

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY16-17 Executive Budget Review

DEPARTMENT OF ECONOMIC DEVELOPMENT

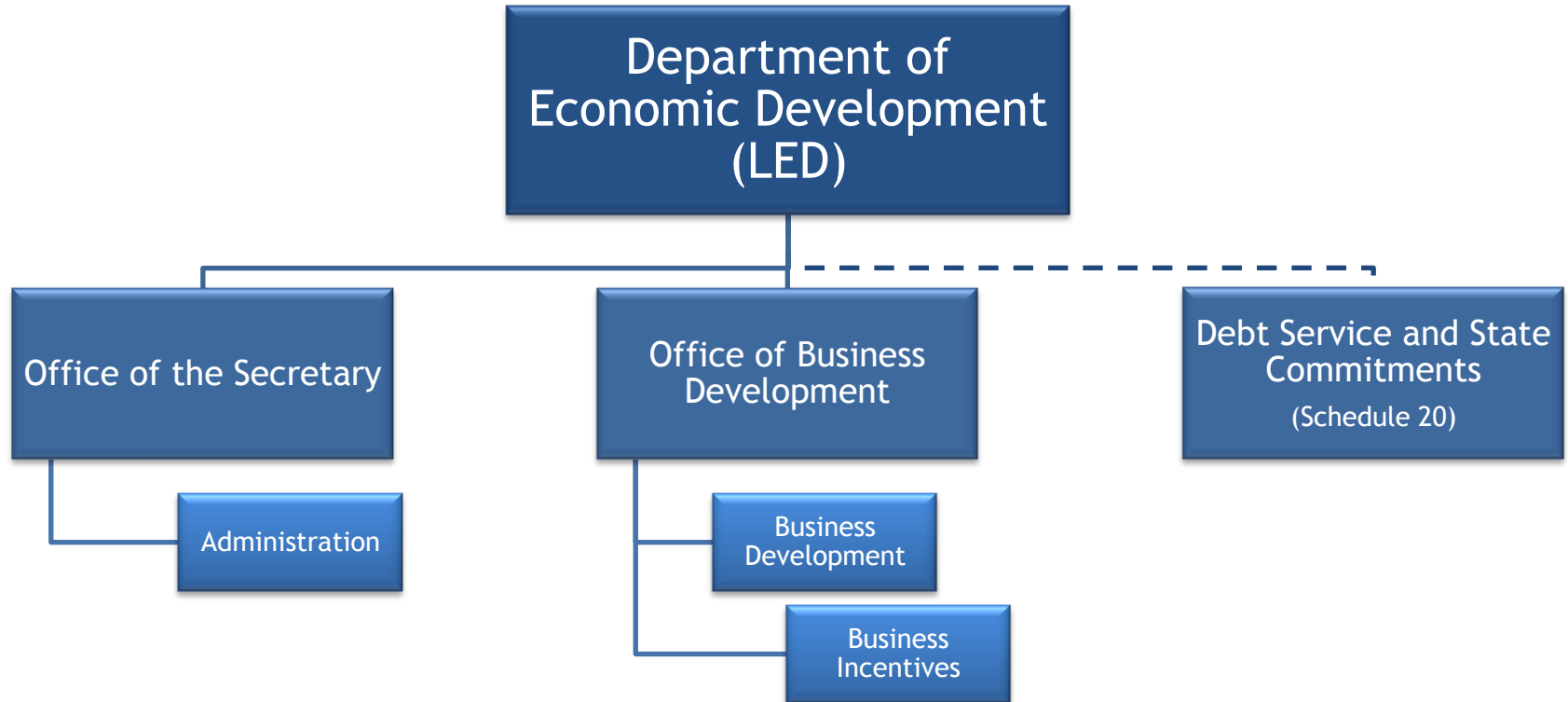
House Committee on Appropriations
by the House Fiscal Division

April 4, 2016

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DEPARTMENT STRUCTURE



DEPARTMENT FUNCTIONS

Office of the Secretary

Administration Program

Executive and Administrative Program

- 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 public infrastructure and improving 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
 - Louisiana Venture Capital Match Program
 - BIDCO Investment and Co-Investment Programs

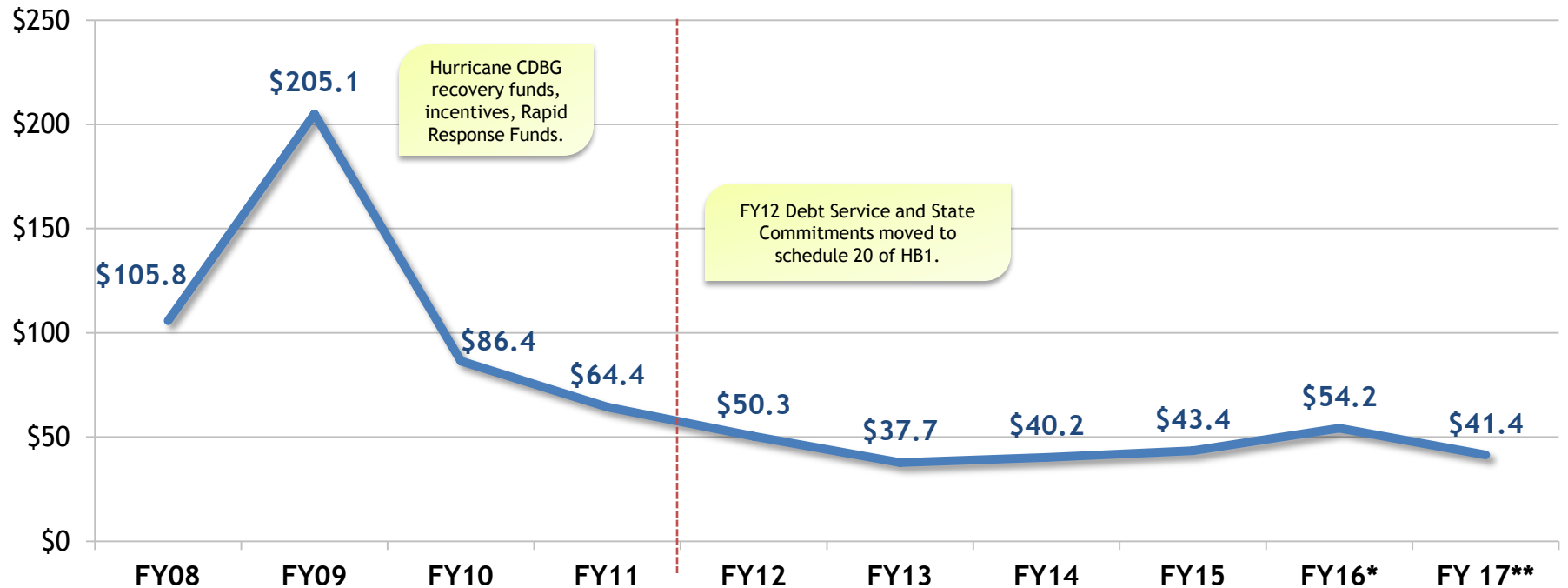
LED INCENTIVE PROGRAMS

PROGRAM	DESCRIPTION	FY17 FORECAST
MOTION PICTURE INVESTOR TAX CREDIT	Up to a 30% transferable tax credit for qualified production expenditures and an additional 10% tax credit for Louisiana labor expenditures.	\$180,000,000
QUALITY JOBS	Up to a 6% rebate on annual payroll expenses for up to 10 years and either a 4% sales/use tax rebate on capital expenses or a 1.5% investment tax credit for qualifying expenses.	\$72,485,000
ENTERPRISE ZONE	A \$1,000 tax credit for each certified net, new job created and either a 4% sales/use tax rebate on capital expenses or 1.5% investment tax credit for qualifying expenses.	\$49,628,000
RESEARCH AND DEVELOPMENT TAX CREDIT	A tax credit up to 40% to existing businesses with operating facilities in Louisiana to establish or continue research and development within the state.	\$23,271,000
MUSICAL AND THEATRICAL PRODUCTION TAX INCENTIVE	Tax credit on qualified production or higher education infrastructure development expenditures with additional tax credits available for payroll.	\$13,345,000
DIGITAL INTERACTIVE MEDIA AND SOFTWARE DEVELOPMENT INCENTIVE	Up to a 25.2% refundable tax credit for in-state labor, coupled with up to a 18% refundable credit for eligible production expenses.	\$11,261,000
ANGEL INVESTOR TAX CREDIT	Up to a 25.2% tax credit for individuals who invest in early stage, start-up businesses.	\$952,000
SOUND RECORDING INVESTOR TAX CREDIT	An 18% tax credit issued as a rebate for qualified production expenditures on state-certified sound recording projects.	\$282,000
COMPETITIVE PROJECTS PAYROLL INCENTIVE PROGRAM	An incentive rebate of up to 12% of a participating company's new payroll for up to 10 years, and a rebate of sales and use taxes on capital expenditures or a 1.2% project facility expense rebate.	\$100,000
TECHNOLOGY COMMERCIALIZATION CREDIT AND JOBS PROGRAM	A refundable tax credit of 28.8% for companies that invest in the commercialization of Louisiana technology and a payroll rebate of 4.32% for the creation of new direct jobs.	\$86,000

Total = \$351,410,000

Source: LDR 2015-16 Tax Exemption Budget

BUDGET HISTORY (IN MILLIONS)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/15
**Governor's Executive Budget Recommendation FY16-17

MAJOR SOURCES OF REVENUE

Federal Funds \$7.5 Million

- These funds are from the US Department of the Treasury for the Office of Business Development's Small Business Credit Initiative.

Self Generated Revenue \$8.3 Million

- Derived from application fees for various business incentives and credits.
- **\$5 million projected** budget authority to hire independent CPAs to conduct expenditure verification reports for entities applying for entertainment industry tax credits. Applicants are assessed the actual cost of the verification report once finalized.

Statutory Dedications \$18.2 Million

- Louisiana Economic Development Fund \$16,200,000
- Marketing Fund \$2,000,000

MEANS OF FINANCE BREAKDOWN

Means of Financing	FY 14-15 Prior Year Actual Expenditures	FY 15-16 Existing Operating Budget	FY 16-17 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$16,491,399	\$16,649,775	\$7,295,090	(\$9,354,685)	(56.2%)
Interagency Transfers	\$1,535,955	\$2,856,159	\$0	(\$2,856,159)	(100.0%)
Fees and Self-Gen Rev.	\$2,548,329	\$2,967,602	\$8,387,873	\$5,420,271	182.6%
Statutory Dedications	\$19,973,664	\$24,997,069	\$18,200,000	(\$6,797,069)	(27.2%)
Federal Funds	\$2,891,473	\$6,711,410	\$7,500,000	\$788,590	11.7%
Total Means of Finance	\$43,440,820	\$54,182,015	\$41,382,963	(\$12,799,052)	(23.6%)

The Division of Administration estimates that \$19.7 million in State General Fund is needed in FY17 to fully fund normal operating costs and other priorities. Therefore, \$12.4 million additional SGF is needed to fully fund operations.

SIGNIFICANT ADJUSTMENTS



\$7.7 M
Various MOF

- Reduction in expenses from FY16 that will not be needed in FY17:
 - FastStart FY16 Carryforward \$2.6M
 - CDBG IAT for Louisiana Job Connections \$2.3M
 - Louisiana Regional Leadership Council \$1.8M
 - Small and Emerging Business Development \$1M
 - Economic Development Matching Grants \$500,000



\$788,590
Federal Funds

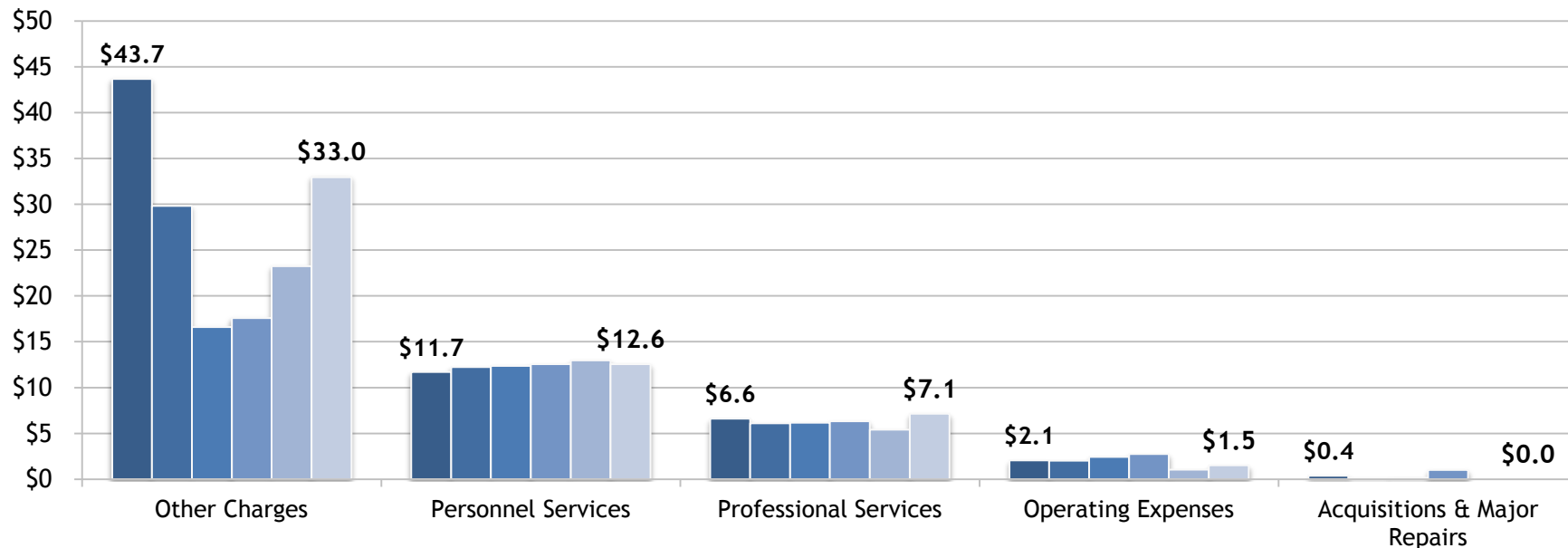
- Increase in Federal Funds from the U.S. Department of the Treasury used to continue the 4th year of the State Small Business Credit Initiative.

EXPENDITURE BREAKDOWN

Expenditure	FY 14-15 Prior Year Actual Expenditures	FY 15-16 Existing Operating Budget	FY 16-17 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$8,715,933	\$8,313,104	\$4,688,448	(\$3,624,656)	(43.6%)
Other Compensation	\$150,283	\$141,014	\$141,014	\$0	0.0%
Related Benefits	\$4,116,251	\$4,103,711	\$2,339,543	(\$1,764,168)	(43.0%)
Travel	\$546,861	\$511,112	\$674,603	\$163,491	32.0%
Operating Services	\$1,056,084	\$808,370	\$808,370	\$0	0.0%
Supplies	\$191,127	\$199,756	\$199,756	\$0	0.0%
Professional Services	\$5,415,811	\$7,143,389	\$9,466,949	\$2,323,560	32.5%
Other Charges	\$23,248,470	\$32,961,559	\$23,064,280	(\$9,897,279)	(30.0%)
Acq/Major Repairs	\$0	\$0	\$0	\$0	0.0%
Unallotted	\$0	\$0	\$0	\$0	0.0%
Total Expenditures	\$43,440,820	\$54,182,015	\$41,382,963	(\$12,799,052)	(23.6%)
Authorized Positions	113	110	110	0	0.0%

EXPENDITURE HISTORY (IN MILLIONS)

■ 10-11 ■ 11-12 ■ 12-13 ■ 13-14 ■ 14-15 ■ 15-16 EOB*



Other Charges include the FastStart Program, Small Business Credit Initiative, State Economic Competitiveness initiative, Louisiana Economic Development Regional Awards and Matching Grant program, and Marketing Education Initiatives.

Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/15

FY17 DISCRETIONARY/NON-DISCRETIONARY FUNDING

TOTAL BUDGET
\$41.4 Million

\$0 IAT
Double Count

\$41.4
Million
Remaining

Self Generated
Revenue
\$8.4 Million

Statutory
Dedications
\$18.2 Million

Federal Funds
\$7.5 Million

State General Fund
\$7.3 Million

Non Discretionary
\$927,500

Discretionary
\$6.4 Million

Maintenance in State-Owned
Buildings
\$591,751

Health Insurance for Retirees
\$305,224

Legislative Auditor Fees
\$30,600

Business Development
Program
\$3.4 Million

Office of the Secretary
\$3 Million

FY17 PERSONNEL INFORMATION

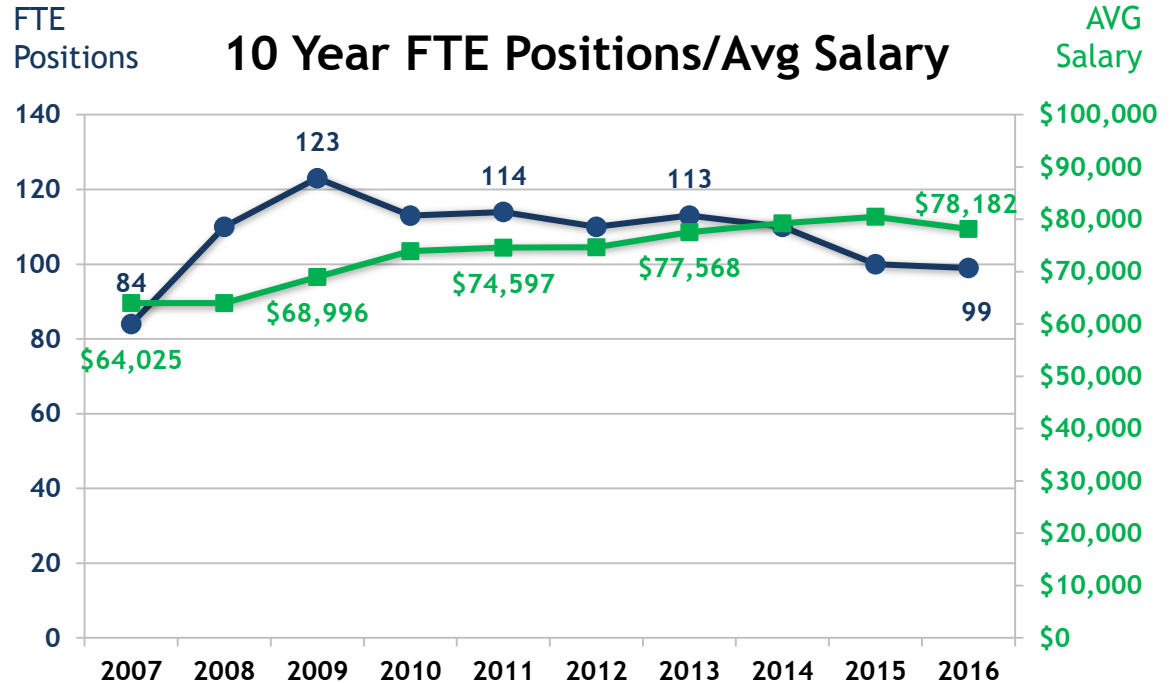
Personnel/Budget Ratio

\$ 4.8 M	Salaries and Other Comp.
+ \$ 2.3 M	Related Benefits
= \$ 7.1 M	Total Personnel Services

39% of budget expenditures
(excluding Other Charges)

Authorized Positions

- 110 (59 classified and 51 unclassified)
- LED had 11 vacancies as of 1/29/2016



Source: Prepared by House Fiscal Division staff using information from the Department of Civil Service

DEBT SERVICE & STATE COMMITMENTS

Means of Financing	FY 14-15 Prior Year Actual Expenditures	FY 15-16 Existing Operating Budget	FY 16-17 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$976,814	\$31,006,650	\$32,867,863	\$1,861,213	6.0%
Interagency Transfers	\$0	\$0	\$0	\$0	0.0%
Fees and Self-Gen Rev.	\$4,521,080	\$1,278,920	\$0	(\$1,278,920)	(100.0%)
Statutory Dedications	\$37,638,685	\$57,472,086	\$10,060,000	(\$47,412,086)	(82.5%)
Federal Funds	\$0	\$0	\$0	\$0	0.0%
Total Means of Finance	\$43,136,579	\$89,757,656	\$42,927,863	(\$46,829,793)	(52.2%)

- Statutory Dedications are funded through the Rapid Response Fund and Louisiana Mega-Projects Development Fund. Projected revenues in the Mega-Projects Fund have decreased to the point where the fund has been depleted for FY17.

DEBT SERVICE & STATE COMMITMENTS

FY17 Projects

Benteler Steel & Tube	\$5,510,000
Viking Cruises	\$4,500,000
Nucor/St. James Parish - Bond Payments	\$4,015,750
Computer Sciences Corp/Cyber Innovation Center	\$3,598,958
IBM - Baton Rouge	\$3,340,270
Union Tank Car - Bond Payments	\$3,293,625
Northrop Grumman - Bond payments	\$3,269,175
Yuhuang Chemical (SY Chemical)	\$2,075,000
KPAQ	\$1,875,000
GE Capital Corporation	\$1,338,265
Chiquita & Bd of Comm-Port of New Orleans	\$1,302,210
Ronpak	\$1,300,000
SNF Holdings	\$1,280,000
St. Gobain	\$1,200,000

LSU Transformation Tech & Cyber Research	\$1,000,000
IBM-Monroe	\$1,000,000
EA Sports	\$615,000
Smoothie King	\$480,000
CGI	\$375,000
Globalstar	\$352,782
CenturyLink	\$300,000
Bell Helicopter	\$231,827
Gameloft	\$200,000
Lighthouse for the Blind	\$150,000
Brown & Root	\$150,000
Ameritas Technologies	\$125,000
MCS (Mortgage Contracting Services)	\$50,000
TOTAL	\$42,927,862

DEPARTMENT CONTACTS



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