

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY18-19 Executive Budget Review

Department of Economic Development

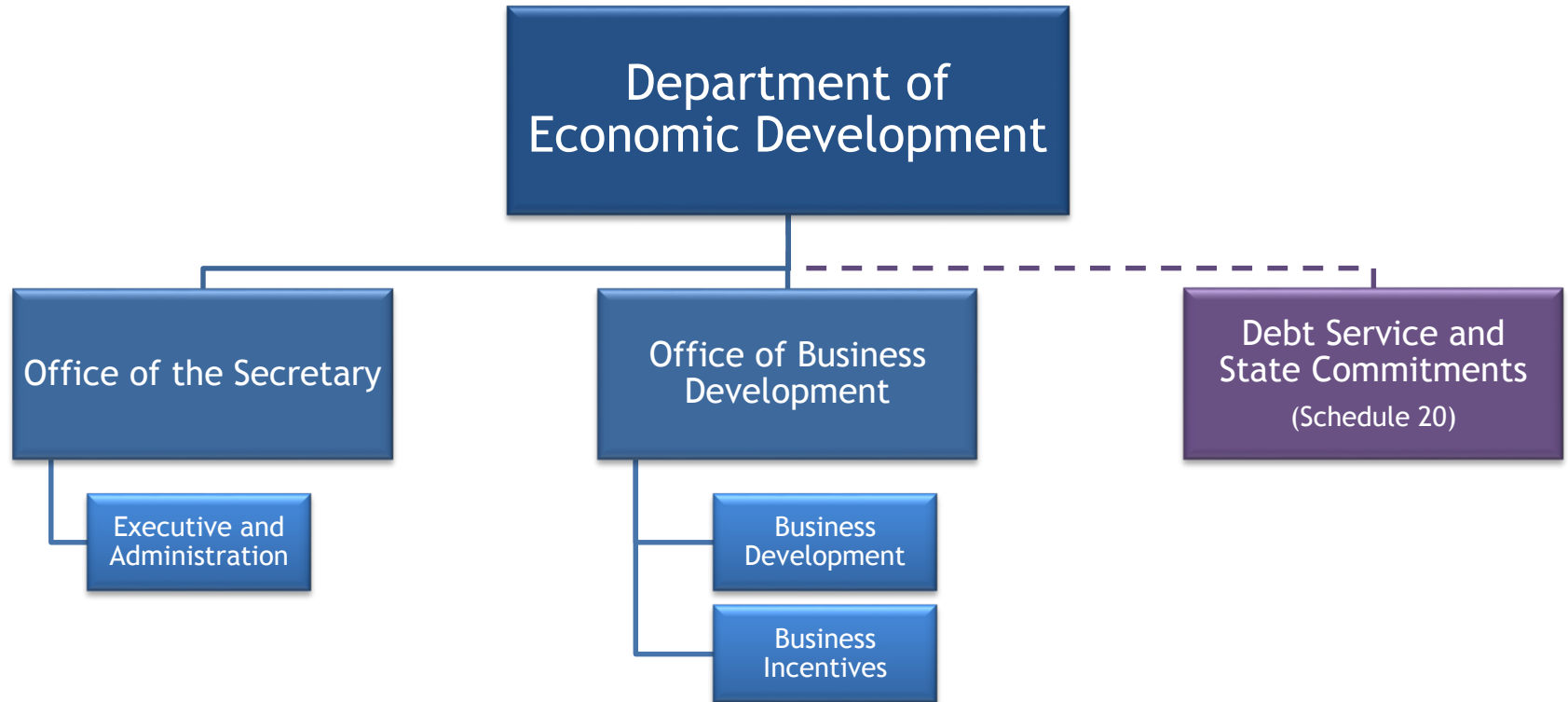
House Committee on Appropriations
Prepared by the House Fiscal Division

March 20, 2018

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DEPARTMENT ORGANIZATION



DEPARTMENT FUNCTIONS

Office of the Secretary

Executive and Administration Program

Executive and Administration

- Provides agency leadership, administration, finance, and legal services.
- Develops internal structure and processes.
- Reviews laws, policies, and rules that impact economic development.
- Pursues resources to make Louisiana globally competitive in terms of business recruitment, retention, and entrepreneurship.
- Identifies actions to improve Louisiana's economic competitiveness.

FastStart Program

- Comprehensive workforce training program that provides businesses with employee training and delivery.
- Full cycle service: includes initial company analysis, recruitment, hiring, evaluation, and training.

State Economic Competitiveness Program

- Improves state economic competitiveness through benchmarking, ranking comparison, and developing plans to improve competitiveness of industry-specific growth sectors.
- Promotes state policy and economic development success to improve rankings with national economic development groups and publications.
- Publishes the *Economic Development Quarterly*.

DEPARTMENT FUNCTIONS

Office of Business Development

Business Development Program

Community Competitiveness

- Provides assistance to local communities to increase their competitiveness and enhance regional business development efforts.

Small Business Services

- Includes the Small and Emerging Business Development Program and Small Business Development Centers which provide direct, one-on-one assistance to entrepreneurs and small businesses to encourage growth.

Business Expansion and Retention Group

- Reaches out to businesses across the state to learn about their challenges, assist with retention or expansion projects, and identify ways to make Louisiana a better place for business.

Business Marketing and Recruitment

- Promotes and markets to domestic and international companies to convince them to invest and grow their businesses in Louisiana.

Office of Entertainment Industry Development

- Promotes Louisiana as a destination for digital interactive media, film and television production, music, and live performance.

Office of International Commerce

- Manages initiatives focused on attracting foreign direct investment, increasing trade volumes and expanding trade-related manufacturing activity.
- Coordinates international marketing missions and manages protocol for visits of foreign dignitaries.

DEPARTMENT FUNCTIONS

Office of Business Development

Business Incentives Program

Provides information and technical assistance on Louisiana's various business tax incentive programs to business and industry to foster investment and job creation.

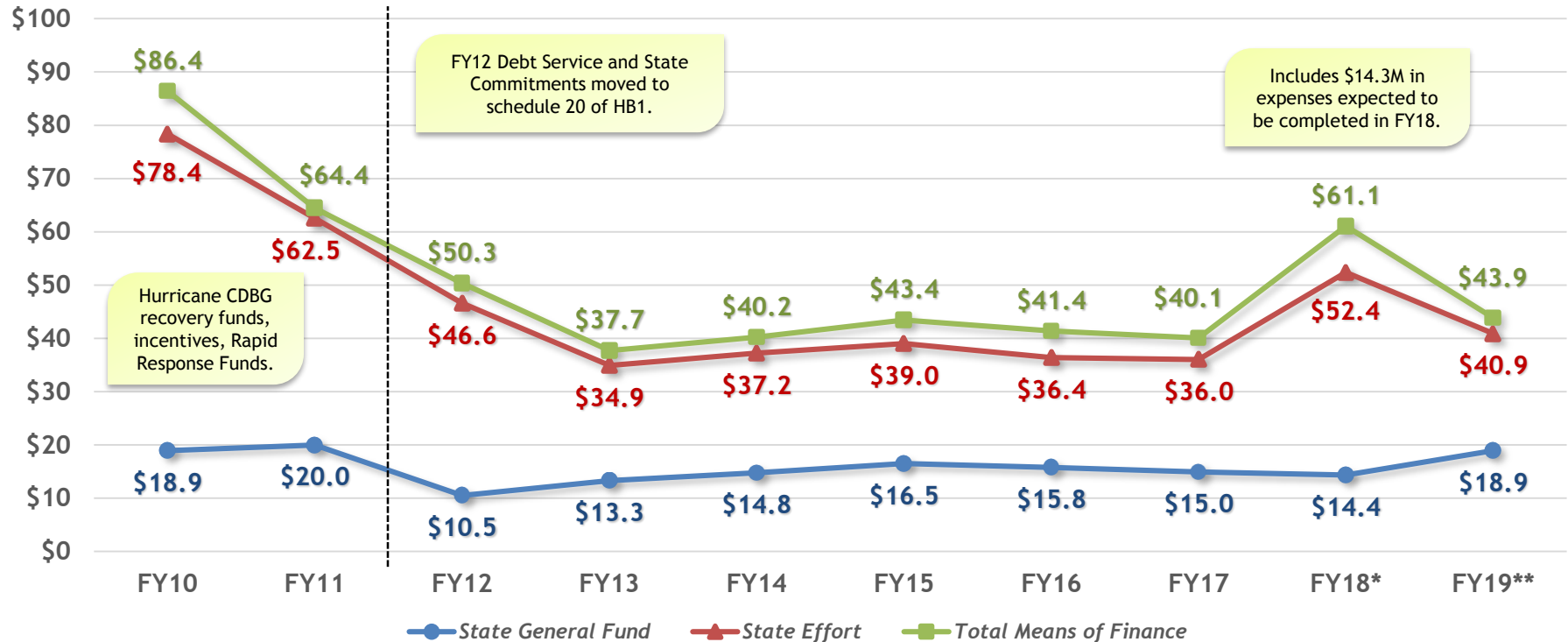
Board of Commerce and Industry

- Processes and approves applications for tax incentive programs:
 - Enterprise Zone Program
 - Quality jobs
 - Industrial Ad Valorem Tax Exemption Program
 - Restoration Tax Abatement
- Produces an annual report of incentives projects that includes project details and incentive value.

Louisiana Economic Development Corporation Board

- Processes and approves applications for financial assistance incentive programs:
 - Louisiana Small Business Loan Program
 - Economic Development Award Program
 - Economic Development Loan Program

BUDGET HISTORY (IN MILLIONS)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/17
 **Governor's Executive Budget Recommendation

MAJOR SOURCES OF REVENUE

Self Generated Revenue

- **\$5.1 Million**

Derived from application fees for various business incentives and credits. Department fees were substantially restructured and increases went into effect in 2016.

Statutory Dedications

- **Louisiana Economic Development Fund** **\$12,219,588**

Revenue originates from four-tenths of one percent of gross sales tax collected.

- **Marketing Fund** **\$2,000,000**

The first \$2 million collected for the Louisiana Economic Development Fund.

- **Louisiana Entertainment Development Fund** **\$2,700,000**

Revenue originates from fees on the transfer of Motion Picture Production Tax Credits.

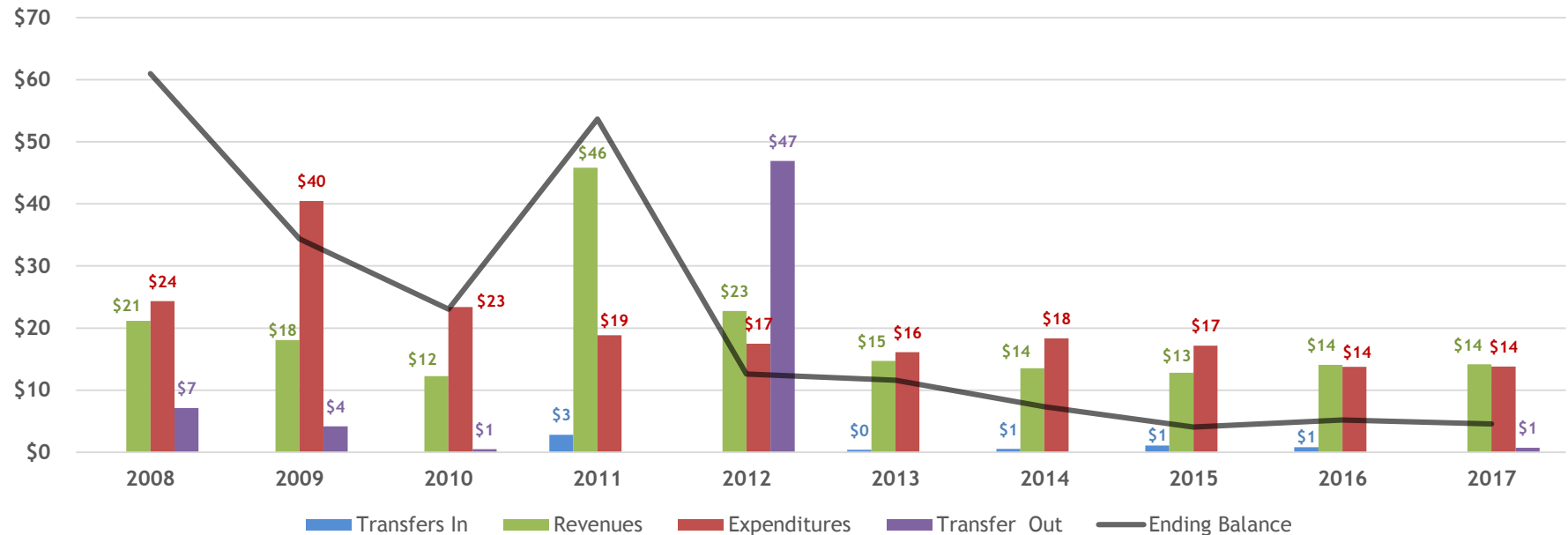
Federal Funding

- **\$3 Million**

Derived from the US Department of the Treasury for the Office of Business Development's Small Business Credit Initiative.

LA ECONOMIC DEVELOPMENT FUND

10 Year Historical Activity (In Millions)



FUNDING OVERVIEW

Means of Financing	FY 16-17 Prior Year Actual Expenditures	FY 17-18 Existing Operating Budget 12/1/17	FY 18-19 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$14,954,842	\$14,373,495	\$18,917,757	\$4,544,262	31.6%
Interagency Transfers	\$1,107,965	\$680,546	\$0	(\$680,546)	(100.0%)
Fees and Self-Gen Rev.	\$2,895,075	\$17,868,712	\$5,064,807	(\$12,803,905)	(71.7%)
Statutory Dedications	\$18,167,538	\$20,122,222	\$16,919,588	(\$3,202,634)	(15.9%)
Federal Funds	\$2,937,033	\$8,046,476	\$2,976,020	(\$5,070,456)	(63.0%)
Total Means of Finance	\$40,062,453	\$61,091,451	\$43,878,172	(\$17,213,279)	(28.2%)
State Effort	\$36,017,455	\$52,364,429	\$40,902,152	(\$11,462,277)	(21.9%)



\$4.5M SGF

Increased budget needed to make up for decreases in statutory dedications.



\$680,500 IAT

Funding is being non-recurred from FY18 to FY19.



\$12.8M FSGR

Due to shift of certain verification fees off-budget to an approved escrow account.



\$3.2M Dedications

Due to a net reduction in the REC forecast from the Louisiana Economic Development Fund.



\$5.1M Federal

Funds available from the U.S. Treasury Small Business Credit Initiative are decreasing.

Source: Executive Budget Supporting Documents

SIGNIFICANT FUNDING CHANGES

AMOUNT	MOF	DESCRIPTION
\$4,544,262	SGF	<ul style="list-style-type: none"> \$6,258,918 Increase needed to fill the loss of funding from the declines in the Louisiana Economic Development Fund and Fees and Self Generated Revenues. (\$1,360,060) Reduction in funding from eliminating the Tier 1 Regional Matching Grant Program. (\$354,656) Net reduction from standard budget adjustments including (\$576,171) from expenses not needed in FY19.
(\$680,546)	IAT	<ul style="list-style-type: none"> (\$680,546) Reduction in funding for the LA Job Connection web tool from Community Development Block Grant funds from the Division of Administration which are not available in FY19.
(\$12,803,905)	FSGR	<ul style="list-style-type: none"> (\$7,200,000) Decrease in budget authority due to the creation of an escrow account to collect and process fees related to the independent verification of entertainment industry tax credit expenditures. (\$3,826,878) Decrease in anticipated revenues from business incentive application fees. (\$1,231,829) Decrease from revenue related to the LA Job Connections system.
(\$3,202,634)	STAT	<ul style="list-style-type: none"> (\$3,543,019) Expenses from FY18 no longer needed in FY19, \$3.3 M of which are associated with FastStart contracts. \$2,700,000 Increase from the Louisiana Entertainment Development Fund created in the 2017 Regular Session. (\$2,445,051) Decrease in the Revenue Estimating Conference projections for the Louisiana Economic Development Fund.
(\$5,070,456)	FED	<ul style="list-style-type: none"> (\$4,707,313) Decrease in available remaining funds from the State Small Business Credit Initiative grant awarded by the U.S. Department of the Treasury.

EXPENDITURE CHANGE OVERVIEW

Expenditure	FY 16-17 Prior Year Actual Expenditures	FY 17-18 Existing Operating Budget 12/1/17	FY 18-19 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$7,883,979	\$9,003,556	\$9,218,126	\$214,570	2.4%
Other Compensation	\$96,464	\$126,014	\$126,014	\$0	0.0%
Related Benefits	\$3,816,285	\$4,521,491	\$4,608,311	\$86,820	1.9%
Travel	\$437,180	\$654,603	\$654,603	\$0	0.0%
Operating Services	\$587,397	\$704,930	\$758,462	\$53,532	7.6%
Supplies	\$148,188	\$191,623	\$183,756	(\$7,867)	(4.1%)
Professional Services	\$6,610,206	\$13,302,546	\$5,305,717	(\$7,996,829)	(60.1%)
Other Charges	\$20,216,521	\$32,581,654	\$23,023,183	(\$9,558,471)	(29.3%)
Acq/Major Repairs	\$266,233	\$5,034	\$0	(\$5,034)	(100.0%)
Total Expenditures	\$40,062,453	\$61,091,451	\$43,878,172	(\$17,213,279)	(28.2%)
Authorized Positions	113	113	113	0	0.0%

Source: Executive Budget Supporting Documents

SIGNIFICANT EXPENDITURE CHANGES

\$301,390 - Personal Services

Increased funding to annualize 2% general increase for employees, market rate increase for classified employees, and standard salary base adjustment.

(\$8 Million) - Professional Services

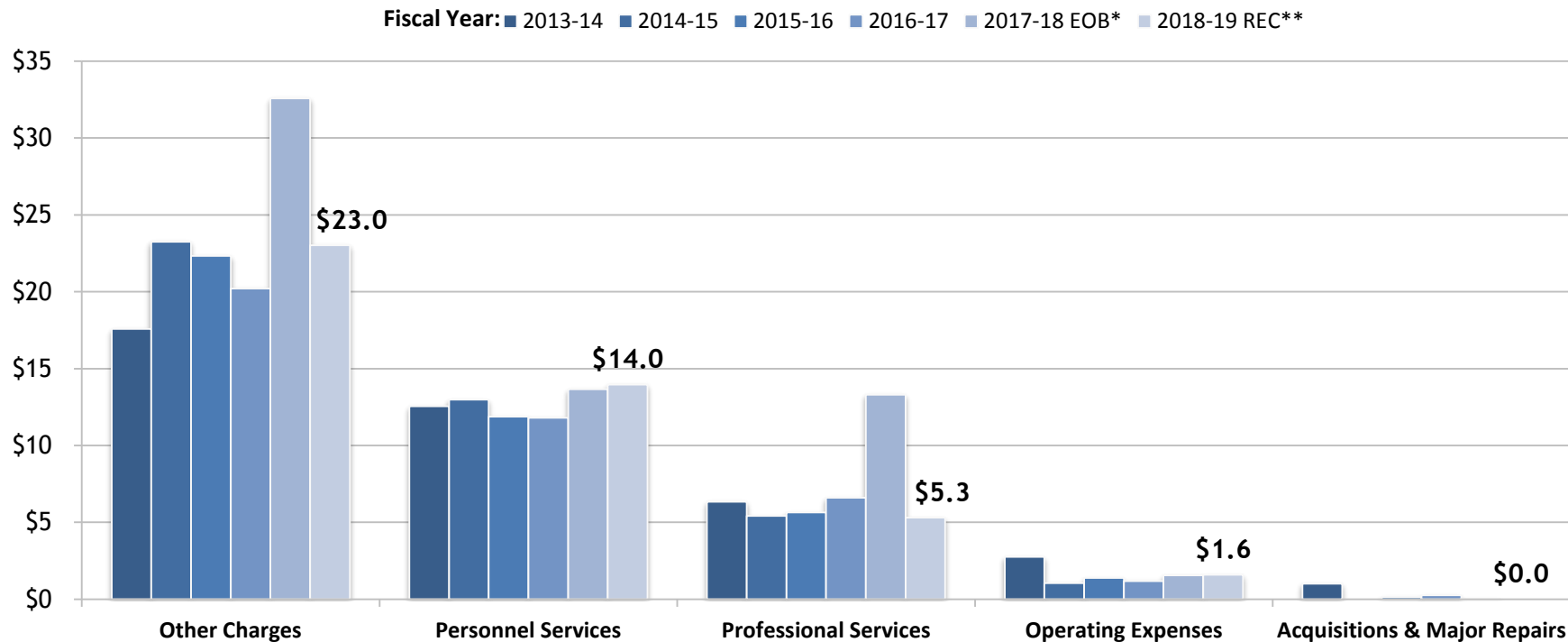
\$7.5 million of pass-through funding that was used to solicit independent expenditure verification reports to validate entertainment industry incentive applications. This function has not gone away, only the funding has been moved off budget to an escrow account approved by the Cash Management Review Board.

(\$9.6 Million) - Other Charges

Decreases in the following activity:

- **\$4.7 million** - Business Incentives Program from the State Small Business Credit Initiative. This activity is budgeted with \$2.8 million in remaining funds from the U.S. Treasury federal grant.
- **\$1.4 million** - Business Development Program from the elimination of the Tier 1 Regional Awards and Matching Grant Program. This activity was not funded in the Executive Budget.
- **\$1.2 million** - Executive and Administration Program from a reduction in the LA Jobs Connections activity. This activity will be absorbed into the FastStart activity.

EXPENDITURE HISTORY (IN MILLIONS)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/17
 **Governor's Executive Budget Recommendation

OTHER CHARGES

Amount	Description
\$8,870,614	Fast Start Program
\$2,792,687	State Small Business Credit Initiative - Funding for two programs (Small Business Loan Guarantee Program and Louisiana Seed Capital Program)
\$2,700,000	Entertainment Industry Development
\$2,638,575	Interagency Transfers
\$1,553,435	State Economic Competitiveness - Funding for state economic competitiveness benchmarking, planning and research initiative.
\$1,000,000	Small Business Development Centers
\$735,540	Small and Emerging Business Development
\$675,563	Marketing Education Retail Alliance (MERA) - Marketing Education Initiatives
\$489,778	Special Marketing - Funds are used for meetings with prospects, group activities, special events, and activities to promote economic activity and stimulate interest in Louisiana as a business location.
\$1,566,991	Remaining 9 activities combined
\$23,023,183	Total Other Charges

Source: Executive Budget Supporting Documents, Department of Economic Development

DISCRETIONARY/NON-DISCRETIONARY FUNDING

TOTAL BUDGET
\$43.9 Million

**\$0 IAT
Double Count**

**\$43.9
Million
Remaining**

**Self Generated
Revenue
\$5.1 Million**

**Statutory
Dedications
\$16.9 Million**

**Federal Funds
\$3 Million**

**State General Fund
\$18.9 Million**

**Non Discretionary
\$1 Million**

**Discretionary
\$17.9 Million**

**Rent
\$683,000**

**Group Insurance for Retirees
\$258,000**

**Legislative Auditor Fees
\$112,000**

**Office of the Secretary
\$11.6 Million**

**Office of Business
Development
\$6.3 Million**

Source: Office of Planning and Budget

PERSONNEL INFORMATION

10 Year FTE Positions/Salaries Expended

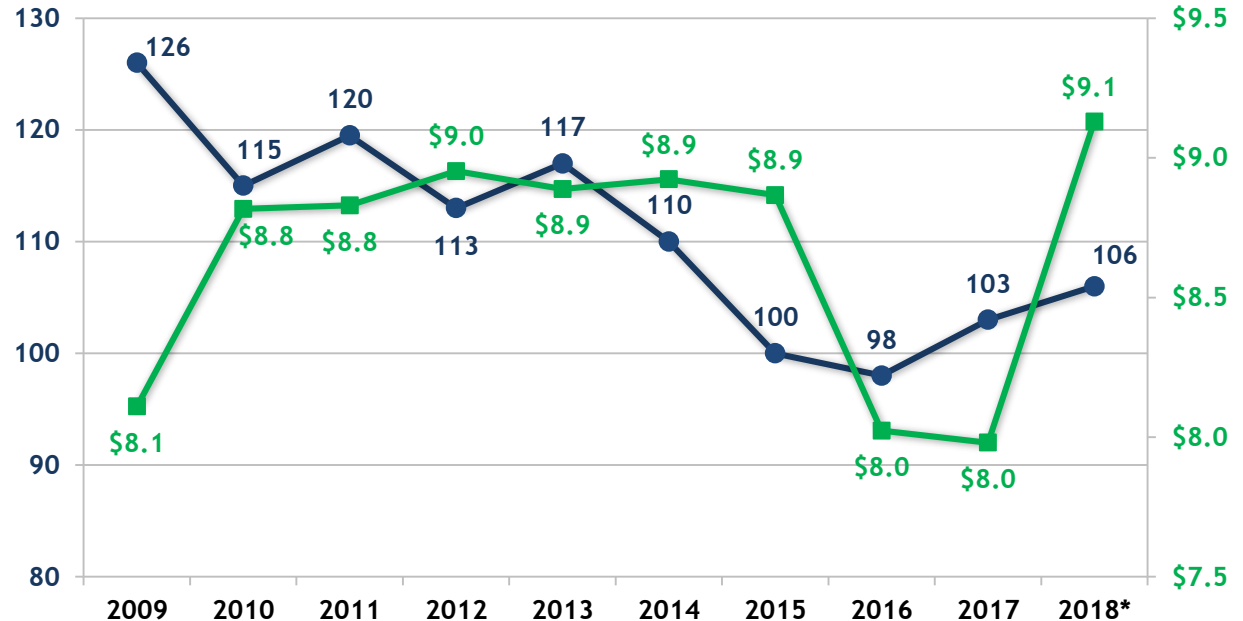
Personnel/Budget Ratio

\$9.3 M	Salaries and Other Comp.
+ \$4.6 M	Related Benefits
= \$13.9 M	Total Personnel Services

67% of budget expenditures
(excluding Other Charges)

Authorized Positions

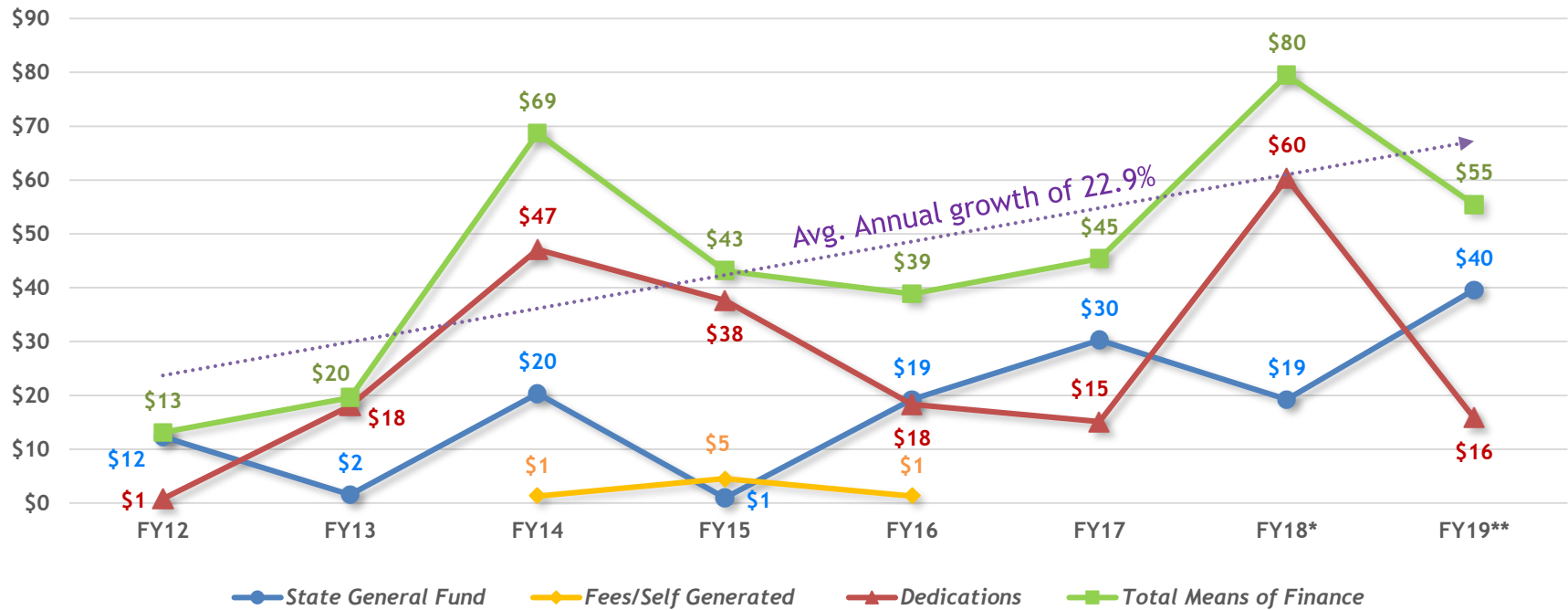
- 113 (63 classified and 50 unclassified)
- DED had 4 vacancies as of 12/25/17
- No Other Charges Positions



*Existing Operating Budget as of 12/1/17
Source: FTE data provided by the Dept. of Civil Service

DEBT SERVICE & STATE COMMITMENTS

Budget History



Source: Executive Budget Supporting Documents

DEBT SERVICE & STATE COMMITMENTS

Means of Financing	FY 16-17 Prior Year Actual Expenditures	FY 17-18 Existing Operating Budget 12/1/17	FY 18-19 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$30,279,452	\$19,220,171	\$39,604,158	\$20,383,987	106.1%
Interagency Transfers	\$0	\$0	\$0	\$0	0.0%
Fees and Self-Gen Rev.	\$0	\$0	\$0	\$0	0.0%
Statutory Dedications	\$15,107,698	\$60,294,316	\$15,842,298	(\$44,452,018)	(73.7%)
Federal Funds	\$0	\$0	\$0	\$0	0.0%
Total Means of Finance	\$45,387,150	\$79,514,487	\$55,446,456	(\$24,068,031)	(30.3%)
State Effort	\$45,387,150	\$79,514,487	\$55,446,456	(\$24,068,031)	(30.3%)



\$20.4M State General Fund

Increased budget needed to meet FY19 commitments and make up for decreases in statutory dedications.



\$44.5M Dedications

Due to a reduction in available funds from the LA Mega Project Development Fund and Rapid Response Fund along with \$33M in non-recurring expenses.

DEBT SERVICE & STATE COMMITMENTS

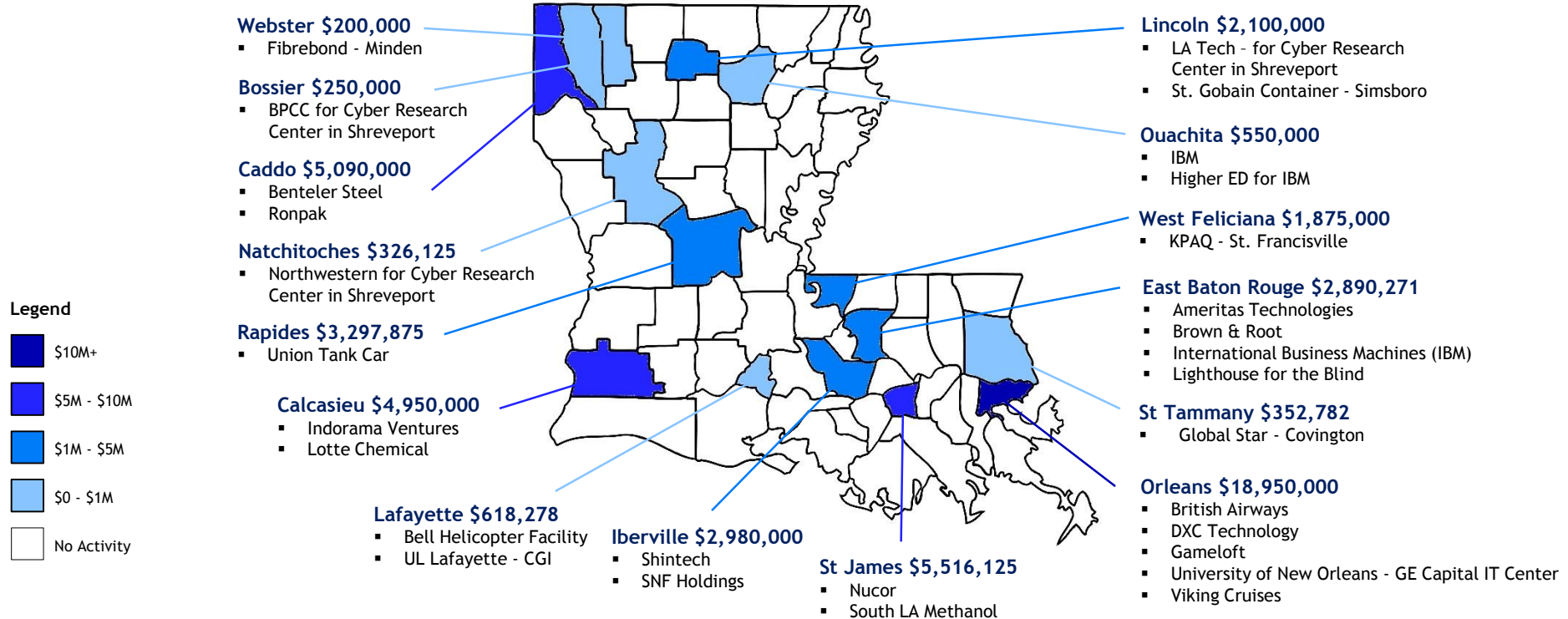
Total Projects:31 - Total Funding: \$55.4 Million

Project	Amount
DXC Technology - New Orleans	\$13,250,000
Benteler Steel - Shreveport	\$5,000,000
Economic Development Rapid Response Program	\$5,000,000
Viking Cruises - New Orleans	\$4,500,000
Lotte Chemical - Lake Charles	\$4,200,000
Nucor - St. James Parish (Bond Payment)	\$4,016,125
Union Tank Car - Alexandria (Bond Payment)	\$3,297,875
IBM - Baton Rouge	\$2,465,271
KPAQ - St. Francisville	\$1,875,000
Shintech - Iberville Parish	\$1,700,000
South LA Methanol - St. James Parish	\$1,500,000
SNF Holdings - Iberville Parish	\$1,280,000
St. Gobain Container - Simsboro	\$1,200,000
LA Tech (Cyber Research Center in Shreveport)	\$900,000
Indorama Ventures - Lake Charles	\$750,000

Project	Amount
British Airways - New Orleans	\$500,000
UNO - (GE Capital Information Technology Center)	\$500,000
Military Efforts	\$500,000
UL Lafayette - CGI	\$375,000
Global Star - Covington	\$352,782
Northwestern (Cyber Research Center in Shreveport)	\$326,125
Higher ED - IBM - Monroe	\$300,000
BPCC - (Cyber Research Center in Shreveport)	\$250,000
IBM - Monroe	\$250,000
Bell Helicopter Facility - Lafayette	\$243,278
Gameloft - New Orleans	\$200,000
Fibrebond - Minden	\$200,000
Brown & Root - Baton Rouge	\$150,000
Lighthouse for the Blind - Baton Rouge	\$150,000
Ameritas Technologies - Baton Rouge	\$125,000
Ronpak - Shreveport	\$90,000

Source: Executive Budget Supporting Documents

DEBT SERVICE & STATE COMMITMENTS



Source: Executive Budget Supporting Documents

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