

Representative Cameron Henry
Chairman



Representative Franklin Foil
Vice Chairman

FY19-20 HB105 Review

ECONOMIC DEVELOPMENT

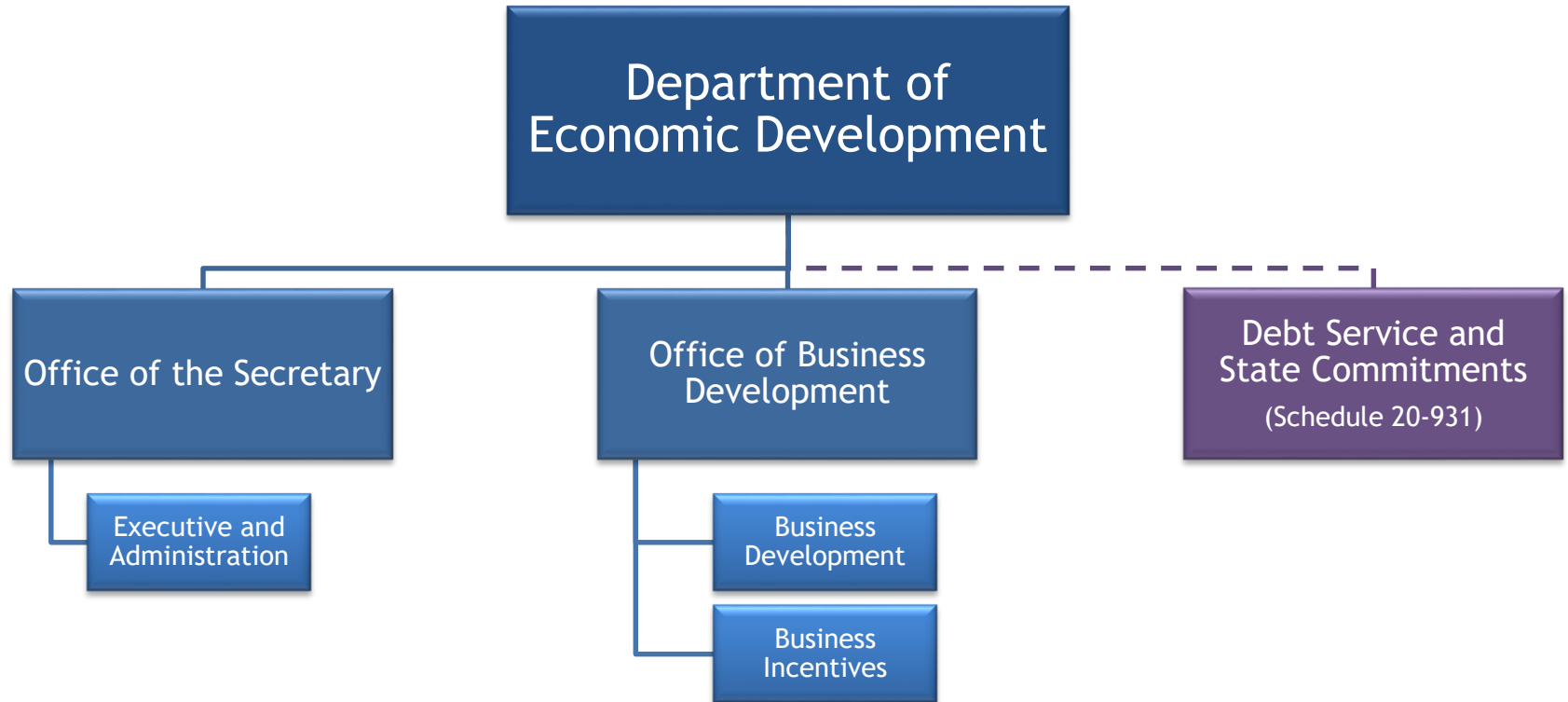
House Committee on Appropriations
Prepared by the House Fiscal Division

April 3, 2019

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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.

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.

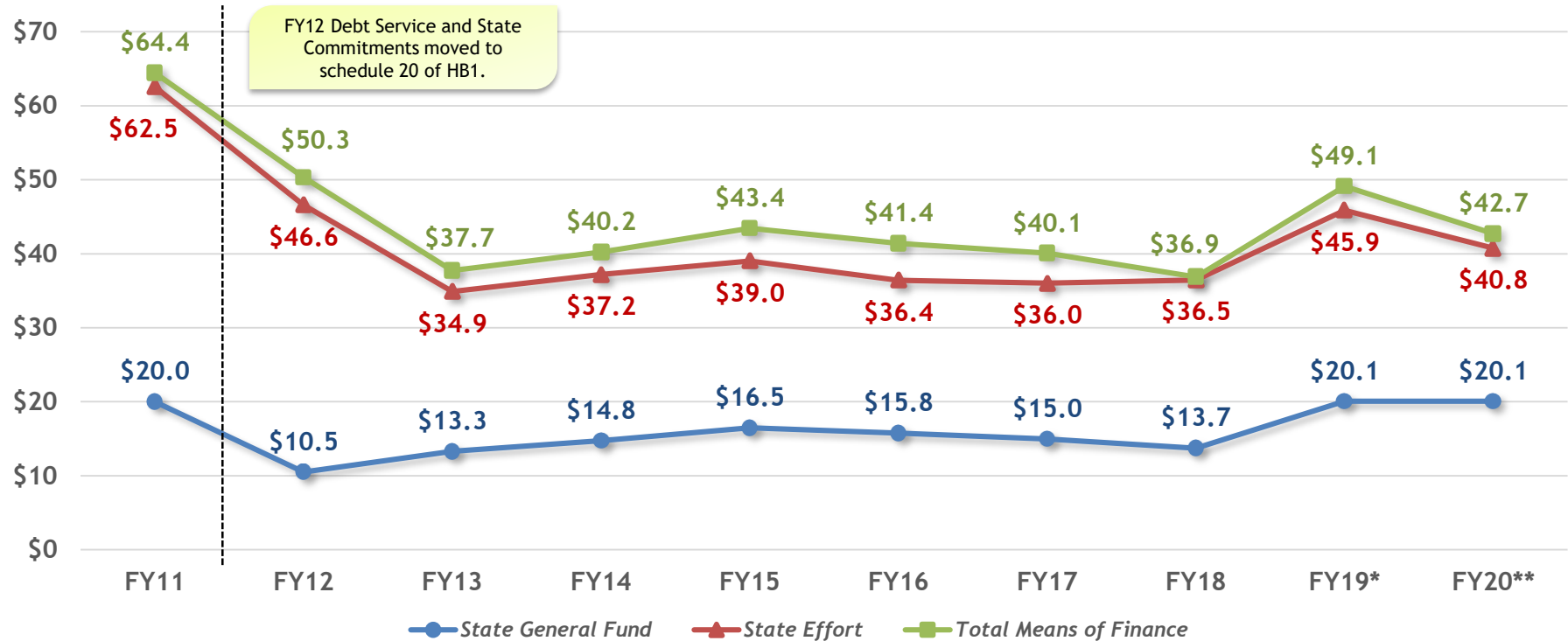
Board of Commerce and Industry

- 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

BUDGET HISTORY (IN MILLIONS)



*Existing Operating Budget as of 12/1/18

**HB105 of 2019 RS

Source: Budget Supporting Documents and HB105 of 2019 RS

MAJOR SOURCES OF REVENUE

Self Generated Revenue

- **\$3.1 Million**

Derived from application fees for various business incentives and credits.

Statutory Dedications

- **Louisiana Economic Development Fund** **\$12,920,597**

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

- **\$1.6 Million**

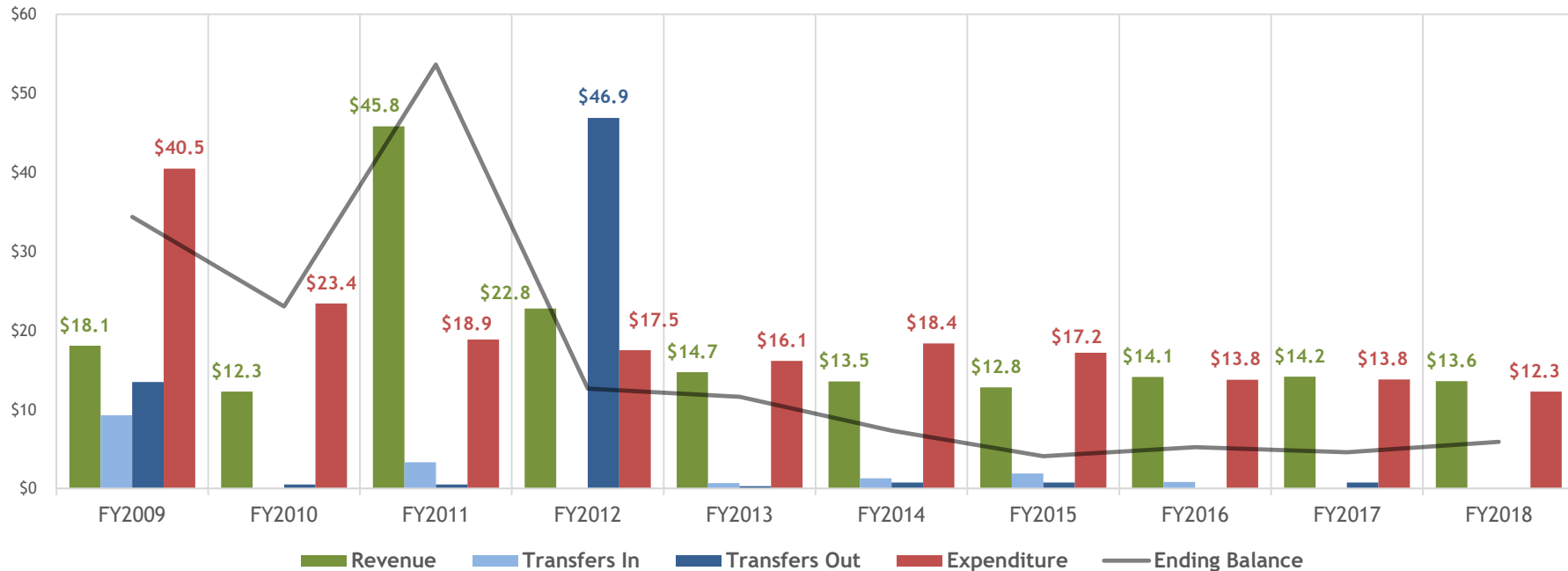
Derived from the U.S. Department of the Treasury for the Office of Business Development's Small Business Credit Initiative.

- **\$183 Thousand**

Derived from the U.S. Small Business Administration for the Louisiana State Export Trade and Promotion (STEP) Program.

LA ECONOMIC DEVELOPMENT FUND

10 Year Historical Activity (In Millions)



FUNDING OVERVIEW

Means of Financing	FY 17-18 Prior Year Actual Expenditures	FY 18-19 Existing Operating Budget 12/1/18	FY 19-20 HB105	\$ Change from Existing	% Change from Existing	\$ Change from Actuals	% Change from Actuals
State General Fund	\$13,731,145	\$20,063,613	\$20,063,613	\$0	0.0%	\$6,332,468	46.1%
Interagency Transfers	\$41,216	\$0	\$125,000	\$125,000	0.0%	\$83,784	203.3%
Fees and Self-Gen Rev.	\$8,367,422	\$5,425,243	\$3,092,284	(\$2,332,959)	(43.0%)	(\$5,275,138)	(63.0%)
Statutory Dedications	\$14,360,782	\$20,370,182	\$17,620,597	(\$2,749,585)	(13.5%)	\$3,259,815	22.7%
Federal Funds	\$357,999	\$3,270,766	\$1,833,416	(\$1,437,350)	(43.9%)	\$1,475,417	412.1%
Total Means of Finance	\$36,858,564	\$49,129,804	\$42,734,910	(\$6,394,894)	(13.0%)	\$5,876,346	15.9%



\$125K IAT

Funding from the Coastal Protection and Restoration Authority for the Coastal Technical Assistance Center at Nicholl's State University.



\$2.3M FSGR

Reduction in anticipated collections in Business Incentive fee activity.



\$2.7M Dedications

Reduction in the REC projected revenue for the Louisiana Economic Development Fund and removal of FY19 funding from the Rapid Response Fund.

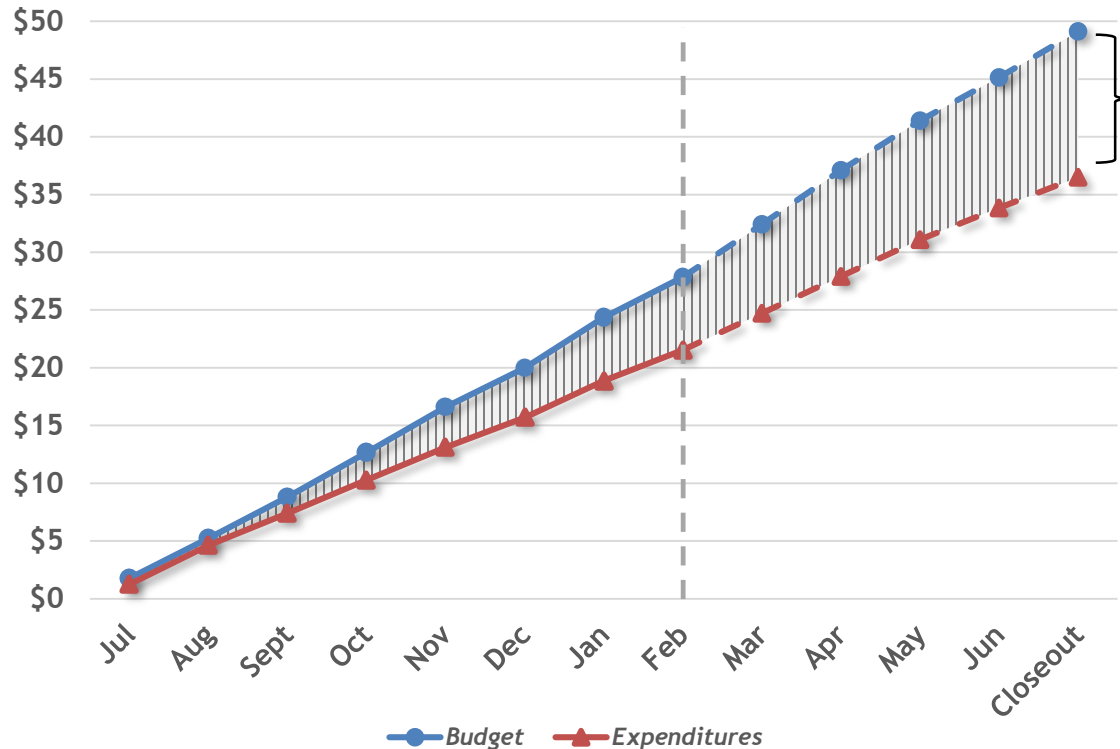


\$1.4M Federal

Removal of funding used in FY19 from the State Small Business Credit Initiative funded through a grant from the U.S. Department of Treasury.

Source: Budget Supporting Documents and HB105 of 2019 RS

FY19 EXPENDITURE TREND

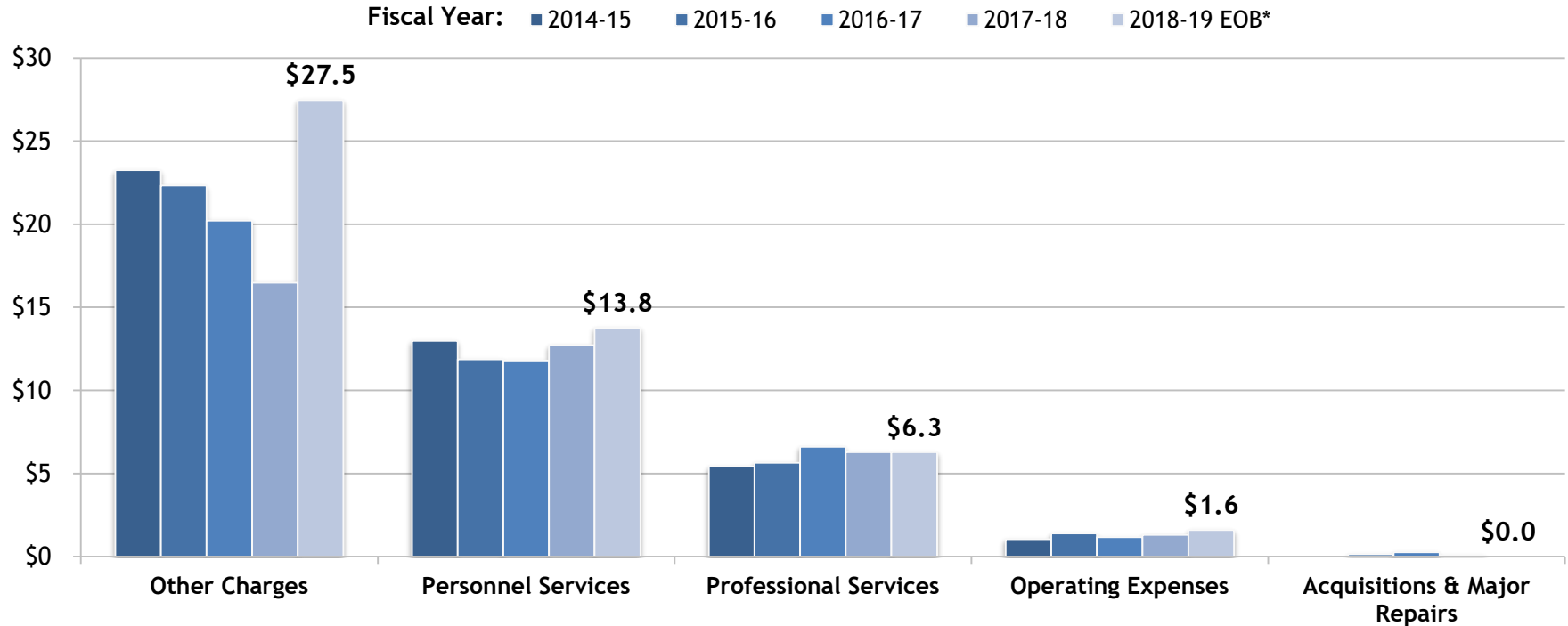


Analysis shows approximately 25.7% or \$12.6 million in total means of finance budget authority could be unspent at year-end based on actuals through February and projections through the remainder.

Approximately \$10.9M of this funding would fall into Other Charges. Empty Federal Fund authority accounts for \$3.2M of this amount and \$2.7M is authority for the LA Entertainment Development Fund which has not seen any revenue collections in FY19. The remainder is for expenses such as FastStart and other programs whose timing is not annually consistent and unused funds are typically carried from one fiscal year to the next.

In FY18, the department did not spend \$19.3M or 31.6% of its budget authority comparing its end of year budget and actual expenditures factoring in funds carried into FY19.

EXPENDITURE HISTORY (IN MILLIONS)



POTENTIAL ADJUSTMENTS

Statewide Standard Adjustments - (\$466,282)

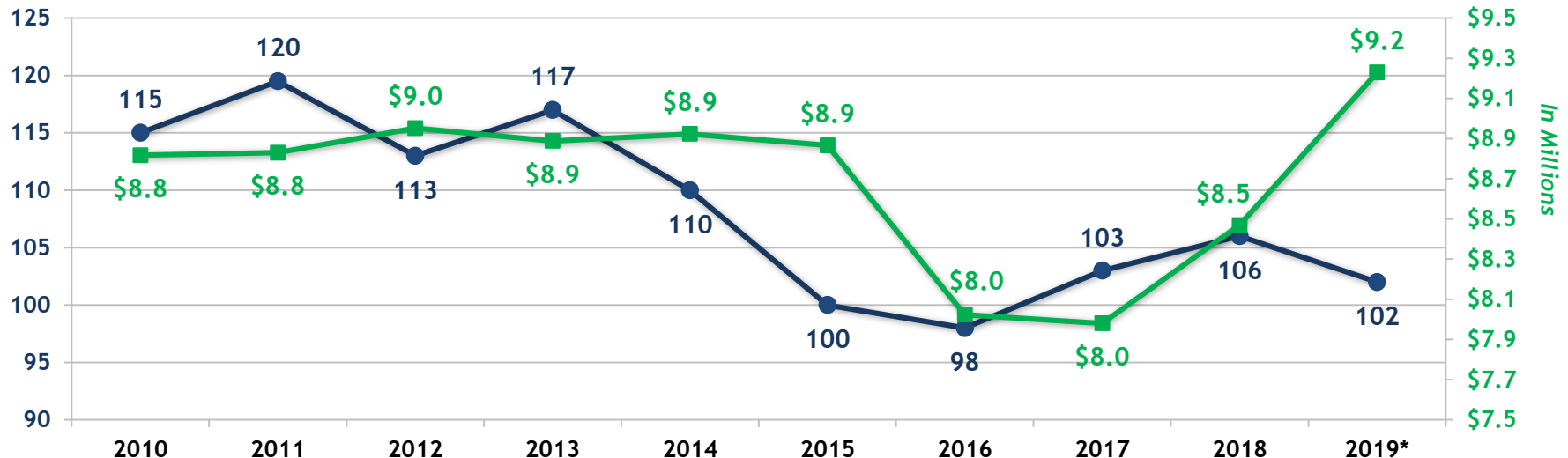
- \$24K - Adjustments impacting salaries such as: market rate for classified, civil service training series, and the salary base coupled with attrition savings. 64% of these adjustments are funded in HB105 through other means of finance.
- \$237K - Adjustments to related benefits including: Related benefits base, retirement rate, and group insurance rate. 43% of these adjustments are funded in HB105 through other means of finance.
- (\$85K) - Adjustments to Other Charges including: OTS Service Fees and Legislative Auditor Fees corresponding with reductions for rent, procurement, Risk Management, and other services.
- (\$642K) - Reduce to account for expenses from FY19 not needed in FY20.

Other Adjustments - \$1,978,471

- \$1M - Means of finance swap that would substitute general fund for declining self-generated funds.
- \$400K - Additional funding for the Tier 1 Regional Grant Award Program.
- \$330K - Means of finance swap that would substitute general fund for declining funds forecasted for the Louisiana Economic Development Fund.
- \$185K - Pass-through funding for the LA Procurement Technical Assistance Center at the University of Louisiana-Lafayette.
- \$125K - Pass-through funding for the Coastal Technical Assistance Center at Nicholl's State University.
- (\$77K) - Reduce funding to the FastStart Program.

PERSONNEL INFORMATION

10 Year FTE Positions/Salaries Expended



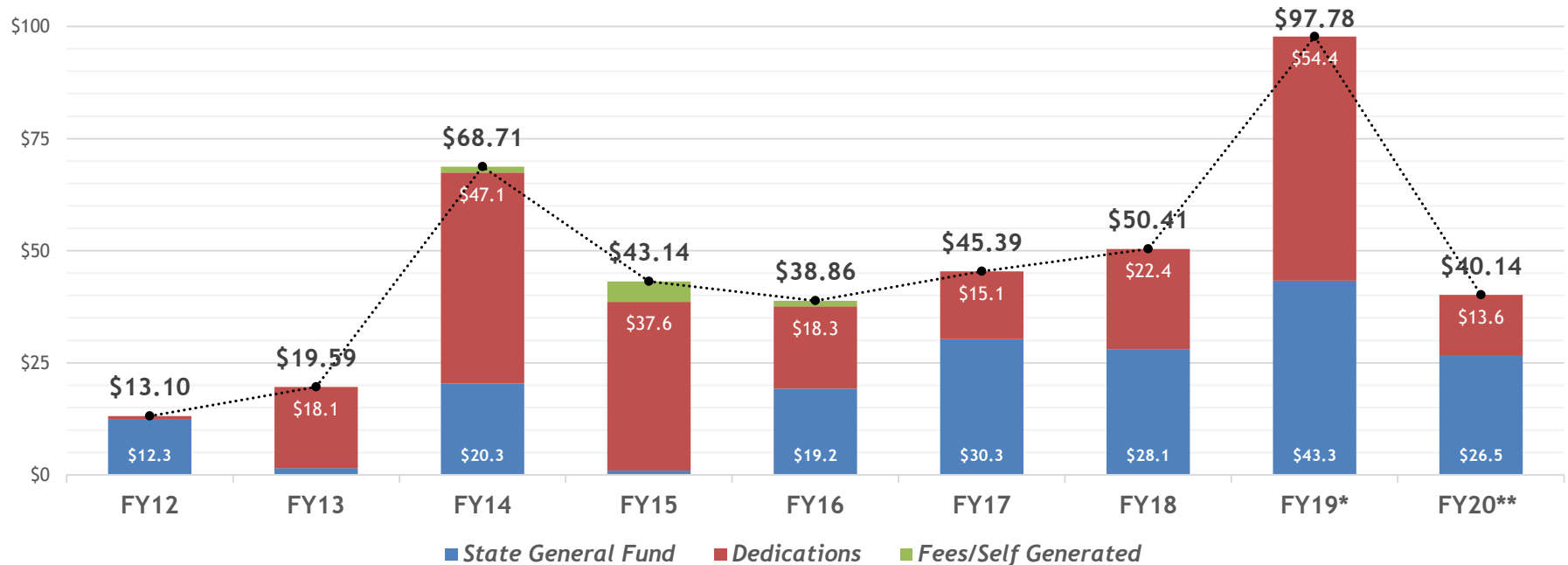
FY19-20 Authorized Positions

- 113 (63 classified and 50 unclassified)
- Economic Development had 17 vacancies as of January 31, 2019

*Existing Operating Budget as of 12/1/18
Source: Dept. of Civil Service and Budget Supporting Documents

DEBT SERVICE & STATE COMMITMENTS

10 Year Budget History (In Millions)



*Existing Operating Budget as of 12/1/18

**HB105 of 2019 RS

Source: Budget Supporting Documents and HB105 of 2019 RS

DEBT SERVICE & STATE COMMITMENTS

Means of Financing	FY 17-18 Prior Year Actual Expenditures	FY 18-19 Existing Operating Budget 12/1/18	FY 19-20 HB105	\$ Change from Existing	% Change from Existing
State General Fund	\$28,054,394	\$43,328,901	\$26,533,050	(\$16,795,851)	(38.8%)
Interagency Transfers	\$0	\$0	\$0	\$0	0.0%
Fees and Self-Gen Rev.	\$0	\$0	\$0	\$0	0.0%
Statutory Dedications	\$22,351,443	\$54,448,644	\$13,605,467	(\$40,843,177)	(75.0%)
Federal Funds	\$0	\$0	\$0	\$0	0.0%
Total Means of Finance	\$50,405,837	\$97,777,545	\$40,138,517	(\$57,639,028)	(58.9%)



\$16.8M State General Fund

Less funding needed to fulfill FY20 commitments.



\$40.8M Dedications

Due to a reduction in available funds from the LA Mega Project Development Fund and Rapid Response Fund along with \$38.6M in non-recurring project commitments.

DEBT SERVICE & STATE COMMITMENTS

Total Projects: 27 - Total Funding: \$40.1 Million

Project	Amount
DXC Technology - Higher Education Component	\$5,500,000
Benteler Steel - Shreveport	\$5,000,000
Economic Development Rapid Response Program	\$5,000,000
Lotte Chemical - Lake Charles	\$4,200,000
Nucor - St. James Parish (Bond Payment)	\$4,015,125
IBM - Baton Rouge (Includes Higher Ed Support)	\$2,465,271
CGI Federal - Lafayette	\$2,000,000
Shintech - Iberville Parish	\$1,700,000
Eurochem - Iberville Parish	\$1,500,000
SNF Holdings - Iberville Parish	\$1,280,000
DXC Technology - New Orleans	\$950,000
Yuhuang Chemical - St. James Parish	\$925,000
LA Tech (Cyber Research Center in Shreveport)	\$900,000

Project	Amount
British Airways - New Orleans	\$500,000
US Foods - Marrero	\$500,000
UNO - (GE Capital Information Technology Center)	\$500,000
Military Efforts	\$600,000
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	\$249,214
Citadel Completions - Lake Charles	\$200,000
Brown & Root - Baton Rouge	\$150,000
Lighthouse for the Blind - Baton Rouge	\$150,000

Source: Budget Supporting Documents and HB105 of 2019 RS

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