

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY17-18 Executive Budget Review

Department of Economic Development

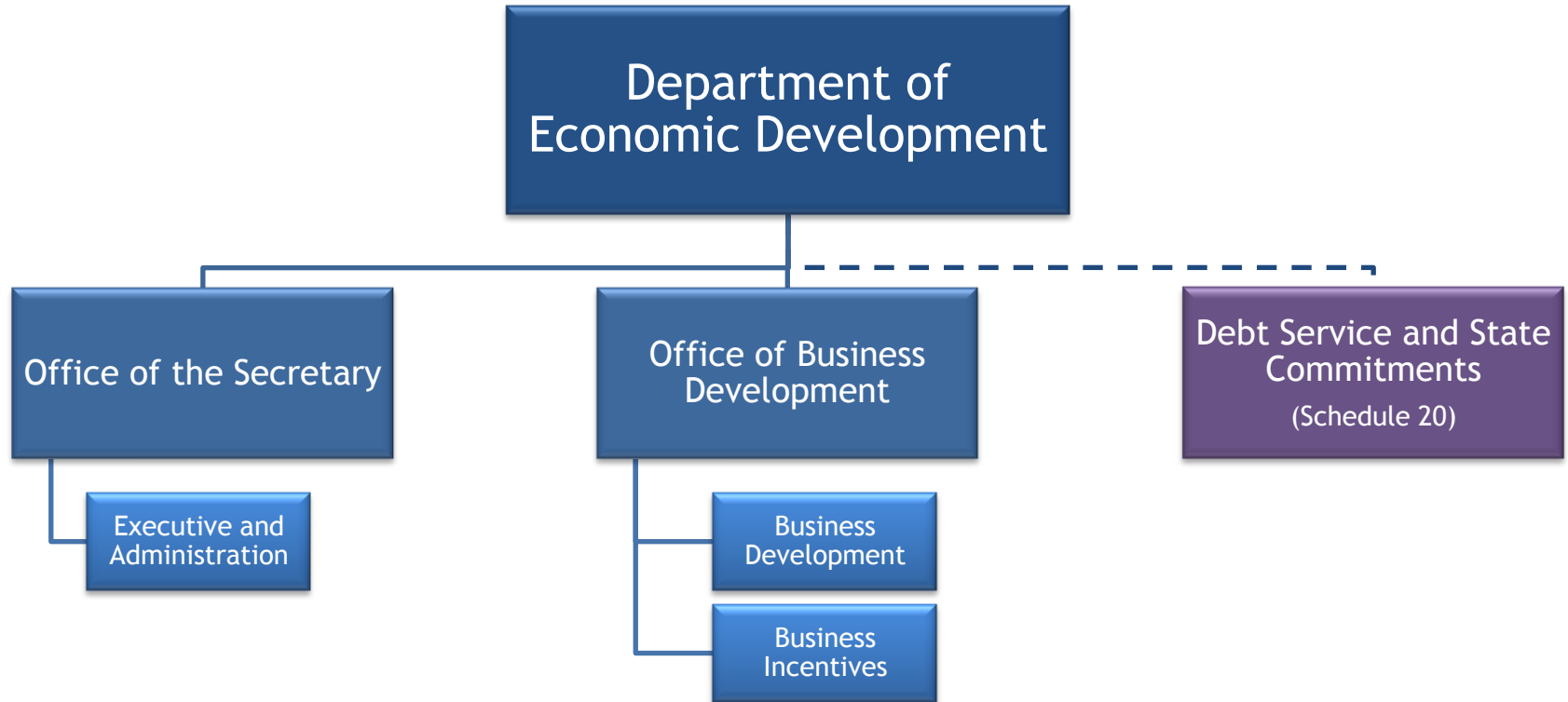
House Committee on Appropriations
Prepared by the House Fiscal Division

April 4, 2017

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DEPARTMENT ORGANIZATION



DEPARTMENT FUNCTIONS

Office of the Secretary

Executive and Administration Program

Executive and Administration 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.

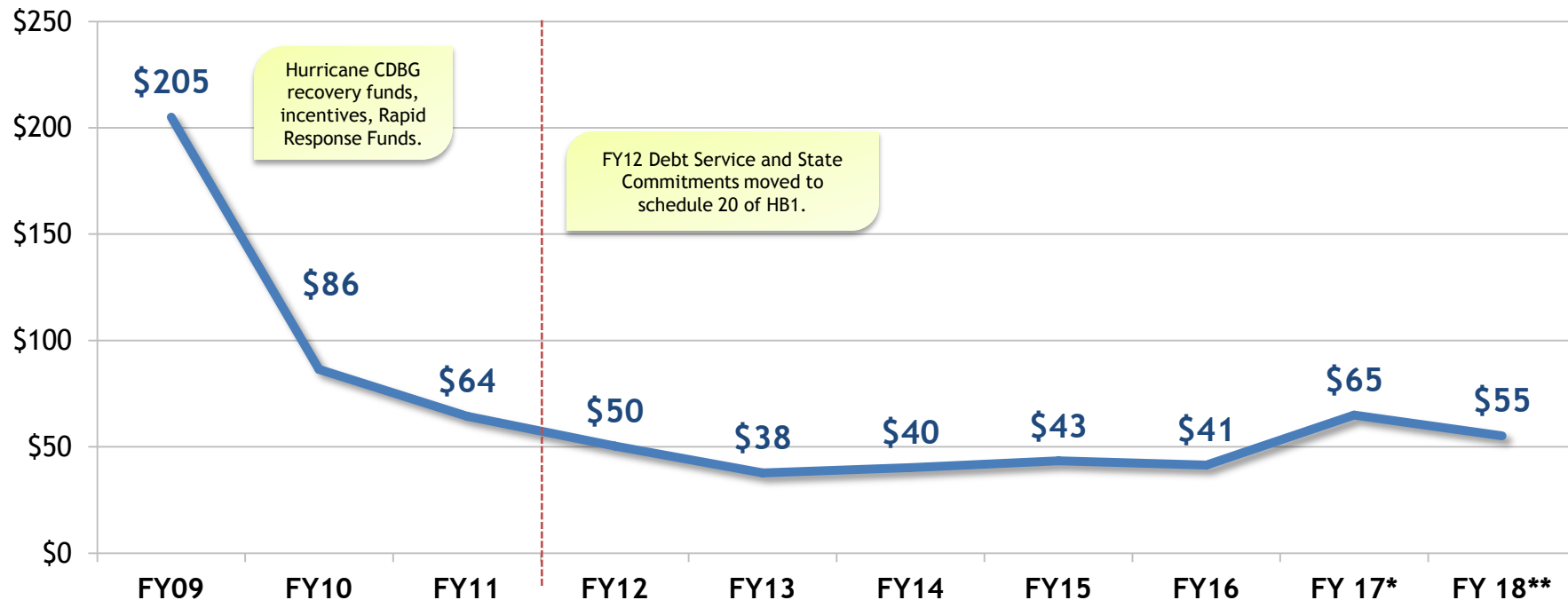
Board of Commerce and Industry

- 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

BUDGET HISTORY (IN MILLIONS)



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/16
**Governor's Executive Budget Recommendation

MAJOR SOURCES OF REVENUE

Self Generated Revenue

- **\$10.3 Million**

Derived from application fees for various business incentives and credits. Department fees were substantially restructured and increases went into effect in 2016. This increase reflects a more accurate projection based on a full year of collections.

- **\$7.2 Million**

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

- Louisiana Economic Development Fund **\$14,579,203**
- Marketing Fund **\$2,000,000**

Revenue originates from four-tenths of one percent of gross sales tax collected. \$2 million is deposited into the Marketing Fund with the remainder deposited to the Louisiana Economic Development Fund.

Federal Funding

- **\$7.5 Million**

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

MEANS OF FINANCE BREAKDOWN

Means of Financing	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget 12/1/16	FY 17-18 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$15,776,327	\$16,196,422	\$13,708,408	(\$2,488,014)	(15.4%)
Interagency Transfers	\$2,299,477	\$1,788,511	\$0	(\$1,788,511)	(100.0%)
Fees and Self-Gen Rev.	\$3,072,629	\$10,838,976	\$17,451,033	\$6,612,057	61.0%
Statutory Dedications	\$17,558,697	\$24,493,832	\$16,579,203	(\$7,914,629)	(32.3%)
Federal Funds	\$2,695,003	\$11,552,407	\$7,500,000	(\$4,052,407)	(35.1%)
Total Means of Finance	\$41,402,133	\$64,870,148	\$55,238,644	(\$9,631,504)	(14.8%)
State Effort	\$36,407,653	\$51,529,230	\$47,738,644	(\$3,790,586)	(7.4%)

Source: Executive Budget Supporting Documents

MEANS OF FINANCE BREAKDOWN

Means of Financing	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget 3/1/17	FY 17-18 Executive Budget Recommendation	\$ Change from Existing 3/1/17	% Change from Existing 3/1/17
State General Fund	\$15,776,327	\$15,581,793	\$13,708,408	(\$1,873,385)	(12.0%)
Interagency Transfers	\$2,299,477	\$1,788,511	\$0	(\$1,788,511)	(100.0%)
Fees and Self-Gen Rev.	\$3,072,629	\$10,838,976	\$17,451,033	\$6,612,057	61.0%
Statutory Dedications	\$17,558,697	\$23,740,397	\$16,579,203	(\$7,161,194)	(30.2%)
Federal Funds	\$2,695,003	\$11,552,407	\$7,500,000	(\$4,052,407)	(35.1%)
Total Means of Finance	\$41,402,133	\$63,502,084	\$55,238,644	(\$8,263,440)	(13.0%)
State Effort	\$36,407,653	\$50,161,166	\$47,738,644	(\$2,422,522)	(4.8%)

**1st Deficit Plan
\$0**

**2nd Deficit Plan
(\$1.4 Million)**
Absorbed through
delaying filling key
positions and reduced
demand in the State
Economic
Competitiveness
activity.

These comparisons are to the Existing Operating Budget at March 1, 2017 which includes all adjustments since December 1, 2016 including the two mid-year deficit reductions.

SIGNIFICANT ADJUSTMENTS



\$1.2 M
SGF

Increase in base adjustments for salaries and related benefits, required retirement rate adjustment, and building rent.



\$1.4 M
FSGR

Increase in Fees and Self Generated Revenue that will fund the Tier 1 Matching Grants program for the 8 Regional Economic Development Organizations.



\$2.5 M
FSGR

Increase in Fees and Self Generated Revenue for collections that provide funding for Entertainment Industry Incentives that require expenditure verification reports. Report costs are paid by the applicant and executed by the department.



\$11.4 M
Various MOF

Non-recurring carryforward expenses from FY16 that were fulfilled in FY17.



\$2.5 M
SGF, Stat Ded

Non-recurring expenses from FY17 including line-item funding for Aerospace Workforce Training and pass-through to the LA Regional Leadership Council from the 2013 Overcollections Fund.



\$927,000
SGF, Stat Ded

Reduction in expenses related to building maintenance. Staff left the Capitol Annex and now occupies space in the LaSalle building.



\$279,000
SGF

Governor's proposed reduction to balance the FY18 state budget.

MEANS OF FINANCE SWAPS



\$1.2 M

\$1.2 million decrease in Interagency Transfers corresponding with an increase in Fees and Self-generated Revenue for the Louisiana Job Connections activity. Previous funding was provided by CDBG funding that has run out.



\$2 M

\$2 million decrease in State General Fund corresponding with an increase in Fees and Self-generated Revenue. This adjustment was needed to reflect current projections.



\$1.6 M

\$1.6 million decrease in Statutory Dedications from the Louisiana Economic Development Fund corresponding with an increase in Fees and Self-generated Revenue which will allow the department to continue funding marketing, promotion, and advertising to investors at the FY17 level.

EXPENDITURE BREAKDOWN

Expenditure	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget 12/1/16	FY 17-18 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
Salaries	\$7,906,676	\$8,657,442	\$8,946,135	\$288,693	3.3%
Other Compensation	\$116,818	\$126,014	\$126,014	\$0	0.0%
Related Benefits	\$3,850,611	\$3,915,755	\$4,489,996	\$574,241	14.7%
Travel	\$335,028	\$659,603	\$659,603	\$0	0.0%
Operating Services	\$957,909	\$728,370	\$728,370	\$0	0.0%
Supplies	\$105,125	\$193,756	\$193,756	\$0	0.0%
Professional Services	\$5,653,042	\$13,668,013	\$12,805,717	(\$862,296)	(6.3%)
Other Charges	\$22,336,254	\$36,921,195	\$27,289,053	(\$9,632,142)	(26.1%)
Acq/Major Repairs	\$140,670	\$0	\$0	\$0	0.0%
Total Expenditures	\$41,402,133	\$64,870,148	\$55,238,644	(\$9,631,504)	(14.8%)
Authorized Positions	110	113	113	0	0.0%

Source: Executive Budget Supporting Documents

SIGNIFICANT EXPENDITURE CHANGES

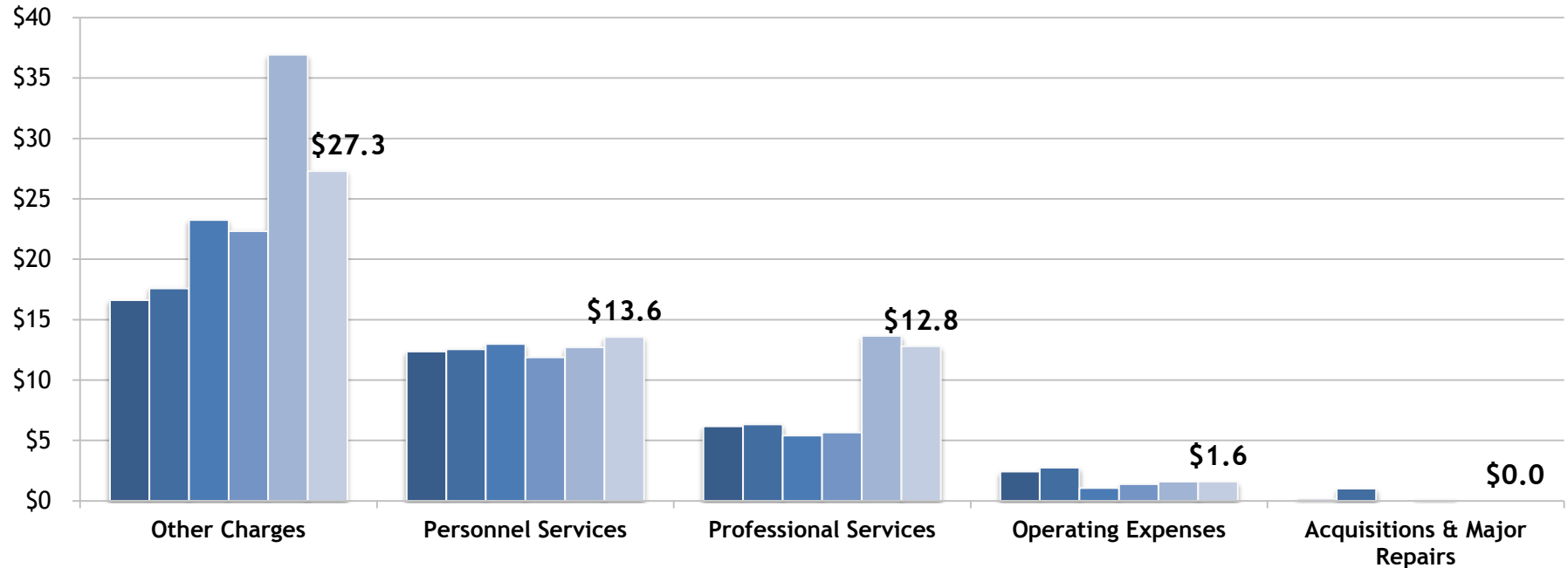
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Related Benefits	\$3,915,755	\$4,489,996
Travel	\$659,603	\$659,603
Operating Services	\$728,370	\$728,370
Supplies	\$193,756	\$193,756
Professional Services	\$13,668,013	\$12,805,717
Other Charges	\$36,921,195	\$27,289,053
Acq/Major Repairs	\$0	\$0
Total Expenditures	\$64,870,148	\$55,238,644

Personnel expenditures increased by \$860,000 primarily due to base adjustments for Salaries and Related Benefits along with increases for the Retirement contribution rate and a small increase for Civil Service Training Series.

Many other Expenditure Categories are remaining at the FY17 levels. A decrease of \$862,000 in Professional Services is due to non-recurring contracts. The \$9.6 million decrease in Other Charges is the result of substantial non-recurring expenses from FY17 that will not be budgeted in FY18.

EXPENDITURE HISTORY

Fiscal Year: ■ 2012-13 ■ 2013-14 ■ 2014-15 ■ 2015-16 ■ 2016-17* ■ 2017-18**



Source: Executive Budget Supporting Documents

*Existing Operating Budget as of 12/1/16
**Governor's Executive Budget Recommendation

OTHER CHARGES

AMOUNT	DESCRIPTION
\$10,162,443	Fast Start Program
\$7,500,000	State Small Business Credit Initiative
\$2,428,636	IAT for Statewide Services
\$1,553,435	State Economic Competitiveness
\$1,360,000	Tier 1 Matching Grants
\$1,000,000	Small Business Development Centers
\$1,000,000	Marketing Education Initiatives
\$735,540	Small and Emerging Business Development
\$489,940	Special Marketing
\$341,426	Louisiana Business Technology Center @ LSU
\$250,000	Project Specific Site Preparation/Evaluation
\$200,000	Louisiana Business Incubation Support
\$217,500	LEDC - Administrative Services
\$50,133	Entertainment Promotion and Marketing
\$27,289,053	Total Other Charges

Source: Executive Budget Supporting Documents

DISCRETIONARY/NON-DISCRETIONARY FUNDING

TOTAL BUDGET
\$55.3 Million

**\$0 IAT
Double Count**

**\$55.3
Million
Remaining**

Self Generated
Revenue
\$17.5 Million

Statutory
Dedications
\$16.6 Million

Federal Funds
\$7.5 Million

State General Fund
\$13.7 Million

**Non Discretionary
\$900,000**

**Discretionary
\$12.8 Million**

Rent
\$466,000

Group Insurance for Retirees
\$258,000

Legislative Auditor Fees
\$85,000

Building Maintenance
\$82,000

Office of the Secretary
\$8.4 Million

Office of Business
Development
\$4.4 Million

Source: Office of Planning and Budget

PERSONNEL INFORMATION

Personnel/Budget Ratio

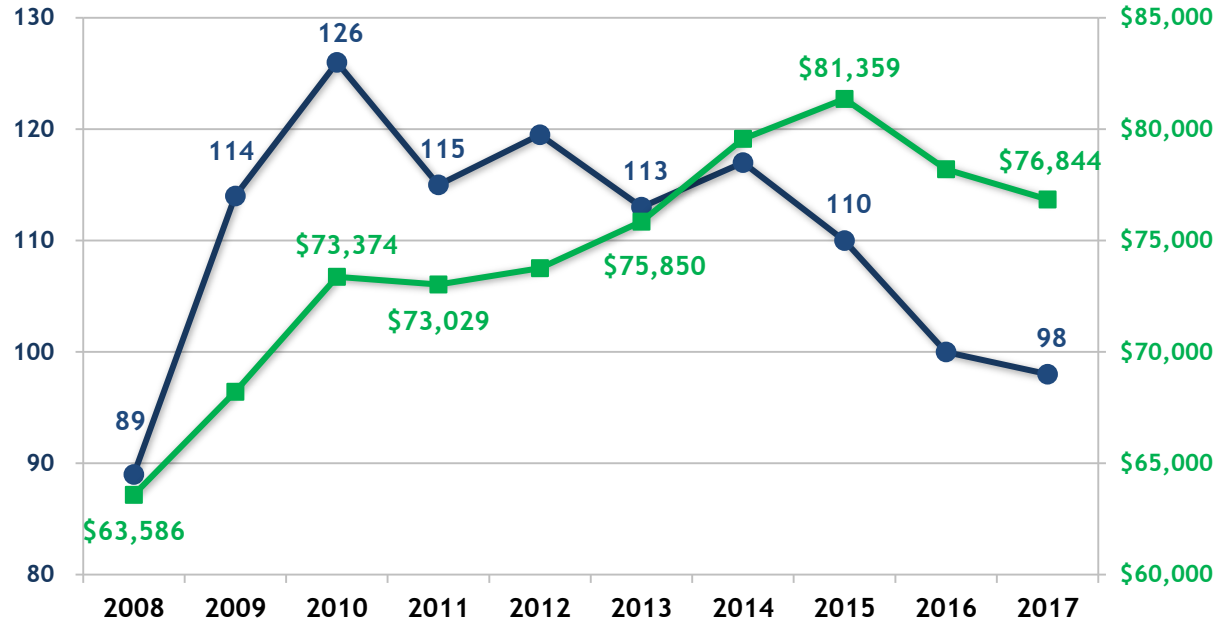
\$9.0 M	Salaries and Other Comp.
+ \$4.5 M	Related Benefits
= \$13.5 M	Total Personnel Services

49% of budget expenditures
(excluding Other Charges)

Authorized Positions

- 113 (62 classified and 51 unclassified)
- DED had 11 vacancies as of 1/27/2017
- No Other Charges Positions
- 2 positions transferred internally within the department

10 Year FTE Positions/Avg Salary



Source: FTE and Average Salary data provided by the Dept. of Civil Service

DEBT SERVICE & STATE COMMITMENTS

Means of Financing	FY 15-16 Prior Year Actual Expenditures	FY 16-17 Existing Operating Budget 12/1/16	FY 17-18 Executive Budget Recommendation	\$ Change from Existing	% Change from Existing
State General Fund	\$19,236,227	\$44,599,918	\$24,420,386	(\$20,179,532)	(45.2%)
Interagency Transfers	\$0	\$0	\$0	\$0	0.0%
Fees and Self-Gen Rev.	\$1,278,920	\$0	\$0	\$0	0.0%
Statutory Dedications	\$18,341,665	\$44,528,976	\$24,173,494	(\$20,355,482)	(45.7%)
Federal Funds	\$0	\$0	\$0	\$0	0.0%
Total Means of Finance	\$38,856,812	\$89,128,894	\$48,593,880	(\$40,535,014)	(45.5%)
State Effort	\$38,856,812	\$89,128,894	\$48,593,880	(\$40,535,014)	(45.5%)

Source: Executive Budget Supporting Documents

DEBT SERVICE & STATE COMMITMENTS

Total Projects: 32 - Total Funding: \$48,593,880

\$5,000,000	Benteler Steel - Caddo-Bossier Parishes
\$5,000,000	South LA Methanol - St. James Parish
\$4,017,875	Nucor - St. James Parish
\$3,608,380	IBM - Ouachita Parish
\$3,294,625	Union Tank Car - Rapides Parish
\$3,266,340	Northrop Grumman Ship Systems - Jefferson Parish
\$2,500,000	Shintech - Iberville Parish
\$2,465,270	IBM Services Center - East Baton Rouge Parish
\$2,075,000	Yuhuang Chemical - St. James Parish
\$2,000,000	Eurochem - Iberville Parish
\$2,000,000	AM Agrigen - St. Charles Parish
\$2,000,000	SB International - Bossier Parish
\$1,875,000	KPAQ - West Feliciana Parish
\$1,476,125	LA Tech - Computer Sciences Corporation - Cyber Research Center - Caddo Parish
\$1,280,000	SNF Holdings - Iberville Parish
\$1,200,000	St. Gobain Container - Lincoln Parish

Green Highlighting donates debt service for bond repayment

\$750,000	Indorama Ventures - Calcasieu Parish
\$500,000	University of New Orleans (GE Capital) - Orleans Parish
\$500,000	Support for Military Communities impacted by BRAC
\$480,000	Smoothie King USA - Jefferson Parish
\$465,000	EA Sports - East Baton Rouge Parish
\$375,000	CGI - (UL Lafayette) - Lafayette Parish
\$352,782	Global Star - St. Tammany Parish
\$300,000	Higher ED - IBM - Ouachita Parish
\$250,000	Stepan Company - Ascension Parish
\$237,483	Bell Helicopter Facility - Lafayette Parish
\$200,000	Gameloft - Orleans Parish
\$150,000	Lighthouse for the Blind - East Baton Rouge Parish
\$150,000	Brown & Root - East Baton Rouge
\$125,000	Ameritas Technologies - East Baton Rouge Parish
\$90,000	Ronpak - Caddo Parish
\$50,000	Mortgage Contracting Services - Lincoln Parish
\$560,000	Future Undisclosed Projects

Source: Executive Budget Supporting Documents

DEPARTMENT CONTACTS



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