Workforce Commission. Between 2016 and 2018, construction (temporary) jobs grew steadily with a decrease beginning in late 2018 into 2019. During this same period, manufacturing jobs remained fairly flat between 12,658 and 12,962 (Louisiana Workforce Commission; 2019).

Table 5. Parish Data Calcasieu and Cameron Parishes

Data Indicator	Calcasieu	Cameron
Number of projects receiving exemption 1997-2021	851	39
Ratio of new permanent jobs to estimated total new jobs	5.3%	4.97%
Ratio of new jobs to estimated new construction (temporary) jobs	5.6%	5.2%
Number of new permanent jobs	4,793	1,467
Number of new construction (temporary) jobs	85,590	28,045
Number of total new jobs	90,383	29,512
First year exemption amount	\$900,858,906	\$979,900,199
Average project size (exemption amount/#projects)	\$1,058,589	\$25,125,646

Data Source: Louisiana Economic Development ITEP Data

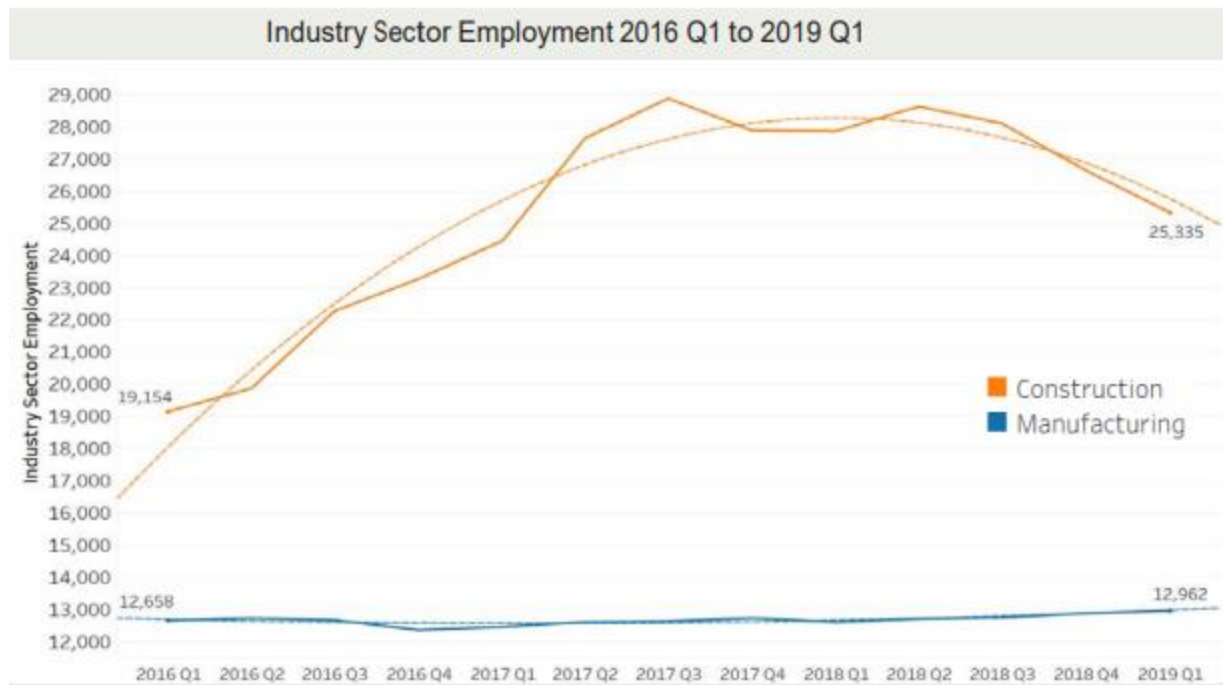


Figure 4. Lake Charles RLMA industry data with line of best fit (Data Source: Louisiana Workforce Commission)

Relationship between wealth of community and ITEP

If the ITEP program achieves the goals of delivering greater investment and new jobs to a local area, then review of data regarding outcomes of ITEP approval should reveal a positive relationship between ITEP project approvals and economics of the area. Table 6 presents a comparison of ITEP in wealthier versus poorer areas of the state. Table 7 provides the zip codes in each grouping for reference.

When considering all the projects, total new permanent jobs in the groups seems similar. However, the projects in the poorest zip codes produce far fewer jobs per project (5.95) compared with those in wealthier zip codes creating almost double the number of jobs per project (11.55). Additionally, more of the jobs created in the poorer communities represent temporary construction jobs, compared to those in the wealthier communities. The projects in

wealthier communities invested nearly three times the amount per project of those in poorer communities when comparing total investment (\$16,245,489,462 to \$5,488,130,079) and investment per project (\$33,221,859 to \$7,346,894) and per permanent job created (\$2,898,909 to \$936,381). Finally, the resulting loss of revenue was significantly less for wealthier compared to poorest communities when looking at total first year exemptions (\$264,648,462 to \$720,828,970) and average first year exemption per project (\$541,203 to \$964,965) and per permanent job created (\$47,224 to \$122,987). The wealthiest zip codes only lose a third of the dollar amount the poorest do in first-year exemption dollars. The poorest zip codes enjoy less investment and fewer permanent jobs while losing more revenue. Positive impact via jobs created and community investment per project and its intended investment and job creation matter more than quantity of projects. The data presented in Table 6 provide several data points indicating more projects that receive exemptions exist in poorer communities, and these projects do not appear to positively impact the region.

Table 6. ITEP data by key zip code SES rankings for the state

Data Indicator	15 Poorest Zip Codes	15 Wealthiest Zip Codes
ITEP Projects	747	489
Total New Permanent Jobs	5,861	5,604
Average Permanent Jobs per Project	5.95	11.55
New Permanent Jobs to New Total Jobs Ratio	10.86% [5,861/53,972]	17.52% [5,604/31,985]
Total Investment	\$5,488,130,079	\$16,245,489,462
Average Investment per Project	\$7,346,894	\$33,221,859
Average Investment per Job	\$936,381	\$2,898,909
Total First Year Exemption	\$720,828,970	\$264,648,462
Average First Year Exemption per Project	\$964,965	\$541,203
First Year Exemption per Job	\$122,987	\$47,224

Data Source: Louisiana Economic Development ITEP Public Report

Table 7. Wealthiest and Poorest Zip Codes in Louisiana [Based on Average Reported Income] with ITEP Exemptions (Numerical Order)

Poorest Zip Codes	Wealthiest Zip Codes
70062 - Kenner	70112 - New Orleans
70117 - New Orleans	70115 - New Orleans
70126 - New Orleans	70130 - New Orleans
70129 - New Orleans	70360 - Houma
70456 - Roseland	70433 - Covington
70501 - Lafayette	70447 - Madisonville
70802 - Baton Rouge	70471 - Mandeville
70805 - Baton Rouge	70503 - Lafayette
70807 - Baton Rouge	70508 - Lafayette
71103 - Shreveport	70518 - Broussard
71108 - Shreveport	70592 - Youngsville
71109 - Shreveport	70605 - Lake Charles
71202 - Monroe	70808 - Baton Rouge
71282 - Tallulah	70809 - Baton Rouge
71302 - Alexandria	71106 - Shreveport

East Baton Rouge Parish: A Tale of “two” communities

East Baton Rouge Parish offers a unique opportunity to evaluate within a single geographical area the differential impacts on wealthier versus poorer communities. One zip code area, 70805, presents perhaps the most unique picture of potentially concerning impacts of ITEP. Several business-related data points might suggest that this area represents a “wealthy” area, but key socioeconomic data points for residents highlight the poverty of the citizens in this community. Zip code 70809 offers a comparison “wealthier” zip code in the parish. Tables 8 and 9 present key data for these zip codes.

The comparative data in Table 8 represents a striking difference. Far fewer projects exist in the 70809-zip code compared to the 70805-zip code, yet these fewer projects result in greater job creation per project. On average, projects in the 70805-zip code created less than 1 permanent job, while those in the 70809-zip code created over 3. The ratio of new permanent jobs to total new jobs also indicates better job creation for the projects in the 70809-zip code. The 70805 zip code accounts for \$549 billion in lost revenue related to ITEP exemptions since ITEP's inception with the current projected cost of exempted property tax revenue at \$664 million between 2016 and 2026 for East Baton Rouge parish or \$1,509 per capita (Together Louisiana, 2016). Median income and poverty rate support a better socioeconomic status for citizens in the 70809-zip code as compared to the 70805-zip code.

Table 8. ITEP data by zip code (Data Source: ITEP Public Report)

Indicator	70805	70809
Total projects receiving exemption 1997-2021	273	25
Ratio of new permanent jobs to estimated total new jobs	0.81% [254/31291]	18.88% [88/466]
Ratio of new jobs to estimated new construction (temporary) jobs	0.82% [254/31,037]	23.28% [88/378]
First year exemption amount	\$37,870,630.92	\$905,530.37
Average project size (exemptions amount/#projects)	\$138,720.26 (First year size)	\$36,221.21 (First year size)
Number of new permanent jobs	254	88
Number of new temporary jobs	31,037	378
Number of total new jobs	31,291	466
New Permanent Jobs to Total New Jobs Ratio	0.8%	18.8%
Average job per project	0.93	3.52
Median Household Income	\$21,103	\$44,470

Poverty Rate	38.1%	24.8%
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Table 9. Socioeconomic Status data for 70805 (Data Source: Together Louisiana)

Positive Economic Indicators	Poverty Indicators
177 separate industries located in the area.	38.1% of residents live in poverty.
\$3.5 billion in business profits per year (highest noted in the state)	Median household income = \$21,203
Exports \$12 billion in goods per year	Highest unemployment rate in EBR parish
	Highest murder rate in EBR parish
	2nd highest incarceration rate in EBR parish
	Lowest life expectancy in EBR parish

Data Source: Together Louisiana: Analysis of Industrial Tax Exemption Program, 2016

St. Tammany Parish: Attracting Different Industry

St. Tammany Parish provides for a comparative analysis of a parish with far fewer ITEP first year exemptions. Table 7 shows the number of projects approved for St. Tammany Parish significantly lower than East Baton Rouge Parish. Job creation ratios present a stark contrast. The ratio of permanent new jobs to total new jobs indicate that more than half of new jobs created represent permanent jobs for the local community and the citizens of St. Tammany Parish, while in East Baton Rouge Parish less than 5% of new jobs represent permanent jobs. First year exemptions in East Baton Rouge Parish outpace those in St. Tammany Parish significantly.

Table 10. Parish Data for St. Tammany Parish and EBR

Data Type	St. Tammany	EBR
Total projects receiving exemption 1997-2021	61	641
Ratio of new permanent jobs to total new jobs	61.45% [977/1590]	4.81% [2513/52,299]
Ratio of estimated new jobs to estimated construction (temporary) jobs	159.38% [977/613]	5.05% [2513/49,786]
Total first year exemption amount	\$2,392,731	\$79,800,073
Average project size (exemption amount/# projects)	\$39,225 (First Year Size)	\$124,493 (First Year Size)
Number of new permanent jobs	977	2,513
Number of new temporary jobs	613	49,786
Total new jobs	1,590	52,299

Data Source: ITEP Public Report

Comparison of EBR and St., Tammany Impacts due to ITEP

Table 11 offers a comparison of East Baton Rouge Parish and St. Tammany Parish. St. Tammany Parish residents experience greater economic security compared to East Baton Rouge Parish. Education statistics do not present as stark a difference between the two parishes, although high school graduation rate within 70805 (East Baton Rouge) indicates some differences between these areas. Diversity within these residential populations depicts widely different communities. While the population size might explain part of the difference between the two parishes in exempted amounts, this factor cannot explain the magnitude of the per capita differences in property taxes waived illustrate.

Table 11. Comparison of EBR and St. Tammany parish

Indicator	East Baton Rouge Parish	St. Tammany Parish
Median Household Income	\$54,948	\$68,905
Poverty Rate	17.7%	11.5%
High School Diploma or higher	90.5%	90.5%
Bachelor's degree or higher	34.9%	33.8%
% of population representing minorities	52.4%	16.8%
Property Taxes Waived due to ITEP (Total 2016-2026)	\$664,000,000 [\$1508.88 per capita]	\$23,783,124 [\$91.33 per capita]
Population size	440,059	260,419

Data Sources: Together Louisiana and United States Census Bureau

Figures 5 and 6 (below) present an even more concerning comparison. The lack of investment dollars and jobs created in poorer areas significantly impacts the available dollars to fund necessary local services the parish and city governments must offer to citizens. For example, most parishes fund public schools primarily through property tax revenue. As a result, communities heavily affected by ITEP revenue loss tend to have significantly worse public school systems. Significant loss of revenue impacts funding of core community functions with education, public safety, and local recreation programs for children and families. As one example, the comparative cost of implementing a universal pre-Kindergarten program in the parish would only cost \$16.5 million, nearly 40 times less than the cost of ITEP from 2016-2026. Figures 5 and 6 present the breakdown of costs or lost revenue to fund ten core public functions. When comparing the information across these two figures clear differences emerge across most areas. With the exception of water and drainage, which East Baton Rouge Parish data represents

as \$0 lost, St. Tammany Parish’s revenue lost per public service area represents <1% to 8% of the EBR revenue lost. East Baton Rouge Parish represents a larger population necessitating more dollars to cover public service costs but loses significant dollars needed each year in tax exemptions.

Figure 6 (below) presents the comparative data for St. Tammany Parish with regard to loss of revenue for public service functions. Review of data across the two figures for East Baton Rouge Parish and St. Tammany Parish provide clear data supporting less impact on the St. Tammany Parish communities related to the ITEP.



Figure 5. Relative revenue lost in public service areas due to ITEP in EBR Parish

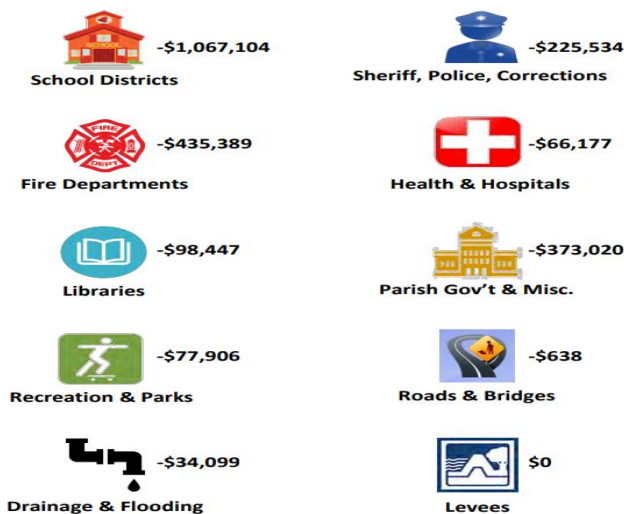


Figure 6. Relative revenue lost in public service areas due to ITEP in St. Tammany Parish

Impact of parish level factors

The scope of this paper does not allow for detailed analysis of the interrelationships between all of the variables presented in this parish level analysis. While this analysis does not account for every parish in the state, the comparisons above suggest the following: 1) ITEP projects do not necessarily correlate with greater community investment or job creation (Tables 1-11); 2) ITEP project scope and impact differ across communities with those in poorer communities offering little in the way of investment or job creation compared to those in wealthier areas (Tables 5, 6, 8 and 10); 3) the impact of ITEP projects in these poorer locations results in much larger loss of needed revenue to support needed public service functions (Table 5, 6, 8, and 10; Figures 5 and 6); 4) minority communities may represent disproportionately impacted groups (Table 11).

Analysis of the impacts of the executive order modifications

The Governor's stated aims of the two executive orders (JBE Executive Order 2016-26; JBE Executive Order 2016-73) included movement of application approval to the local (parish) level, highlighting of the program priority for new versus expansion projects, and requirements for creating or in some instances retaining jobs. Subsequent order (JBE Executive Order 2016-73) also limited the exemption to 80% rather than 100%. To analyze whether ITEP achieves the stated goals, the following calculations of impact occurred: 1) repeat ratio analyses comparing new permanent jobs to total new jobs and temporary construction jobs focused on post order applications (Table 12), 2) repeat comparative analysis of median jobs for Louisiana projects approved to benchmarks used in Texas counties focused on post-order calculations (Table 13), 3) comparison of median exemption pre- and post-order (Table 14), and 4) evaluation of rejections by local governments (Table 15).

Core ITEP indicators Post Program Modifications

Table 12 (below) presents similar data reviewed earlier in this paper but focuses on only projects approved since the 2016 executive order. Of the 8,882 projects approved in the dataset from 1997 to 2020, 175 obtained approval after the 2016 executive order leaving 8,707 obtaining approval prior to 2016. On average between 1997 and 2016, ITEP exemptions occurred at a rate of 435.4 per year compared to the 175 total for the last 5 years since the executive order. The ratio of new permanent jobs to total new jobs of 11.81% post-2016 executive order represents a decline in job creation compared to the 18.2% when looking at data for ITEP since 1997. Similarly, the ratio of permanent new jobs to temporary construction jobs of 13.39% compared to 22.25% for the program since 1997 also represents a decline in creation of more permanent jobs. On average projects received an average of \$2,988,212 in first year exemption compared to

\$2,213,231 prior to 2016. These data suggest the executive order changes have not improved the evaluation of ITEP applications in the intended manner outlined in the order rationale. As a side note, COVID-19 does not seem to have impacted ITEP applications and acceptances.

Table12. Ratio Analysis of ITEP outcomes from Pre- and Post-Executive Order

Data Type	1997-2016	2016-2020
Total projects receiving exemption	8,707 435.4/ year	175 35/year
Ratio of new permanent jobs to estimated total new jobs	18.2%	11.81% [3,669/31,077]
Ratio of new jobs to estimated construction (temporary) jobs	22.25%	13.39% [3,669/27,408]
First year exemption amount	\$19,279,601,280	\$524,687,076
Average project size (exemption amount/#projects)	\$2,213,231	\$2,998,212
Number of new permanent jobs	109,709	3,669
Number of new temporary jobs	493,094	27,408
Total new jobs	602,803	31,077
Total new jobs per project	69 jobs/project	177 jobs/project

Data Source: Louisiana Economic Development ITEP data

Tables 13 and 14 (below) recreate the comparative table to Texas counties with a focus only on the projects since the 2016 executive order. Both median new jobs and median investment improved compared to the median new jobs and median investment figures generated from the total project data. Average new jobs increased from 13.56 to 20.97 while average investment increased from \$20,892,260.29 to \$182,105,784.70, an increase of almost 90%. The mean investment is skewed by a single project with \$15 billion investment, although it remains

significantly higher at slightly over \$91 million when excluding this outlier. The same can be said for mean new jobs, which remains around 20 new jobs per project when excluding the outlier. Basically, the difference between average data pre- and post-executive order cannot be accounted for by a single, large outlier. While for many projects these improvements still fall short of many of the Texas counties, improvement exists in both areas.

Table 13. Texas Benchmarks

County	Minimum new jobs required	Minimum investment required
Bexar	25	\$1,000,000
Brazoria	10	\$1,000,000
Chambers	5	\$500,000
Collin	0	\$100,000,000
Dallas	50	\$3,000,000
Denton	retain existing	\$10,000,000
El Paso	0	\$2,500,000
Ellis	26	\$1,000,000
Galveston	15	\$3,000,000
Harris	25	\$1,000,000
Jefferson	retain existing	\$1,000,000
Johnson	10	\$1,000,000
Montgomery	retain existing	\$1,000,000
Nueces	10	\$2,000,000
San Antonio	25	\$1,000,000
San Patricio	20	\$2,000,000
Tarrant	25	\$3,000,000

Travis	100	\$1,000,000
Victoria	retain existing	\$500,000
Waco	200	\$300,000
Waller	0	\$500,000

Texas data source: Louisiana Economic Development presentation (2019)

Table 14. Louisiana Data Pre and Post 2016 Executive Order

Time	Type	Mean	Median	Mode
Pre 2016 EO	New Jobs	13.56	0	0
	Investment	\$20,892,260	\$1,818,980	\$1,816,946
Post 2016 EO	New Jobs	20.97	5	0
	Investment	\$182,105,785	\$1,935,869	\$5,000,000

Cancellations and Withdrawals Post-Program Modifications

Twelve ITEP application cancellations or withdrawals occurred since the program modification implementation. Cancellations occur when the local tax authority fails to approve the application, whereas withdrawals occur when the business elects to withdraw the application. Table 15 (below) presents ratio data for these compared to those receiving approvals. The data clearly shows the lower quality of cancelled or withdrawn projects as it relates to estimated job creation both pre- and post-order. The cancelled or withdrawn projects included projections of fewer jobs and more often temporary jobs. No clear change in cancellations/withdrawals emerges in the data comparing pre- and post-order activity.

Table 15. Approvals versus Cancellations/Withdrawals

Data Type	Approvals 1997-2016	Cancellations/ Withdrawals	Approvals 2016-2021	Cancellations/ Withdrawals

		1997-2016		2016-2021
Total projects 2016-2021	8,707	578	175	12
Ratio of new permanent jobs to total new jobs	18.2%	1.79%	11.81% [3,669/31,077]	4.11% [152/3,696]
Ratio of estimated new jobs to estimated construction (temporary) jobs	22.25%	1.83%	13.39% [3,669/27,408]	4.29% [152/3,544]
Total First year exemption amount	\$19,270,601,280	\$102,866,466	\$524,687,075	\$3,704,960
Average project size (exemption amount/#projects)	\$2,213,231	\$177,969	\$2,998,211	\$308,746
Number of new permanent jobs	109,709	11,313	3,669	152
Number of new temporary jobs	493,094	619,373	27,408	3,544
Total new jobs	602,803	630,686	31,077	3,696

Exemption and Investment Comparison Post-Program Modifications

Tables 15 and 16 (below) provide data regarding first year exemption and total investment pre and post executive order. Evaluation of the median exemption (cost) and median investment indicate that fewer, more valuable and impactful projects as it relates to community investment may be gaining approval post-implementation of the changes in the executive orders. Median exemption per project rose after implementation but median investment in the local community rose with it. The limited data since the implementation suggests fewer project applications and increased investment, but less permanent job creation.

Table 15. Median First Year Exemption and Median Total Investment (Pre and Post Executive Orders)

Median Cost Pre and Post Exec Order

Legislation Rule	Median Ad Valorem (Tax Relief) - Estim..	Median Estimated Total Investment
Pre Executive Order	21,971	1,711,475
Post Executive Order 2017	91,740	6,322,018
Post Executive Order 2018	90,325	6,254,245

Table 16. Average First Year Exemption and Average Total Investment (Pre- and Post- Executive Orders)

Average Cost Pre and Post Exec Order

Legislation Rule	Avg. Ad Valorem (Tax Relief) - Estimate..	Avg. Estimated Total Investment
Pre Executive Order	1,674,437	17,438,778
Post Executive Order 2017	4,760,175	271,640,185
Post Executive Order 2018	1,539,431	106,362,981

Median Cost Pre and Post Exec Order

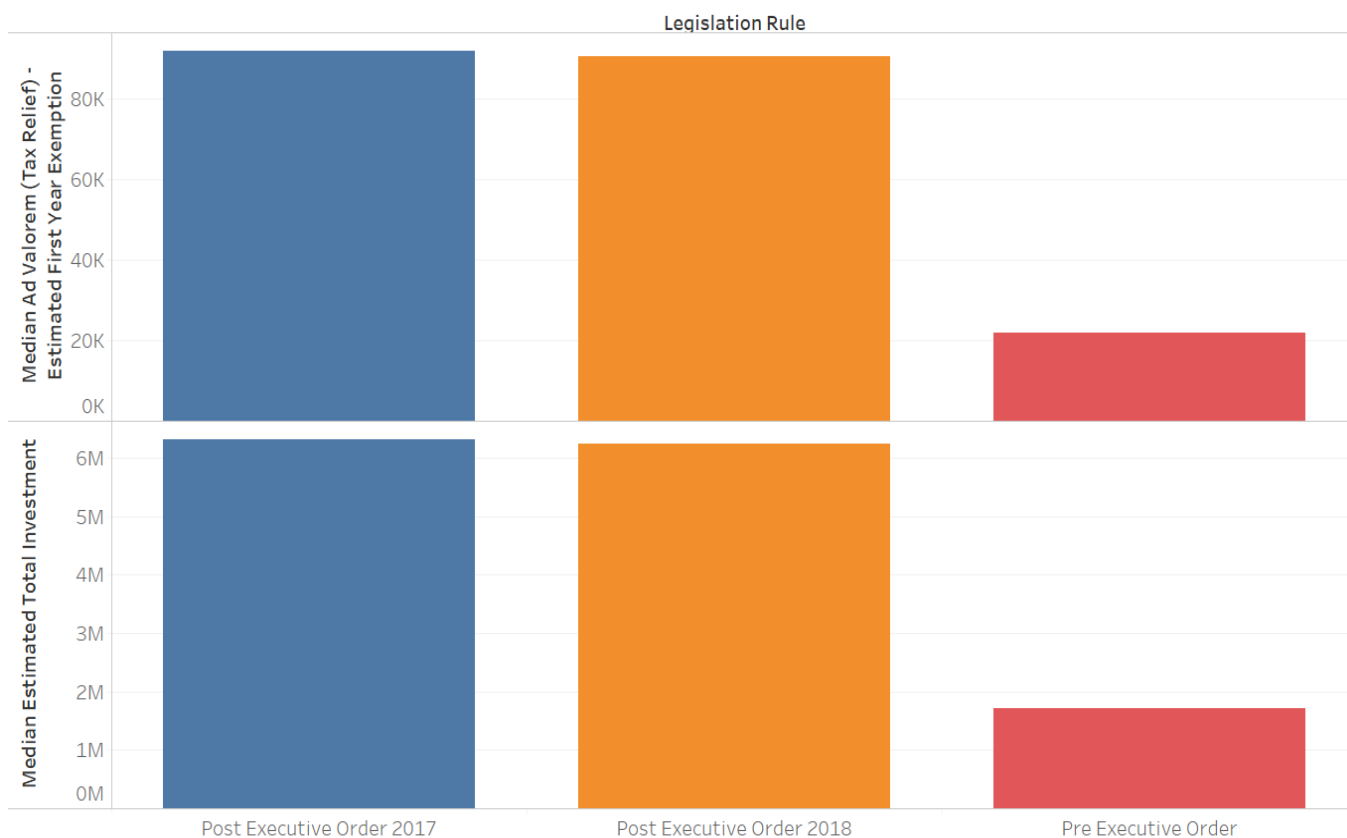


Figure 7. Median First Year Exemption and Median Total Investment (Pre- and Post- Executive Orders)

Impact of Executive Order Modifications

Early data from the implementation of the modifications to the ITEP present a mixed picture when evaluating the impact of changes in the program. Permanent job creation decreased when considering permanent jobs per project, although given the smaller sample average jobs per project and median jobs per project increased slightly. Fewer companies submitted project applications when comparing annual submission pre-order to those post-order, and investment data suggests better outcomes for communities affected by ITEP since the executive orders. The data does not support any clear changes in approach to cancellations or withdrawals despite providing the ability for local areas to make these decisions. Examination of data following the executive order changes does not align the intent and function of the Louisiana ITEP more closely with other states, nor does the data consistently align with the stated intent of the changes.

Conclusion

Evaluation of data regarding Louisiana's ITEP does not support a positive impact from this program. Overall state data since the program's inception indicate limited job creation with most jobs created being temporary. In contrast to other incentive programs, like those in neighboring Texas, Louisiana's data suggest most projects would not merit approval outside of the state. Diving deeper to look at local level data indicates that better projects, with greater investment and greater job creation occurring in wealthier areas of the state. Additionally, the data regarding changes in the manufacturing industry complicate any potential benefit. As manufacturing companies continue to invest in automation, the direct impact to residents and their communities will continue to diminish. While stated investment data for projects looks a bit better than job creation data, the larger state revenue and GDP picture does not indicate a positive relationship between ITEP reported investment and Louisiana's economic picture. The broader economic data does not support a significant positive impact from ITEP and as noted with the national review may not provide the best industry for reaping positive gains.

The parish-level analysis provided contrasting data and associated SES and public service indicators suggesting that the projects approved in wealthier areas create more jobs, result in greater investment in the community, and impact local tax revenue for public service functions significantly less. Considering all the data available and the long-standing nature of the ITEP, a cyclical relationship likely existed between existing wealth and economy of an area and ITEP approval (Figures 7 and 8 below illustrate). This relationship does not appear to be in the direction projected if the ITEP successfully met its goals of greater community investment and job creation. In contrast to the stated goals, already economically stable or wealthy areas attract ITEP projects more likely to further create investments and jobs with additional economic

growth for the community and its citizens. Conversely, less economically stable or poorer areas attract ITEP projects more likely to benefit the company and with fewer jobs and investment for the community resulting in less desirable living conditions and fewer resources.



Figure 7. Positive ITEP Economic Cycle



Figure 8.

Figure 8. Negative ITEP Economic Cycle

The executive orders issued beginning in 2016 did not result in the intended improvement. Permanent job creation data suggest the changes in the program post-order did not improve this aspect of the program's intended outcomes. Usage of the program appears to have decreased following the executive orders. Cancellations and withdrawal trends appear similar pre- and post-order. Both of these indicators could signal a shift in application approach by companies with those organizations not intending to offer significant investment dollars applying less often. The data do not clearly support a positive impact on the ITEP from the changes initiated by the executive orders. Emphasizing the need to connect job creation and expected investment to ITEP approval may have some impact on applications submitted but does not appear to impact approvals once submitted. Movement of decision making to local control has not resulted in any clear improvement in consideration of the impact on the local area. Several factors may affect the impact of the changes. First, ITEP within Louisiana represents a highly politicized program, which may mean decisions focus less on the intended factors related to job creation and investment and more on lobbying interests and other politically motivated issues or relationships. Second, local areas may have less expertise in tax programs and analyses, which could impact decision making. Finally, no clear guidance exists for some consistency in how each local area considers the applications. The executive orders fall short of the intended positive shift in ITEP for the state.

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