



Louisiana Senate Finance Committee



FY20 Executive Budget

05 – Department of Economic Development

May 2019

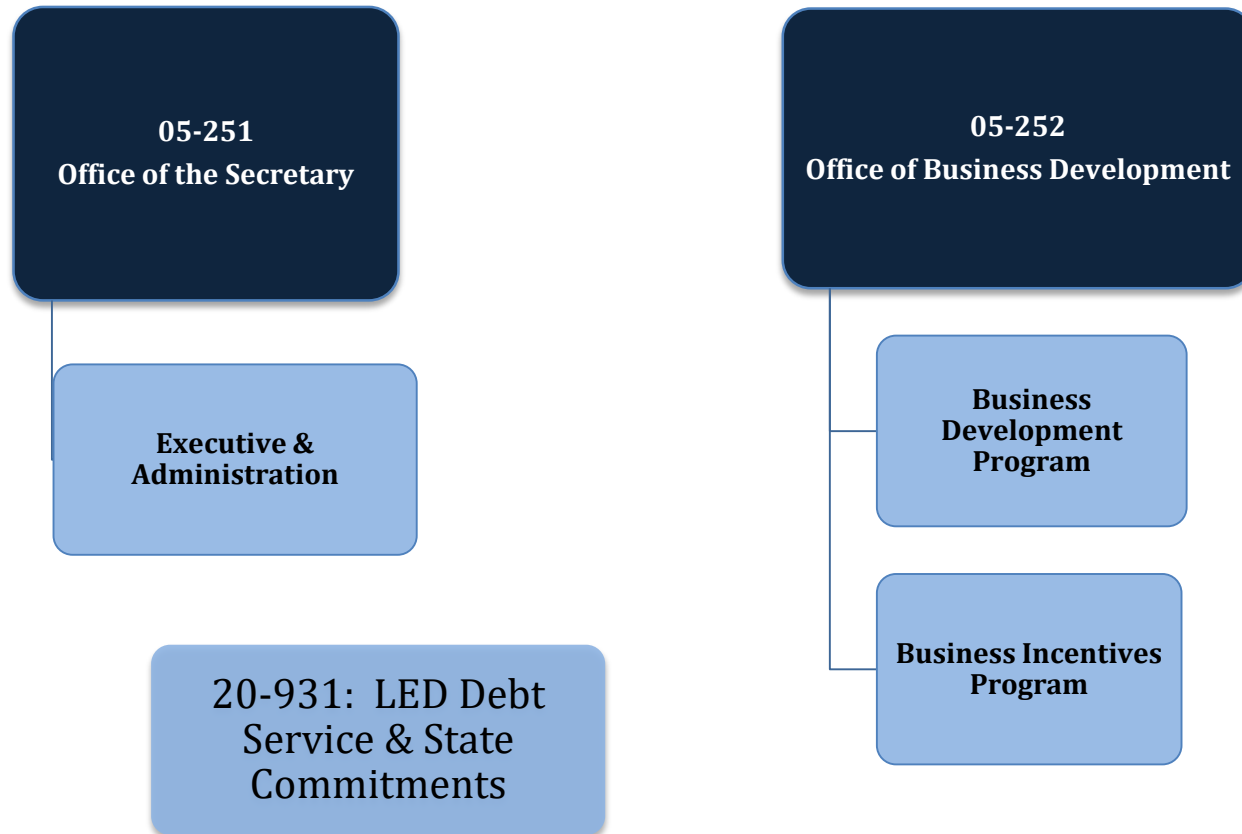
Sen. John A. Alario, President
Sen. Eric LaFleur, Chairman



FY20 Proposed Budget

Schedule 05 — Department of Economic Development

Departmental mission — The mission of the Department of Economic Development is to cultivate jobs and economic opportunity for the people of Louisiana.





Department of Economic Development

FY20 Proposed Means of Finance by Agency

Agency	Program Description
Office of the Secretary: Executive & Administration	Provides leadership, along with quality administrative and legal services, which sustains and promotes a globally competitive business climate that retains, creates, and attracts quality jobs and increased investment for the benefit of the people of Louisiana.
Office of Business Development: Business Development	<ul style="list-style-type: none">*Supports statewide economic development by providing expertise and incremental resources to leverage business opportunities;*Encouragement and assistance in the start-up of new businesses;*Opportunities for expansion and growth of existing business and industry, including small business;*Execution of an aggressive business recruitment program;*Partnering relationships with communities for economic growth;*Expertise in the development and optimization of global opportunities for trade and inbound investments;*Cultivation of top regional economic development assets;*Protection and growth of the state's military and federal presence;*Communication, advertising, and marketing of the state as a premier location to do business;*And business intelligence to support these efforts.
Office of Business Development: Business Incentives	Creates value for existing, expanding, and new businesses in Louisiana by providing quality assistance through marketing and administering tax, financial and other assistance products.



Department of Economic Development

FY18, FY19, and FY20 Comparison

Total Funding — All Means of Finance

Total Funding	FY18 Actual	FY19 Enacted	FY19 EOB as of 12-1-18	FY20 Proposed	Difference FY19 EOB HB1 vs. FY20 Proposed
Office of the Secretary	\$ 16,534,844	\$ 18,623,019	\$ 21,630,383	\$ 18,554,880	\$ (3,075,503)
Office of Business Development	\$ 20,323,720	\$ 25,611,554	\$ 27,499,421	\$ 25,692,219	\$ (1,807,202)
TOTAL	\$ 36,858,564	\$ 44,234,573	\$ 49,129,804	\$ 44,247,099	\$ (4,882,705)
Total Authorized FTEs	113	113	113	113	0

FY20 Proposed Means of Financing by Agency

Total MOF by Agency for FY20	SGF	IAT	FSGR	Stat Deds	Federal	Total
Office of the Secretary	\$12,877,170	\$0	\$0	\$5,677,710	\$0	\$18,554,880
Executive & Administration	\$12,877,170	\$0	\$0	\$5,677,710	\$0	\$18,554,880
Office of Business Development	\$8,698,632	\$125,000	\$3,092,284	\$11,942,887	\$1,833,416	\$25,692,219
Business Development Program	\$8,698,632	\$125,000	\$1,949,053	\$11,180,589	\$183,333	\$22,136,607
Business Incentives Program	\$0	\$0	\$1,143,231	\$762,298	\$1,650,083	\$3,555,612
Dept. of Econ. Development	\$21,575,802	\$125,000	\$3,092,284	\$17,620,597	\$1,833,416	\$44,247,099

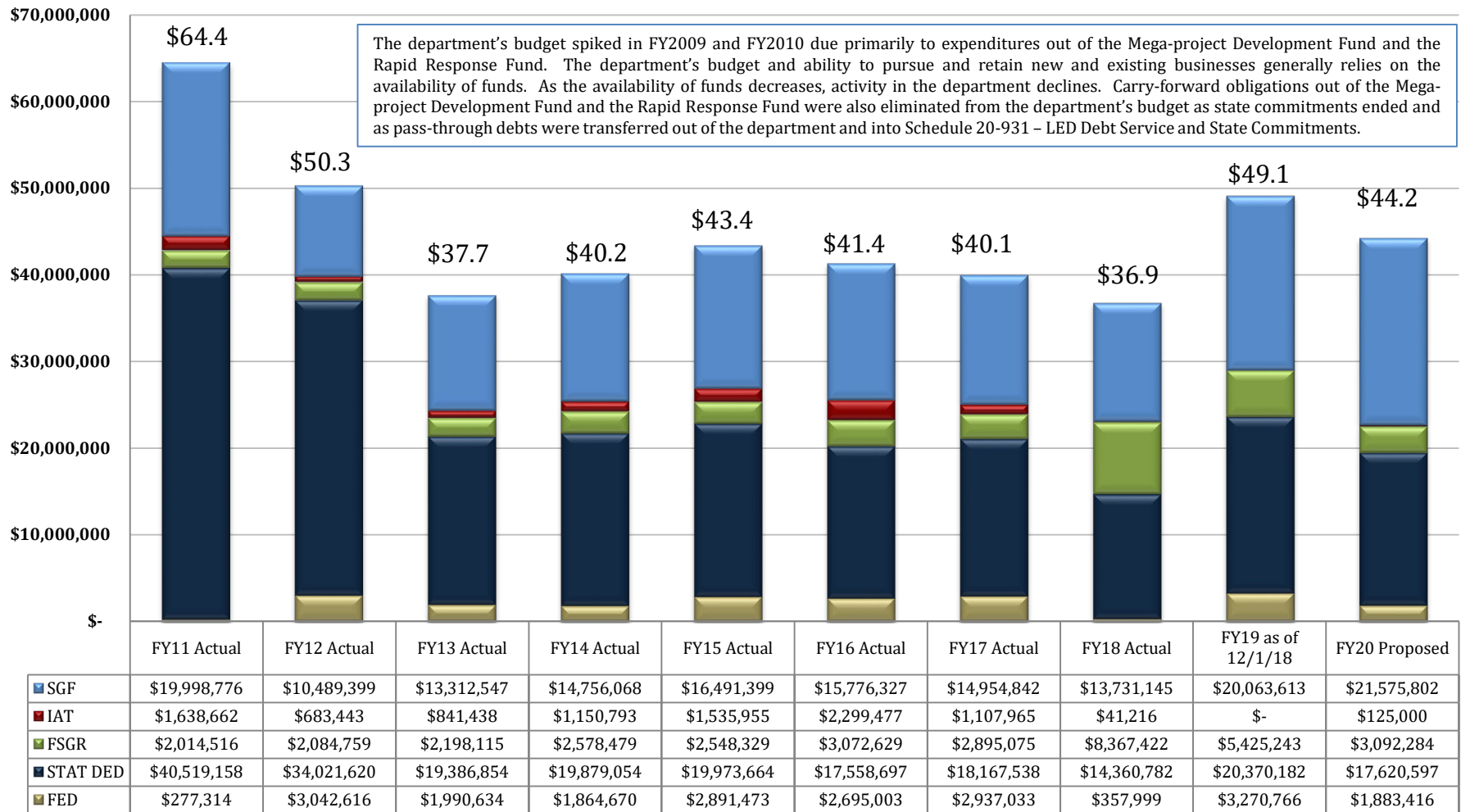


Department of Economic Development

Changes in Funding since FY11

Total Budget by Fiscal Year and Means of Finance (in \$ millions)

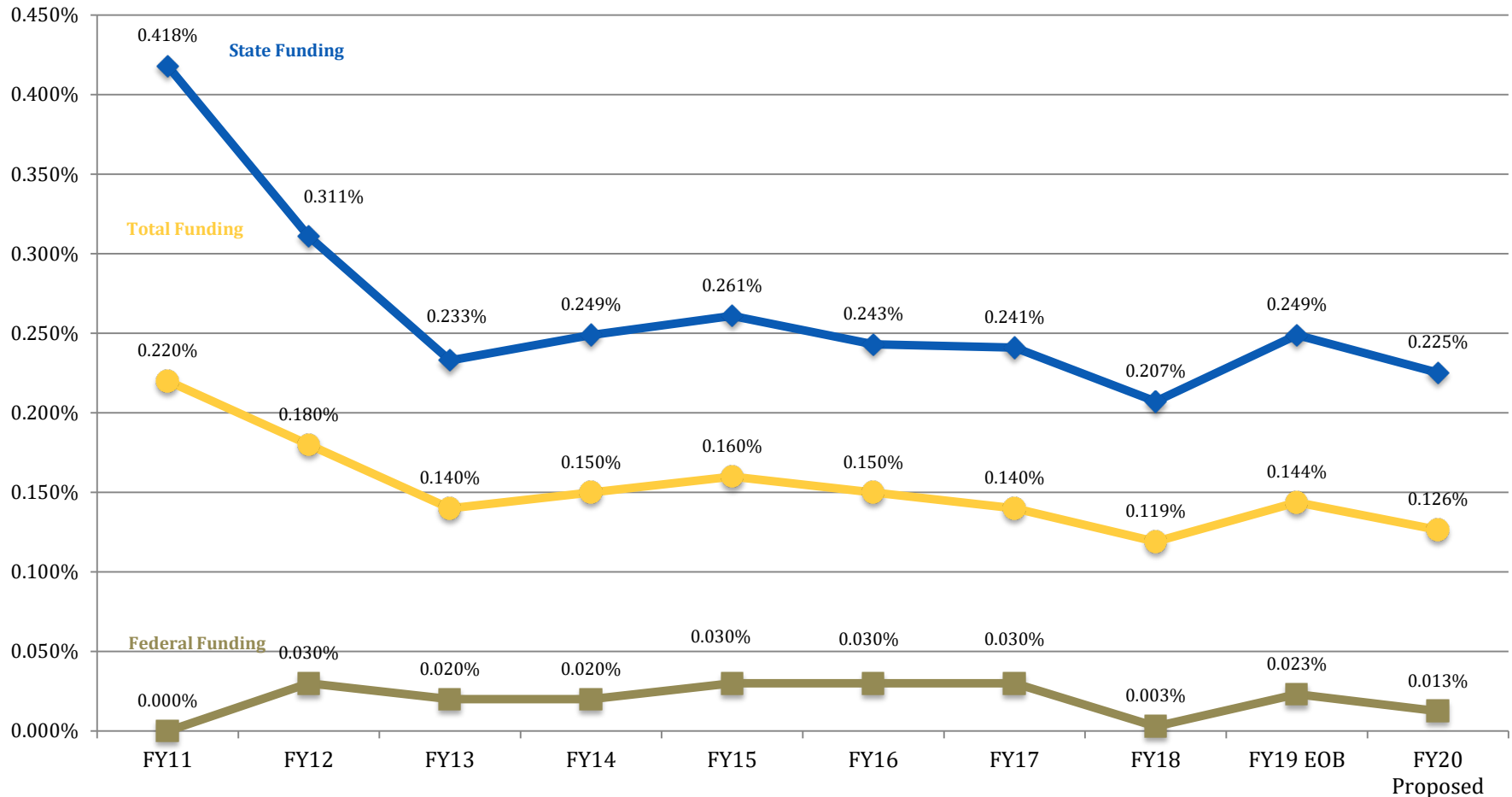
Change from FY11 to FY20 is -31.4%.





Economic Development Changes in Funding since FY11

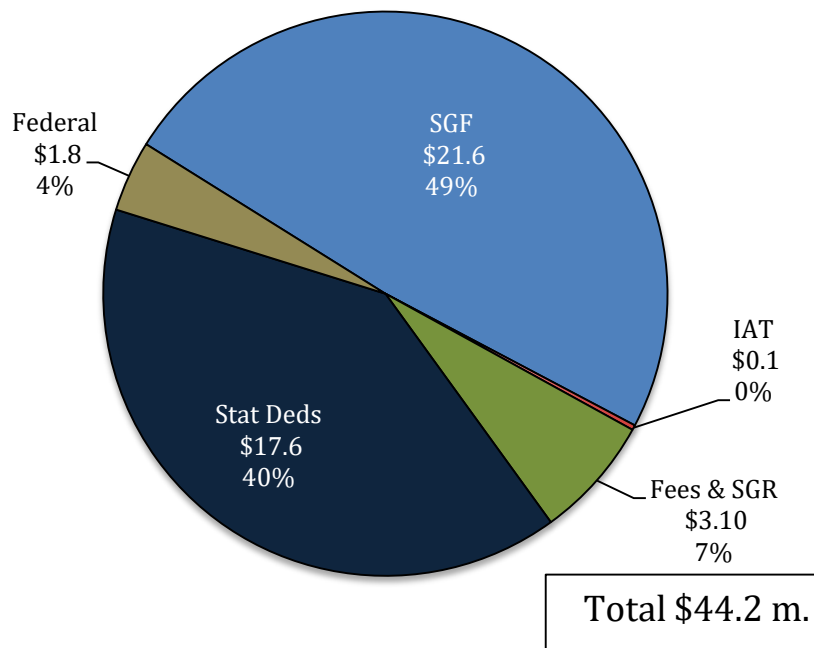
Economic Development's Budget as a Portion of the Total State Budget





Economic Development FY20 Proposed Means of Finance

**FY20 Proposed
Total Means of Finance
(In Millions)**



Non-SGF Sources of Funding:

Non-SGF sources of revenue include **Interagency Transfers, Fees and Self-generated Revenues, and Statutory Dedications.**

The **Fees and Self-generated Revenues** are derived from the collection of certain specified fees from businesses applying for incentives granted by the department.

The **Statutory Dedications** are from the Louisiana Economic Development Fund (S), the Marketing Fund (S), and the Louisiana Entertainment Development Fund.



Dept. of Economic Development Dedicated Funds FY18, FY19, and FY20

Dedicated Funds	Source of Funding	FY18 Actual	FY19 EOB	FY20 Proposed
Louisiana Economic Development Fund	State sales tax	\$12,252,133	\$15,215,873	\$12,920,597
Louisiana Entertainment Development Fund	Application fees	\$0	\$2,700,000	\$2,700,000
Marketing Fund	State sales tax	\$2,108,649	\$2,000,000	\$2,000,000
Rapid Response Fund	State General Fund	\$0	\$454,309	\$0
TOTALS		\$14,360,782	\$20,370,182	\$17,620,597

Dedicated Fund Review Subcommittee recommendation FY2018 Review – Act 612 of 2018:

Louisiana Economic Development Fund = Dedicates monies to FastStart



Dept. of Econ. Development Categorical Expenditures FY18, FY19, and FY20

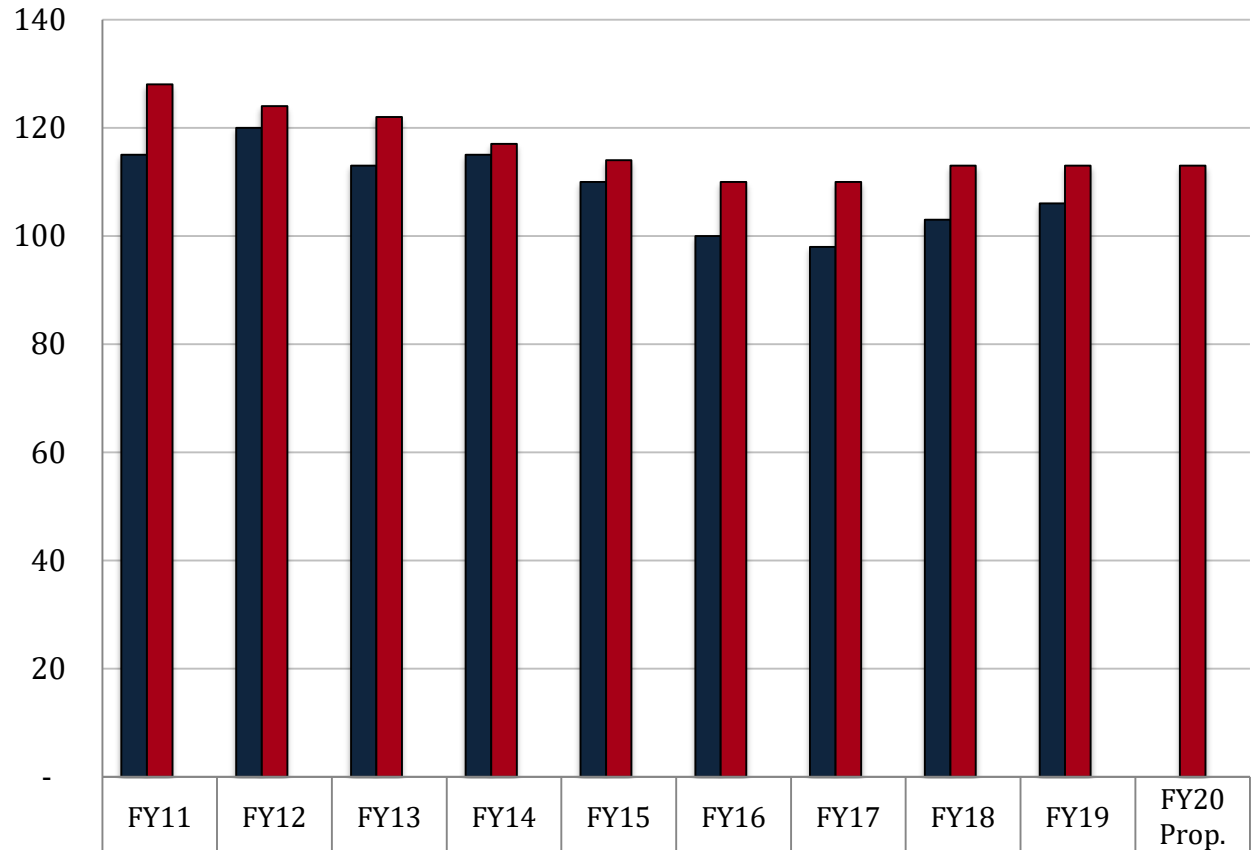
Expenditure Category	FY18 Actual	FY19 EOB (as of 12-01-18)	FY20		Difference FY19 to FY20
			Proposed Budget	Category as Percent of Total	
Personal Services:	\$12,725,585	\$13,777,272	\$14,259,862	32.23%	\$482,590
Salaries	\$8,400,718	\$9,103,126	\$9,224,163	20.85%	\$121,037
Other Compensation	\$68,828	\$126,014	\$126,014	0.28%	\$0
Related Benefits	\$4,256,039	\$4,548,132	\$4,909,685	11.10%	\$361,553
Operating Expenses:	\$1,311,475	\$1,595,321	\$1,922,291	4.34%	\$326,970
Travel	\$475,168	\$654,603	\$654,603	1.48%	\$0
Operating Services	\$716,103	\$758,462	\$1,085,432	2.45%	\$326,970
Supplies	\$120,204	\$182,256	\$182,256	0.41%	\$0
Professional Services	\$6,284,667	\$6,278,762	\$5,347,217	12.08%	(\$931,545)
Other Charges:	\$16,486,020	\$27,478,449	\$22,717,729	51.34%	(\$4,760,720)
Other Charges	\$14,244,142	\$24,839,874	\$20,491,277	46.31%	(\$4,348,597)
Debt Service	\$0	\$0	\$0	0.00%	\$0
Interagency Transfers	\$2,241,878	\$2,638,575	\$2,226,452	5.03%	(\$412,123)
Acquisitions & Major Repairs:	\$50,817	\$0	\$0	0.00%	\$0
Acquisitions	\$50,817	\$0	\$0	0.00%	\$0
Major Repairs	\$0	\$0	\$0	0.00%	\$0
Total Expenditures	\$36,858,564	\$49,129,804	\$44,247,099	100.00%	(\$4,882,705)



Department of Economic Development

FTEs, Authorized Positions, and Other Charges Positions

Total FY20 Proposed
Authorized Positions of
113 are 0.34% of Total
State FY20 Proposed
Authorized Positions of
33,675.



■ Total FTEs (as of July 1 of each fiscal year)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20 Prop.
■ Total Authorized Positions (Enacted)	115	120	113	115	110	100	98	103	106	-
■ Authorized Other Charges Positions	128	124	122	117	114	110	110	113	113	113
	-	-	-	-	-	-	-	-	-	-

Notes:

Data for Total FTEs uses the first weekly employment report published by State Civil Service in July at the start of the named fiscal year.

Data for Total Authorized Positions uses fiscal year enacted levels, except for FY20 Proposed.

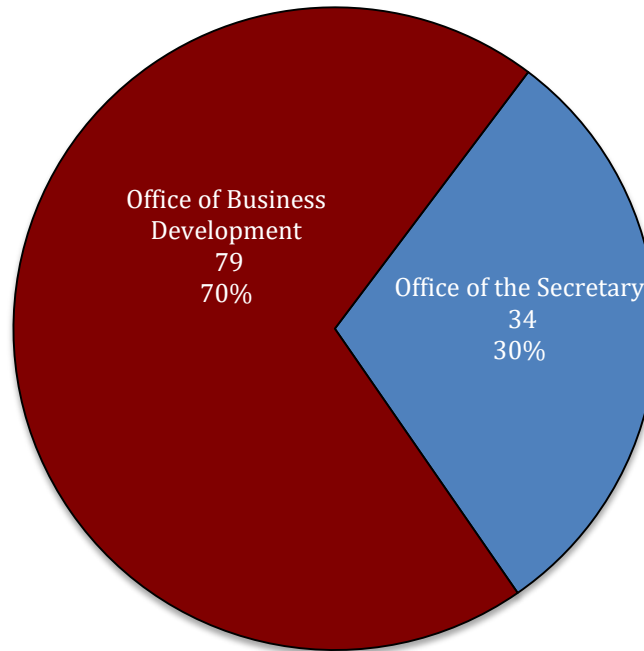
Data for Other Charges Positions are reflected in the Executive Budget per Act 377 of the 2013 Regular Legislative Session (beginning in FY15).



Department of Economic Development

FY20 Proposed Total Authorized Positions by Agency

Office of Business Development - Sixteen of these positions are engaged in business development activities to promote and market the state. The remaining positions include marketing & communications, business retention, business development, community outreach, entertainment industry, regional economic development, small business development, international commerce, and business or tax incentive programs.



Office of the Secretary — Fifteen of these positions are engaged in management and finance, including HR, purchasing, and financial management. The remainder are involved in La. FastStart, Executive functions, legal support, internal audit, and state economic competitiveness activities.

Office of Business Development

Business Development Program	64
Business Incentives Program	15
TOTAL	79

Office of the Secretary

Executive & Administration	34
----------------------------	----



Significant Budget Adjustments Proposed for FY20

Statewide Adjustments to the Dept. of Economic Development

State General Fund (Direct)	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal Funds	Total	T.O.	Adjustment
\$49,426	\$0	\$34,966	\$38,758	\$0	\$123,150	0	Market Rate Classified
\$5,482	\$0	\$2,732	\$3,823	\$0	\$12,037	0	Civil Service Training Series Adjustment
\$83,912	\$0	\$27,103	\$30,548	\$0	\$141,563	0	Related Benefits Base Adjustment
\$121,824	\$0	\$61,251	\$57,339	\$0	\$240,414	0	Retirement Rate Adjustment
\$20,937	\$0	\$2,409	\$0	\$0	\$23,346	0	Group Insurance Rate Adjustment for Active Employees
\$10,363	\$0	\$0	\$0	\$0	\$10,363	0	Group Insurance Rate Adjustment for Retirees
\$101,447	\$0	\$41,991	\$67,726	\$0	\$211,164	0	Salary Base Adjustment
(\$132,170)	\$0	(\$63,890)	(\$83,387)	\$0	(\$279,447)	0	Attrition Adjustment
(\$642,350)	\$0	(\$360,436)	(\$3,597,699)	(\$294,746)	(\$4,895,231)	0	Non-recurring Carryforwards
(\$6,049)	\$0	\$0	\$0	\$0	(\$6,049)	0	Risk Management
\$41,094	\$0	\$0	\$0	\$0	\$41,094	0	Legislative Auditor Fees
(\$146,943)	\$0	\$0	\$0	\$0	(\$146,943)	0	Rent in State-Owned Buildings
(\$21)	\$0	\$0	\$0	\$0	(\$21)	0	Capitol Park Security
\$270	\$0	\$0	\$0	\$0	\$270	0	UPS Fees
(\$647)	\$0	\$0	\$0	\$0	(\$647)	0	Civil Service Fees
(\$1,286)	\$0	\$0	\$0	\$0	(\$1,286)	0	State Treasury Fees
\$51,162	\$0	\$0	\$0	\$0	\$51,162	0	Office of Technology Services (OTS)
(\$19,292)	\$0	\$0	\$0	\$0	(\$19,292)	0	Office of State Procurement
(\$3,441)	\$0	\$0	\$0	\$0	(\$3,441)	0	Topographic Mapping
\$1,015,681	\$0	(\$2,079,085)	\$1,063,404	\$0	\$0	0	TOTAL MEANS OF FINANCING SUBADJUSTMENT
\$125,000	\$125,000	\$0	\$0	\$0	\$250,000	0	TOTAL NEW AND EXPANDED ADJUSTMENT
\$837,790	\$0	\$0	(\$330,097)	(\$1,142,604)	(\$634,911)	0	TOTAL OTHER ADJUSTMENTS ADJUSTMENT
\$1,512,189	\$125,000	(\$2,332,959)	(\$2,749,585)	(\$1,437,350)	(\$4,882,705)	0	Total Statewide Adjustments



Department of Economic Development Significant Increases and Decreases for FY20

Significant Increases for FY20

Increase	Source	T.O.	Agency	Description
\$250,000	SGF, IAT	-	Office of Business Development	Provides SGF (\$125K) and IAT (\$125K) to provide funding to the Coastal Technical Assistance Center located at Nicholls State University. The new program will assist in building capacity of Louisiana-based small business in coastal restoration and protection efforts. The IAT will be received from the Office of Coastal Restoration and Protection.
\$185,000	SGF	-	Office of Business Development	Increases SGF to provide funding for the Louisiana Procurement Technical Assistance Center located at the University of Louisiana Lafayette. The program provides specialized and professional procurement technical assistance to Louisiana-based businesses for obtaining and performing under federal, state, and local contracts.

Significant Decreases for FY20

Decrease	Source	T.O.	Agency	Description
(\$4.9 m.)	SGF, FSGR, SD, FED	-	LED	Non-recurring of carryforwards is the primary cause of the decrease observed for FY20.



Department of Economic Development

Significant Means of Financing Substitutions for FY20

MOF Swap	Source	T.O.	Agency	Description
\$1,015,681	SGF, FSGR	-	Office of the Secretary	Means of finance substitution increasing SGF and decreasing FSGR due to a decrease in overall collections
\$1,063,404	SD, FSGR	-	Office of Business Development	Means of finance substitution increasing statutory dedications out of the Louisiana Economic Development Fund and decreasing FSGR due to a decrease in overall collections.
\$330,000	SGF, SD	-	Office of Business Development	Means of finance substitution increasing SGF and decreasing statutory dedications out of the Louisiana Economic Development Fund to reflect REC projections.



Department of Economic Development

Significant Budget Issues for FY20

Major Initiatives:

Financial Assistance Initiatives:

- \$8.1 million provided for the Louisiana Fast Start Program. Fast Start delivers comprehensive workforce training services to businesses that are looking to relocate or expand by providing turnkey employee training and delivery solutions.
- \$2.7 million out of the Louisiana Entertainment Development Fund is provided for education development initiatives, matching grants for Louisiana filmmakers, loan guarantee programs, and deal closings.

Community Assistance Initiatives:

- \$735,000 allocated for Small and Emerging Business Development. This provides technical assistance to certified small and emerging businesses by providing managerial and developmental services that include entrepreneurial training and other specialized support.
- \$1 million distributed to the Small Business Development Centers allowing for management assistance and business counseling to Louisiana small businesses.
- \$1.8 million provided for the Economic Development Regional Awards and Matching Grant Program which offers assistance to economic development organizations in their comprehensive and strategic marketing and recruitment plans for towns, cities, parishes and regions as a site for new or expanded business development.



Comparison Adjustments to the State General Fund in the FY20 Continuation, Standstill and Proposed Budgets

ECONOMIC DEVELOPMENT	FY19 EOB	FY20 Proposed Budget	FY 20 Continuation Budget	FY20 Standstill Budget	DIFFERENCE					
					CONTINUATION OVER/(UNDER) FY19 EOB	STANDSTILL OVER/(UNDER) FY19 EOB	CONTINUATION OVER/(UNDER) STANDSTILL	PROPOSED OVER/(UNDER) CONTINUATION	PROPOSED OVER/(UNDER) STANDSTILL	PROPOSED OVER/(UNDER) FY19 EOB
STATE GENERAL FUND	\$20,063,613	\$21,575,802	\$20,721,679	\$20,721,679	\$658,066	\$658,066	\$0	\$854,123	\$854,123	\$1,512,189

Continuation Budget, Standstill Budget, and Proposed Budget

The state general fund adjustments to the Continuation and Standstill budgets are identical. The difference between the Proposed Budget and the Continuation and Standstill Budgets results from variations to both statewide and agency-specific adjustments. Major differences included in the Proposed Budget are \$125,000 of new funding for the Coastal Technical Assistance Center located at Nicholls State University, \$185,000 of new funding for the Louisiana Procurement Technical Assistance Center located at the University of Louisiana at Lafayette, \$400,000 of new funding for the Regional Awards and Matching Grant Program, and \$31,000 for Group Insurance Rate Adjustments for active employees and retirees.

Difference between the Governor's Proposed Budget (HB 103 by Rep. Leger) and House Bill No. 105 by Rep. Henry

For this agency, House Bill No. 105 reduces the state general fund proposed for FY20 by \$1,512,189. This is the amount of the increase proposed by the governor above the FY19 Existing Operating Budget. This includes reductions to the Office of the Secretary (\$374,010) and to the Office of Business Development (\$1,138,179).

DEPARTMENT	EOB AS OF 12/01/2018	HB 103 REP. LEGER	HB 105 REP. HENRY	HB 105 OVER/(UNDER) HB 103
Economic Development	\$20,063,613	\$21,575,802	\$20,063,613	(\$1,512,189)



House Appropriations Committee and House Floor Changes to HB105 and Comparison to the Proposed FY20 Budget

House Amendments to HB105 - Department of Economic Development

HB 105	State General Fund	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal	TOTAL
Original	\$20,063,613	\$125,000	\$3,092,284	\$17,620,597	\$1,833,416	\$42,734,910
Appropriations Amendments:	State General Fund	Interagency Transfers	Fees and Self-generated Revenues	Statutory Dedications	Federal	TOTAL
House Appropriations provided state general fund to the Executive & Administration Program for expenses in the Office of the Secretary (Schedule 05-251)	\$113,403	\$0	\$0	\$0	\$0	\$113,403
House Appropriations provided state general fund to the Business Development Program in the Office of Business Development (Schedule 05-252) for the Coastal Technical Assistance Center, the Procurement Technical Assistance Center, and operating expenses	\$457,818	\$0	\$0	\$0	\$0	\$457,818
House Floor adopted a language amendment allocating \$1,760,000 state general fund to the Tier 1 Regional Awards and Matching Grant Program for regional economic development. Language also further requires that \$400,000 of these monies be distributed equally among the regional economic development organizations.	\$0	\$0	\$0	\$0	\$0	\$0
Reengrossed	\$20,634,834	\$125,000	\$3,092,284	\$17,620,597	\$1,833,416	\$43,306,131
Difference HB105 Original to HB105 Reengrossed	\$571,221	\$0	\$0	\$0	\$0	\$571,221
FY20 Proposed	\$21,575,802	\$125,000	\$3,092,284	\$17,620,597	\$1,833,416	\$44,247,099
Difference HB105 Original to FY20 Proposed	(\$1,512,189)	\$0	\$0	\$0	\$0	(\$1,512,189)
Difference HB105 Reengrossed to FY20 Proposed	(\$940,968)	\$0	\$0	\$0	\$0	(\$940,968)



Incentive Expenditure Forecast

In accordance with Act 401 of the 2017 Regular Session, below is the listing of the incentive expenditure programs as submitted to the Revenue Estimating Conference on February 11, 2019. This department administers the following incentive expenditure programs:

•Louisiana Community Economic Development Act	(R.S. 47:6031)	Not in effect.
•Ports of Louisiana Tax Credits	(R.S. 47:6036)	Unable to anticipate.
•Motion Picture Investor Tax Credit	(R.S. 47:6007)	Projected for \$180,000,000.
•Research and Development Tax Credit	(R.S. 47:6015)	Projected for \$7,000,000.
•Digital Interactive Media and Software Act	(R.S. 47:6022)	Projected for \$75,000,000.
•Louisiana Motion Picture Incentive Act	(R.S. 47:1121)	Not in effect.
•New Market Tax Credit	(R.S. 47:6016)	Unable to anticipate.
•University Research and Development Parks	(R.S. 17:3389)	Not in effect.
•Industrial Tax Equalization Program	(R.S. 47:3201-3205)	Projected for \$6,000,000.
•Exemption for Manufacturing Establishments	(R.S. 47:4301-4306)	Projected for \$1,500,000.
•Louisiana Enterprise Zone Act	(R.S. 51:1781)	Projected for \$52,000,000.
•Sound Recording Investor Tax Credit	(R.S. 47:6023)	Projected for \$330,000.
•Urban Revitalization Tax Incentive Program	(R.S. 51:1801)	Not in effect.
•Technology Commercialization Credit and Jobs Program	(R.S. 51:2351)	Not in effect.
•Angel Investor Tax Credit Program	(R.S. 47:6020)	Projected for \$4,000,000.
•Musical and Theatrical Productions Income Tax Credit	(R.S. 47:6034)	Projected for \$6,500,000.
•Retention and Modernization Act	(R.S. 51:2399.1-.6)	Projected for \$9,000,000.
•Tax Credit for Green Jobs Industries	(R.S. 47:6037)	Not in effect.
•Louisiana Quality Jobs Program Act	(R.S. 51:2451)	Projected for \$160,000,000.
•Corporate Headquarters Relocation Program	(R.S. 51:3111)	Not in effect.
•Competitive Projects Payroll Incentive Program	(R.S. 51:3121)	Projected for \$0.



Department of Economic Development

Debt Service & State Commitments

LED Debt Service and State Commitments – FY20 Proposed

DEBT SERVICE	
Nucor	\$4,015,125
STATE COMMITMENTS	
SNF Holdings	\$1,280,000
Lighthouse for the Blind	\$150,000
Globalstar	\$352,782
Governor's Economic Development Rapid Response Program-FY19	\$5,000,000
University of New Orleans (Higher Ed) - GE Capital	\$500,000
Benteler Steel	\$5,000,000
IBM - Baton Rouge	\$550,000
Wilbur Marvin Foundation	\$500,000
LSU (higher Ed) - IBM Baton Rouge	\$915,271
Southern (Higher Ed) - IBM Baton Rouge	\$250,000
Southeastern (Higher Ed) - IBM Baton Rouge	\$250,000
DXC Technology	\$250,000
DXC Technology - Higher Education Component	\$5,500,000
DXC Technology - Demolition Component	\$700,000
US Foods	\$500,000
LA Tech (Higher Ed) - CSC	\$900,000
Northwestern State Univ (Higher Ed) - CSC	\$326,125
Bossier Parish Community College (Higher Ed) - CSC	\$250,000
CGI Federal	\$2,000,000
UL Lafayette (Higher Ed) - CGI	\$375,000
Bell Helicopter Facility	\$249,214
ULM (Higher Ed) - IBM Monroe	\$300,000
Century Tower - Lease Support -IBM-Monroe	\$250,000
Military Efforts	\$600,000
Brown & Root	\$150,000
Yuhuang Chemical (SY Chemical)	\$925,000
Shintech	\$1,700,000
Eurochem	\$1,500,000
British Airways	\$500,000
Citadel Completions	\$200,000
Lotte Chemical	\$4,200,000
TOTAL OTHER CHARGES	\$40,138,517



LED – Audit Findings

Louisiana Department of Economic Development

November 28, 2018

Auditors were unable to evaluate the reliability of LED's forecasts of credits issued and qualified expenditures for the Motion Picture Tax Credit, the Sound Recording Investor Tax Credit, and the Musical and Theatrical Production Income Tax Credit because the Department could not provide sufficient documentation for nine (60 percent) of the 15 forecast data elements. In addition, auditors concluded LED may have overstated the economic impacts of the Motion Picture Production Tax Credit because its report included only the upper estimate from a contracted economic study and not the accompanying lower estimate.