

Representative Jerome Zeringue
Chairman



Representative Gary Carter
Vice Chairman

Fiscal Year 2020-21 HB105 Budget Review

Department of Economic Development

House Committee on Appropriations
by the House Fiscal Division

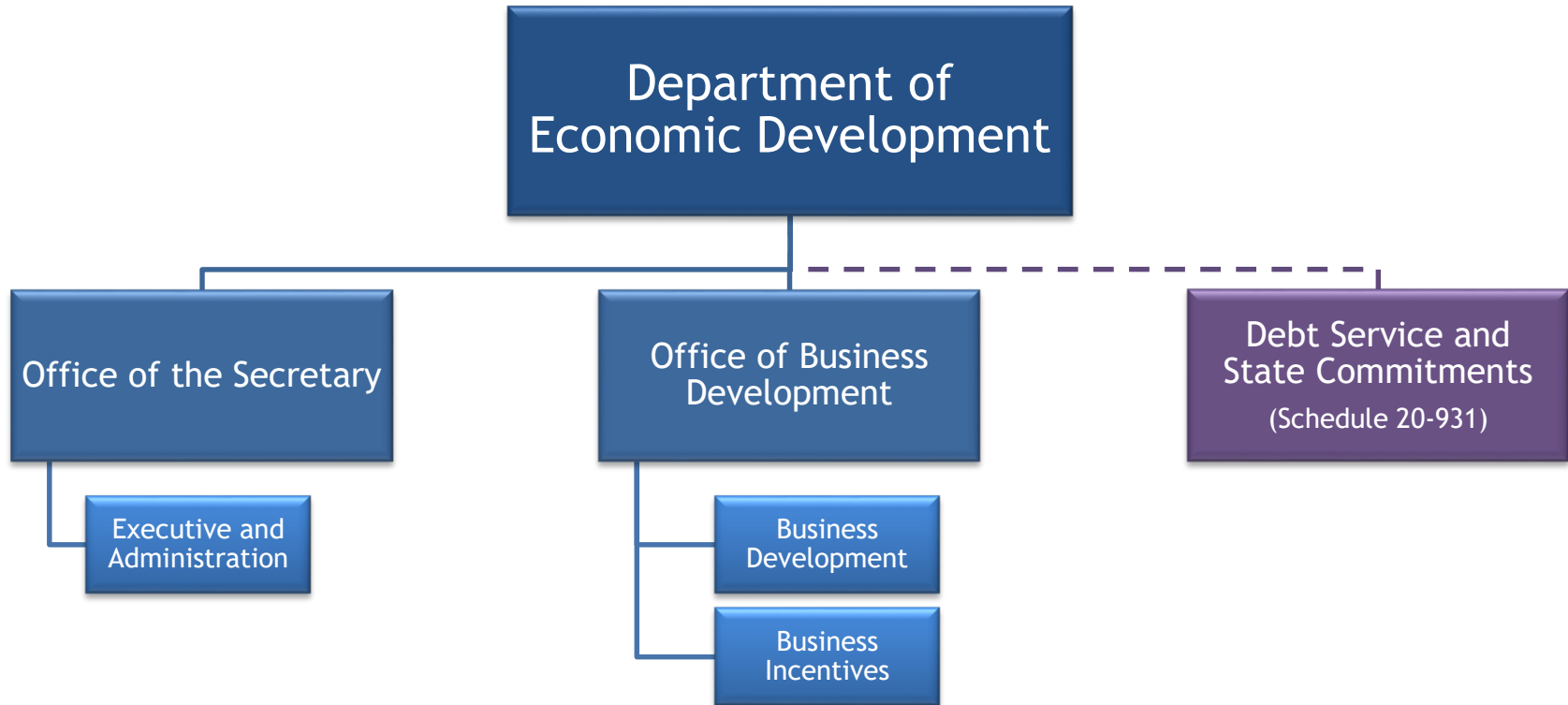
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DEPARTMENT ORGANIZATION



DEPARTMENT OVERVIEW

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 OVERVIEW

OFFICE OF BUSINESS DEVELOPMENT BUSINESS DEVELOPMENT PROGRAM

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 OVERVIEW

OFFICE OF BUSINESS DEVELOPMENT BUSINESS DEVELOPMENT PROGRAM

Business Incentives Program

Board of Commerce and Industry

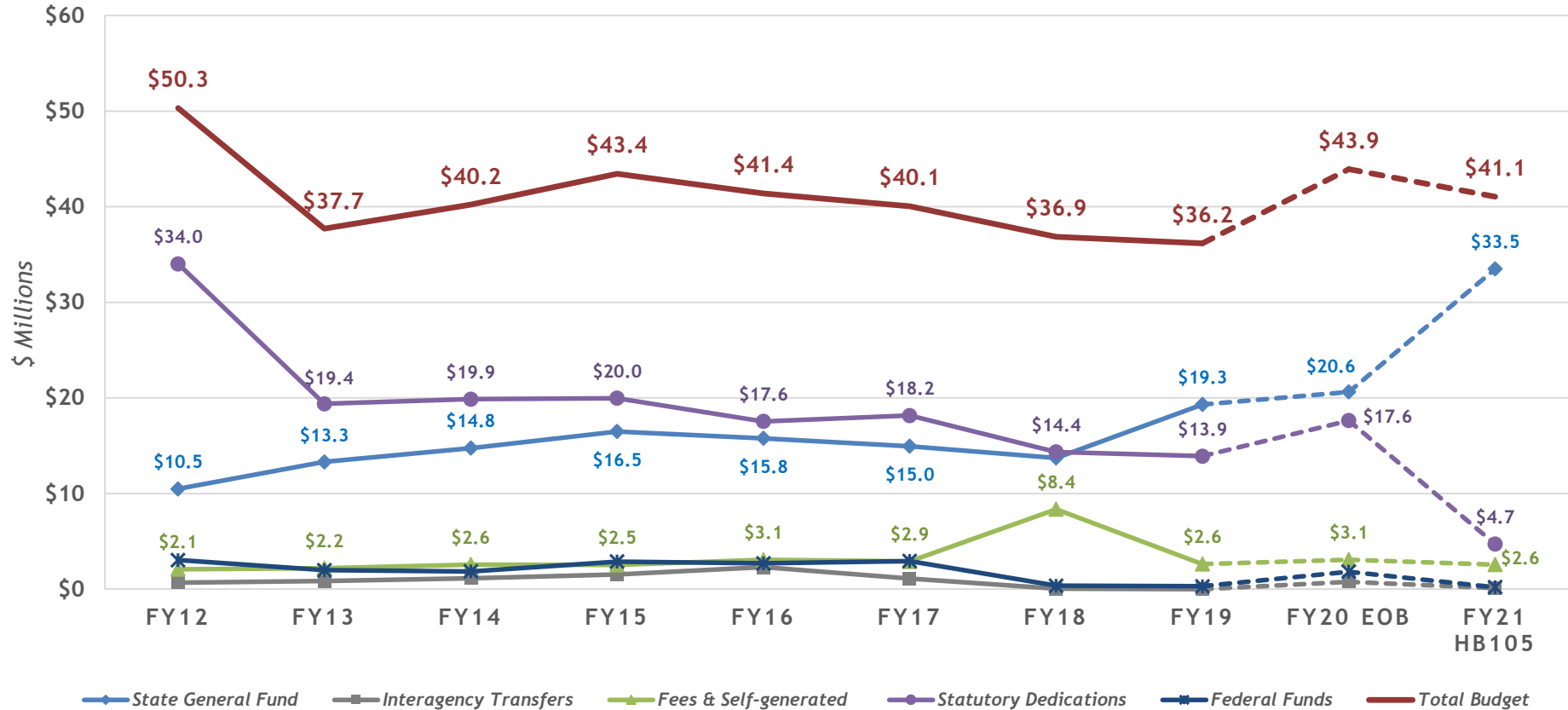
- Processes and approves applications for tax incentive programs:
 - Enterprise Zone Program
 - Quality jobs
 - Industrial Ad Valorem Tax Exemption Program
 - Restoration Tax Abatement

Louisiana Economic Development Corporation Board

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

HISTORICAL SPENDING

NOTE: All FY20 Existing Operating Budget (EOB) amounts used in this presentation exclude carryforwards from FY19



Source: Office of Planning and Budget - Budget Supporting Documents; and HB105 of the 2020 Regular Session

SOURCES OF FUNDING

Self-generated Revenue \$2.6 Million

Funds are generated through administering business incentive programs and fees on incentive program applications.

The department was authorized in Act 10 of the 2019 RS to carryover \$1,022,613 in fees and self-generated revenue from FY19 into FY20. Carryover funds assist in dealing with the irregularity of these collections.

Statutory Dedications \$4.7 Million

- **\$2,000,000 Marketing Fund**
The first \$2 million collected on revenue originating from four-tenths of one percent of gross sales tax collected. The remainder is deposited into the Louisiana Economic Development Fund.
- **\$2,700,000 Louisiana Entertainment Development Fund**
Revenue originates from fees on the transfer of Motion Picture Production Tax Credits.

Federal Funds \$183 Thousand

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

FUNDING CHANGE COMPARISON

Means of Finance	FY 18-19	FY 19-20	FY 20-21	Change from EOB		Change from Actuals	
	Actual Expenditures	Existing Operating Budget	HB105 Budget	\$	%	\$	%
SGF	\$19,321,841	\$20,634,834	\$33,486,331	\$12,851,497	62.3%	\$14,164,490	73.3%
IAT	\$0	\$762,997	\$125,000	(\$637,997)	(83.6%)	\$125,000	0.0%
FSGR	\$2,624,843	\$3,092,284	\$2,561,237	(\$531,047)	(17.2%)	(\$63,606)	(2.4%)
STAT DED	\$13,914,029	\$17,620,597	\$4,700,000	(\$12,920,597)	(73.3%)	(\$9,214,029)	(66.2%)
FEDERAL	\$301,830	\$1,833,416	\$183,333	(\$1,650,083)	(90.0%)	(\$118,497)	(39.3%)
Total	\$36,162,543	\$43,944,128	\$41,055,901	(\$2,888,227)	(6.6%)	\$4,893,358	13.5%

Significant revenue changes from EOB:



\$638K Interagency Transfers

Removal of Community Development Block Grant funding from the Division of Administration Office of Community Development.



\$531K Fees & Self-generated

Reduction in authority due to anticipated collections declining and carryover balance nearing depletion.



\$1.7M Federal Funds

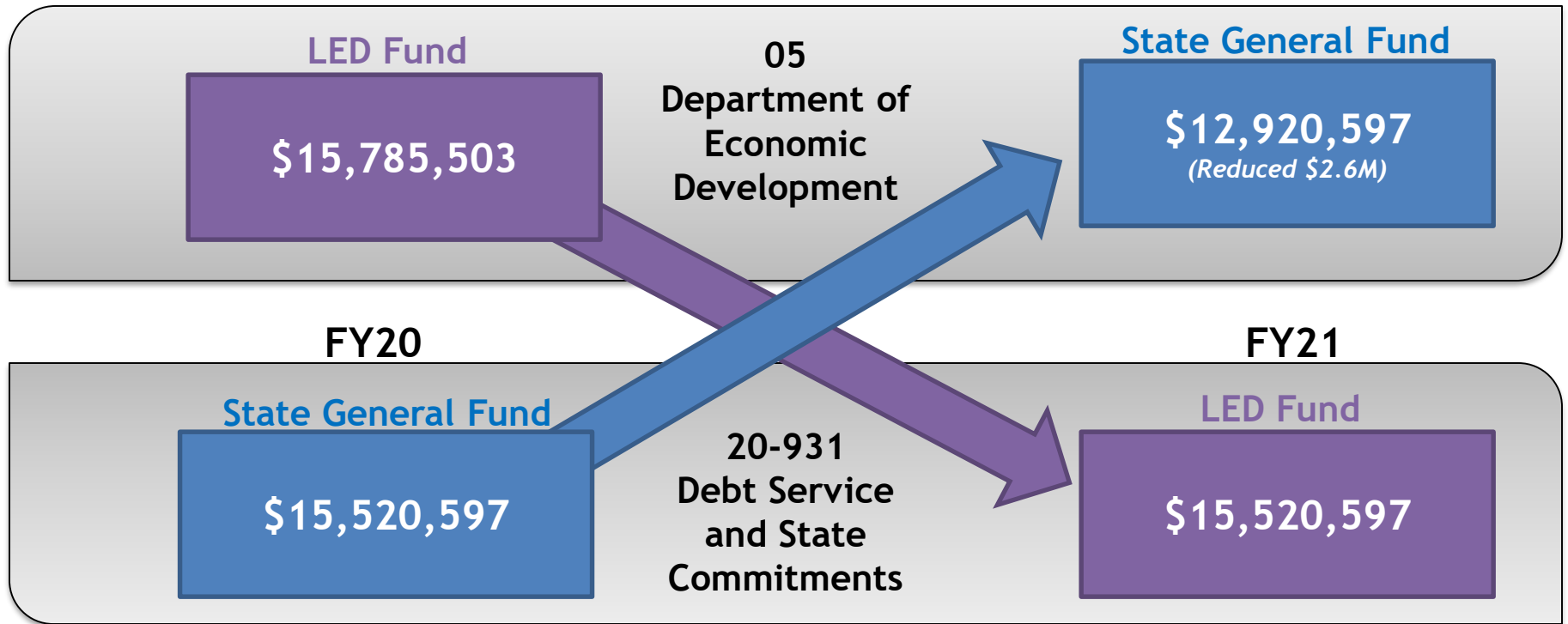
Reduction in authority specifically related to the Small Business Credit Initiative Grant from the U.S. Department of the Treasury.

LA ECONOMIC DEVELOPMENT FUND CHANGE

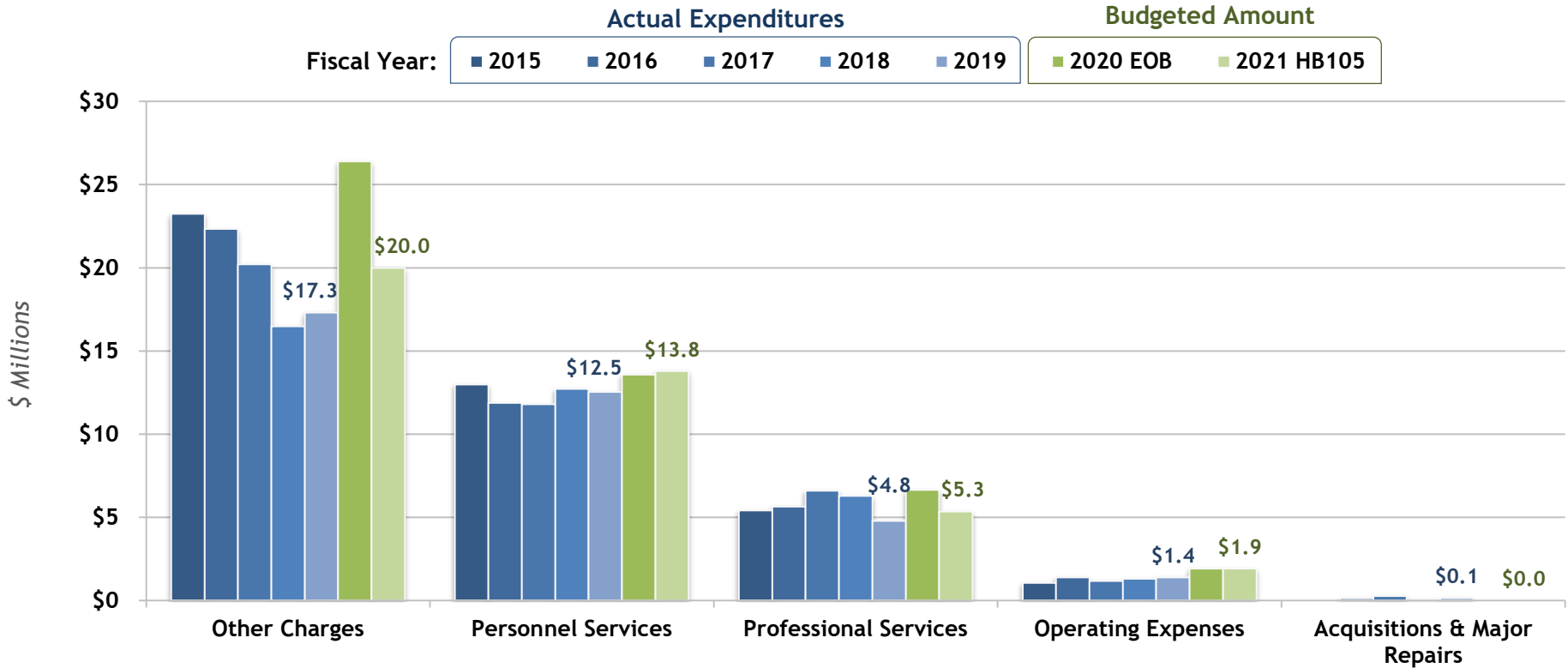
Effective July 1, 2020 Act 612 of the 2019 RS restricted the use of funds in the Louisiana Economic Development Fund to be used exclusively in the LED Debt Service and State Commitments.

FY20

FY21



EXPENDITURE HISTORY



Source: Office of Planning and Budget - Executive and Proposed Budget Supporting Documents

EXPENDITURE CHANGE COMPARISON

Expenditure Category	FY 18-19 Actual Expenditures	FY 19-20 Existing Operating Budget	FY 20-21 HB105 Budget	Change from EOB		Change from Actuals	
				\$	%	\$	%
Salaries	\$8,334,471	\$8,736,232	\$9,154,108	\$417,876	4.8%	\$819,637	9.8%
Other Compensation	\$62,171	\$126,014	\$126,014	\$0	0.0%	\$63,843	102.7%
Related Benefits	\$4,138,025	\$4,717,255	\$4,506,661	(\$210,594)	(4.5%)	\$368,636	8.9%
Travel	\$480,381	\$654,603	\$654,603	\$0	0.0%	\$174,222	36.3%
Operating Services	\$770,840	\$1,085,432	\$1,085,432	\$0	0.0%	\$314,592	40.8%
Supplies	\$138,526	\$182,256	\$182,256	\$0	0.0%	\$43,730	31.6%
Professional Services	\$4,781,782	\$5,347,217	\$5,347,217	\$0	0.0%	\$565,435	11.8%
Other Charges/IAT	\$17,307,179	\$23,095,119	\$19,999,610	(\$3,095,509)	(13.4%)	\$2,692,431	15.6%
Acq/Major Repairs	\$149,168	\$0	\$0	\$0	0.0%	(\$149,168)	(100.0%)
Total	\$36,162,543	\$43,944,128	\$41,055,901	(\$2,888,227)	(6.6%)	\$4,893,358	13.5%

Source: Office of Planning and Budget - Budget Supporting Documents and HB105 of the 2020 Regular Session

SIGNIFICANT EXPENDITURE CHANGES

\$207K - Personnel Services

\$378,738	Net increase to Salaries due to standard adjustments to classified and unclassified pay increases, the salary base, and projected attrition savings.
(\$171,456)	Net decrease in Related Benefits due to standard adjustments to retirement contribution rates, group insurance, and the related benefits base.
\$0	Shift of \$39,138 in expenditure authority from Related Benefits to Salaries.

(\$3.1M) - Other Charges/Interagency Transfers

(\$1,650,083)	Reduction in authority related to expiring federal funds used for the Small Business Credit Initiative.
(\$769,248)	Reduction in available funding for the Regional Awards and Matching Grant Program.
(\$637,997)	Removal of authority due to the expiration of CDBG funds that were used for the FastStart activity.
(\$38,181)	Net decrease in interagency transfers primarily driven by decreases in transfers to the Legislative Auditor and the Office of State Procurement along with increases to the Office of Technology Services and Capital Park Security.

OTHER CHARGES DETAIL

Other Charges

Amount	Description
\$7,815,979	Fast Start Program
\$2,700,000	Entertainment Industry Development
\$1,406,330	State Economic Competitiveness
\$1,000,000	Small Business Development Centers
\$990,752	Regional Awards and Matching Grant Program
\$735,540	Small and Emerging Business Development
\$675,563	Marketing Education Retail Alliance (MERA)
\$442,751	Special Marketing
\$341,426	LSU A&M - Louisiana Business Technology Center
\$250,000	Project Specific Site Preparation/Evaluation
\$250,000	Coastal Technical Assistance Center
\$250,000	Marketing Education - District 2 Enhancement Corporation
\$917,803	Remaining Other Charges
\$17,776,144	Total Other Charges

Interagency Transfers

Amount	Description
\$919,292	Office of Technology Services
\$747,329	Rent
\$147,699	Legislative Auditor
\$110,493	Risk Management
\$65,075	Procurement
\$65,074	Security
\$60,430	OTS-Telecommunications
\$108,074	Other
\$2,223,466	Total OC-IAT

FY19 UNSPENT AUTHORITY

	End of Fiscal Year Budget	Actual Amount Spent	Unspent Budget Authority	Unspent Budget %	Unspent % by MOF
SGF	\$19,344,764	\$19,321,841	\$22,923	0.1%	0.3%
IAT	\$0	\$0	\$0	0.0%	0.0%
FSGR	\$3,438,608	\$2,624,843	\$813,765	23.7%	9.3%
STAT DED	\$19,052,604	\$13,914,029	\$5,138,575	27.0%	58.9%
FEDERAL	\$3,046,627	\$301,830	\$2,744,797	90.1%	31.5%
FY19 TOTAL	\$44,882,603	\$36,162,543	\$8,720,060	19.4%	100.0%

Historical Total Unspent Authority for Comparison

FY18 TOTAL	\$56,196,220	\$36,858,564	\$19,337,656	34.4%
FY17 TOTAL	\$58,200,746	\$40,062,453	\$18,138,293	31.2%
3 YR AVG	\$53,093,190	\$37,694,520	\$15,398,670	29.0%

The Department of Economic Development had \$8.7 million in unspent authority in FY19. The majority of this funding came from Statutory Dedications in the Louisiana Entertainment Development Fund (LEDf) which had a budget of \$2.7M but no expenditures due to restrictions on the usage. Additionally, \$450,000 in Rapid Response Funding was unspent related to a contractual obligation that was not realized. Federal Funds remaining were tied to a U.S. Department of Treasury grant for small business capital loans.

FY19 UNSPENT AUTHORITY

Did department collect all revenue budgeted?

	Final Budget (w/o carryforward)	Actual Revenue Collections	Uncollected Revenue
SGF	\$19,344,764	\$19,344,764	\$0
IAT	\$0	\$0	\$0
FSGR	\$3,438,608	\$3,438,608	\$0
SD	\$19,052,604	\$17,132,809	(\$1,919,795)
FED	\$3,046,627	\$295,833	(\$2,750,794)
TOTAL	\$44,882,603	\$40,212,014	(\$4,670,589)

The department collected \$4.7 million less than the FY19 budget. The majority of excess budget authority over collections were from Statutory Dedications from the LA Entertainment Development Fund. Uncollected Federal Funds are derived from a U.S. Treasury grant.

Did department spend all collections?

	Actual Revenue Collections	Actual Expenditures	Unspent Revenue
SGF	\$19,344,764	\$19,321,841	\$22,923
IAT	\$0	\$0	\$0
FSGR	\$3,438,608	\$2,624,843	\$813,765
SD	\$17,132,809	\$13,914,029	\$3,218,780
FED	\$295,833	\$301,830	(\$5,997)
TOTAL	\$40,212,014	\$36,162,543	\$4,049,471

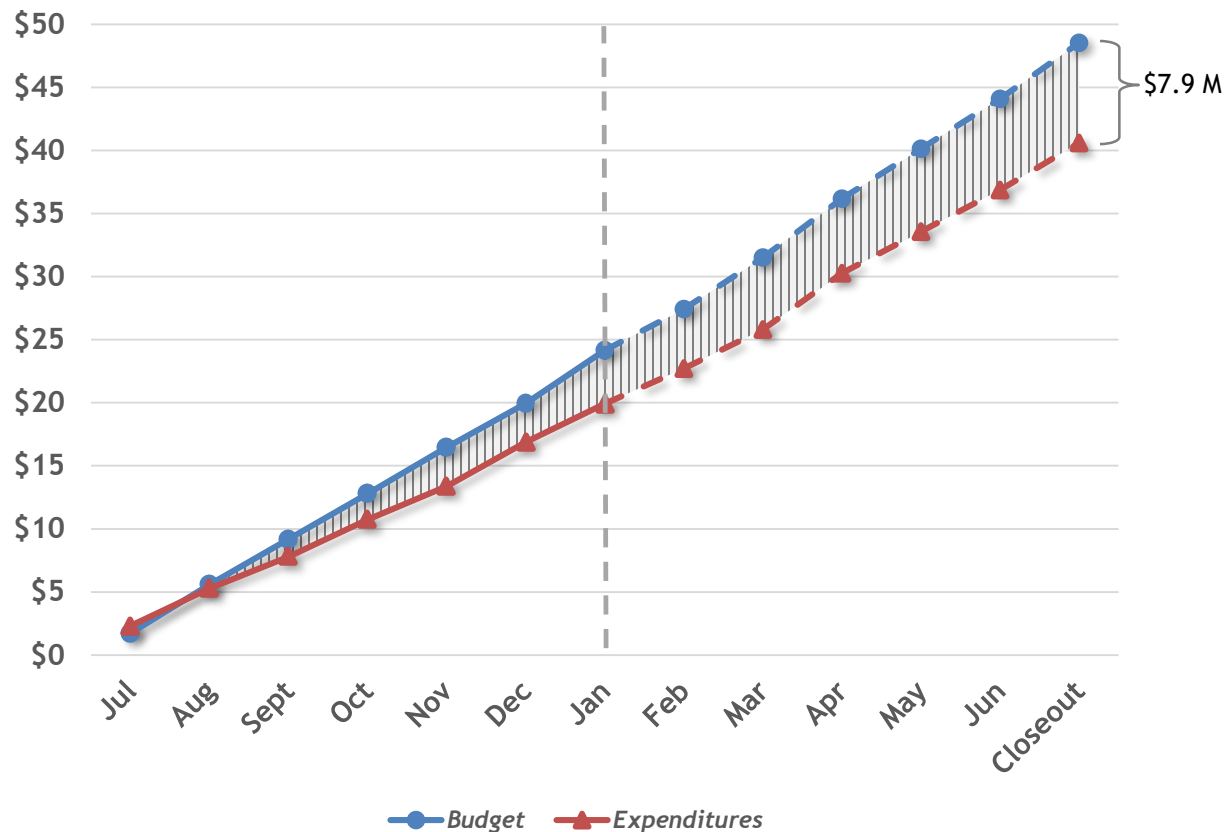
The department spent \$4 million less than was collected in FY19. This was partly due to lower than expected collections in self-generated revenue from declining incentive applications. Most of the funding left unspent was from multiple statutory dedications such as the LA Economic Development Fund and the Rapid Response Fund.

CURRENT EXPENDITURE TREND

Analysis shows approximately 16.3% or \$7.9 million in total budget authority from all means of finance could be unspent at year-end based on actual spending through January and projections to the end of the year.

Projected unspent authority is anticipated in Professional Services and Other Charges. These expenses include some multi-year obligations that typically are carried into the ensuing fiscal year. In addition, the \$2.7 million appropriation from the LA Entertainment Development Fund will likely be unspent.

Last year, HFD projected the department would have \$12.6 million remaining when it actually had \$13.3 million remaining.

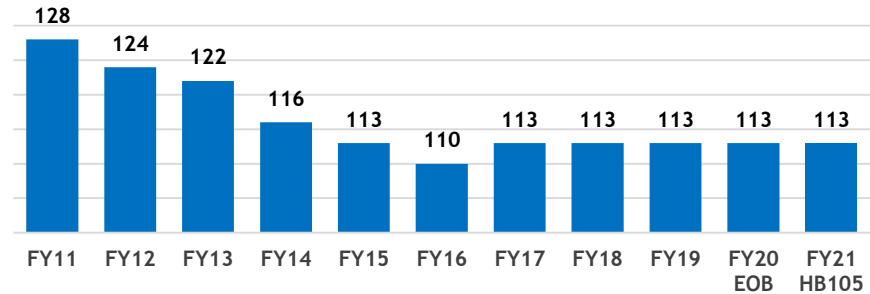


PERSONNEL INFORMATION

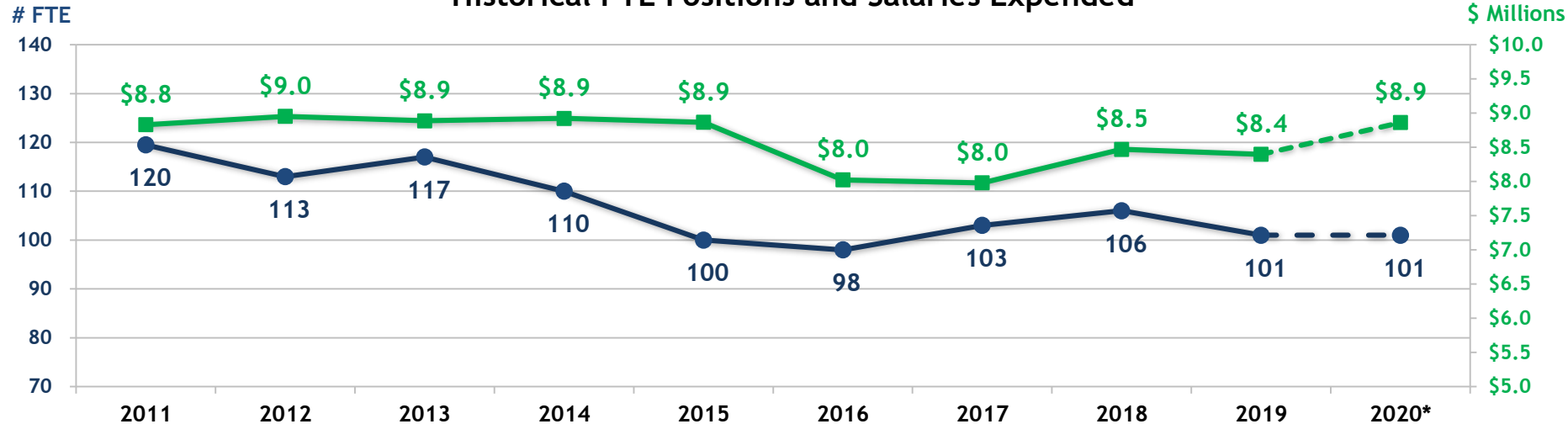
FY 2021 Recommended Positions

113	Total Authorized T.O. Positions (63 Classified, 50 Unclassified)
0	Authorized Other Charges Positions
0	Non-T.O. FTE Positions
13	Vacant Positions (February 3, 2020)

Historical Authorized T.O. Positions



Historical FTE Positions and Salaries Expended



DEPARTMENT CONTACTS



Don Pierson
Secretary



Anne Villa
Undersecretary



Mandi Mitchell
Assistant Secretary



Brad Lambert
Deputy Secretary
