SESSION I
WEALTH, POVERTY & PROPERTY TAXES
AUGUST 2018
THE LOUISIANA PARADOX
LOUISIANA is home to extraordinary wealth and natural resources ...
LOUISIANA ranks #2 in the nation in crude oil refining

Account for 25% of nation’s refining capacity

Capacity to refine 3.3 MILLION barrels of oil PER DAY
LOUISIANA
ranks #4 in the nation in natural gas production

Louisiana’s wealth
ranks #2 in the nation in crude oil refining

2.1 million cubic ft of gas per year
Louisiana ranks #3 in the nation in chemical production

Account for 25% of the nation’s chemical production each year.
LOUISIANA
is a top 10 oil producing state

Louisiana’s wealth
ranks #2 in the nation in crude oil refining
ranks #4 in the nation in natural gas production
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LOUISIANA forms the “heart” of the nation’s pipeline system

Map of U.S. Interstate pipelines

Source:
Energy Information Administration, Office of Oil & Gas, Natural Gas Division, Gas Transportation Information System
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LOUISIANA forms the “heart” of the nation’s pipeline system

112,000 miles of pipeline

WORLD PRICE for natural gas set in Erath, LA at “Henry Hub” ...

where 11 interstate gas pipelines meet (named after a local high school)
Louisiana’s wealth

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LOUISIANA is at the center of nation’s inland waterway system
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- is at the center of nation’s inland waterway system

LOUISIANA
ranks #1 in the nation in port tonnage

5 of the nation’s 15 busiest US ports are in Louisiana

Louisiana’s ports accounted 23% of total US port tonnage in 2017.
LOUISIANA
ranks #1 in the nation in salt production

Louisiana’s wealth
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LOUISIANA

ranks #2 in the nation in sugar production

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LOUISIANA

has ranked #1 or #2 in foreign direct investment every year since 2008

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LOUISIANA’S WEALTH

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And yet ...
LOUISIANA
ranks #46 for infant mortality
LOUISIANA
ranks #49 for poverty
LOUISIANA
ranks #47 for household income
LOUISIANA
ranks #47 for food insecurity
LOUISIANA
ranks #50 for income gap by gender
LOUISIANA ranks #47 for property crime
LOUISIANA
ranks #46 for violent crime
LOUISIANA ranks #48 for reading scores
LOUISIANA ranks #49 for math scores
LOUISIANA ranks #48 for life expectancy
Despite our wealth among 50 US states, Louisiana ranks among 50 US states, Louisiana ranks ...

- #2 in crude oil refining
- #4 in natural gas production
- #3 in chemical production
- top 10 oil producing state
- heart of nat’l pipeline system
- center of inland waterway system
- #1 in port tonnage
- #1 in salt production
- #2 in sugar production
- #3 in rice production
- #1 or #2 in foreign direct investment every year since 2008
LAST in the nation for social & economic outcomes.

Among 50 US states, Louisiana ranks ...
The Louisiana Paradox

If Louisiana is so rich ...

why does Louisiana stay so poor?

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We take for granted that economic activity improves prosperity & quality of life.

But how does that happen?

**TWO MAIN VEHICLES:**

- **WAGES TO FAMILIES**
- **PUBLIC GOODS** funded by taxes
But what would happen if one of those vehicles stopped functioning? Or went partially into reverse?

PUBLIC GOODS funded by taxes
Is there anything **different** about Louisiana's tax system? Anything unique among all 50 states?
Nearby southern states:

- Nearby southern states: $162 per resident

- Louisiana gives more in corporate subsidies per capita than any other state:
  - 10 times the national average
  - 18 times the southern average
  - 32 times as much as Texas

WHAT IS ITEP?

The Industrial Tax Exemption Program – or ITEP – was added to the state constitution in 1936.

Intended to attract industry.

Allowed property tax exemptions, not just for new plants & expansions, but for firms’ regular capital investments into their existing facility and machinery.

Job creation NOT required to win an exemption.
The difference is not THAT Louisiana has tax exemptions.

THE difference IS HOW WE DO THEM.
Louisiana is the ONLY STATE IN THE NATION which gives a STATE-level BOARD the authority to grant tax exemptions from LOCAL entities’ property taxes. 

(Turns out, that’s a VERY big deal ....)
Its **easy** to give away other people’s money

- Exemptions have been approved in bulk, without any scrutiny
- No cost-benefit analysis done in 82 years.
- **Here’s the approval rate ...**
Single largest state corporate subsidy program in the nation.

Costs 10 times more than film tax credits

COST IN 2017
$1.9B in lost revenue to local taxing bodies

Amount lost to LA schools: $720 million lost to schools (20% of total state & local school funding)

ITEP IS REALLY EXPENSIVE

Cost of Louisiana’s economic development programs
FY 2016

ITEP makes up 84% of LED’s program costs

How does this affect our tax base?
Let’s look at a single facility ...

*ExxonMobil*’s refinery in Baton Rouge.

Baton Rouge, LA

to compare what happens in Louisiana vs. other states.
ExxonMobil has four major US oil refineries.

- **Joliet, IL**: 239,000 barrels / day
- **Beaumont, TX**: 345,000 barrels / day
- **Baytown, TX**: 561,000 barrels / day
- **Baton Rouge, LA**: 503,000 barrels / day

Energy Information Administration, Refinery Capacity, 2016.
Baton Rouge & Baytown are its 2 largest.

- **Baytown, TX**
  - 32% of ExxonMobil’s US production
  - 561,000 barrels / day

- **Baton Rouge, LA**
  - 29% of ExxonMobil’s US production
  - 503,000 barrels / day

Energy Information Administration, Refinery Capacity, 2016.
SAME COMPANY, DIFFERENT OUTCOMES
Taxable vs. tax-exempt property

ExxonMobil REFINERIES

Baytown, TX

BAYTOWN

Baton Rouge, LA

BATON ROUGE

Total value of property

$2.8 B

Taxable property

$2.5 B

Tax-exempt property

$257 M

561,000 barrels / day

Taxable property

$2.2 B

Tax-exempt property

$1.45 B

503,000 barrels / day

Source for the 2016 market value of ExxonMobil’s refinery in Baton Rouge included the East Baton Rouge Parish Assessor’s office (http://gis.bria.gov/propertylookup.asp) and Louisiana Economic Development (LED) records of currently active industrial tax exemption contracts.

Source for the 2016 market value and actual ad valorem taxes paid for ExxonMobil’s refinery in Baytown, Texas was the Harris County Assessor’s office (http://hcad.org/property-search/real-property-advanced-records).
What’s the impact on revenue for local government?

- $21m per year
  (enough to give every EBR teacher a $3,800 raise)

Actual taxes paid provided by ExxonMobil’s tax department (verified by local assessors’ records).
That’s **ONE** refinery ... 

... out of 4 ExxonMobil facilities in East Baton Rouge parish ...

... out of 59 industrial facilities receiving ITEP exemptions in East Baton Rouge parish ...

... out of 897 plants receiving ITEP exemptions across the State.
WHAT’S THE IMPACT STATEWIDE?

We’ll look at a few of the state’s largest industrial facilities ...
Total property value: $1.3 billion

<table>
<thead>
<tr>
<th>Taxable property</th>
<th>Tax-exempt property</th>
</tr>
</thead>
<tbody>
<tr>
<td>$352m (27%)</td>
<td>$964m (73%)</td>
</tr>
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</table>

ASCENSION PARISH

Use of company brands does not imply support or endorsement for the information provided.
Taxable property

$7.5m (1%)

Tax-exempt property

$824 million (99%)

Total property value: $831 billion

ASCENSION PARISH

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Taxable property

$60m (11%)

Tax-exempt property

$502 million (89%)

Total property value: $562 million
Total property value: $11.7 billion

<table>
<thead>
<tr>
<th>Taxable property</th>
<th>Tax-exempt property</th>
</tr>
</thead>
<tbody>
<tr>
<td>$11.7 billion (99.99%)</td>
<td>$1.4m (.01%)</td>
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Total property value: $12.9 billion

<table>
<thead>
<tr>
<th>Taxable property</th>
<th>Tax-exempt property</th>
</tr>
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<tbody>
<tr>
<td>$139m (1.1%)</td>
<td>$12.8 billion (98.9%)</td>
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Total property value: $934 million

<table>
<thead>
<tr>
<th>Taxable property</th>
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<tr>
<td>$217m (23%)</td>
<td>$717 million (77%)</td>
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Total property value: $327 million

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<tr>
<th>Taxable property</th>
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<tr>
<td>$108m (31%)</td>
<td>$219 million (69%)</td>
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Total property value: $464 million

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<tr>
<td>$119M (26%)</td>
<td>$345 million (74%)</td>
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Total property value: $406 million

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ST. BERNARD PARISH

Total property value: $406 million

<table>
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<tr>
<th>Taxable property</th>
<th>Tax-exempt property</th>
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<tr>
<td>$122M (30%)</td>
<td>$284 million (80%)</td>
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RAPIDES PARISH

Total property value: $436 million

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<tr>
<th>Taxable property</th>
<th>Tax-exempt property</th>
</tr>
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<tbody>
<tr>
<td>$129m (30%)</td>
<td>$306 million (70%)</td>
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</table>

Use of company brands does not imply support or endorsement for the information provided.
Total property value: $400 million

Taxable property: $10.5M (2.6%)
Tax-exempt property: $379 million (95%)
Total property value: $4.5 billion

<table>
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<tr>
<th>Taxable property</th>
<th>Tax-exempt property</th>
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<tr>
<td>$528M (12%)</td>
<td>$3.96 billion (88%)</td>
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Total property value: $3.1 billion

<table>
<thead>
<tr>
<th>Taxable property</th>
<th>Tax-exempt property</th>
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<tr>
<td>$287M (9%)</td>
<td>$2.8 billion (91%)</td>
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</table>

ST. CHARLES PARISH

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Total property value: $2.2 billion

<table>
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<tr>
<th>Taxable property</th>
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<tr>
<td>$711 million (33%)</td>
<td>$1.45 billion (67%)</td>
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Across the entire state, between 66% and 99% of industrial property is perpetually exempted from property taxes.
Local government stands on 3 legs:

- Sales tax
- State & Federal funds
- Property taxes
Baton Rouge, LA

Enough to give every EBR teacher a raise of $9,000 per year... or fully fund universal Pre-K

- $28m per year lost to public schools
- $42m per year lost to police, fire, roads, parks, libraries, health, misc.
- $70m per year to other local government

ONE-YEAR COST
Does ITEP create jobs?

From 1999 to 2017, EBR Parish governments lost $769M in revenue on ITEP exemptions for 57 companies.

Over the same period, those 57 companies reduced their employment in EBR by 1,980 jobs.

Source: ITEP applications, LED Fastlane, obtained 8/7/2017.
ITEP increases property taxes for most households and businesses

Adding ITEP-exempt property to property tax base would decrease property taxes by 18 mills.

(if 100% went to tax reduction)
A tale of 2 zip codes, both in East Baton Rouge Parish ...

**Rich Zip**

Home to 177 separate industries

Produces $5.3\text{ BILLION in economic activity each year}$ (higher than GDP of 40 countries)

Generates $3.9\text{ BILLION in business profits per year}$ (highest in Louisiana)

Accounts for $12\text{ BILLION in exports per year}$

**Poor Zip**

38.1% of residents live in poverty (highest poverty rate in EBR Parish)

Median household income of $21,203

Highest unemployment in EBR parish

Highest murder rate in EBR

2\text{nd highest incarceration rate in EBR}

Lowest life expectancy in EBR
SAME ZIP

Rich Zip

Home to 177 separate industries

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2nd highest incarceration rate

Lowest life expectancy

This zip code accounted for $549 million in lost revenue due to ITEP.
OPPORTUNITY FOR REFORM

Governor signed ITEP Executive Order on June 24th, 2016.

SECTION 6:

All Contracts providing for the Industrial Tax exemption shall also include Exhibit “B” consisting of approvals of the relevant governing Parish Council or Police Jury by resolution, Municipal Council by resolution, School Board by resolution and Sheriff by resolution signifying whether each of those authorities is in favor of the project. The Secretary of Economic Development will provide guidance to the local parties to Exhibit “B” as to the suggested alternatives for their consideration including parameters for job creation, payroll, percentages of exemption, and length of contract.

Local bodies now have authority to accept or reject ITEP exemptions approved by the State Board.
WHAT WE CAN DO ABOUT IT:

I) Establish standards that limit exemptions to:
• NEW investments that
• create PERMANENT JOBS and
• bring a RETURN ON INVESTMENT to the public.

II) Create a concrete vision for how previously foregone revenue will be spent
<table>
<thead>
<tr>
<th><strong>EBR</strong></th>
<th><strong>Lost revenue in 2017</strong></th>
<th><strong>Opportunity costs</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>School Districts</td>
<td>- $28 million</td>
<td>We could fully fund universal pre-K in EBR Parish. Or give every teacher a salary increase of $9,028.</td>
</tr>
<tr>
<td>City-Parish Gov’t &amp; Other</td>
<td>- $9 million</td>
<td>We could dedicate funds for drainage improvements OR give EVERY police officer a $14,000 raise. AND fully fund an independent police monitor</td>
</tr>
<tr>
<td>Sheriff</td>
<td>- $9.4 million</td>
<td>We could cover ALL of EBR sheriff’s budget deficit – AND buy body cameras for every deputy.</td>
</tr>
<tr>
<td>Parks &amp; Rec</td>
<td>- $8.8 million</td>
<td>We could build &amp; operate 168 Gus Young pools.</td>
</tr>
<tr>
<td>Library District</td>
<td>- $6.6 million</td>
<td>We could reduce the library tax for every EBR taxpayer by 2 mills.</td>
</tr>
<tr>
<td>Fire Districts</td>
<td>- $5.7 million</td>
<td>We could hire 190 new firefighters.</td>
</tr>
<tr>
<td>EMS / Health</td>
<td>- $1.9 million</td>
<td>We could hire 47 new EMS paramedics.</td>
</tr>
</tbody>
</table>

**TOTALS:** - $69.6 million

OR property tax cuts of 18 mills

Source: ITEP applications, LED Fastlane, obtained 8/7/2017