

Race & Economic Development Reparative Tax Policy: Racial Justice on the Line in Louisiana



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By Greg LeRoy, Anya Gizis, Judith Barish,
and Arlene Martínez

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***Note:** This is the second in a new series of quarterly reports produced by Good Jobs First that look at the relationship between race, ethnicity, and economic development.*

Louisiana's Black and Brown students are benefiting greatly from a fragile set of reforms to the nation's most notorious property tax abatement program. But the state's next governor, who will take office in January, could reverse them. Together Louisiana, the faith-based network that won the reforms, is busy spreading the good news about the reforms' righteous benefits.

The Problem: Tax Breaks Reinforce Environmental Racism

Louisiana's Industrial Tax Exemption Program (ITEP) has been notorious since 1936, when the oil industry engineered an outrageous power grab, taking control of tax abatements from parish (county) governments and giving it to a single state board whose members are appointed by the governor. In no other state have local governments been so disempowered.

Until recently, ITEP gave an automatic 10-year rubber stamp to tax breaks for every new, expanded, or refurbished refinery, chemical plant, or power plant in the state. Almost two-thirds of corporate personal property ended up off the tax rolls, impoverishing school districts, sheriffs' juries, hospitals, fire departments, and libraries. By 2018, ITEP was costing public services \$1.2 billion per year.

The abusive nature of ITEP was no secret, but Together Louisiana's calculations of its *costs* were news. The program's paltry benefits have been known since the late 1980s, when researchers first documented that many ITEP deals created *zero* new jobs. Only 4% of the projects that received ITEP tax breaks between 2000 and 2016 were for new facilities, and only 3% were plant expansions. Most were just rebuilds and maintenance spending.

The tax-revenue harms of ITEP have fallen hardest on residents of "Cancer Alley," the 14 parishes along the Mississippi River between Baton Rouge and New Orleans that generate a quarter of the country's petrochemical production.

A majority of families living in Cancer Alley are Black or Brown. Many factory sites were once sugar plantations where enslaved people lived. While the state's population is 42%

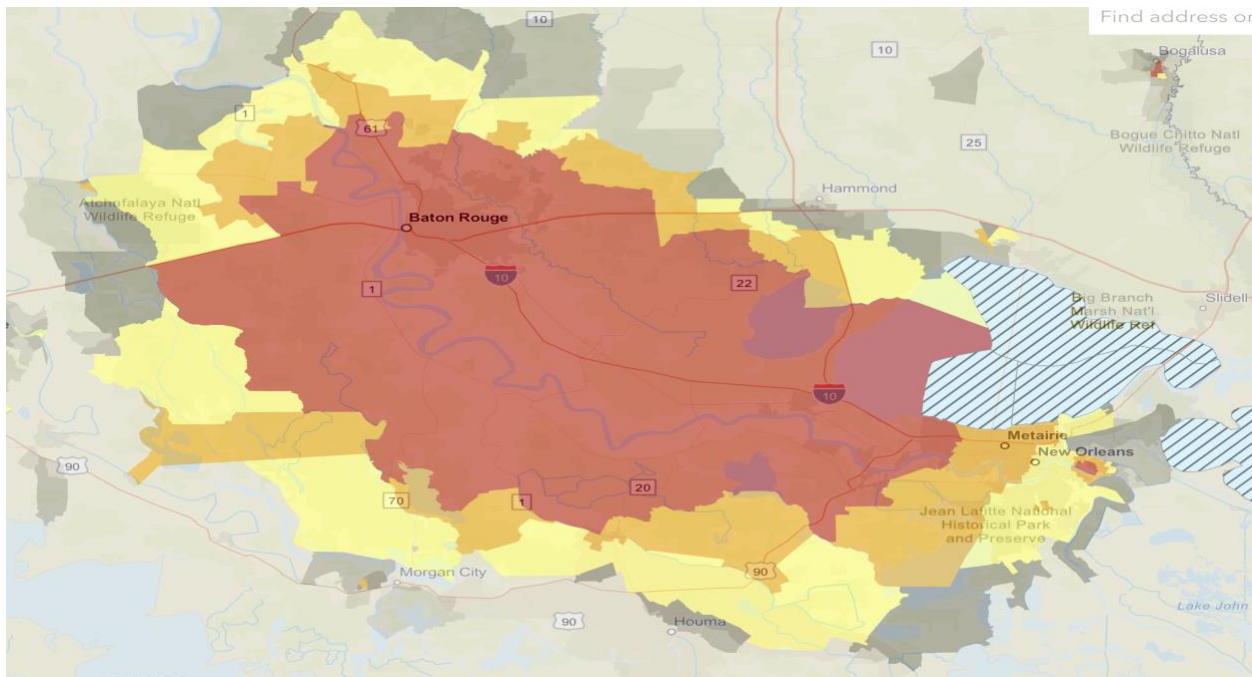
BIPOC, 52% of Cancer Alley’s residents and 74% of its public-school students are BIPOC. Because this community bears the brunt of the toxins emitted by oil refineries and chemical plants, Cancer Alley is widely considered an extreme example of environmental racism.¹

**Map 1:
Louisiana’s Cancer Alley, by Type of Toxin²**



Credit: Kate Orff, “Ecological Atlas to ‘Petrochemical America’”

Map 2: EPA Environmental Justice Map for Toxics Release to Air³
(Red areas are 95th – 100th risk percentile, orange 90 – 95th percentile, yellow 80th – 90th)



ITEP also lavished resources on petrochemical factories in the state's southwestern corner (abutting Texas on the Gulf Coast), another region where low-income residents suffered from toxic emissions.

In short, for decades, the low-income communities of color that were systematically poisoned by the petrochemical industry also watched their tax bases depleted by handouts to those very corporations.

Community Organizing Wins Abatement Reforms

The outrageous ITEP giveaways changed in 2016, when newly elected Gov. John Bel Edwards, responding to demands from Together Louisiana and other community, faith, and labor groups, signed two executive orders.⁴ While he couldn't abolish the state board, he gave local governments the right to approve or reject any deal, controlling their respective shares of affected revenue.

Edwards' orders also tightened the state's "gate." They reduced the rate of 10-year abatements from 100% to 80%, and tightened up qualification rules, including a requirement that deals actually create or retain jobs (though that part was later watered down). Edwards also appointed new members to the state board, including the president of the Louisiana School Boards Association and the executive director of the watchdog Louisiana Budget Project.

To help local governments start flexing their new power, Together Louisiana picked some strategic fights. Its most dramatic victory came in 2018, when East Baton Rouge teachers voted 445 to 6 to walk out if the school board approved an ITEP deal for ExxonMobil—for a facility that had been operating for almost two years!⁵

Folgers, the coalition discovered, filed six different ITEP applications for work that was *already completed*. Had the tax abatements been approved, Together Louisiana estimated Orleans Parish public schools would have lost \$4.3 million.⁶

By 2022, it was possible to document the benefits of the ITEP reforms. The Institute for Energy Economics and Financial Analysis (IEEFA) found that by 2021, more than \$282 million was being returned each year to Louisiana public services—with an upwards trend heading to \$1 billion annually, as the process of local approval made the deals more visible and harder to justify, and as the lower 80% abatement rate began moving through the ITEP pipeline.⁷

School districts, which in Louisiana rely heavily on property taxes, enjoyed the biggest gain: \$113 million in 2021 and rising.

How ITEP Reforms Constitute Racial Justice

Just as ITEP disproportionately harmed Black and Brown families in Cancer Alley, the ITEP reforms have a reparative effect. Thanks to a new government accounting reform, we can quantify this measure of racial justice.⁸

The revenue gains are geographically concentrated. Table 1 lists those 11 of the state’s 64 parishes which gained 81.5% of the total new revenue (for all public services).

**Table 1:
Biggest Property Tax Revenue Gains Among Louisiana Parishes, 2016-2021⁹**

Parish	Cumulative Parish Property Tax Revenue Gains, 2016-2021	School District Revenue Gains, 2016-2021
St Charles	\$122,639,722	\$57,917,789
St John the Baptist	\$88,211,503	\$26,267,529
Calcasieu	\$81,009,617	\$20,558,481
Cameron	\$64,584,369	\$17,512,005
Ascension	\$46,418,756	\$26,320,268
St James	\$43,451,999	\$17,985,389
West Baton Rouge	\$40,234,335	\$21,003,443
Caddo	\$40,059,622	\$21,740,138
West Feliciana	\$33,900,291	\$14,107,289
Iberville	\$31,895,024	\$17,761,913
East Baton Rouge	\$27,627,524	\$10,620,672

Ten of those 11 school districts are in Cancer Alley or the state’s southwest corner, reflecting the geographical concentration of the petrochemical industry.

The data also reveals which students benefited the most (see Table 2). School districts in those same 11 parishes gained 83% of all the new revenue from 2016 through 2021. And with two small-district exceptions, those school districts all have student bodies that are

majority economically disadvantaged and together have a greater proportion of BIPOC pupils than the state average.

The exceptions are: 1) a tiny school district in rural Cameron Parish, with only 1,086 students, which gained \$16,125 per student, the largest per-pupil amount (located in Louisiana’s coastal southwest corner adjoining Texas); and 2) the very small school district of West Feliciana (2,208 students) which gained the second-most per student, \$6,401 (located on the northwestern end of Cancer Alley).

**Table 2:
Louisiana School Districts Gaining the Most Revenue per Student¹⁰**

Parish	Cumulative School District Revenue Gains, 2016-2021	Enrollment	% BIPOC Students	% Economically Disadvantaged Students	Cumulative Revenue Gains per Student 2016-2021	Region
Cameron	\$17,512,005	1,086	12	49	\$16,125	SW
West Feliciana	\$14,107,289	2,204	39	49	\$6,401	Cancer Alley
Saint Charles	\$57,917,789	9,397	49	55	\$6,163	Cancer Alley
Saint James	\$17,985,389	3,437	64	62	\$5,233	Cancer Alley
St. John the Baptist	\$26,267,529	5,031	91	83	\$5,221	Cancer Alley
West Baton Rouge	\$21,003,443	4,209	60	79	\$4,990	Cancer Alley
Iberville	\$17,761,913	4,319	73	79	\$4,113	Cancer Alley
Ascension	\$26,320,268	24,077	49	56	\$1,093	Cancer Alley
Calcasieu	\$20,558,481	27,998	43	65	\$734	SW
Caddo	\$21,740,138	34,002	74	75	\$639	NW
East Baton Rouge	\$10,620,672	40,510	89	81	\$262	Cancer Alley

The third-, fourth-, fifth-, sixth- seventh-, eighth-, and eleventh-biggest beneficiaries per student are also school districts in Cancer Alley. They educate 91,000 students in districts ranging from 43% to 91% BIPOC.

St. John the Baptist Parish school district gained \$5,221 per student; 91% of its students are BIPOC. They were overdue for some good news: A 2022 Environmental Protection Agency (EPA) investigation of toxic emissions found that children attending the Fifth Ward Elementary School in the community of Reserve had suffered decades of continuous exposure to carcinogenic air pollution, thanks to the chemical manufacturer Denka.¹¹ That

elementary school, with 313 children, received more than \$1.6 million as its share of new revenue from the ITEP reforms.

Debunking the “Business Climate” Myth

The Louisiana Association of Business and Industry (LABI) has fought the ITEP reforms at every step, claiming they discourage new investment and job creation. It has repeatedly sought to undermine Gov. Edwards’ reforms and make it easier for companies to get bigger and more automatic abatements.¹² But as Good Jobs First has always argued, tax breaks almost never determine where companies expand or relocate, and that is especially true for the oil and chemical industries in the Pelican State.

As we said publicly and to news media in 2018: property taxes make up just 0.8% of a typical refinery’s cost structure. “Petrochemical companies invest in Louisiana because it has so much feedstock in the ground, so many supplier and customer linkages, and so much pipeline and waterway and railroad infrastructure to move product. Those are the business basics that, along with labor and other inputs, make up more than 98 percent of their cost structure.”¹³ A 2019 investigation of Cancer Alley by ProPublica drew similar conclusions.¹⁴

The IEEFA study further laid to rest the “business climate” propaganda. It found that after the ITEP reforms took effect, applications for both new projects and capital investments *increased*. In cases where a tax break was rejected, the project almost always proceeded anyway.

Reparative tax policy, racial justice, and a measurably better business climate: on the line as Louisiana elects its next governor.

Acknowledgment

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