LOUISIANA DEPARTMENT OF ECONOMIC DEVELOPMENT - BUSINESS INCENTIVE PROGRAMS

PERFORMANCE AUDIT
ISSUED APRIL 21, 2010

LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

FOR QUESTIONS RELATED TO THIS PERFORMANCE AUDIT, CONTACT NICOLE EDMONSON, PERFORMANCE AUDIT MANAGER, AT 225-339-3800.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

April 21, 2010

The Honorable Joel T. Chaisson, II,
President of the Senate
The Honorable Jim Tucker,
Speaker of the House of Representatives

Dear Senator Chaisson and Representative Tucker:

This report provides the results of our performance audit on the Louisiana Department of Economic Development (LED) - Business Incentive Programs.

The report contains our findings, conclusions, and recommendations. Appendix B contains LED's response to this report. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of LED for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA
Legislative Auditor

DGP/sr

LED09

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, Legislative Auditor

Louisiana Department of Economic Development - Business Incentive Programs

April 2010

Audit Control # 40080014

Objectives and Overall Results

We conducted a performance audit of the Louisiana Department of Economic Development's (LED) process of evaluating and reporting on the effectiveness of the business incentive programs it administers. We limited our audit work to the incentive programs/tax credits solely administered by LED.[1] The audit objective and results of our work are as follows:

Objective: Does LED evaluate and publicly report on the effectiveness of the business incentive programs it administers?

Results: LED does not evaluate the effectiveness of most business incentive programs it administers. Of the 29 business incentive programs LED administered during fiscal year 2008, officials could only provide evidence that the department evaluated the effectiveness of the five entertainment industry business incentive programs. These incentive programs represent approximately $56 million (25.8%) of the $217 million[2] in tax incentives LED awarded to businesses during fiscal year 2008. LED could not provide evidence that it evaluated the effectiveness of the remaining $161 million (74.2%) in tax incentives it awarded that year. In addition, LED does not publicly report on the effectiveness of all the business incentive programs it administers. Specifically, LED has not fulfilled two program-specific and one general statutory reporting requirement or a legislative request to annually review the effectiveness of all tax exemptions and tax credits enacted by the legislature.

According to LED officials, the law lacks clarity and specificity with regard to the LED evaluating and publicly reporting on all of its incentive programs, resulting in the department interpreting over many years that it is not required to issue a public report that contains evaluations of all its business incentive programs. Without this information, neither the legislature nor taxpayers are aware of the benefits the state receives from the tax incentives LED provides to businesses. Furthermore, the legislature does not have the information it needs to determine whether to continue funding these programs.

Finally, LED has not met its statutory requirement to serve as the information clearinghouse for all data related to economic development. Without a clearinghouse or similar database, LED management cannot easily access the data it needs to review the overall performance of a program and report on its effectiveness.

[1]Other incentives offered in Louisiana are administered by agencies other than LED such as the Department of Culture, Recreation and Tourism and the Department of Revenue. In addition, some incentives offered in Louisiana are federal incentives.
[2]This is the most up-to-date information available at the time of this audit.

Audit Initiation, Scope, and Methodology

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. In accordance with the law, the legislative auditor developed a plan scheduling a performance audit of LED.

Our audit focused on LED's current processes in place to evaluate and report on the outcomes of the business incentive programs it administers. We conducted a review of the data collected and the reports issued by LED on the performance of the business incentives it administers. We reviewed this information for fiscal years 2008 and 2009 and included updates through September 2009.

We conducted this audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. To answer our objective, we performed the following audit steps:

- Conducted background research and a risk assessment, including reviewing laws and information related to LED.
- Conducted a survey of Louisiana business incentives to determine the number of incentives that are active and solely administered by LED and also to gather program specific information for each of those incentives.
- Interviewed LED officials regarding the active business incentives that are solely administered by LED and performed an inventory of its active business incentive programs that are solely administered by LED.
- Gathered criteria on best practices for measuring the outcomes of business incentives from the legislative auditor's audit reports, other state audit shops, and the National Conference of State Legislators (NCSL) reports.
- Interviewed officials at the Louisiana Department of Revenue (LDR) regarding the Tax Exemption Budget and their role in evaluating the effectiveness of LED's business incentives.
- Interviewed state officials with extensive knowledge of the role and activities of the LED - Louisiana Fiscal Office (LFO), Public Affairs Research Council of Louisiana (PAR), and Louisiana State University (LSU).
- Identified and examined LED activities to evaluate the outcomes of its business incentive programs.

- Attended meetings of the Louisiana Economic Development Corporation (LEDC) and the State Board of Commerce and Industry (C&I) to observe the discussions, approval process, and testimony given.

- Listened to Joint Legislative Committee on the Budget (JLCB) hearings to observe the information provided by LED officials, the information requested by committee members, and the decision-making process.

Appendix A contains a table of information on the active incentives solely administered by LED.

Appendix B contains LED's full response to this report.

Background Information

Business Incentive Programs Administered by LED. LED administered 29 active business incentives during fiscal year 2008. According to LED and LDR, these business incentives cost the state approximately $217 million in tax revenue for the same time period.

Incentives typically fall into two categories: discretionary and non-discretionary. A discretionary incentive is awarded with some exercise of discretion by LED. For these incentives, LED typically performs pre-contract Return on Investment (ROI) analyses and uses its discretion to determine whether to award money and how much to award.

A non-discretionary incentive is one that a business receives as long as it meets statutorily imposed criteria. For these incentives, awards are not determined based on a pre-contract ROI analyses. Instead, LED certifies that an applying company meets the statutory requirements to receive the tax incentive it is applying for. See Appendix A for further information on the type, purpose, and cost of each individual incentive LED administers.

Statutory Authority and Responsibility. According to Louisiana Revised Statute 36:101 et seq., the LED, through its offices and officers, is responsible for fostering the growth of industry and other commercial enterprises in Louisiana that contribute to the improvement of the economy of the state. In addition, several statutes require LED to evaluate and report to the legislature on the business incentive programs it administers. These requirements range from evaluating and reporting on all tax credits and exemptions to evaluating and reporting on specific economic development programs. The various statutes also require LED to make recommendations to the legislature for improvement or to report on a program's performance, success or failure, or economic impact on some or all of the incentives administered by the department.

Objective: Does LED evaluate and publicly report on the effectiveness of the business incentive programs it administers?

LED does not evaluate the effectiveness of most business incentive programs it administers. Of the 29 business incentive programs LED administered during fiscal year 2008, officials could only provide evidence that the department evaluated the effectiveness of the five entertainment industry business incentive programs. These incentive programs represent approximately $56 million (25.8%) of the $217 million in tax incentives LED awarded to businesses during fiscal year 2008. LED could not provide evidence that it evaluated the effectiveness of the remaining $161 million (74.2%) in tax incentives it awarded that year. In addition, LED does not publicly report on the effectiveness of all the business incentive programs it administers. Specifically, LED has not fulfilled two program-specific and one general statutory reporting requirement or a legislative request to annually review the effectiveness of all tax exemptions and tax credits enacted by the legislature.

According to LED officials, the law lacks clarity and specificity with regard to the LED evaluating and publicly reporting on all of its incentive programs. This, according to the LED officials, has resulted in the department interpreting over many years that it is not required to issue a public report that contains evaluations of all its business incentive programs. Without this information, neither the legislature nor taxpayers are aware of the benefits the state receives from the tax incentives LED provides to businesses. Furthermore, the legislature does not have the information it needs to determine whether to continue funding these programs.

Finally, LED has not met its statutory requirement to serve as the information clearinghouse for all data related to economic development. Without a clearinghouse or similar database to collect and store economic data on each business incentive program, LED management cannot easily access the data it needs to review the overall performance of a program and report on its effectiveness.

The following describes our findings in detail and includes recommendations and matters for legislative consideration to address these findings.

LED could only provide evidence that the department evaluated the effectiveness of five of the 29 business incentive programs it administers

Of the 29 business incentive programs LED administered during fiscal year 2008, officials could only provide evidence that the department evaluated the effectiveness of the five entertainment industry business incentive programs. Four of the entertainment incentives have specific statutory language requiring LED to prepare a biennial written report that captures the overall impact of the tax credits and any other factors that describe the impact of the programs.[3] While there is no program-specific statutory requirement for LED to evaluate and report on the Digital Interactive Media Production Tax Credit, LED included this program in its annual

[3] These incentive programs include the Motion Picture Investor Tax Credit, Motion Picture Infrastructure Tax Credit, Sound Recording Investor Tax Credit, and Musical and Theatrical Production Tax Credit.

evaluation of the other four entertainment incentives. The entertainment incentive programs represent approximately $56 million (25.8%) of the $217 million in tax incentives LED awarded to businesses during fiscal year 2008.

To comply with the statutory mandates related to the entertainment incentive programs, LED hired Economics Research Associates (ERA) to prepare a report for all of the entertainment incentives. The most recent report was completed in February 2009. According to LED officials, the ERA report is a good tool for legislative oversight.

While LED fulfilled the statutory requirements for the entertainment industry incentives, it could not provide evidence that it evaluated the effectiveness of the remaining 24 business incentive programs it awarded during fiscal year 2008. These programs account for approximately $161 million (74.2%) of the $217 million it awarded to businesses during fiscal year 2008.

According to LED officials, the department's statutory requirements are numerous, fragmented, and spread across multiple offices and divisions. In addition, they said the law lacks clarity and specificity with regard to the LED evaluating and publicly reporting on all of its incentive programs. This, according the LED officials, has resulted in the department interpreting over many years that it is not required to issue a public report that contains evaluations of all its business incentive programs. As a result, neither the legislature nor taxpayers are aware of the benefits the state received from the majority of tax incentives LED provided to businesses during fiscal year 2008.

LED did not fulfill two of the six program-specific statutory requirements to evaluate and publicly report on the effectiveness of the business incentive programs it administers

Six of the 29 business incentive programs LED administers have program-specific evaluation and reporting requirements. As mentioned previously, four of these are entertainment incentives. While LED fulfilled the program-specific statutory requirements for the evaluating and reporting on the entertainment industry incentive programs, it did not evaluate or publicly report on the effectiveness of the remaining two business incentive programs with similar statutory requirements. These incentive programs are as follows:

Enterprise Zone Program. State law requires LED to submit an annual written report of activity in the Enterprise Zone program to the governor and legislature, starting in 1991. In this report, LED is to attempt to evaluate the success or lack of success of the program and may submit suggestions for legislation. The Enterprise Zone report is supposed to be part of a master report of the activities of all tax abatement programs administered by LED and submitted no later than March 1 of each year. However, LED never prepared the required report on the Enterprise Zone incentive program in 1991 or in any subsequent years.

Quality Jobs Program. State law requires that LED prepare a report that includes documentation of new direct jobs created and a fiscal analysis of the costs and benefits of the program to the state, starting in 1995. In conducting the cost/benefits analysis, the department is supposed to consider quantitative factors, such as the anticipated level of new taxes to the state along with the added cost to the state of providing services. Similar to the Enterprise Zone report, this report is to be submitted to the legislature and the governor no later than March 1 of each year. However, LED never prepared the required report on the Quality Jobs program in 1995 or in any subsequent years.

According to LED officials, the Executive Budget Supporting Document contains performance indicators for the Enterprise Zone and Quality Jobs programs grouped together and therefore meets the statutory evaluation and reporting requirements of both programs. However, this document does not contain any specific information about the Enterprise Zone or Quality Jobs programs. In addition, the budget document does not detail the activities of the specific programs, evaluate the success or lack of success of these programs, or outline their costs and benefits to the state. Without this information, the legislature does not have the information it needs to determine whether to continue funding these programs or the benefits the state receives from the programs.

> **Recommendation 1:** LED management should fulfill the statutory requirements to evaluate and report on the effectiveness of Enterprise Zone and Quality Jobs business incentive programs. This will help ensure that the legislature has the information it needs to determine whether these programs are meeting their intended goals and whether the legislature should continue funding these programs.
>
> **Summary of Management's Response:** LED agrees with this recommendation. LED agrees that it should meet the reporting requirements included in the Enterprise Zone and Quality Jobs statutes. LED recently prepared the Enterprise Zone Program 2009 Annual Report and will submit this report to the Legislature in the coming weeks. However, LED disagrees with the audit's characterization that it is statutorily required "to evaluate and report on the effectiveness" of the Quality Jobs program. Nevertheless, LED is planning to move forward with a more substantial annual report for the Quality Jobs program, supplement the program's performance data in the Executive Budget, and evaluate and report on the effectiveness of the program as recommended in the audit report.

LED did not fulfill a general statutory requirement to evaluate and publicly report on the effectiveness of its business incentives

State law requires LED to issue a biennial unified economic development budget report in coordination with the Division of Administration (DOA), starting in 2005. The report is supposed to cover a complete listing of each state economic development program as agreed upon by the DOA and the Louisiana Economic Development Council. The report is to include how each program is administered, its costs, performance data, and an estimate of its total direct and indirect economic impact on Louisiana based upon this performance data. However, LED did not issue this report in 2005 or in any subsequent years.

To assist in completing this report, DOA is required to contract with an independent economist. According to LED officials, DOA never retained an independent economist for long enough to complete the report. Officials with LED and DOA reported that neither agency is working on the report or collecting the data necessary to complete the report. Overall, neither agency has fulfilled its statutory responsibility to complete this report which would provide valuable information to the legislature on the business incentive programs LED administers.

Without this information, neither the legislature nor taxpayers are aware of the benefits the state receives from the tax incentives LED provides to businesses. Furthermore, the legislature does not have the information it needs to determine whether to continue funding these programs.

Recommendation 2: LED management should fulfill the statutory requirement for the Biennial Unified Economic Development Budget report to evaluate and report on the effectiveness of the business incentive programs the department administers.

Summary of Management's Response: LED disagrees with this recommendation. According to LED officials, the statute governing the Biennial Unified Economic Development Budget report does not require LED to "evaluate and report on the effectiveness" of any business incentive program. Instead, the statute provides that an independent economist is responsible for preparing the contents of the report, including any evaluations of program effectiveness.

Legislative Auditor's Additional Comments: We did not recommend that LED prepare the report. We stated that LED has a statutory requirement to issue the report and recommended that LED management fulfill this requirement.

Recommendation 3: LED management should coordinate with DOA officials to ensure an independent economist is hired to assist in completing the statutorily required budget report.

Summary of Management's Response: LED disagrees with this recommendation. LED has specific responsibilities regarding the Biennial Unified Economic Development Budget; however, coordinating the hiring of an independent economist to complete the report is not one of LED's responsibilities.

Legislative Auditor's Additional Comments: We did not recommend that LED coordinate the hiring of the independent economist. We recommended that LED coordinate with DOA to ensure an independent economist is hired so that LED can fulfill its statutory requirement to issue the report.

Matter for Legislative Consideration: The legislature should clarify state law relative to the Biennial Unified Economic Development Budget Report to specify the number of programs LED must evaluate and report on each year, including the timeframe in which LED must cover all of the business incentive programs it administers. This will provide LED with clear guidance on what business incentive programs it needs to evaluate and the timeframe in which it needs to evaluate them.

LED did not fulfill the legislature's request to annually review the effectiveness of tax exemptions and tax credits enacted by the legislature

House Concurrent Resolution (HCR) 9 from the 2008 Regular Legislative Session requests LED to develop a process to annually review the effectiveness of tax exemptions and tax credits enacted by the legislature to evaluate their fiscal impact. HCR 9 also requests LED to make recommendations regarding whether these tax exemptions and credits are achieving intended goals and to submit a written report of its findings to the legislature before the 2009 Regular Session.

According to LED officials, they did not prepare this report and are not currently working on the report. When asked why, LED officials responded that HCR 9 was just a request and that the department was not legally required to submit such documentation.

Without LED fulfilling this legislative request, neither the legislature nor taxpayers are aware of the effectiveness of the tax exemptions and tax credits enacted by the legislature and whether or not these programs are achieving intended goals.

Recommendation 4: LED management should fulfill the legislature's request to evaluate and report on the effectiveness of the tax exemptions and tax credits enacted by the legislature.

Summary of Management's Response: LED agrees with this recommendation. LED agrees that it should develop a process to annually report on the effectiveness of the business incentive and assistance programs that it administers.

Matter for Legislative Consideration: The legislature should consider enacting HCR 9 into state law to require LED to evaluate the effectiveness of, and publicly report on, all of the business incentives it administers. This will ensure it has the information it needs to make informed decisions regarding the funding or discontinuation of the tax exemptions and credits it enacts.

LED did not meet its statutory requirement to serve as the information clearinghouse and develop a master plan for all data related to economic development

According to state law, LED is responsible for serving as the information clearinghouse for all data related to economic development, economic modeling, and strategic economic development planning. This law also requires LED to develop and annually update a master plan to inventory, identify, organize, consolidate, and centralize access to all appropriate economic development information. LED officials provided us with a copy of the 1996 master plan. However, LED never implemented this plan or created the Information Clearinghouse.

During the audit, we asked LED officials to provide us with the information they use to identify the effectiveness of their business incentive programs. While LED management said the department analyzes and reviews the performance of the vast majority of its incentive programs on an annual basis, LED could not easily provide us with the data it uses to accomplish its analysis because it either did not collect specific performance data for a certain program or the data was located in various locations and formats.

For example, during the audit LED provided programmatic data for 10 of the 29 business incentive programs it administers. However, this data did not always provide information on the effectiveness of the programs. Data for five of these programs[4] was located in the Executive Budget Supporting Document while information for the five entertainment industry incentives was found in the Economic Research Associates (ERA) report. In addition, after reviewing the initial draft of our report, LED officials provided some performance data for five additional business incentive programs[5] in the form of letters to the JLCB, an agenda from the December 2009 Board of Commerce and Industry meeting, and an excerpt from the August 2008 Louisiana Economic Development Corporation's Treasurer Report.

Without a clearinghouse or similar database to collect and store economic data on each business incentive program it administers, LED management cannot easily access the data it needs to review the overall performance of a program and determine its effectiveness. In addition, LED management cannot easily report this data.

> **Recommendation 5:** LED management should fulfill the statutory requirement relative to the Information Clearinghouse to inventory, identify, organize, consolidate, and centralize access for all data related to economic development, economic modeling, and strategic economic development.

[4]These programs include Quality Jobs, Enterprise Zone, Industrial Tax Exemption Program, Restoration Tax Abatement, and Economic Development Award Program.
[5]These programs include Rapid Response, Small Business Loan Program, Venture Capital Match & Co-Investment Program, Mega Fund, and Workforce Development Program.

Summary of Management's Response: LED disagrees with this recommendation. The Information Clearinghouse concept, including its governing statute, was developed prior to the availability of high powered internet search engines such as Google. LED makes available to the public the economic development information envisioned by the Information Clearinghouse through its website. This website, combined with other internet resources, is effectively the Information Clearinghouse for state economic data. LED intends to update a master plan that identifies LED's website, combined with other internet resources, as the Information Clearinghouse for state economic development data.

Recommendation 6: LED management should use the information it collects in the Information Clearinghouse to fulfill its statutory requirements to evaluate the effectiveness of the business incentive programs it administers.

Summary of Management's Response: LED disagrees with this recommendation. LED believes that the Information Clearinghouse concept and governing statute were developed prior to the full development of the Internet and so are now out of date. LED proposes posting informative performance reports covering business incentive programs on its website. By posting these reports, LED will provide the public full access to incentive performance information and outcomes, enabling interested citizens to review the effectiveness of the state's incentive programs.

APPENDIX A: TYPES AND COSTS OF THE BUSINESS INCENTIVE PROGRAMS LED ADMINISTERED, FISCAL YEAR 2008

The following information presents, by type and in descending order of cost to the state, the business incentive programs LED administered during fiscal year 2008.

Types and Costs of the Business Incentive Programs LED Administered			
Count	**Business Incentive Program**	**Cost to State FYE 2008**	**Program Objective**
Discretionary Incentives (11)			
1	**Industry Assistance Program**	$21,677,067	To provide a mechanism to reduce state taxes on a business to encourage the retention and modernization of the business.
2	**Rapid Response**	$7,942,137	The program is used for immediate funding of all or a portion of economic development projects as determined by the secretary and the governor. This program was established under Act 398 of 2005 legislative session.
3	**Small Business Loan Program**	$5,994,537	To stimulate the flow of private capital, long term loans, and other financial assistance for the sound financing of the development, expansion, and retention of small business concerns in Louisiana as a means of providing high levels of employment, income growth, and expanded economic activities.
4	**Venture Capital Match & Co-Investment Program**	$3,630,000	To encourage firms organized under the Louisiana Business and Industrial Development Corporation Act to invest in qualified businesses.
5	**Small Business Development Centers**	$814,957	To provide high quality business development assistance to small businesses and prospective small businesses through management and technical assistance involvement. All reports are provided to LED contract monitor.
6	**Tax Equalization Program**	$694,542	To encourage companies to either move to Louisiana or maintain operations in Louisiana rather than move to another state.
7	**Bonding Assistance Program**	$94,306	The Bonding Assistance Program provides assistance with new bond guarantees to small (primarily construction) businesses in Louisiana, creating an opportunity for the small businesses to bid on larger contracts than they would otherwise be able to bid.
8	**Louisiana Fast Start**	$0	To provide workforce solutions for companies that are new to the state or expand in the state. Developing and delivering customized workforce training programs that are designed to help select the best candidates in pre-employment, and then to train the new employees how to perform their jobs during post-employment training. The program provides technical, team, leadership and regulatory training programs to the company.

Types and Costs of the Business Incentive Programs LED Administered			
Count	**Business Incentive Program**	**Cost to State FYE 2008**	**Program Objective**
9	**Entertainment Workforce Development Program**	$0	Establishing Louisiana as a leader in the live performance industry (primarily concerts and live theatrical performances)
10	**Mega Fund**	$0	The program is used for immediate funding of all or a portion of economic development mega-projects as recommended by the secretary and the governor and subject to approval by the JLCB.
11	**Micro enterprise Development Program**	Federal Incentive - No direct cost to state	To alleviate poverty and create jobs by creating self sufficiency through self employment.
Non-Discretionary Incentives (14)			
1	**Enterprise Zone Program**	$54,933,236	The intent of the program is to stimulate employment for residents in depressed areas of the state which are designated as enterprise zones by providing tax incentives to a business hiring from these areas.
2	**Motion Picture Investor Tax Credit**	$48,801,046	Attract private investment for production and increase employment opportunities in the motion picture industry.
3	**Quality Jobs Program**	$46,255,263	To provide benefits used primarily as an inducement for businesses to locate or expand existing operations in Louisiana; to support employers who will make significant contributions to the development of the economy of the state; and to increase opportunities for the creation of new direct jobs as the result of the employer locating or expanding existing operations in the state.
4	**Research & Development Tax Credit Program**	$9,743,686	Created to encourage the development, growth and expansion of the private sector within the state and encourage new and continuing efforts to conduct research and development activities within the state.
5	**Motion Picture Infrastructure Tax Credit**	$7,005,700 *****	To build a strong support system of viable motion picture infrastructure to service our growing industry.
6	**Angel Investor Tax Credit Program**	$1,246,465	To encourage third parties to invest in early stage wealth-creating Louisiana businesses; expand economy; enlarge number of quality jobs; and retain Louisiana educated youth.
7	**Sound Recording Investor Tax Credit Program**	$102,939	Encourage investment in state-certified musical recording productions and infrastructure. (Encourages increased employment opportunities within this sector and increased global competition in fully developing economic development options within the music and recording industries.)

Types and Costs of the Business Incentive Programs LED Administered			
Count	**Business Incentive Program**	**Cost to State FYE 2008**	**Program Objective**
8	**Digital Interactive Media Production Tax Credit**	$75,803	The primary objective of this program is to encourage development in Louisiana of a strong capital base for the production of digital interactive media in order to achieve a more independent, self-supporting industry.
9	**Musical and Theatrical Production Tax Credit**	$31,000	Establishing Louisiana as a leader in the live performance industry (primarily concerts and live theatrical performances).
10	**Atchafalaya Tax Credits**	$9,964	To encourage sustainability of small heritage or cultural based businesses located in the Heritage Area.
11	**Mentor-Protégé Tax Credit**	$8,444	To build capacity of small and emerging businesses by partnering them with larger capacity businesses for knowledge and skill building and competency transfer.
12	**Technology Commercialization Credit & Jobs Program**	$5,000	(1) To induce companies purchasing the rights to commercialize technology produced at a Louisiana university to locate and grow their businesses in Louisiana. (2) To expand the economy of the state by enlarging its base of technology and research-based businesses. (3) To enlarge the number of quality jobs available to an educated workforce to retain the presence of young people educated in Louisiana colleges and universities. (4) To attract and retain the finest research faculty to Louisiana universities.
13	**Industrial Tax Exemption Program**	Local Tax Abatement - No direct cost to the state.	To encourage industrial growth while temporarily eliminating the overhead of additional property taxes on new investments; to encourage use, purchase and contract for machinery, supplies and equipment manufactured in Louisiana or, in the absence of Louisiana manufacturers, sold by Louisiana residents, and to the use of Louisiana contractors and labor in the construction and operation of proposed tax exempt facilities.
14	**Restoration Tax Abatement**	Local Tax Abatement - No direct cost to the state.	To encourage the expansion, restoration, improvement, and development of existing commercial structures and owner-occupied residences in downtown, historic, and economic development districts.
Hybrid Incentives (4)**			
1	**Economic Development Awards Program/ Economic Development Loan Program**	$6,889,662	Provide infrastructure funding assistance for EDAP projects and building, equipment funding for EDLOP projects, in order to spur job and payroll growth.
2	**Small and Emerging Business Development Program**	$659,339	To provide the maximum opportunity for small and emerging businesses to become competitive. Also we provide procurement opportunity information of doing business with State Purchasing/LaPAC system.

Types and Costs of the Business Incentive Programs LED Administered			
Count	**Business Incentive Program**	**Cost to State FYE 2008**	**Program Objective**
3	**Workforce Development Program**	$619,653	The purpose of the program is to enable the development of and provide customized workforce training programs to existing and prospective Louisiana businesses as a means of (1) improving the competitiveness and productivity of Louisiana's workforce and business community; and (2) assisting Louisiana businesses in promoting employment stability.
4	**Hudson Initiative**	N/A - There are no services beyond initial certification.	To facilitate the growth and stability of Louisiana's economy by fostering utilization by state interests of the business offerings available for state procurement and public contracts from Louisiana's small entrepreneurships.
29	**Total Cost to State**	**$217,234,746**	

***** This is the cost from FYE 2007. We were not given the cost for FYE 2008 for this program.
****** Hybrid incentives have both discretionary and non-discretionary elements (e.g., statutory rules determine eligibility while LED determines award amount).
Source: Prepared by legislative auditor's staff using information provided by LED and the LDR 2008 Tax Exemption Budget Report.

APPENDIX B: MANAGEMENT'S RESPONSE

B.2

LED | LOUISIANA ECONOMIC DEVELOPMENT

Bobby Jindal
Governor

Stephen Moret
Secretary

March 19, 2010

Mr. Daryl G. Purpera, CPA
Temporary Legislative Auditor
Louisiana Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

We agree with a general theme presented in the performance audit of the Louisiana Department of Economic Development (LED) regarding Business Incentive Programs, namely the usefulness of publicly-available reporting of meaningful performance information for incentive programs administered by the department. Upon arriving at LED, our management team discovered that detailed incentive performance reporting had not recently been a major focus of the department and that much of the reporting had not been updated or improved for many years. To this end, we have been working for some time to develop more streamlined incentive performance tracking systems and to implement a number of new reports for the Louisiana Legislature and the public regarding the outcomes delivered through incentive programs. In fact, we recently refocused an existing position to create a Director of Contract Performance to augment LED's performance reporting on projects involving discretionary incentives (e.g., Rapid Response Fund, Mega-Project Development Fund).

However, we respectfully disagree with many of the characterizations, conclusions, and recommendations included in the performance audit. For example, the performance audit asserts that "neither the public nor the Legislature is aware of the benefits the state receives from the incentives LED administers." LED, through its historical reporting, has provided the Legislature and the public with outcome-oriented performance information on approximately 99 percent of the incentives that have statutory provisions calling for public reports (see table on following page). Through improvements underway, LED will soon be providing outcome-oriented performance information on 100 percent of the incentive programs administered by the department. Additionally, LED respectfully disagrees with the assertion that LED is required by statute to "evaluate and report on the effectiveness of the business incentive programs the department administers." As illustrated in Attachment 1, the various incentive programs have very different reporting requirements, with only one specific program (Enterprise Zone) associated with statute that calls for LED to attempt to perform a general assessment of the effectiveness of the program.

HISTORICAL LED REPORTING ON INCENTIVE PROGRAMS WITH STATUTORY REPORTING REQUIREMENTS

Incentive Programs with Statutory Reporting Requirements	LED Publicly Reporting?	Estimated Incentives or Assistance ($'s, FY2008)*
Enterprise Zone Program	Y	$54,933,236
Motion Picture Investor Tax Credit	Y	$48,801,046
Quality Jobs Program	Y	$46,255,263
Rapid Response Fund	Y	$7,942,137
Motion Picture Infrastructure Tax Credit	Y	$7,005,700
Economic Development Awards Program/Economic Development Loan Program	Y	$6,889,662
Small Business Loan Program	Y	$5,994,537
Venture Capital Match & Co-Investment Program	Y	$3,630,000
Angel Investor Tax Credit Program	N	$1,246,465
Workforce Development Program	Y	$619,653
Sound Recording Investor Tax Credit Program	Y	$102,939
Musical and Theatrical Production Tax Credit	Y	$31,000
Mentor-Protégé Tax Credit	N	$8,444
Entertainment Workforce Development Program	Y	$0
Mega Project Development Fund	Y	$0
Incentives with LED public reporting		$182,205,173 (~99%)
Incentives without LED public reporting		$1,254,909 (~1%)

* Louisiana Legislative Auditor performance audit of the Louisiana Department of Economic Development (LED), Business Incentive Programs

As indicated above, LED has been working for some time to develop and implement a number of new reports for the Legislature and the public regarding the outcomes delivered through incentive programs. In particular, new reports include:

- Annual Economic Highlights report: This report, produced in its entirety for the first time for 2009, provides annual economic development highlights for Louisiana and follows with an overview of each business incentive and assistance program administered by LED. For each business incentive and assistance program, a brief description of the program's objective and calendar year performance information are included. The performance information includes annual activity levels and other outcomes, illustrating the impact being delivered through the various programs (Attachment 2)

- Enterprise Zone (EZ) Program Annual Report: LED has historically reported activity levels associated with the EZ program through several different public documents, including the Executive Budget Supporting Document and Board of Commerce and Industry (C&I) board materials. The EZ Program Annual Report, produced for the first time for 2009, augments LED's historical reporting on the EZ program with more detailed performance information, evaluations of a number of aspects of the program, and suggestions for improvements (Attachment 3).
- Quarterly summary report covering Rapid Response and Mega-Fund project performance: This report will highlight, in a simple and easy-to-understand format, each active Rapid Response and Mega-Fund project's performance relative to agreed-to targets (e.g., jobs, payroll). LED intends to produce this report on a quarterly basis, deliver the report to the Legislature, and post the report on LED's website www.louisianaeconomicdevelopment.com. The first version of this new summary report, produced for the fourth quarter of 2009, will be released in the next few weeks.

The new reports referenced above supplement the incentive performance information that has historically been provided by LED through a number of public documents including:

- Annual Executive Budget Supporting Documents
- Semi-annual Rapid Response Report to the Joint Legislative Committee on the Budget (JLCB)
- Semi-annual Mega Project Development Fund Report to JLCB
- Board of Commerce and Industry (C&I) board meeting documents, with summary performance data presented in the notices and agendas and detailed information on each incentive approval included in board packages
- Louisiana Economic Development Corporation (LEDC) board meeting documents and quarterly reports to JLCB
- Periodic presentations to Legislative committees (e.g., JLCB, Joint Commerce Committee, House Appropriations Business Development Subcommittee)

As mentioned above, LED respectfully disagrees with many of the characterizations, conclusions, and recommendations included in the performance audit. For example, the performance audit asserts that "neither the public nor the Legislature is aware of the benefits the state receives from the incentives LED administers." LED, through its historical reporting, has provided the Legislature and the public with outcome-oriented performance information on approximately 99 percent of the incentives that have statutory provisions calling for public reports. With the addition of the above-mentioned reports, LED is now providing outcome-oriented performance information on 100 percent of the incentive programs administered by the department. LED's historical reports have enabled the Legislature and the public to understand the benefits the state receives from the incentives LED administers. The newly developed reports should help build additional clarity and understanding with regards to these benefits.

Additionally, LED respectfully disagrees with the assertion that LED is required by statute to "evaluate and report on the effectiveness of the business incentive programs the department administers." Included as Attachment 1 is a summary of the statutorily required reports covering LED business incentive programs. As illustrated in the summary, the different programs have very different reporting requirements, with only one specific program (Enterprise Zone) associated with statute that calls for LED to attempt to perform a general assessment of the effectiveness of the program. This Enterprise Zone assessment is included as a component of the EZ Program Annual Report (Attachment 3). Additionally, the statute associated with the biennial unified economic development budget report does not call upon LED to perform an evaluation or report on the effectiveness of business incentive programs (topic covered in more detail later in this response).

Additionally, LED respectfully disagrees with some of the performance audit's characterizations of LED's incentive performance data collection, monitoring, and reporting efforts. For example, the performance audit asserts that "during the audit LED provided programmatic data for ten of the 29 business incentive programs LED administers." However, during its work with the Legislative Auditor team, LED provided outcome-oriented performance information on all 29 business incentive programs covered by the performance audit, not just ten programs. The performance audit also asserts that "data for five of these programs was located in Executive Budget Supporting Documents." However, the Executive Budget documents include performance information for 15 LED administered incentive and assistance programs, not just the five referenced in the performance audit.

Responses to each of the performance audit's specific recommendations are included below:

LLA Recommendation 1: LED management should fulfill the statutory requirements to evaluate and report on the effectiveness of Enterprise Zone and Quality Jobs business incentive programs. This will help ensure that the legislature has the information it needs to determine whether these programs are meeting their intended goals and whether the legislature should continue funding these programs.

LED Response: LED agrees that it should meet the reporting requirements included in the Enterprise Zone (EZ) and Quality Jobs (QJ) statute; however, LED disagrees with the performance audit's general characterization of these requirements as "to evaluate and report on the effectiveness" for both programs. Instead, the statutory requirements call upon LED to perform substantially different specific reporting tasks for the two programs (as reviewed in detail in the following paragraphs), with only the EZ program including reporting tasks focused on an evaluation of program effectiveness. In any event, LED has already issued the EZ Program 2009 Annual Report and plans to issue a 2009 Quality Jobs Report in the near future as described below.

LED has historically reported outcome-oriented performance information (e.g., new jobs, retained jobs, capital investment) for both the EZ and QJ programs as a component of its Annual Operational Plan, which is then incorporated into LED's Executive Budget documents – documents provided to the Legislature and made publicly available on the Division of Administration's web site (www.doa.louisiana.gov/OPB/pub/ebsd.htm). The performance data for these two programs has historically been aggregated with two other programs – the Industrial

Tax Exemption Program and the Restoration Tax Abatement Program – and described in these documents under the nomenclature "Business Incentives" projects. Separately, LED has summarized outcome-oriented performance data for each of the above four programs within its meeting notices and agendas for the Board of Commerce and Industry (C&I). More detailed information on each incentive approval is included in C&I board packages. C&I typically conducts public meeting six times a year, at which time performance information and individual applications are discussed and approved. LED is now also presenting separate performance data for each of these four programs in its newly developed Annual Economic Highlights report (Attachment 2 described earlier in this response).

The EZ statute includes the following language regarding LED reporting: "To submit an annual written report of activity in the enterprise zone program and the economic development zone program to the governor and the legislature. The secretary shall attempt to evaluate the success or lack of success of the programs and may submit suggestions for legislation to the governor and the legislature." LED agrees with the performance audit in that the EZ statutory language specifically calls for LED to attempt to "evaluate" program performance in addition to reporting on activity levels. To more directly address this statutory language and to supplement the EZ performance data included in LED's Executive Budget documents and C&I board documents, LED has prepared and submitted to the Legislature the EZ Program 2009 Annual Report (Attachment 3 described earlier in this response).

LED does not agree that the QJ statute calls for LED to perform an evaluation of program effectiveness. Instead, the statute states: "The Department of Economic Development shall prepare a report which shall include but not be limited to documentation of new direct jobs created under this Chapter and a fiscal analysis of the costs and benefits of the program to the state. In conducting such cost/benefit analysis, the department shall consider quantitative factors, such as the anticipated level of new tax revenues to the state along with the added cost to the state of providing services, and such other criteria as deemed appropriate by the department." The statute does not call for LED "to evaluate and report on the effectiveness" of the program as asserted in the performance audit.

Nevertheless, LED is planning to move forward with a more substantial annual report for the QJ program to more directly address the statutory language, to supplement the QJ performance data included in LED's Executive Budget documents and C&I board documents, and to evaluate and report on the effectiveness of the program as recommended in the performance audit. The report is expected to include program activity levels, estimated new direct jobs, a fiscal analysis of the costs and benefits of the program, recommendations to the Legislature for improvement, program performance, success or failure, and economic impact (as outlined on Page 3 of the performance audit). The development and publication of this new QJ report (expected to be released over the next two to four months), combined with the completed EZ Program 2009 Annual Report, will position LED to have implemented the performance audit Recommendation 1 in the near future.

LLA Recommendation 2: LED management should fulfill the statutory requirement for the Biennial Unified Economic Development Budget report to evaluate and report on the effectiveness of the business incentive programs the department administers.

LED Response: LED respectfully disagrees with Recommendation 2 based on the specific language included in statute. The statute governing the Biennial Unified Economic Development Budget report does not require LED to "evaluate and report on the effectiveness" of any business incentive program. Instead, the statute describes the following specific tasks:

- "The Department of Economic Development shall issue a biennial unified economic development budget report which shall be prepared by an independent economist selected by and under contract with the division of administration"
- "The Department of Economic Development and the Division of Administration shall provide the following by November 15, 2003…:
    - A list of all the state economic development programs which shall be included in the report, as recommended by the Louisiana Economic Development Council and the division, and submitted only after it has been subjected to public comment at a public meeting held before November 1, 2003.
    - A written assessment of their ability to access, collect, and analyze the information necessary to create the report provided for in this Section."

In summary, LED's responsibilities include 1) issuing a report once it is fully prepared by an independent economist selected by the Division of Administration (DOA) and 2) providing a specific set of information in 2003. Any responsibility to "evaluate and report on the effectiveness" of business incentive programs as part of the Biennial Unified Economic Development Budget report resides with an independent economist selected by and under contract with DOA. The independent economist is responsible for preparing the contents of the report, including any evaluations of program effectiveness. If LED performed the evaluation and reporting responsibilities, it would be operating in direct conflict with the statute.

LLA Recommendation 3: LED management should coordinate with DOA officials to ensure an independent economist is hired to assist in completing the statutorily required budget report.

LED Response: LED respectfully disagrees with Recommendation 3 based on the specific language included in statute. As described above, LED has specific responsibilities regarding the Biennial Unified Economic Development Budget report focused on 1) issuing a report once it is fully prepared by an independent economist and 2) providing a specific set of information in 2003.

The coordination of the hiring of an independent economist to complete the Biennial Unified Economic Development Budget report is not one of LED's responsibilities. In fact, it seems to us that the natural legislative interpretation of requiring DOA to select an independent economist would be in part to ensure that there is not a conflict of interest with LED selecting an economist to evaluate its own programs.

LLA Matter for Legislative Consideration: The legislature should clarify state law relative to the Biennial Unified Economic Development Budget Report to specify the number of programs LED must evaluate and report on each year, including the timeframe in which LED must cover all of the business incentive programs it administers. This will provide LED with clear guidance on what business incentive programs it needs to evaluate and the timeframe in which it needs to evaluate them.

LED Response: LED agrees that value could be gained through additional clarification of state law regarding LED reporting on incentive programs. However, LED does not agree that this clarification should be made through the statute covering the Biennial Unified Economic Development Budget Report since the Biennial Report is to be prepared by an independent economist, not LED. The hiring of an independent economist to evaluate and report on the effectiveness of all business incentive programs could entail significant new costs to the State. LED estimates that this independently produced report could cost up to $1 million for the initial report and anywhere from $300,000 - $600,000 per year for subsequent years' reports.

As an alternative solution, LED is beginning to coordinate with legislators regarding a comprehensive LED incentive performance report with relatively uniform reporting requirements across the multiple incentive programs LED administers. LED envisions that the comprehensive report will build upon the information it has included in its Annual Economic Highlights report (Attachment 2). Additionally, LED envisions structuring the report so that it can be produced in-house with existing department funding and resources. This approach will help ensure that LED improves publicly-available reporting of performance information for its incentive programs, while also avoiding the potential of having to divert funding and resources away from important job-creation activities to produce the report.

LLA Recommendation 4: LED management should fulfill the legislature's request to evaluate and report on the effectiveness of the tax exemptions and tax credits enacted by the legislature.

LED Response: LED agrees that it should develop a process to annually report on the effectiveness of the business incentive and assistance programs that it administers. LED, through its historical reporting, has provided the Legislature and public with outcome-oriented performance information on approximately 99 percent of the incentives that have statutory provisions calling for public reports, demonstrating the effects generated by these programs. LED's historical reporting has included: the annual Executive Budget Supporting Document, semi-annual reports on the Rapid Response Fund and Mega Project Development Fund, C&I Board documents, Louisiana Economic Development Corporation reports, and presentations to Legislative committees. To supplement these reports so that 100 percent of the incentive programs administered by LED are addressed, and to more clearly and concisely present incentive program performance information, LED has produced its Annual Economic Highlights report (Attachment 2) and intends to produce this report annually on a go-forward basis. The report includes a narrative overview of the year's economic development highlights for Louisiana and follows with an annual overview of each business incentive and assistance program administered by LED. For each business incentive and assistance program, a brief description of the program's objective and calendar year performance information are included. The performance information includes annual activity levels and outcomes to illustrate the effectiveness of each program.

LLA Matter for Legislative Consideration: The legislature should consider enacting HCR 9 into state law to require LED to evaluate the effectiveness of, and publicly report on, all of the business incentives it administers. This will ensure it has the information it needs to make informed decisions regarding the funding or discontinuation of the tax exemptions and credits it enacts.

LED Response: As described under the Matter for Legislative Consideration for performance audit Recommendation 3, LED agrees that value could be gained through additional clarification of state law regarding LED reporting on incentive programs. LED is beginning to coordinate with legislators regarding a comprehensive LED incentive performance report with relatively uniform reporting requirements across the multiple incentive programs LED administers. LED envisions that the comprehensive report will build upon the information it has included in its Annual Economic Highlights report (Attachment 2). Additionally, LED envisions structuring the report so that it can be produced in-house with existing department funding and resources. This approach will help ensure that LED improves publicly-available reporting of performance information for its incentive programs, while also avoiding the potential of having to divert funding and resources away from important job-creation activities to produce the report.

LLA Recommendation 5: LED management should fulfill the statutory requirement relative to the Information Clearinghouse to inventory, identify, organize, consolidate, and centralize access for all data related to economic development, economic modeling, and strategic economic development.

LED Response: LED respectfully disagrees with this recommendation based on the specific language included in statute. The concept of the Information Clearinghouse, including its governing statute, was developed over 15 years ago prior to the extraordinary evolution of the internet seen during the late 1990s and over the last decade. In particular, the Information Clearinghouse concept was developed prior to the wide availability of high-powered internet search engines (e.g., Google). LED makes available to the public the economic development information envisioned by the Information Clearinghouse through its web site www.louisianaeconomicdevelopment.com. LED's web site includes:

- economic statistics and trends for the state and its regions
- detailed profiles for each parish within the state
- overviews of the state's incentive programs
- information and data on available sites and buildings throughout the state
- geospacial data downloads for delivery of GIS-ready data for developers and consultants
- workforce information by parish
- business tax information
- incentive advance notifications and applications via FastLane, LED's online financial and tax incentive programs application and approval tracking tool
- other information relevant to economic development within the state

Other economic data and statistics maintained by the Federal government, universities, non-profits, other State departments, and private industry can be accessed by interested individuals through basic internet searches. In summary, LED's website, combined with other internet resources, is effectively the Information Clearinghouse for state economic development data. Finally, nothing in the clearinghouse of information (as currently implemented through LED's website and other internet resources, or as described in the Information Clearinghouse statute) provides the department or public with subjective evaluations of the effectiveness of incentive programs as being suggested in the performance audit. Rather, LED would have to perform a case-by-case analysis of each program to develop these evaluations. Given the dated nature of the Information Clearinghouse concept, LED recommends that the Legislature remove the Information Clearinghouse statute at a convenient time as a housekeeping measure. In the meantime, LED intends to update a master plan that identifies LED's website, combined with other internet resources, as the Information Clearinghouse for state economic development data.

LLA Recommendation 6: LED management should use the information it collects in the Information Clearinghouse to fulfill its statutory requirements to evaluate the effectiveness of the business incentive programs it administers.

LED Response: LED respectfully disagrees with this recommendation based on the specific language included in statute. As described above, LED believes that the Information Clearinghouse concept and governing statute were developed prior to the full development of the internet and so are now out-of-date. Instead of LED using "information it collects in the Information Clearinghouse to…evaluate the effectiveness of…incentive programs" as recommended by the performance audit, LED proposes posting informative performance reports covering business incentive programs on its web site at www.louisianaeconomicdevelopment.com. The reports posted would include those reports included as attachments to this response (Attachments 2-3), as well as other reports focused on the impacts and effectiveness of the incentive programs administered by LED. By posting these reports, LED will provide the public full access to incentive performance information and outcomes, enabling interested citizens to review the effectiveness of the state's incentive programs. These publicly available reports will leverage the outcome-oriented performance information that is currently recorded in LED's internal incentive management systems and quarterly performance monitoring system.

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In summary, we agree with a general theme presented in the performance audit regarding the usefulness of publicly-available reporting of meaningful performance information for the incentive programs administered by LED. However, we respectfully disagree with a number of characterizations included in the performance audit and disagree with a number of the specific recommendations. LED, through its historical reporting, has provided the Legislature and the public with outcome-oriented performance information on approximately 99 percent of the incentives that have statutory provisions calling for public reports. Additionally, LED has been working for some time to develop more streamlined incentive performance tracking systems and to implement a number of new reports to the Legislature and the public (through LED's website) regarding the outcomes being delivered through its incentive programs. LED recently refocused an existing position to create a Director of Contract Performance to augment performance reporting on projects involving discretionary incentives (e.g., Rapid Response Fund, Mega-Project Development Fund). Newly developed reports, which will be refined and augmented over time, are included as attachments to this response. With the addition of the above-mentioned reports, LED is now providing outcome-oriented performance information on 100 percent of the incentive programs administered by the department.

We have very much enjoyed working with the Legislative Auditor team over the last year on the performance audit of LED regarding Business Incentive Programs. We thank you and your team for your professionalism in working with our department.

Sincerely,

Stephen Moret

Stephen Moret
Secretary

Attachment 1

SUMMARY OF STATUTORY REPORTING REQUIREMENTS – THE LOUISIANA DEPARTMENT OF ECONOMIC DEVELOPMENT (LED) AND THE LOUISIANA ECONOMIC DEVELOPMENT CORPORATION (LEDC)

Incentive Program	Report Required?	LED Currently Reporting?	Summary of Required Report Content
Discretionary Incentives (11)			
1 Industry Assistance Program	N	N	-
2 Rapid Response	Y	Y	Actual expenditures
3 Small Business Loan Program	Y	Y	LEDC activities
4 Venture Capital Match & Co-Investment Program	Y	Y	LEDC activities
5 Small Business Development Centers	N	Y	-
6 Tax Equalization Program	N	N	-
7 Bonding Assistance Program	N	Y	-
8 Louisiana Fast Start	N	Y	-
9 Entertainment Workforce Development Program	Y	Y	LEDC activities
10 Mega Fund	Y	Y	Actual expenditures
11 Micro-enterprise Development Program (Federal Incentive)	N	N	-
Non-Discretionary Incentives (14)			
12 Enterprise Zone Program	Y	Partial*	Activity, evaluate program success
13 Motion Picture Investor Tax Credit	Y	Y	Eco. impact
14 Quality Jobs Program	Y	Partial*	New jobs, cost/benefit analysis
15 Research & Development Tax Credit Program	N	N	-
16 Motion Picture Infrastructure Tax Credit	Y	Y	Eco. impact (TxCr, new jobs, payroll)
17 Angel Investor Tax Credit Program	Y	N	Eco. impact (Investments, TxCr, payroll, sales tax)
18 Sound Recording Investor Tax Credit Program	Y	Y	Eco. impact (TxCr, new jobs, payroll, new infra.)
19 Digital Interactive Media Production Tax Credit	N	Y	-
20 Musical and Theatrical Production Tax Credit	Y	Y	Eco. impact (TxCr, new jobs, payroll, new infra.)
21 Atchafalaya Tax Credits	N	N	-
22 Mentor-Protégé Tax Credit	Y	N	Activities (participant-supplied info)
23 Technology Commercialization Credit & Jobs Program	N	N	-

Incentive Program	Report Required?	LED Currently Reporting?	Required Report Content
24 Industrial Tax Exemption Program	N	Y*	-
25 Restoration Tax Abatement	N	Y*	-
Hybrid Incentives (4)			
26 Economic Development Awards Program /Economic Development Loan Program	Y	Y	LEDC activities
27 Small and Emerging Business Development Program	N	N	-
28 Workforce Development Program	Y	Y	LEDC activities
29 Hudson Initiative	N	N	-

* Number of projects approved, number of permanent jobs, number of construction jobs, and capital investment are reported in aggregate for Business Incentives (EZ, QJ, ITEP, RTA) in LED's Executive Budget documents and are reported for each individual incentive program in C&I board documents presented during public C&I board meetings (six meetings per year)

LED/LEDC STATUTORY REPORTING REQUIREMENTS -

1 Industry Assistance Program:

La.R.S.47:4303(B) . . . The board shall forward its recommendations, together with the proposed contract between the board and the applicant and all other supporting documents to the Department of Economic Development, to the governor and the Legislative Budget Committee, to the assessor and to each member of the legislature, and to the governing authority of said political subdivision prior to action by the governor thereon.

2 Rapid Response Fund:

La.R.S.51:2361(B)(2) . . . . The secretary shall report to the Joint Legislative Committee on the Budget twice yearly, on the first day of October and the first day of April, with respect to all actual expenditures of monies appropriated from the fund. The secretary shall include in these reports any other information which the committee may require with respect to use of monies appropriated from the fund.

3 Small Business Loan Program:

[LEDC general authority/general reporting requirements]

La.R.S.51:2319. The corporation shall transmit to the governor and chairmen of the House Committee on Commerce, the Senate Committee on Commerce, Consumer Protection, and International Affairs, and the Joint Legislative Committee on the Budget a quarterly status report of its activities. The report shall include but not be limited to information on name and location of all approved applicants, amount and type of financial assistance granted, type of project or product being financed, number of net new jobs created or retained, duration of financial assistance, amount of financial support other than state resources, and the status of any other loans of the corporation. The report shall not include information exempt from disclosures provided by law.

4 Venture Capital Match & Co-Investment Program:

[LEDC general authority/general reporting requirements]

La.R.S.51:2319. The corporation shall transmit to the governor and chairmen of the House Committee on Commerce, the Senate Committee on Commerce, Consumer Protection, and International Affairs, and the Joint Legislative Committee on the Budget a quarterly status report of its activities. The report shall include but not be limited to information on name and location of all approved applicants, amount and type of financial assistance granted, type of project or product being financed, number of net new jobs created or retained, duration of financial assistance, amount of financial support other than state resources, and the status of any other loans of the corporation. The report shall not include information exempt from disclosures provided by law.

5 Small Business Development Centers:

[LED general authority; no program-specific reporting requirements]

6 Tax Equalization Program:

La.R.S.47:3204(B)(1)(b)(iii). . . the Board of Commerce and Industry shall forward its recommendations, together with the proposed *[renewal]* contract and all supporting documents, to the Department of Economic Development and the Joint Legislative Committee on the Budget. Upon receipt of the recommendations and proposed contract, the Joint Legislative Committee on the budget shall have thirty days to approve or reject the renewal contract.

7 Bonding Assistance Program:

La.R.S.51:942(B)(2) *[no program-specific reporting requirements]*

8 Louisiana Fast Start:

[LED general authority; no program-specific reporting requirements]

9 Entertainment Workforce Development Program:

[LED & LEDC general authority; LEDC general reporting requirements]

La.R.S.51:2319. The corporation shall transmit to the governor and chairmen of the House Committee on Commerce, the Senate Committee on Commerce, Consumer Protection, and International Affairs, and the Joint Legislative Committee on the Budget a quarterly status report of its activities. The report shall include but not be limited to information on name and location of all approved applicants, amount and type of financial assistance granted, type of project or product being financed, number of net new jobs created or retained, duration of financial assistance, amount of financial support other than state resources, and the status of any other loans of the corporation. The report shall not include information exempt from disclosures provided by law.

10 Mega Fund:

La.R.S.51:2365(D). . . The secretary shall report to the Joint Legislative Committee on the Budget twice yearly, on the first day of October and the first day of April, with respect to all actual expenditures of monies appropriated from the fund. The secretary shall include in these reports any other information which the committee may require with respect to use of monies appropriated from the fund.

11 Micro-enterprise Development Program:

[LED general authority; no program-specific statutory provisions]

12 Enterprise Zone Program:

R.S. 51:1786. Duties of the department. . . (4) To submit an annual written report of activity in the enterprise zone program and the economic development zone program to the governor and the legislature. The secretary shall attempt to evaluate the success or lack of success of the programs and may submit suggestions for legislation to the governor and the legislature. This report shall be embodied in a master report of the activities of all tax abatement programs administered by the Department of Economic Development, which shall be submitted no later than March first of each year.

13 Motion Picture Investor Tax Credit:

La.R.S.47:6007(D)(6) With input from the Legislative Fiscal Office, the office shall prepare a written report to be submitted to the Senate Committee on Revenue and Fiscal Affairs and the House of Representatives Committee on Ways and Means no less than sixty days prior to the start of the Regular Session of the Legislature in 2007, and every second year thereafter. The report shall include the overall impact of the tax credits, the amount of the tax credits issued, the number of net new jobs created, the amount of Louisiana payroll created, the economic impact of the tax credits and film industry, and any other factors that describe the impact of the program.

14 Quality Jobs Program:

La..S.51:2461. Report of effect of Louisiana Quality Jobs Program Act; application deadline

A. The Department of Economic Development shall prepare a report which shall include but not be limited to documentation of new direct jobs created under this Chapter and a fiscal analysis of the costs and benefits of the program to the state. In conducting such cost/benefit analysis, the department shall consider quantitative factors, such as the anticipated level of new tax revenues to the state along with the added cost to the state of providing services, and such other criteria as deemed appropriate by the department. The requirements of this report shall be satisfied if the department submits a biennial report that contains the information listed in this Section. The report shall be submitted to the president of the Senate, the speaker of the House of Representatives, the governor of this state, and the David R. Poynter Legislative Research Library as provided in R.S. 24:772 no later than March first of each year.

15 Research & Development Tax Credit Program:

La.R.S.47:6015 *[no program-specific reporting requirements]*

16 Motion Picture Infrastructure Tax Credit:

La.R.S.47:6007(D) *[pre-1/1/09 version]* (6) With input from the Legislative Fiscal Office, the office shall prepare a written report to be submitted to the Senate Committee on Revenue and Fiscal Affairs and the House of Representatives Committee on Ways and Means no less than sixty days prior to the start of the Regular Session of the Legislature in 2007, and every second year thereafter. The report shall include the overall impact of the tax credits, the amount of the tax credits issued, the number of net new jobs created, the amount of Louisiana payroll created, the economic impact of the tax credits and film industry, the amount of new infrastructure that has been developed in the state, and any other factors that describe the impact of the program.

17 Angel Investor Tax Credit Program:

La.R.S.47:6020.4 The secretary of the Department of Economic Development shall report to the House Committees on Commerce and Ways and Means and the Senate Committees on Commerce, Consumer Protection, and International Affairs and Revenue and Fiscal Affairs two months prior to each regular session of the legislature on the activities resulting from the Angel Investor Tax Credit Program with information provided to the secretary annually by the Louisiana Entrepreneurial Business. The report shall include but not be limited to the following:

(1) The total amount of capital invested into Louisiana Entrepreneurial Businesses as a result of this program.

(2) An estimate of the total direct and indirect economic impact on Louisiana for the Louisiana Entrepreneurial Businesses receiving an investment based upon the data collected in this Section.

(3) The following information shall be reported to the Department of Economic Development by each Louisiana Entrepreneurial Business that received an investment from an angel investor. The information shall be reported annually for five years following the investment.

(a) The amount invested into the business by the angel investor or investors.

(b) The actual number of and gross payroll for the net new permanent full-time and part-time jobs created each year after the investment was received.

(c) The dollar amount of new capital investment by the company made in the state.

(d) The actual number and gross payroll of net jobs retained, if any, as compared to the number and payroll of jobs existing prior to the investment.

(e) Wage rates and benefits of the new permanent full-time and part-time jobs created, and those of the jobs retained.

(f) Gross sales and tax revenues generated by each company receiving an investment, as verified by the Department of Revenue.

18 Sound Recording Investor Tax Credit Program:

La.R.S.47:6023(E)(5) With input from the Legislative Fiscal Office, the Louisiana Department of Economic Development shall prepare a written report to be submitted to the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs no less than sixty days prior to the start of the Regular Session of the Legislature in 2007, and every second year thereafter. The report shall include the overall impact of the tax credits, the amount of the tax credits issued, the number of new jobs created, the amount of Louisiana payroll created, the economic impact of the tax credits and music industry, the amount of new infrastructure that has been developed in the state, and any other factors that describe the impact of the program.

19 Digital Interactive Media Production Tax Credit:

La.R.S.47:6022 *[no program-specific reporting requirements]*

20 Musical and Theatrical Production Tax Credit:

La.R.S.47:6034(G) The Department of Economic Development shall prepare, with input from the Legislative Fiscal Office, a written report to be submitted to the Senate Committee on Revenue and Fiscal Affairs and the House of Representatives Committee on Ways and Means no less than sixty days prior to the start of the Regular Session of the Legislature in 2008, and every second year thereafter. The report shall include the overall impact of the tax credits, the amount of the tax credits issued, the number of net new jobs created, the amount of Louisiana payroll created, the economic impact of the tax credits and the state-certified musical and theatrical productions and infrastructure projects, the amount of new infrastructure that has been developed in the state, and any other factors that describe the impact of the program.

21 Atchafalaya Tax Credits:

[Board of Commerce & Industry enters contracts underLa.RS.25:1226.4, but reporting is the duty of the Atchafalaya Trace Commission (within CRT) – La.R.S.25:1226.6(B) The commission shall periodically monitor the implementation and operation of the provisions of this Part. Prior to the cessation of activities as provided for in Subsection A of this Section, the commission shall provide written evaluation of the program and its economic impact on the development zone to the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs. The written evaluation shall be utilized by the legislature to determine whether to continue the effectiveness of this Part and whether to create similar development zones in other heritage areas in the state.

22 Mentor-Protégé Tax Credit:

La.R.S.47:6027(F) The secretary of the Department of Economic Development shall report to the House committees on commerce and ways and means and the Senate committees on commerce, consumer protection, and international affairs and revenue and fiscal affairs two months prior to each regular session of the legislature on the activities resulting from the Mentor-Protégé Tax Credit Program with information provided to the secretary annually by the mentors and protégé.

23 Technology Commercialization Credit & Jobs Program:

La.R.S.51:2351 et seq. *[no program-specific reporting requirements]*

24 Industrial Tax Exemption Program:

La.Const.Art.VII, §21(F); La.R.S.47:1703(A) *[no program-specific reporting requirements]*

25 Restoration Tax Abatement:

La.Const.Art.VII, §21(H); La.R.S.47:4311 *[no program-specific reporting requirements]*

26 Economic Development Awards Program /Economic Development Loan Program:

La.R.S.51:2341(D)(2) All approved applications shall be presented to the Joint Legislative Committee on the Budget, the House Committee on Commerce, and the Senate Committee on Commerce, Consumer Protection, and International Affairs in the corporation's quarterly report in accordance with the provisions of R.S. 51:2319.

La.R.S.51:2319. The corporation shall transmit to the governor and chairmen of the House Committee on Commerce, the Senate Committee on Commerce, Consumer Protection, and International Affairs, and the Joint Legislative Committee on the Budget a quarterly status report of its activities. The report shall include but not be limited to information on name and location of all approved applicants, amount and type of financial assistance granted, type of project or product being financed, number of net new jobs created or retained, duration of financial assistance, amount of financial support other than state resources, and the status of any other loans of the corporation. The report shall not include information exempt from disclosures provided by law.

27 Small and Emerging Business Development Program:

La.R.S.51:941 et seq. *[no program-specific reporting requirements]*

28 Workforce Development Program:

La.R.S.51:2337(D) All approved applications shall be presented to the Joint Legislative Committee on the Budget, the House Committee on Commerce, and the Senate Committee on Commerce, Consumer Protection, and International Affairs in the corporation's quarterly report in accordance with the provisions of R.S. 51:2319.

La.R.S.51:2319. The corporation shall transmit to the governor and chairmen of the House Committee on Commerce, the Senate Committee on Commerce, Consumer Protection, and International Affairs, and the Joint Legislative Committee on the Budget a quarterly status report of its activities. The report shall include but not be limited to information on name and location of all approved applicants, amount and type of financial assistance granted, type of project or product being financed, number of net new jobs created or retained, duration of financial assistance, amount of financial support other than state resources, and the status of any other loans of the corporation. The report shall not include information exempt from disclosures provided by law.

29 Hudson Initiative:

La.R.S.39:2006 *[LED certifies small entrepreneurships; reports graduation rates to COA; COA reports to Legislature]*

Attachment 2

Selected Economic Highlights for 2009
Dec. 31, 2009

<u>The Economic Year in Review:</u> ***Continuing a trend that began early last year, Louisiana's economy in 2009 once again outperformed the South and the nation. Unemployment rates remained well below that of the South and U.S., and employment held relatively stable, down about one percent since January 2008 versus about five percent for the South and U.S. overall. Despite the national recession, business development results for 2009 were even better than in 2008, which itself was an award-winning year. Dozens of companies announced significant expansions or relocations in 2009, kicking off projects that will result in more than 21,000 new jobs, $2.5 billion in new capital investment, $53 million per year in new state tax revenues, and billions of dollars in new sales for small businesses. Recent corporate headquarters successes continued, with several expansions as well as new additions to the Fortune 500 and 1000 lists. National rankings improved again, while new programs and policy reforms increased Louisiana's economic competitiveness. Although the nation awaits a significant jobs recovery, Louisiana is well positioned to secure new business investment in 2010 and will experience significant job growth from projects announced in 2008 and 2009. In the year ahead, business retention efforts will remain a top priority for Louisiana Economic Development, which also will expand its focus on cultivating new growth industries.***

Outperforming the U.S. and the South

By any reasonable measure, Louisiana's economy has outperformed the South and the U.S. since the beginning of the national recession.

- Louisiana's unemployment rate has remained well below the South and the U.S. every month since the beginning of the national recession. Our state's unemployment rate was 6.7 percent in November 2009, well below the 9.3 percent Southern average and 10.0 percent national average.

- According to Portfolio.com, Louisiana fared second best among all 50 states and the District of Columbia during the recession. The analysis was based on job growth, current unemployment, wage growth, home value growth, construction job growth and income growth.

- Moody's Economy.com, an economic forecasting firm, recently recognized Louisiana as one of only 11 states it says are already recovering from the recession.

- Thanks in large part to Louisiana's economic performance, the U.S. Census indicated that Louisiana experienced its third year in a row of net population in-migration, including over 18,000 more people moving to Louisiana from other states than out of Louisiana from July 2008 to July 2009. In addition, Louisiana's population increased by 0.9 percent, or 40,600 people, over the same time period, the 21st fastest growth rate in the nation.

- Mayflower Transit's "2009 Customer Relocation Study" revealed that Louisiana ranked 11th best overall when comparing inbound relocations to outbound relocations from January to August 2009, and United Van Lines' 2009 mid-year migration analysis ranked Louisiana sixth best overall and second best in the South when comparing inbound shipments to outbound shipments from January to June 2009.

- Louisiana's real estate markets have remained strong, especially in contrast to those of other states in the South and U.S. In PMI's Market Risk Index for Q3 2009, all of Louisiana's major metropolitan areas have a minimal or low risk of lower home prices over the next two years. In contrast, nearly half of the nation's metropolitan areas are expected to have high or elevated risk of declines.

- FDIC data reveal Louisiana's 158 banks and thrifts reported a 13.6 percent increase in net loans and leases during the recession (through September 2009), compared to the national decline of 7.8 percent. Louisiana's banks also had higher asset growth (13.6 percent versus 1.6 percent) than the U.S during the recession. From Q2 to Q3 2009, Louisiana's net loans and leases rose 0.6 percent, compared to a 3 percent national decline; assets grew by 1.5 percent, while the nation's declined by 0.4 percent.

Moving up in the national rankings of states

Louisiana traditionally has been listed near the bottom of many significant national rankings, but this trend started to change in a very positive direction in 2008 and continued in 2009. Over the last two years, Louisiana has moved up in almost every major economic and business-climate ranking.

- In July 2009, *Southern Business & Development* magazine named Louisiana "Co-state of the Year," noting that Louisiana attracted more significant business investment and job-creating projects per capita than any other state in the South.

- Comprehensive governmental ethics reforms implemented by Gov. Jindal and the Legislature catapulted Louisiana to first from 44th in the country in the Center for Public Integrity's legislative financial disclosure rankings.

- Louisiana finished in the top 25 for the second consecutive year in *Site Selection* magazine's "Top State Business Climate Rankings."

- Louisiana jumped five spots in the *Forbes* ranking of "Best States for Business" to its highest rank ever, and the state ranked eighth best in the country for its growth prospects.

- MainStreet.com's "Happiness Index" ranked Louisiana as the fifth happiest state, thanks to relatively low rates of non-mortgage debt, unemployment and foreclosures.

- Citing effective fiscal management, both Fitch and Standard & Poor's recently upgraded Louisiana's bond rating, and Moody's raised the state's outlook from "stable" to "positive."

- Louisiana moved up to 27th from 40th over the last year in Pollina Corporate's "Top 10 Pro-Business States" ranking, due in large part to more aggressive business recruitment and marketing efforts.

- Louisiana climbed three spots to 26th in 2009 in the Small Business and Entrepreneurship Council's "Business Tax Index."

- Louisiana rose in both sections of the American Legislative Exchange Council's "Laffer State Economic Competitiveness Index." Louisiana rose to 18th in 2009 from 21st in 2008 (revised rank of 24th) for Economic Outlook and rose to 35th in 2009 from 43rd in 2008 for Economic Performance.

- The Southern Economic Development Council awarded Louisiana the Excellent Award for *Louisiana Economic Quarterly®* and two Merit awards for Louisiana's national economic-development print campaigns.

Moving up in the national rankings of cities and regions

As Louisiana has begun a steady climb up the major national business-climate and economic rankings, so too have its cities and regions, which are garnering more and more positive national attention.

- **Northwest Louisiana.** The Milken Institute ranked Shreveport-Bossier the 24th "Best-Performing Large City" in 2009, up from its 2008 rank of 67th, and Milken ranked Shreveport-Bossier eighth for high-tech GDP growth. Shreveport also was named by *U.S. News and World Report* as one of the ten "Best Places to Find a Job for 2009," and NewGeography.com ranked Shreveport-Bossier eighth in its 2009 list of "Best Medium Sized Cities for Jobs."

- **Northeast Louisiana.** The Milken Institute placed Monroe 18th for job growth from March 2008 to March 2009 on its "Best-Performing Cities" ranking. Northeast Louisiana is expected to be the fastest growing region in Louisiana for the next two years, thanks primarily to several major recent economic-development wins that have garnered national attention.

- **Central Region.** *Forbes* ranked Alexandria 24th out of 179 communities for the cost of doing business in its 2009 "Best Small Places for Business and Careers" ranking. Alexandria also made huge strides according to the Milken Institute, jumping more than 40 spots to 31st place in the 2009 "Best Small City" ranking. The Milken Institute also ranked Alexandria seventh best for one-year job growth and 10th for one-year wage and salary growth.

- **Southwest Louisiana.** *BusinessWeek* named Lakes Charles one of "America's Best Places to Raise Your Kids," a ranking based on job growth and quality of life factors. *Southern Business & Development* magazine ranked the 1,400-job Shaw Modular Solutions project to build components in Lake Charles for nuclear reactors at No. 4 on its list of "Top 10 Deals."

- **Acadiana Region.** *Fortune Small Business* ranked Lafayette second out of 20 mid-sized markets in the nation for small business startups. In addition, the Milken Institute ranked Lafayette the ninth "Best Performing Large City," up from 14th in 2008. NewGeography.com and *Forbes* placed Lafayette third in the 2009 ranking of the "Best Mid-sized Cities for Job Growth."

- **Capital Region.** *Forbes* ranked Baton Rouge 10th best on its "America's Fastest-Recovering Cities" ranking, and the city placed 18th on Milken Institute's "Best-Performing Cities" Index, up from 40th in 2008. In addition, the Brookings Institution rated the Baton Rouge area's economic performance among the 20 strongest in the nation for the third quarter of 2009. *Southern Business & Development* magazine named Baton Rouge "Mid-Market of the Year," and NewGeography.com and *Forbes* ranked Baton Rouge seventh best in the 2009 list of "Best Mid-sized Cities for Jobs."

- **Bayou Region.** The Milken Institute ranked the Houma-Thibodaux MSA as the 19th "Best-Performing Small City," and *Southern Business & Development* magazine recognized Terrebonne Parish as one of the South's top small markets.

- **Southeast Louisiana.** *Southern Business & Development* magazine named New Orleans the "Major Market of the Year." *Forbes* ranked the New Orleans area eighth in the "Top 10 Cities Where Americans Are Relocating," and Next Generation Consulting named New Orleans the 10th best "Midsize Magnet" for young professionals to live and work. *Fast Company* included New Orleans-based The Receivables Exchange on its list of the eight startups "brimming with hope for the financial industry," and various publications highlighted the post-Katrina economic renaissance taking place in the New Orleans area.

Bucking national trends: a terrific year for business investment and job creation

While the nation shed jobs in 2009, dozens of companies said "yes" to Louisiana, committing thousands of new jobs and billions in new capital investment.

- Working with its local and regional partners, LED secured 33 major project wins in 2009, including 23 expansions and 10 new projects. Included were projects in Louisiana's traditional industries, such as oilfield services and petrochemicals, as well as projects in new growth industries, such as advanced manufacturing and pharmaceutical manufacturing.

- Altogether these 33 projects will generate nearly 7,900 retained jobs, more than 8,100 direct new jobs and 21,400 total new jobs (including direct and indirect jobs), as well as $2.5 billion in new capital investment. The new job totals are nearly 25 percent greater than those announced in 2008.

- Once these projects are fully executed, they will result in billions in new sales for Louisiana small businesses, as well as $53 million per year in new state tax revenue.

- The totals above <u>exclude</u> the direct support LED provided to thousands of small businesses in 2009, including nearly 1,400 small businesses served by LED's Small and Emerging Business Development Program, nearly 14,000 small businesses and individuals served by the Louisiana Small Business Development Centers Network, or LSBDC, with increased funding support from LED, and nearly 800 small businesses that received business recovery grants and/or loans from LED's Business Recovery Grant and Loan Program. Through November 2009, LED and LSBDC efforts alone generated approximately 2,250 new jobs, 220 new businesses, and approximately $200 million in capital investment for small businesses.

Reversing a historical trend: creating more corporate headquarters jobs in Louisiana

Throughout previous decades, Louisiana lost a significant number of its corporate headquarters, but this trend was reversed in 2008 and 2009. Several companies officially opened their new headquarters in Louisiana, while others committed to stay and expand in Louisiana.

- Monroe-based CenturyTel and Kansas-based EMBARQ Corp. merged in 2009, forming the fourth-largest telecommunications company in the U.S., CenturyLink. LED provided incentives to successfully secure the new CenturyLink corporate headquarters in Louisiana, as well as a commitment by the company to add 350 new professional jobs over the next four years. CenturyLink will soon join Entergy and The Shaw Group on the list of Fortune 500 companies headquartered in Louisiana.

- Louisiana's list of Fortune 1000 headquarters recently grew by two: Albemarle Corp. completed the move of its corporate headquarters from Virginia to Louisiana, while Superior Energy Services joined the Fortune 1000 list just this year. Pool Corp. continues as a Louisiana-based Fortune 1000 company.

- Schlumberger announced the expansion and consolidation of its regional business operations into a single oil-field services headquarters in Shreveport. Bringing $48 million in capital investment, the project will retain 120 jobs and create 400 new jobs.

- Barksdale Air Force Base in Shreveport was selected as the home for the U.S. Air Force Global Strike Command, the new controlling entity of the U.S. Air Force's nuclear bombers and missiles. The announcement means more than 1,000 new direct jobs for the area and thousands of ancillary jobs, most within the next year.

- Bercen Inc., a specialty chemicals manufacturer, officially opened its new corporate headquarters in 2009, as well as its research and development and technical service laboratories, after deciding to relocate from Rhode Island to Louisiana.

Cultivating new growth industries

LED's top priority is retaining and growing Louisiana's existing companies, yet LED also is focusing significant attention on cultivating new industries that will diversify our economy and accelerate economic growth. This year brought several exciting business development wins in new growth industries, including digital effects, value-added agribusiness, next-generation automotive manufacturing and pharmaceutical manufacturing. Following are a few selected examples.

- V-Vehicle Co., a new American car company, selected Monroe as the site for its first automotive assembly facility, which will build environmentally friendly, high-quality and fuel-efficient cars for the American market. The project is backed by some of today's most successful investors, including Silicon Valley venture capital firm Kleiner Perkins Caufield and Byers and Google Ventures. The project will create approximately 1,400 direct new jobs, as well as a $248 million capital investment, making V-Vehicle one of Louisiana's top 30 economic-driver firms.

- Ochsner Medical Center announced a partnership with The University of Queensland School of Medicine, which is the first of its kind in the U.S. The partnership will create The University of Queensland School of Medicine Ochsner campus, resulting in an increased enrollment of 240 medical students for the area and a boost for our state's healthcare economy.

- Fortune 500 company ConAgra Foods recently announced it will construct the world's first large-scale processing facility dedicated to producing high-quality, frozen sweet potato products, creating 500 to 600 new direct jobs and up to $256 million in capital investment.

- Pixel Magic, a California-based digital effects company, announced a new digital media studio at Louisiana Immersive Technologies Enterprise's business accelerator in Lafayette. The company, with prior film credits such as *Marley & Me*, *Get Smart* and *Mr. and Mrs. Smith*, plans to create 40 jobs, strengthening Louisiana's position in the digital media industry.

- Dr. Reddy's Laboratories Ltd., an emerging global pharmaceutical company, will expand its Shreveport operations to support multiple new products. The project will create 73 jobs, retain 161 jobs and provide $16.5 million in capital investment. The expansion builds upon Shreveport's existing industry strengths in healthcare, biotech and pharmaceutical manufacturing.

Enhancing state economic competitiveness

Gov. Jindal, the Louisiana Legislature and LED pursued a variety of initiatives in 2009 that have improved Louisiana's economic competitiveness, making our state more attractive for new business investment today and in the future. These initiatives build on reforms adopted in the prior year, including provisions that eliminated the sales tax on manufacturing machinery and equipment, the franchise tax on corporate debt, and the sales tax on natural gas and business utilities.

- Recognizing the importance of maintaining the competitiveness of Louisiana's existing industry base, Gov. Jindal and the Legislature created the Retention and Modernization Act, which will provide refundable tax credits of five percent on expenditures related to qualified modernization projects at

Louisiana business facilities, allocated in equal portions over five years.

- Gov. Jindal and the Legislature eliminated the capital gains tax on the sale of privately held businesses, encouraging successful entrepreneurs to remain in Louisiana as their businesses grow rather than moving to other states, such as Texas or Florida, to avoid onerous capital gains taxes.

- Gov. Jindal and the Legislature also worked together to enhance the competitiveness of Louisiana's Research and Development Tax Credit Program, extending the program through 2014 and doubling its value for small and emerging businesses with fewer than 50 employees.

- Supporting small business development throughout Louisiana, Gov. Jindal and the Legislature eliminated the minimum corporate franchise tax to end an onerous, unnecessary fee for thousands of small businesses across our state.

- Recognizing the importance of small business to Louisiana's economy, Gov. Jindal and the Legislature increased funding for a variety of small business programs by 30 percent, including funding for small business development centers, the Small and Emerging Business Development Program, and business incubators across Louisiana. As a result, approximately 500 additional small businesses are being helped during this fiscal year versus the prior year.

- Gov. Jindal and the Legislature created the Louisiana Innovation Council, or LIC, to shape an innovation-based vision for Louisiana and to coordinate the statewide innovation agenda, including activities related to targeted research investments, technology commercialization, entrepreneurship services, venture capital, and the development of new, high-growth industry segments. Already the LIC is identifying the next growth industries for Louisiana and developing a strategy to further cultivate centers of research excellence in Louisiana.

- Accelerating the development of Louisiana's rapidly growing entertainment industries, Gov. Jindal and the Legislature took action to dramatically enhance the state's tax credit programs for film production and digital-interactive media, significantly increasing the value of the tax credits and making the programs permanent.

- Gov. Jindal and the Legislature worked to support development of port-related infrastructure by establishing a new Ports of Louisiana Investor Tax Credit Program that provides tax credits of five percent per year and up to 100 percent total over 20 years toward the capital costs of certain projects at public ports.

- Recognizing the importance of increasing community competitiveness, LED launched the Louisiana Development Ready Communities pilot program in October 2009. This LED program is enabling 12 communities (Arcadia; Crowley; DeRidder; Houma; Jena; Mansfield with Grand Cane, Logansport and Stonewall; New Iberia; Pineville; Slidell; Vivian; West Monroe; and Zachary) to complete an intensive six-month process to position themselves to more effectively compete with out-of-state communities for good jobs and business investment.

- Entering year two of implementing Gov. Jindal's workforce development reform plan, LED completed a full launch of Louisiana FastStart™. Building on the expertise of national-caliber corporate training experts recruited from around the country, Louisiana FastStart quickly developed a reputation as a first-class workforce solutions provider, receiving positive news coverage in regional, national, and international publications. Louisiana FastStart is executing over a dozen pilot projects – already more than 11,000 hours of training have been delivered to over 1,000 trainees around Louisiana – and will shift into full operations in 2010.

- Recognizing the importance of Louisiana's existing businesses and industries, LED fully staffed and launched its Business Expansion and Retention Group, or BERG, in 2009. During BERG's first year of operation, it partnered with local and regional economic development allies to visit nearly 500 companies, and secured a variety of significant retention and expansion wins, including the relocation of pump and compressor manufacturing operations from Wisconsin to Louisiana of Gardner Denver, a Fortune 1000 company.

The year ahead: maintaining Louisiana's economic outperformance

Although the national recession and tight credit markets dramatically reduced the nation's pipeline of new business prospects in 2009, Louisiana nevertheless is well positioned to secure significant new business investment in the year ahead, and LED is pursuing targeted initiatives to increase Louisiana's economic competitiveness, retain Louisiana's existing economic-driver firms, support small business development, and cultivate new growth industries.

While further developing LED's recently launched priority initiatives (e.g., Louisiana FastStart, BERG, State Economic Competitiveness Group, Louisiana Development-Ready Communities Program), LED's signature initiative in 2010 will be to finalize and begin aggressive execution of a new Blue Ocean target industry initiative, the ultimate goal of which is to position Louisiana to grow jobs at a rate faster than the South and the U.S. on a regular basis. The Blue Ocean initiative is a strategy project designed to: (a) identify the state's best narrowly defined growth industries of the future (industries with significant growth potential in which no states have yet cemented a commanding leadership position); and (b) develop and execute action plans to cultivate each of these sectors. Preliminary state targets include the following industry segments:

- Digital media / software development (including selected segments within healthcare IT, education IT, video-game development, and possibly eReaders)
- Next-generation automotive manufacturing (e.g., electric vehicles, composites manufacturing)
- Specialty healthcare (medical corridor(s), obesity/diabetes research and treatment, pharmaceutical manufacturing)
- Renewables and energy efficiency (green building/manufacturing, hydropower, algae-based energy production, nuclear power module manufacturing)
- Water management (developing a world-class water-management industry – Netherlands of the U.S.)
- Next wave oil & gas (ultra deep water oil, unconventional natural gas, enhanced oil recovery)

While economic indicators in the U.S. recently have shown signs of improvement, a robust national jobs recovery is still in development. Gov. Jindal, the Legislature, and LED will continue working together with our state's business community to ensure Louisiana again outperforms the South and the U.S. in 2010.

Appendix

Introduction

Included below is an annual overview of each business incentive and assistance program administered by LED. The programs cover a wide range of important economic development objectives, for example:

- fostering job growth and private-sector investment
- assisting in entrepreneurship and small business growth
- delivering a trained workforce for new or expanding companies
- catalyzing research & development investment
- increasing Louisiana's presence in entertainment-related industry sectors
- encouraging redevelopment of existing buildings
- encouraging development and job opportunities within economically depressed areas

For each business incentive and assistance program, a brief description of the program's objective and calendar year 2009 performance information are included. The performance information highlights 2009 activity levels and illustrates the impact being delivered through the various programs.

The total number of jobs included in this annual overview is higher than the number of jobs included in the upfront summary due primarily to:

a) the upfront summary only includes selected major economic development projects,
b) projects with substitution effects are excluded from the upfront summary, but included in the annual overview,
c) some announced projects haven't yet completed the incentive application process, and
d) job totals for a single company may be counted twice (or more) if multiple incentive programs are utilized for the same project

Small Business Development Centers

The Louisiana Small Business Development Center (LSBDC Network) provides low- or no-cost guidance and training for small business owners and potential owners. Part of a statewide network supported by the U.S. Small Business Administration (SBA), Louisiana Economic Development and the host universities; the LSBDC serves Louisiana businesses through free confidential counseling, nominally priced group training, and business information resources. The program serves traditionally underserved populations such as minorities, women and veterans.

Businesses Receiving Counseling by SBDCs:	4,962

Individuals Trained by SBDCs:	6,682
Business Starts by SBDC Clients:	265
Direct Jobs Created by SBDC Clients:	2,405
Loans Received by Small Businesses Assisted at SBDCs ($million):	209

Small and Emerging Business Development Program

Forward progress is the purpose of LED's Small and Emerging Business Development, or SEBD, program. With a commitment to ongoing sustainable economic and human development, the program helps Louisiana's small businesses help themselves by assisting with entrepreneurial training, legal needs, marketing, computer skills and accounting. A business must be certified through the SEBD program to obtain these services, offered by small business development centers, universities and consultants in Louisiana's rural and urban areas. Technical Assistance (TA) is provided in the form of entrepreneurial training, marketing, computer skills, accounting, business planning, legal and industry-specific assistance. Additionally, certification determines eligibility for the Bonding Assistance Program, additional guaranty support under the Louisiana Economic Development Corporation Loan Guaranty Program, and consideration for bidding on selective service or product purchases by state agencies.

Technical Assistance Provided to Certified Businesses:	334
Percentage by which Assisted Certified Businesses 2-Year Survival Rate Exceeds Similar Businesses:*	10.6%

*This figure represents FY 08-09

Small Business Loan Program

The Small Business Loan program provides loan guarantees and participations to banks in order to facilitate capital accessibility for Louisiana small businesses. The program's purpose is to provide financial assistance, which will help with the development, expansion and retention of Louisiana's small businesses. Guarantees may range up to 75% of the loan amount, not to exceed a maximum of $1.5 million.

New Projects:	7
Total Bank Loans to Businesses ($million):	7.8
New Permanent Direct Jobs:	55
Retained Jobs:	170

Small Business Bonding Assistance Program

The Small Business Bonding Assistance Program aids certified small and emerging businesses in reaching the bonding capacity required for specific projects. When a qualified Small and

Emerging Business requires quality bid, performance and payment bonds from surety companies at reasonable rates, the Bonding Assistance Program can help reach the bonding capacity required for specific projects. The Bonding Assistance Program is available for qualified companies who have never been bonded, and for companies that have been bonded but are increasing bonding capacity.

New Projects:	22
Total Bond Guarantees Provided ($million):	2.8
Value of Projects Guaranteed ($million):	13.3

Hudson Initiative and Veteran's Initiative

The Hudson Initiative provides Louisiana small businesses meeting the criteria of small entrepreneurships with greater potential for access to state procurement and public contract opportunities. The Veteran's Initiative does the same thing for businesses that are at least 51% owned by Veterans and/or Service-Connected Disabled Veterans. The Hudson Initiative began in 2006, and the Veteran's Initiative began taking applications for the program on Veteran's Day (November, 2009).

Small Entrepreneurships Certified:	699
Veteran Owned Businesses Certified:	50
Service-Connected Disabled Veteran Owned Businesses Certified:	26

Microenterprise Development Program

Louisiana Economic Development, in conjunction with the Louisiana Department of Social Services, created the Microenterprise Development program to provide self-employment training that gives entrepreneurs the competitive advantage they need to succeed. The program helps to:

- Provide an innovative path out of poverty
- Create self-sufficiency
- Improve the survival rate of microenterprise businesses
- Improve employment skills
- Promote economic development

Working with partners across the state, the program begins with a comprehensive assessment. Once complete, participants begin a two-to-three month business development course that includes entrepreneurship training, personal effectiveness, financial literacy and technical assistance. Part of the course also includes writing a business plan. Upon successful completion of the program and application process, participants become eligible to apply for seed funding to assist in supplementing business startup costs.

Entrepreneurs Trained:	402
Funding Provided to Trained Entrepreneurs ($million):	0.56

Angel Investor Tax Credit Program

The Angel Investor Tax Credit Program fosters the availability of capital to entrepreneurs and or new or growing business enterprises. The program provides a refundable tax credit up to 50% on investments in certain early-stage wealth-creating Louisiana-based businesses, 20% of that can be claimed in any tax year. The cap on the program is $5 million per year. This program sunset on December 31, 2009.

Louisiana Businesses Receiving Angel Funding:	36
Amount of Angel Funding ($million):	18.2
Amount of Tax Credits Approved ($millions):	5.0

Quality Jobs

The Quality Jobs (QJ) program is designed to encourage businesses in certain targeted industry sectors to locate and/or expand existing operations in Louisiana, and to create a minimum of 5 full-time jobs with salaries and medical benefits that meet established levels. The program provides a cash rebate to companies that create well-paid jobs and promote economic development. The program provides up to 6% rebate on annual payroll expenses for up to 10 years; and either a 4% sales/use tax rebate on capital expenditures or an investment tax credit equal to 1.5% of qualifying expenses.

New Projects:	32
New Permanent Direct Jobs:	3,080
Construction Jobs:	1,035
Associated Capital Investment ($million):	702

Enterprise Zone

The Enterprise Zone (EZ) program is designed to encourage businesses in certain targeted industry sectors to locate and/or expand existing operations in or near economically distressed areas, and to create a minimum of 5 full-time jobs filled by residents in or near the economically distressed areas. The program provides Louisiana income and franchise tax credits to a business hiring at least 35% of net new jobs from one of four targeted groups. EZs are areas with high unemployment, low income or a high percentage of residents receiving some form of public assistance. A business must create permanent net new jobs at the EZ site. The program provides a $2,500 tax credit for each certified net new job created; and either a 4% sales/use tax rebate on capital expenditures or income and franchise tax credits up to 1.5% of investment.

New Projects:	286
New Permanent Direct Jobs:	9,379
Construction Jobs:	17,275
Associated Capital Investment ($million):	4,575

Restoration Tax Abatement

The Restoration Tax Abatement (RTA) program is designed for municipalities and local governments to encourage business and homeowners to make improvements on their properties located in specified areas. The program provides five-year 100% local property tax abatement for the expansion, restoration, improvement and development of existing commercial structures and owner-occupied residences in Downtown Development Districts, Economic Development Districts, Historic Districts or properties listed on the National Register of Historic Places.

New Projects:	85
New Permanent Direct Jobs:	840
Construction Jobs:	2,272
Associated Capital Investment ($million):	231

Industrial Tax Exemption

The Industrial Tax Exemption (ITE) program is designed to encourage capital investment at new or existing manufacturing facilities. The program provides local property tax abatement for up to 10 years on a manufacturer's new investment and annual capitalized additions. This exemption applies to all improvements to the land, buildings, machinery, equipment and any other property that is part of the manufacturing process.

New Projects:	642
New Permanent Direct Jobs:	2,219
Construction Jobs:	32,459
Associated Capital Investment ($million):	5,171

Workforce Development

The Workforce Development program provides funding for the delivery of customized workforce training for businesses from start-up to three years (at which time they become eligible for federal funding under the Incumbent Worker Training Program). This program was ended in 2009 with Louisiana FastStart now delivering workforce solutions for new and expanding companies meeting basic eligibility requirements.

New Projects:	2
Employees Trained:	131
New Permanent Direct Jobs:	94
Retained Jobs:	1,382
Associated Capital Investment ($million):	1.1

Motion Picture Investor Tax Credit

The Motion Picture Investor Tax Credit is designed to encourage feature film and television production in the state. The program provides a transferrable 30% tax credit on qualified motion picture expenditures made within the state. Payroll expenditures for Louisiana residents qualify for an additional 5% tax credit (35% effective total credit rate). It is estimated that 6,230 Louisiana jobs (2007) have resulted from the motion picture investor tax credit.*

Number of applications receiving initial certification:	105
Number of full-length productions shot in the state:	63
Estimated certified spending in the state ($million):	494.0
Estimated amount of tax credits ($million):	141.8

*Source: Louisiana Motion Picture, Sound Recording and Digital Media Industries, Economics Research Associates, February 2009

Digital Interactive Media Production Tax Credit

The Digital Interactive Media Production Tax Credit program is designed to encourage entertainment technology development in the state and to develop and support a highly skilled, creative, technology-driven workforce. It targets gaming, simulation training, web applications and the next generation of distributed entertainment. The program provides a tax credit of 25% of qualified production expenditures for state-certified digital interactive productions in Louisiana and 35% tax credit for payroll expenditures for Louisiana residents.

Number of applications received:	11
Estimated certified spending in the state ($million):	10.2
Estimated amount of tax credits ($million):	2.4

Sound Recording Investor Tax Credit

The Sound Recording Investor Tax Credit program encourages investment in musical recording production in the state. The program provides a 25% refundable tax credit for qualified Louisiana production expenditures. The program is subject to a cap of $3 million in tax credits each calendar year.

Number of applications receiving initial certification:	14
Estimated certified spending in the state ($million):	1.1
Estimated amount of tax credits ($million):	0.27

Musical and Theatrical Production Tax Credit

The Musical and Theatrical Production Tax Credit program encourages the growth and expansion of the infrastructure and production in the concert and theatrical industries. The program offers a fully transferable tax credit that can be sold or applied against Louisiana tax liability. Tax credits received for infrastructure cannot exceed $10 million per project and are also subject to a $60 million annual cap. There is no annual cap on the production credits. The tax credit value increases with higher levels of Louisiana expenditures and jobs. The program also incentivizes and provides support for collaboration with Louisiana's top educational institutions.

Number of applications receiving initial certification:	4
Estimated certified spending in the state ($million):	4.0
Estimated amount of tax credits ($million):	0.89

Entertainment Workforce Training

The Entertainment Workforce Training program enables the development of customized workforce training programs for workers in the entertainment industry. Eligible entities include non-profit organizations, professional organizations, entertainment industry businesses, training institutions and others. This program was ended in 2010 with Louisiana FastStart now delivering workforce solutions for new and expanding companies meeting basic eligibility requirements.

Projects Approved:	5
Entertainment Industry Employees Trained:	1,004
Amount Invested by Businesses ($million):	0.76
Amount Approved ($million):	0.45

Research & Development Tax Credit

The Research and Development Tax Credit program encourages existing businesses with operating facilities in Louisiana to establish or continue research and development activities within the state. Companies claiming federal income tax credit for research activities can claim against state income and corporation franchise taxes. The program provides a tax credit for up to 8% of the state's apportioned share of increased research and development expenses or 25% of its apportioned share of federal research.

Number of applications approved:	75
Estimated certified R&D spending in the state ($million):	185.6
Estimated amount of tax credits ($million):	6.3

Tax Equalization Program

The Tax Equalization Program encourages businesses contemplating locating in another state with a lesser overall tax burden than Louisiana to locate or remain in the state by leveling the tax burden playing field. The program equalizes the overall taxes between a Louisiana site and a competing site in another state. Eligibility includes new and expanding manufacturing establishments, headquarters, warehousing, and distribution facilities. To participate, a business must be invited by the Governor and the Secretary of LED to apply.

New Projects:	1
Total Estimated Tax Exemptions ($million):*	30.0
New Permanent Direct Jobs:	45
Capital Investment ($million):	126

*Over a 5-year timeframe

Technology Commercialization Tax Credit & Jobs Program

The Technology Commercialization Credit and Jobs program encourages companies to invest in the commercialization of Louisiana technology. Qualifying research centers that develop Louisiana technology to be commercialized may be granted a refundable tax credit based on new jobs created. The technology must be created by a Louisiana business and researched by a Louisiana university or college. Eligible entities can also receive jobs tax credits of up to 6% of gross payroll for all new jobs created.

New Projects:	8
Total Credits Certified ($million):	0.3
Approved Commercial Costs ($million):	1

Atchafalaya Natural Heritage Area Development Zone Tax Credit Program

The Atchafalaya Development Zone Tax Credit Program was created to boost economic development within the Atchafalaya National Heritage Area and is administered by the Department of Culture, Recreation, and Tourism. The program is available to businesses that meet the criteria in the following 14 parishes: Concordia, Avoyelles, St. Landry, Pointe Coupee, East Baton Rouge, West Baton Rouge, Iberville, St. Martin, Lafayette, Iberia, St. Mary, Assumption, Terrebonne and Ascension. The program is directed at small businesses (fewer than 20 employees) that make use of the natural, cultural and historic assets of the Heritage Area. The program offers a one-time state income tax credit of $1,500 to qualifying businesses. The New Employee tax credit offers an additional state income tax credit of $1,500 per new full-time employee per year for a period of five years. Unused credits may be carried forward up to 10 years.

New Projects: [1]	4
Total Credits Claimed ($): [2]	8,340

Sources: [1] Louisiana Department of Culture, Recreation and Tourism; [2] Louisiana Department of Revenue

Louisiana FastStart™ Program

Louisiana FastStart provides customized recruitment, screening and training to new and expanding, eligible companies. Recognized for its innovation, effectiveness and efficiency, Louisiana FastStart has quickly established a presence among workforce solutions programs nationwide. Based on a company's immediate and long-term workforce needs, the Louisiana FastStart team crafts unique programs that ensure workers are prepared on day one and beyond. Louisiana FastStart's innovative, customized programs are available to companies that meet eligibility requirements and are aligned with Louisiana's economic development targets, including digital media, headquarters and business operations, service industries, advanced and traditional manufacturing, warehouse and distribution, and research and development. Service industries, headquarters and business operations, and warehouse and distribution companies must also have a majority of sales out of state. To qualify, a company must first commit to creating a net of at least 15 new, permanent manufacturing jobs, or a net of at least 50 new, permanent service-related jobs. Each request is evaluated prior to project commencement to ensure all eligibility requirements are met.

New Projects:	12
Employees Trained:	417
New Permanent Direct Jobs:	5,165
Retained Jobs:	1,400
Associated Capital Investment ($billion):	1.25

Rapid Response Fund

The Rapid Response Fund is used for immediate funding of all or a portion of economic development projects to secure the creation or retention of jobs. The Fund can be utilized for both small and large projects; whereas, the Mega-Project Development Fund (below) is focused on very large projects. The Rapid Response Fund helps position Louisiana to win business development projects where multiple states are competing. LED manages its use of the Rapid Response Fund such that projects utilizing the Fund generate a positive return on investment (ROI) as measured by projected tax revenues. Prior to utilizing the Fund, LED performs an ROI assessment based on industry-standard Bureau of Economic Analysis input-output multipliers and historical rates of state tax revenue collections.

New Projects:	7
Award Amount ($million):	32.5
Retained Jobs:	2,770
New Permanent Direct Jobs:	1,074
New Indirect Jobs:	2,280
New Total Jobs (Direct and Indirect):	3,354
Associated Capital Investment ($million):	170.6
New Annual State Tax Revenues Generated ($million/yr):*	9.4

*Once project reaches full-scale operations

Mega-Project Development Fund

The Mega-Project Development Fund is used for immediate funding of all or a portion of economic development mega-projects to secure the creation or retention of jobs. The Fund can be used for projects that provide either five hundred new direct jobs to the state or a minimum initial investment of $500 million and that generate a substantial return on the investment (ROI) by the state as measured by projected tax revenues. The ROI assessment is performed based on industry-standard Bureau of Economic Analysis input-output multipliers and historical rates of state tax revenue collections. The Fund can also be used for projects for a military or federal installation which is important to the Louisiana economy and that may be subject to base realignment and closure.

New Projects: [1]	4
Award Amount ($million)	181.0
New Permanent Direct Jobs:	3,512
New Indirect Jobs:	6,990
New Total Jobs (Direct and Indirect):	10,502

Associated Capital Investment ($million):	829.0
New Annual State Tax Revenues Generated ($million/yr): [2]	28.3

[1] Two additional projects received final approval in 2009, but were announced and reported in prior years
[2] Once project reaches full-scale operations

Economic Development Award Program (EDAP) / Economic Development Loan Program (EDLoP)

The Economic Development Award Program is designed to assist in the development of publicly owned infrastructure for industrial or business development projects that promote targeted industry economic development and that require state assistance for basic infrastructure development. The program provides a minimum of $50,000 to public or quasi-public state entities or political subdivisions for developing publicly owned infrastructure to advance industrial or business development projects that create or maintain at least 10 jobs. The related Economic Development Loan Program assists in the financing or loan funding of privately-owned property and improvements, including the purchase or leasing of a building site, the purchase or construction, renovation, rebuilding and improvement of buildings, their surrounding property, for machinery and equipment purchases and rebuilding, and for additional costs related to and incurred in connection with the location or relocation of the business enterprise. The programs are managed such that projects utilizing the programs generate a positive return on investment (ROI) as measured by projected tax revenues. Prior to utilizing the programs, LED performs an ROI assessment based on industry-standard Bureau of Economic Analysis input-output multipliers and historical rates of state tax revenue collections.

New Projects: [1]	2
Award Amount ($million):	2.0
Retained Jobs:	391
New Permanent Direct Jobs:	355
New Indirect Jobs:	493
New Total Jobs (Direct and Indirect):	848
Associated Capital Investment ($million):	18.7
New Annual State Tax Revenues Generated ($million/yr): [2]	2.4

[1] The Louisiana Economic Development Corporation Board approved 7 additional projects but the contracts were not executed during calendar year 2009
[2] Once project reaches full-scale operations

EXISTING PROGRAMS WITH NO NEW ACTIVITY IN 2009

The following existing programs had no new activity in 2009, only renewals or continuations of commitments from prior years.

Industry Assistance

The Industry Assistance Program encourages the retention and growth of existing Louisiana manufacturing businesses and encourages Louisiana manufacturers and their contractors to give preference to Louisiana suppliers, engineers, and labor. The program can provide a tax exemption to manufacturers that commit to maintain current employment and to significant investment to continue doing business in Louisiana. Taxes or portions of taxes to be exempt can include the following: the corporation franchise tax, state sales and use taxes on goods necessary for production, state sales and use taxes on machinery and equipment, the corporation income tax, and any other taxes imposed directly by the state on the applicant. To participate, a business must be invited by the Secretary of LED to apply.

Venture Capital Match & Co-Investment Program

The Venture Capital Match Program provides for a match investment for qualified Louisiana venture capital funds. The fund must have at least $5 million of private investment. The funds are matched be at one state dollar for each two in private capital up to a maximum of $5 million. The Co-Investment Program provides for a co-investment in a Louisiana business of up to ¼ of the round of investment, but not more than $500,000, with any qualified venture capital fund with at least $7.5 million in private capital. The venture capital fund may be from outside Louisiana.

Brownfields Tax Credit Program

The Louisiana Investor Tax Credit Program is designed to stimulate environmental economic development in Louisiana by encouraging the environmental investigation, cleanup, and redevelopment of the brownfield properties in Louisiana. This tax incentive provides a credit of 15% of environmental investigation costs and 50% of environmental remediation costs incurred as part of the Louisiana Voluntary Remediation Program at a qualifying brownfield site in the state. The tax credit is transferable to other non-responsible persons and may be carried forward for ten years. The tax credit is applied to the applicant's Louisiana income tax liability.

Micro Loan Program

The Micro Loan Program provides loan guarantees and participations to banks that fund loans ranging from $5,000 to $50,000 to Louisiana small businesses.

NEW PROGRAMS

The following programs are in the rule development stage and were, therefore, not active in 2009.

Ports Tax Credit Program

The Ports Tax Credit Program encourages growth in port cargo capacity within the state to allow more in-state distributors and shippers to utilize Louisiana ports. The program includes an investor infrastructure credit for 100% of capital costs incurred by private investment of $5 million or more at a Louisiana public port. The credit is taken at 5% a year over 20 years. It also includes an export-import cargo credit of $5 per ton for container and break bulk cargo that emanates from or is destined to a Louisiana manufacturer, warehouse, distributor, or other value added enterprise that is destined to or emanates from an international destination. Cargo must pass through a Louisiana public port to qualify for the credit.

Modernization Tax Credit Program

The Modernization Tax Credit Program encourages manufacturers to make capital investments to modernize or upgrade existing facilities in Louisiana. The program provides a one-time 5% refundable state tax credit on capital expenditures taken over a five-year period (1% per year for five years) for manufacturers making qualified capital investments of at least $5 million. To qualify for the program, a company must meet one of the following criteria: (1) Modernization helps improve entire efficiency of the entire facility or specific unit by greater than 10%, or (2) The facility is in competition for capital expenditures within a company's established, competitive capital expenditure budget plan. There is a $10 million annual statewide cap on the program in credits awarded to projects. Any unused credits can be rolled into the next calendar year. Projects determined to have the highest economic impact by LED are awarded pre-certification credits on a rolling basis. Pre-certification is required prior to final award of credits, which are awarded only when the project has been placed in service. Only projects placed in operation on or after July 1, 2011 can qualify for the program.

Community Economic Development Tax Credits Program

The Community Economic Development Tax Credit Program encourages the growth of local community development capacity, in both funding and property available for attracting businesses, in order to develop and improve low-income communities. The program provides a 25% tax credit (5% per year for five years) for the amount of money donated, contributed, or represented by a sale below cost by the taxpayer to a certified community development corporation or a certified community development financial institution. The value of such tax credit shall not exceed five hundred thousand dollars per year per individual or one million dollars per year per business, or a total of one million per individual and two million per business. This program is set to sunset on August 15, 2010.

Urban Revitalization Tax Credit Program

The Urban Revitalization Tax Incentive Program was established to stimulate economic development and create new jobs in urban and rural communities by providing tax incentives to small businesses that locate their principal office and work sites in a Historically Underutilized Business (HUB) Zone. Additionally, the small business must obtain HUB Zone approval from the local governing authority and must employ staff that reside in or adjacent to the HUB Zone, receive some form of public assistance prior to employment, or are unemployable by lacking in basic skills. The program provides a $5,000 credit per net new job and will qualify the business to participate in the federal Workforce Investment Act Program through the Louisiana Workforce Commission. A business participating in this program cannot also participate in the Enterprise Zone Program.

Attachment 3

Enterprise Zone Program
2009 Annual Report

Per RS 51:1786

March 2010

LOUISIANA ECONOMIC DEVELOPMENT
OpportunityLouisiana.com

Contents

1 Summary

The Enterprise Zone (EZ) program is a statutory incentive program administered by the Louisiana Department of Economic Development (LED). The EZ statute (RS 51:1786(4)) calls for LED to issue an annual report of program activity and also encourages the department to include in this report an evaluation of the program and suggestions for improvement. As part of an ongoing performance audit of LED, the Louisiana Legislative Auditor recently recommended that LED not only report the performance of the EZ program, but also evaluate the success or lack of success of the program and offer topics for legislative consideration. This document serves to meet the EZ reporting requirements outlined in statute and to expand LED's historical performance reporting to be more evaluative in nature and to include specific recommendations for improvement, in line with the Legislative Auditor's recommendations.

This document provides a brief history of the EZ program and compares Louisiana with other Southern states regarding how the program is administered. It describes program activity over the last year, and also includes activity over the last several years to highlight usage trends. The report describes the types of businesses that have utilized the program and where in the state these businesses are situated. High-level findings are described below.

The EZ program provided in FY2009 $60.6 million[1] in incentives to Louisiana businesses. Along with the motion picture industry development tax credit, the EZ program is one of the two largest tax incentive programs in the state. A wide range of businesses across the state utilize the EZ program, but on average, most of the activity involves larger businesses (e.g., national retail chains, manufacturers, hospitals, hotels, industrial/offshore construction and services, distribution, commodity storage and transportation) in relatively affluent, urban/suburban areas of the state that are not designated Enterprise Zones. Over the past four years, more than 95 percent of the value of incentives made available through the EZ program has been provided to large businesses (more than 500 employees). Despite being one of the state's most active incentive programs, less than one percent of Louisiana employers have historically accessed the program. Furthermore, Louisiana's EZ program appears to have fewer mechanisms in place to encourage net new permanent job growth for the state than similar programs in neighboring states. For example, four nearby Southern states target their programs towards industry sectors that drive new economic growth and net new permanent jobs, and generally avoid providing incentives to certain industries that typically follow local demand and/or suffer from substitution effects (e.g., retail, restaurants and other sectors serving primarily local demand).

This document concludes with several LED recommendations for EZ program improvements that would ensure that the program more consistently follows statutory requirements. The statute provides LED with the prerogative to provide recommendations for potential legislative consideration. LED is not providing such recommendations in this report but is considering options and specific recommendations for the 2010 annual report.

[1] Louisiana Department of Revenue – FY2009 Tax Exemption Budget

2 Overview of the Enterprise Zone program

The EZ program was originally created to stimulate business and industrial growth in certain disadvantaged areas in the state by providing tax incentives for job creation and capital investment.

The statute provides that the Board of Commerce & Industry (C&I) may enter into EZ contracts with businesses that create a minimum of the lesser of five net new permanent jobs to be in place within the first two years of the contract period, or the number of net new jobs equal to a minimum of ten percent of the existing employees, minimum of one, within the first year of the contract period. Incentives for the EZ program include job tax credits (generally, $2,500 per net new job) and either 'sales and use tax rebates' (generally, 4 percent on those construction costs taxed by the State) or 'investment tax credits' (1.5 percent of qualified capital expenditures).

The statute designates LED with the sole responsibility for effectively administering the EZ program. It also indicates that promulgating rules and regulations for the program is a specific duty of LED.

3 History of the Enterprise Zone program

The concept of Enterprise Zones to stimulate economic growth in certain small geographic areas was developed in the late 1970s and was adopted by Louisiana in 1981. There have been two significant amendments to the Louisiana program. The first amendment in 1992 eliminated the requirement that new employees reside in the same zone as the business for which they work. The second amendment in 1999 eliminated the requirement that a business be located within an Enterprise Zone.

Currently, businesses anywhere in the state can qualify for EZ incentives if they add a minimum number of net new jobs and if 35 percent of those new jobs generated meet one of four hiring requirements:

1. Residency
   a) If the business is located in an urban parish, the employee must live in a Louisiana Enterprise Zone.

   OR

   b) If the business is located in a rural parish and not located in an Enterprise Zone, the employee must live in a Louisiana Enterprise Zone.

   OR

   c) If the business is located in a rural parish, and located in an Enterprise Zone, the employee may live anywhere in the parish in which the business is located or in any Louisiana Enterprise Zone.

   OR

   d) If the business is located in an Economic Development Zone (EDZ), the employee may live anywhere in the parish in which the business is located.

2. Receiving some form of public income assistance. May include Women Infants Children Program (WIC), Family Independence Temporary Assistance Program (FITAP), hired through the Louisiana Workforce Commission (LWC), or attended a technical college or community college within the six months prior to being hired.

3. Lacking basic skills. A person below the 9th grade proficiency in reading, writing, or math.

4. Unemployable by Traditional Standards. Having no prior work history or job training, having a criminal record (excluding misdemeanors), having a history of being unable to retain employment after gaining it, or being physically challenged.

4 Enterprise Zone program activity levels

Calendar year 2009 EZ program activity levels are summarized below:

Statewide activity (CY2009)

Total new contracts approved:	286
Projected new permanent direct jobs:	9,379
Projected construction jobs:	17,275
Projected new capital expenditures:	$4.58 billion

The projected number of new permanent jobs listed above should not be construed as net new permanent jobs to the state that resulted due to the availability of the EZ program. This is because many of the EZ projects approved would likely have occurred with or without the EZ incentive. Many EZ projects are associated with projects reacting to or capitalizing on expanding or shifting local Louisiana economic demand. This growing or shifting demand would typically be satisfied by a Louisiana-based business through some sort of expansion or new location, even if no incentives were made available. Additionally, many of the projected new permanent jobs are associated with projects that involve "substitution" effects - if a new establishment opens or expands as another nearby competing establishment closes or reduces employment levels. To estimate the net new permanent direct jobs to the state, the following jobs are subtracted from the 9,379 projected new permanent direct jobs:

- jobs associated with EZ projects that would have occurred without the incentive;
- job losses associated with business closures or downsizing that resulted from increased competition from EZ projects.

When these factors are taken into account, LED estimates that the EZ program applications approved in CY2009 will result in approximately 3,000 net new permanent direct jobs to the state.

EZ approvals were provided to projects in all regions of the state, with the Southeast region and Capital region attracting over 60 percent of the total EZ projects, generally in proportion to the regional population distribution across the state.

Regional breakdown (number of new contracts in CY2009)

Acadiana:	38 (13 percent)
Bayou:	14 (5 percent)
Capital:	79 (28 percent)
Central:	9 (3 percent)
Northeast:	19 (7 percent)

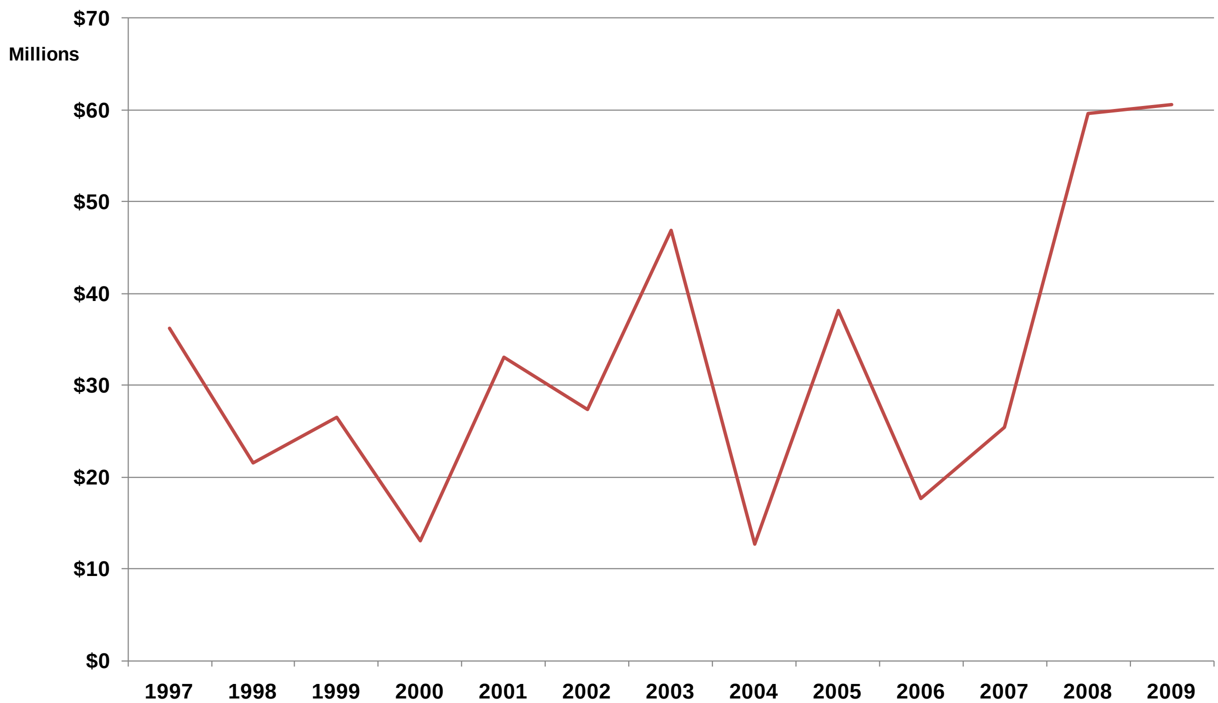
Northwest: 27 (9 percent)

Southeast: 92 (32 percent)

Southwest: 8 (3 percent)

The overall value of incentives accessed through the EZ program has tended to vary somewhat significantly on a year-to-year basis due to a variety of factors, including business cycles. Additionally, usage over the last decade has been impacted by a number of significant hurricanes that disrupted Louisiana's economy. Over the last 12 years, an average of $33.4 million per year in incentives has been provided to businesses through the EZ program. The past two years have seen a significant increase in the incentive value, going from $25.4 million in FY2007, to $59.6 million in FY2008 and $60.6 million in FY2009.

Estimated EZ Incentives Provided to Businesses



Louisiana Department of Revenue – FY1999 – FY2009 Tax Exemption Budgets

5 Enterprise Zone program comparison between Southern states

The EZ program is administered in different ways depending on the state. Each state tends to use different incentives, different industry sector criteria, and different hiring requirements when administering the EZ program. Included below is a comparison of the EZ program (or similar programs) structure in the states of Louisiana, Texas, Mississippi, Arkansas, and Alabama.

Louisiana:

- Can be located anywhere in the state
- 35 percent of new employees must meet certain hiring requirements
- Must create a minimum of the lesser of five net new permanent jobs, or the number of net new jobs equal to a minimum of ten percent of the existing employees
- Incentive is $2,500 per net new job and 1.5 percent investment tax credit or 4 percent tax credit on construction cost

Alabama:

- Must be located in an Enterprise Zone
- 35 percent of new employees must meet certain hiring requirements
- Must operate within manufacturing, processing, assembling, storing, warehousing, servicing, or distributing industries
- May not have closed or reduced employment elsewhere in the state in order to expand into the Enterprise Zone
- Incentive maximum of $2,500 per employee and 4 percent tax credit on construction material and 1.5 percent tax credit on manufacturing equipment

Arkansas (Advantage Arkansas):

- Can be located anywhere in the state
- Cannot operate within retail industry
- Numbers of jobs that must be created: manufacturing 1; computer firm 1; corporate headquarters 50; distribution center 25; trucking terminal 100; office sector business 100
- Incentive maximum of $2,000 per new net job and 6 percent tax credit on construction material

Mississippi (Growth And Prosperity Program):

- Must be located in a Growth And Prosperity Program county
- Must operate within: manufacturing, processing, assembling, storing, warehousing, servicing, distributing or selling of any products or goods, or enterprises for research and development
- Must create a minimum of 10 new jobs
- Incentive maximum of 7 percent tax credit on construction material and 1.5 percent tax credit on manufacturing equipment

Texas:

- Can be located anywhere in the state
- 35 percent of employees must meet certain hiring requirements
- Cannot operate within retail or restaurant industries
- Must create a minimum one net new job and invest a minimum of $40,000
- Incentive maximum of $2,500 per employee for projects with less than $150 million in investment; $5,000 per employee for projects above $150 million; and $7,500 per employee for projects above $250 million
- Incentive maximum is also limited to $25,000 total for investments less than $0.4 million; $62,500 total for investments less than $1 million; $312,500 for investments less than $5 million

The differences in the percentage tax rebate or credit for construction is mainly attributed to the fact that different states have different sale/use tax rates. Hence, a more accurate comparison is stating that 100 percent of the sales/use tax on construction material is rebated in all states except Texas.

Below is a summary table highlighting the differences and similarities between EZ (or similar) programs across states. As shown, the states utilize different structures for their programs.

Summary of Incentives	**Louisiana** - Job tax credit - Investment tax credit - Sales/Use tax credit	**Alabama** - Job tax credit - Investment tax credit - Sales/Use tax credit	**Arkansas** - Job tax credit - Sales/Use tax credit	**Mississippi** - Investment tax credit - Sales/Use tax credit	**Texas** - Job tax credit
Exclusion of industry sectors with low economic impact*	No	Yes	Yes	Yes	Yes
Business locations must be in economically disadvantaged zones	No	Yes	No	Yes	No
Hiring requirements focused on disadvantaged populations or depressed areas	Yes	No	Yes	No	Yes
$ Per Job Incentive Caps	No	No	No	No	Yes

* Generally retail and other sectors characterized by substitution effects

For example, Mississippi and Alabama require businesses to be located in specific geographic zones. Texas has a total incentive maximum per project based on employment and investment. The primary difference between Louisiana and the four comparison states is that Alabama, Arkansas, Mississippi, and Texas all exclude industries with high substitution effects such as retail and restaurants. The jobs gains associated with these industry sectors typically follow local demand and/or involve substitution effects. Major users of Louisiana's EZ program include national retail chains. Some studies have shown that when national retail chains open in a local economy, there is no net increase in jobs, as some existing small retailers close or downsize as a result of the new competition.

6 Enterprise Zone program activity overview

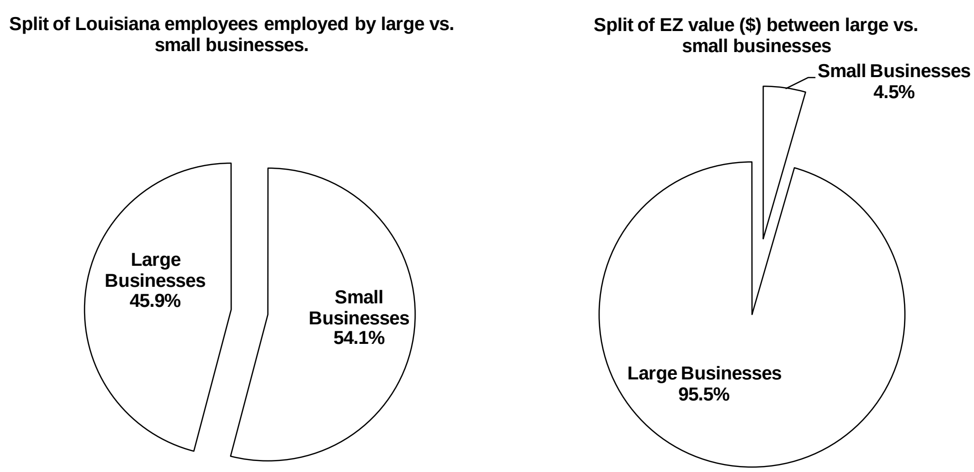
There are approximately 120,000 employers in the state of Louisiana[2]. Of these, less than one percent have applied and been approved for the EZ program in the past four years. Hence, even though the EZ program is one of Louisiana's most active incentive programs with significant incentive value ($60.5 million in FY09) being provided to businesses, the program does not appear to have a wide reach within the business community.

6.1 Size of companies that used the EZ incentive

Based on U.S. Small Business Administration definitions of a small business (typically less than 500 employees depending on industry sector), approximately 15 percent of EZ approvals are with small businesses and 85 percent of EZ approvals are with large businesses. Examples of large businesses include: national retail chains, manufacturers, hospitals, hotels, industrial/offshore construction and services, distribution, commodity storage and transportation.

The median size business approved has more than 5,000 employees and annual revenues greater than $100 million. When taking into account the estimated value of incentives approved, large businesses access more than 95 percent of the incentive value and small businesses access less than five percent of the incentive value. In contrast, large businesses represent just below three percent of businesses and 46 percent of employment in the state, with small businesses representing more than 97 percent of businesses and 54 percent of employment in the state.

Comparing split of employment and value between small (less than 500 employees) and large companies in Louisiana



[2] Louisiana Work Force Commission, Employment and Wages 2008

6.2 Locations of EZ projects

When the EZ program was created, the statute required that successful applicants be located in geographically defined Enterprise Zones. Enterprise Zones received their designation due to factors such as particularly high unemployment levels, low income levels, number of people below poverty level, and other factors indicating economic disadvantage. However, this requirement was removed as of the 1999 amendment. Under the current program, businesses can be located anywhere in the state as long as they adhere to the four statutory employment requirements.[3]

1. Residency
2. Receiving some form of public income assistance
3. Lacking basic skills
4. Unemployable by traditional standards

Over the last four years, 29 percent of all EZ projects have been located in actual Enterprise Zones. In comparison, Enterprise Zones currently cover more than 60 percent of the geographical area of Louisiana and contain 33 percent of Louisiana's population. Similarly, the median household income level of census tracts of EZ projects for the past four years has equaled over $46,000 compared with the Louisiana median household income of $43,733. EZ projects, on average, tend to locate in more affluent areas of the state.[4]

Over the last four years, 76 percent of all EZ projects have been located in urban/suburban areas. Industry sectors that have tended to locate in urban/suburban areas include retail (81 percent), heath care (91 percent), hospitality (85 percent), and technical services (95 percent). Manufacturing is the industry sector most likely to locate in rural areas with 46 percent of manufacturing projects in rural areas. [5,6]

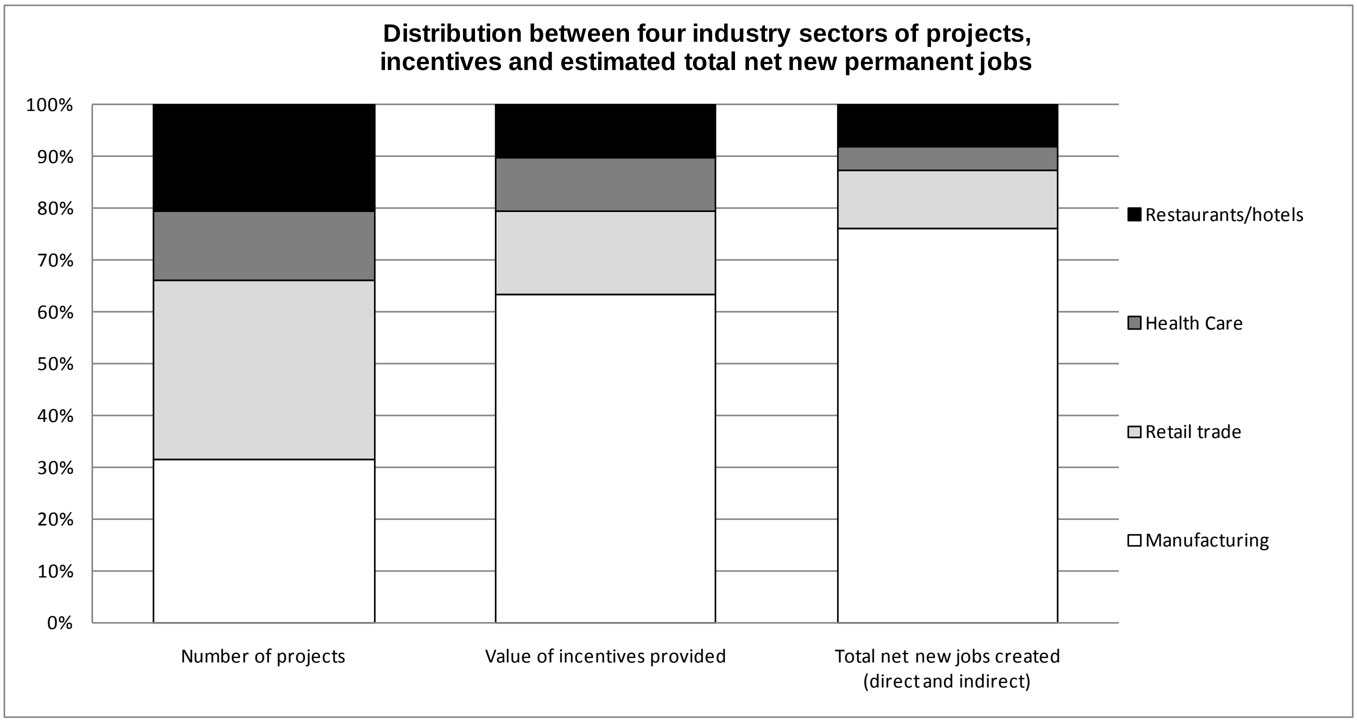
6.3 EZ program usage across industry sectors

An aim of the EZ program is to incentivize businesses to invest capital and to create net new jobs in Louisiana. EZ incentives have for the past four years had an uneven distribution among industry sectors with regards to job creation. The largest portion of EZ incentives (63 percent) have been provided to the manufacturing sector.[7] This industry sector has historically only created 14 percent of the direct new jobs. However, when indirect impacts are included, the manufacturing sector accounted for the majority of total net new jobs (including both direct and indirect jobs) associated with the EZ program. Other industry sectors with significant utilization of EZ incentives (e.g., retail, restaurants/hotels, and health care) often serve local demand and/or involve significant substitution effects. In aggregate, projects in these sectors involve

[3] See section 3 for more detail
[4] See exhibit on Enterprise Zone distribution
[5] 2000 Census Urbanized Area Definition
[6] See exhibit on Urban vs. Rural distribution
[7] See exhibit "Incentive distribution across industry sectors 2005-2009"

more direct jobs than projects in the manufacturing industry. But because the projects typically serve local demand and/or involve substitution effects, the total net new jobs to the state (including both direct and indirect jobs; excluding jobs associated with substitution effects) are relatively modest in comparison to the total net new jobs associated with the manufacturing sector.

The following chart and table compares the distribution of applications, incentives and total net job creation (adjusted for indirect effects and substitution effects) between four industries.



	Number of projects (CY09)	Value of incentives provided (FY09)	Total net new jobs (direct & indirect) created (CY09)	Estimated incentive per job (direct & indirect)
Restaurants/hotels	32	$ 4 million	245	$ 16,313
Health Care	30	$ 4 million	146	$ 27,390
Retail trade	75	$ 7 million	350	$ 20,015
Manufacturing	53	$ 26 million	3,878	$ 6,705

NOTE: The above figures are estimations based on best current available data and assume projected direct jobs are actually created. Total net new jobs are estimated based on indirect job creation in accordance with RIMS II multipliers. Restaurant/hotels, health care and retail new direct jobs are adjusted with a 90 percent substitution effect.

7 Potential improvement opportunities within the Enterprise Zone program

Over a year ago, the C&I board directed LED - working in close coordination with industry stakeholders - to develop an updated set of rules for the EZ program and several other incentive programs. LED is currently in the midst of this process. As LED reviewed the EZ program as part of this potential rules update, it identified a number of improvement opportunities that better align the program with existing statute. In particular, the updates would help ensure that businesses receiving EZ incentives are adding the minimum required number of net new permanent jobs as defined by statute. Included below is a description of each of these potential improvement opportunities as well as a brief description of how the improvements could be implemented through updated rules. If LED is unsuccessful in implementing these improvements through rulemaking, the legislature may want to consider amending the EZ statute to better clarify current qualification requirements.

7.1 Ensuring that large businesses add at least five new permanent jobs

The EZ statute indicates that businesses may be eligible for the program if they create either a) five net new permanent jobs or b) the number of net new jobs equal to a minimum of 10 percent of existing employees. Qualification provision b) was amended into the EZ statute in 1997 (Act 624) as a mechanism for smaller businesses to gain eligibility for the program by adding fewer than five net new permanent jobs (e.g., a business with 10 existing employees or less would only need to add one new job to qualify). However, based on a review of historical EZ contract applications and approvals, it appears that a number of large national corporations have been utilizing qualification provision b) to gain access to EZ benefits even though they have created fewer than five net new permanent jobs.

This is being accomplished under a number of interpretations of the existing EZ rules, namely the following:

- Large national corporations with limited existing Louisiana presence only counting their existing Louisiana employees in determining the entire business' existing employee levels
- Large businesses (with multiple existing Louisiana sites) asserting that any new site established represents a new business with no existing employees, so the new site only needs to add one new job to qualify
- Large businesses with multiple separate legal operating entities only counting employees housed within the "applying" entity in determining the business' existing employee levels, so a new affiliate only needs to add one new job to qualify

Each of these interpretations leads to an unfair playing field between:

- In-state and out-of-state businesses
- Businesses expanding in new locations and businesses expanding at existing locations
- Businesses with simple legal structures and businesses with complex legal structures

Proposed improvement in EZ rules to align with existing statute

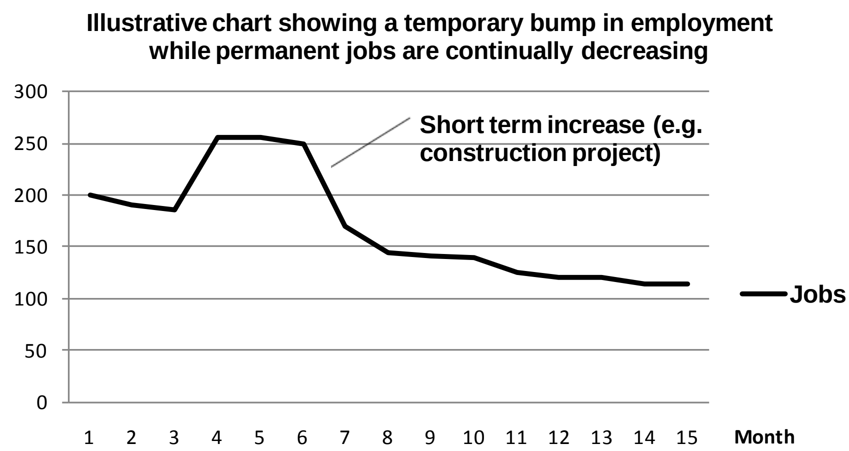
Proposed EZ rules updates would include using a business' nationwide employment level, including affiliates, to set the appropriate new job eligibility threshold for EZ. These updates would create a level playing field for businesses applying for EZ benefits. Businesses with greater than 40 existing employees – regardless of the current location of the existing employees, the location of the EZ project, or the legal structure of the business – would need to add five net new permanent jobs to qualify for the program. Businesses with 1-40 existing employees would need to add new jobs equal to 10 percent of their existing employment levels (one-to-four new jobs depending on business size). This would remove many of the inequities associated with current EZ rules and policies.

7.2 Ensuring that businesses accessing EZ benefits intend to add at least one new permanent job

The EZ statute indicates that new permanent jobs are a basic eligibility requirement for the EZ program. However, based on a review of historical EZ contract applications, approvals, and historical employment patterns, it appears that a number of businesses may be gaining access to EZ benefits through the addition of temporary jobs instead of permanent jobs.

In essence, under the existing methodology, a job can be in place for as little as seven months and count as a new permanent job. Even if the business has no intentions for the job to be permanent, the business under current rules is allowed to count the job as permanent.

An example is shown in the below graph. A business with a planned employment profile as illustrated below can currently qualify for EZ benefits even though the business is planning to reduce its number of permanent jobs. However, for brief periods the business might have a short-term increase in jobs (e.g., due to a construction project). Hence, in the below example, the average for the first eight months is 206.5 jobs (net increase of 6.5 jobs) and the business is consequently eligible for EZ as if five net new permanent jobs were created. However, as also illustrated in the graph, the business' pattern is a net decrease of permanent jobs and the business is eligible solely due to a brief three month job increase. Clearly this is not the statutory intent of the EZ program.



Proposed improvement in EZ rules to align with existing statute

Proposed rule changes would call for a new certification process to provide businesses an opportunity to certify that they intend to create the required minimum number of new permanent jobs (either one, two, three, four, or five depending on business size) as part of their project. The certification would ensure that businesses understand the basic eligibility requirement to add new permanent jobs and that the businesses do indeed intend to add new permanent jobs at the time they are seeking EZ benefits. Under this framework, businesses would not be penalized if, due to unforeseen circumstances, they were unable to retain the new jobs for an extended period of time. As long as the business certified that its intentions were aligned with the statute and that it succeeded in adding the required number of jobs for at least the length of time called for under the current methodology (generally, between 7-12 months), the business would be eligible to receive EZ benefits.

7.3 Establishing an employment baseline that is representative of recent employment levels

The current EZ rules (the statute is silent on the matter) provide businesses with the ability to pick a specific date (a single day) to establish their baseline employment from which eligibility and incentives are determined. Because the baseline is established based on a single day, it creates an opportunity for larger businesses to choose a date when their employment levels are at a temporary and extremely low point. For large businesses that might have daily employment swings of many positions, establishing a baseline based on a single day can result in a business meeting the basic EZ eligibility requirements by just performing their routine hiring function (as opposed to adding new permanent jobs). For example, under current rules, a business with five positions vacated one day can refill those positions the next day and qualify for incentives. An employment baseline that better represents the true historical employment levels of the business would be more appropriate in assessing whether a business actually adds new jobs versus refilling recently vacated positions.

Proposed improvement in EZ rules to align with existing statute

Proposed rule changes would establish an employment baseline as a historical average (e.g., 45-days, 90-days, one-year) of employment levels. An average provides a better view of recent employment levels than a single day selected by the business and provides a more representative baseline from which to assess a business' efforts to add new permanent jobs.

7.4 Ensuring that the shifting of jobs or work between business sites or between business affiliates does not count as adding new jobs

Although the EZ statute indicates that new permanent jobs are a basic eligibility requirement for the program, the statute provides no specific guidance on how to protect against businesses shifting jobs or work from one location to another, or from shifting jobs from one business affiliate to another, and claiming these shifted jobs as new jobs for EZ purposes. For instance, a business with two identical facilities in the state could close one of its operations, move the work and its employees to the second location, and claim job tax credits for the jobs that were moved. The statute does provide enough flexibility to disqualify job shifts from counting as new jobs if the EZ rules are updated appropriately. The current EZ rules already include provisions that prevent businesses from earning job credits by moving employees between locations in a metropolitan area, but the provisions do not appear to apply to the basic EZ eligibility criteria, do not include the entire state, and do not cover the movement of employees from one affiliated entity to another.

Proposed improvement in EZ rules to align with existing statute

Proposed rule changes would better define what constitutes a net new job for eligibility and job credit purposes. The movement of a job from one business site to the EZ site or from one affiliated entity to the EZ business entity would not count as a net new job, except for specific situations such as when the sites or affiliates were in unrelated business lines or when the job was backfilled at the other site.

7.5 Providing a mechanism to net ***planned*** job reductions at similar sites, headquarters, or shared services operations against job gains at the EZ site

Although the EZ statute indicates that new permanent jobs are a basic eligibility requirement for the program, the statute provides no specific guidance on how to protect against businesses receiving incentives for job creation at one location even as they are executing a downsizing plan at another Louisiana location that results in a net loss of Louisiana jobs. For instance, a business could decide to move its 100-person headquarters out of state while investing in a new Louisiana branch facility that employs only 10 people (net loss of 90 jobs), and receive EZ incentives for building the branch facility and adding 10 new jobs.

The statute does provide enough flexibility to require netting of job gains and losses across multiple business sites in determining net new jobs for EZ eligibility and job tax credit purposes. The current EZ rules already include provisions that can require businesses to net jobs across multiple sites within a single metropolitan area, but the provisions do not cover:

- job reductions at similar sites, but located in different metropolitan areas
- job reductions at headquarters operations located in a different metropolitan area
- job reductions at shared services centers located in different metropolitan areas

Proposed improvement in EZ rules to align with existing statute

LED recognizes that the EZ program has historically been administered in a "site specific" manner (job losses at other sites do not impact the incentives received at the EZ site), except for certain situations where sites within a metropolitan area have been netted against each other. Additionally, LED recognizes that job losses at other sites of the business are often unanticipated and can result from business cycles and uncontrollable shifts in the marketplace.

The proposed rule changes would maintain "site specific" administration of the program, but would call for the netting of job gains/losses for multiple sites across the state under the following very specific situations: a) jobs lost due to closure (and in some instances, downsizing) of similar sites in the same metropolitan area as the EZ site, b) jobs lost due to ***planned*** (at the time of the EZ project) closure or downsizing of similar sites serving the same customer base, c) jobs lost due to ***planned*** (at the time of the EZ project) relocation or downsizing of headquarter operations or shared services operations. For b) and c) above, only job losses anticipated at the time of the EZ project would need to be netted. Unanticipated job losses would not need to be netted. These changes would help ensure that a business receiving EZ incentives actually intends to add new jobs as required by statute, and is not adding jobs at one location while implementing a downsizing plan at another similar or related location that results in a net job loss

7.6 Clarifying that jobs "purchased" through a business acquisition are not counted as new jobs

Although the EZ statute indicates that new permanent jobs are a basic eligibility requirement for the program, the statute provides no specific guidance on how to protect against businesses receiving incentives for jobs associated with routine business sales/purchases (i.e., an owner purchases a business and continues the business operation, including the jobs associated with the business). Businesses in Louisiana are bought and sold routinely, with no new jobs resulting due to the transfer of ownership.

The statute provides enough flexibility to require, for jobs to be counted as new, that the business being purchased be out of operation or at real risk of going out of business and shedding its employee base. Historical EZ administrative practice, though not defined in statute or in the rules, has largely been implemented with this principle in mind. However, because the practice is not clearly articulated in the rules, potential applicants for EZ benefits often become confused or frustrated when applying for EZ incentives associated with a business purchase.

Proposed improvement in EZ rules to align with existing statute

Proposed rule changes would allow “acquired” or “re-instated” jobs following the purchase of a business to be counted as new jobs for eligibility and job tax credit purchases when there has been an arm’s length transfer of ownership between unrelated businesses and either:

- the location has been out of operation for at least three months, or
- LED determines that the jobs would have likely been lost to the state absent the transfer.

These changes would establish improved clarity for business applicants and would work to ensure that jobs associated with routine sales/purchases of going-concern business entities are not treated as new jobs.

8 Conclusion

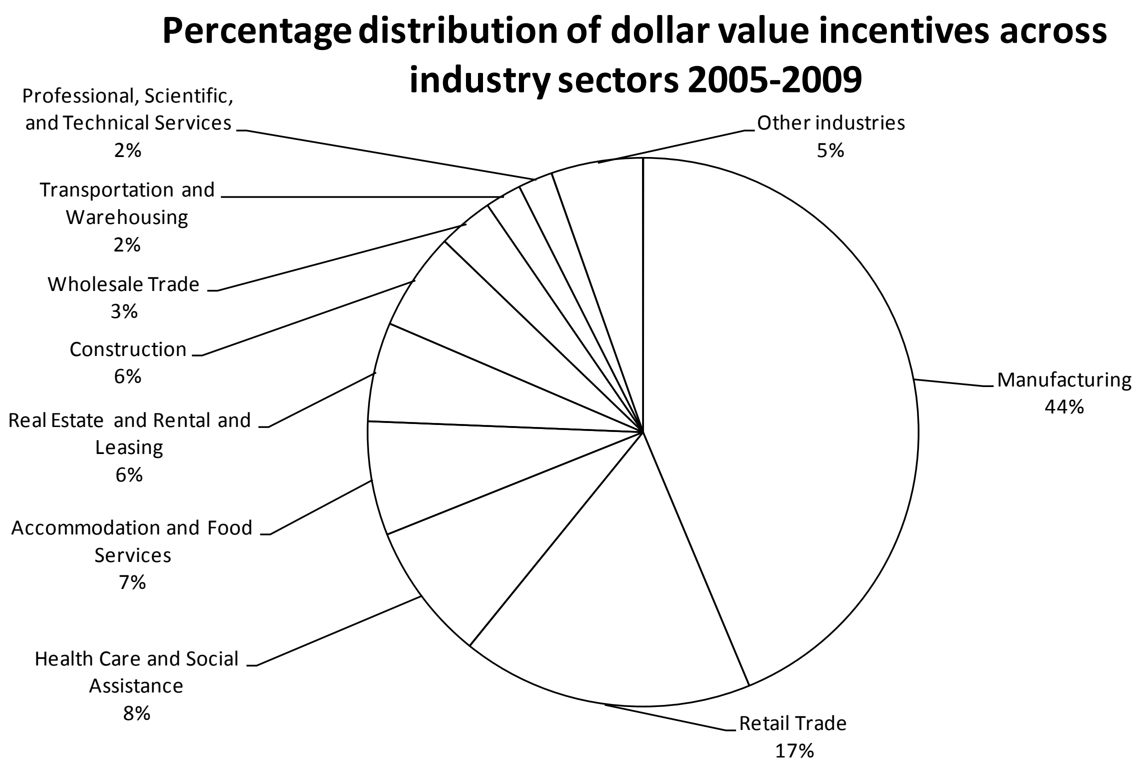
The Louisiana EZ program is one of the state's most active incentive programs and one that has seen a recent increase in activity levels. A wide range of businesses across the state utilize the EZ program, but on average, most of the activity involves larger businesses (e.g., national chains, manufacturers, hospitals, hotels, industrial/offshore construction and services, distribution, commodity storage and transportation) in relatively affluent, urban/suburban areas of the state that are not actual Enterprise Zones.

Louisiana's EZ program as designed in the statute is significantly less focused on generating net new permanent jobs in the state as compared to programs in neighboring states. Alabama, Arkansas, Mississippi, and Texas have all taken steps to exclude the industry sectors that exhibit inherent substitution effects from their EZ program (e.g., retail, restaurants and other sectors serving primarily local demand). LED estimates that between 30-35 percent of the incentives provided through the EZ program (~$18 to 21 million in FY09) are associated with projects that don't appear to result in net new permanent jobs to the state. Many of these incentives are provided to large national retail chains that supplant small, locally owned and operated businesses when moving into a geographical area.

Most of the proposed improvement opportunities described in this report can be addressed through updated EZ rules as described in Section 7. The updates are focused on better aligning the EZ program with the statute that calls for a minimum required number of net new permanent jobs. LED is currently in the midst of the rulemaking process, working with business and economic development stakeholders, as well as C&I board members, to fully develop the improvements. However, some business and economic development stakeholders have suggested to LED that they would prefer that the EZ program continue to operate under current rules, which could prevent the program from effectively aligning with statute. LED will strive to manage the implementation of the EZ program as effectively as possible. However, if LED is unsuccessful in implementing improvements through rulemaking, the legislature may want to consider amending the EZ statute to better clarify current qualification requirements.

In this year's report, LED has not provided specific topics for legislative consideration, but has instead focused on rule updates to improve alignment with existing statute. LED expects to offer topics for legislative consideration in next year's report.

EXHIBITS



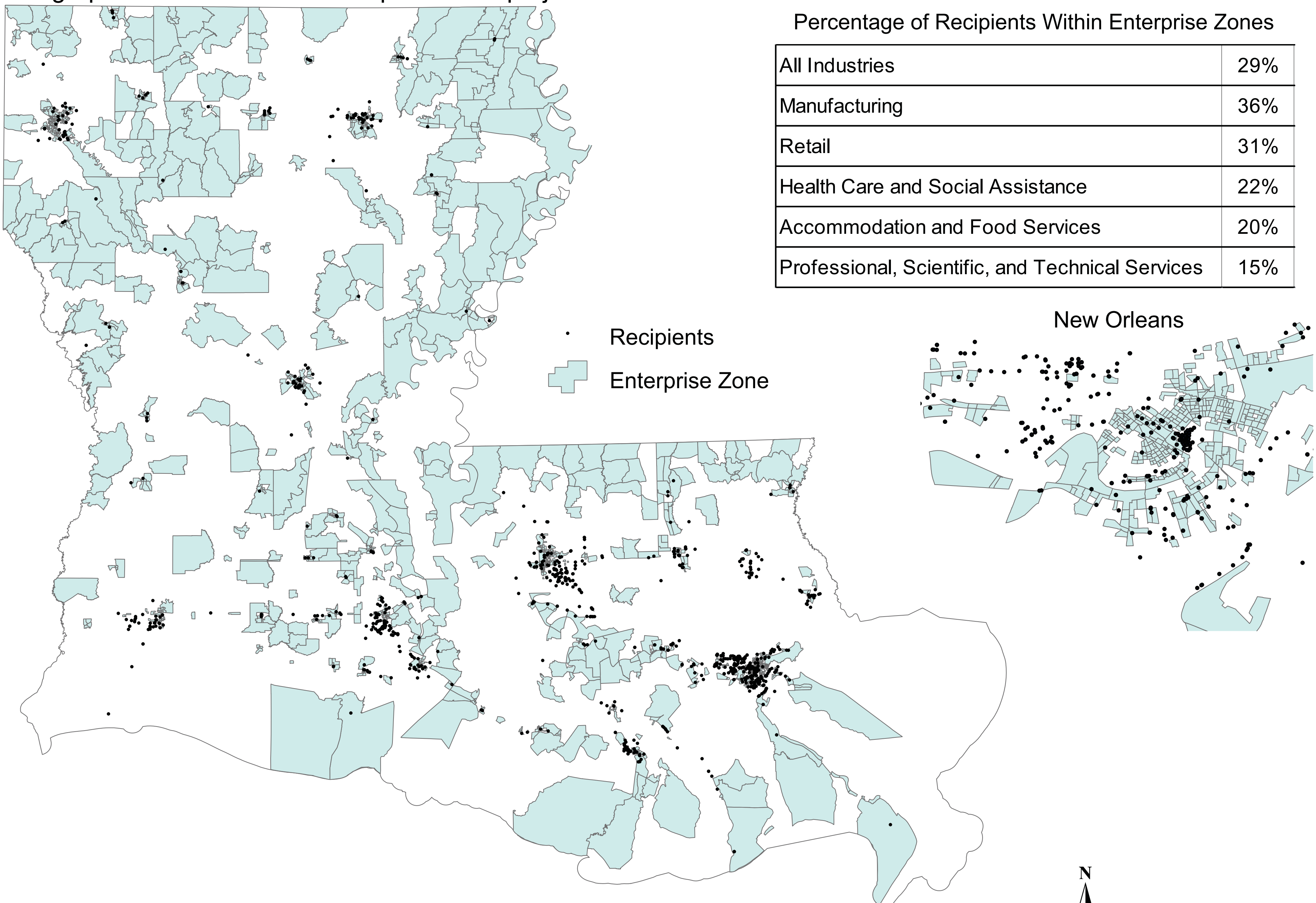
Percentage distribution of dollar value incentives across industry sectors 2005-2009
Professional, Scientific, and Technical Services 2%
Other industries 5%
Transportation and Warehousing 2%
Wholesale Trade 3%
Construction 6%
Manufacturing 44%
Real Estate and Rental and Leasing 6%
Accommodation and Food Services 7%
Health Care and Social Assistance 8%
Retail Trade 17%

71 PERCENT OF ENTERPRISE ZONE PROJECTS ARE OUTSIDE OF ENTERPRISE ZONES

Geographical distribution of Enterprise Zone projects in Louisiana 2004-2009

Percentage of Recipients Within Enterprise Zones

All Industries	29%
Manufacturing	36%
Retail	31%
Health Care and Social Assistance	22%
Accommodation and Food Services	20%
Professional, Scientific, and Technical Services	15%

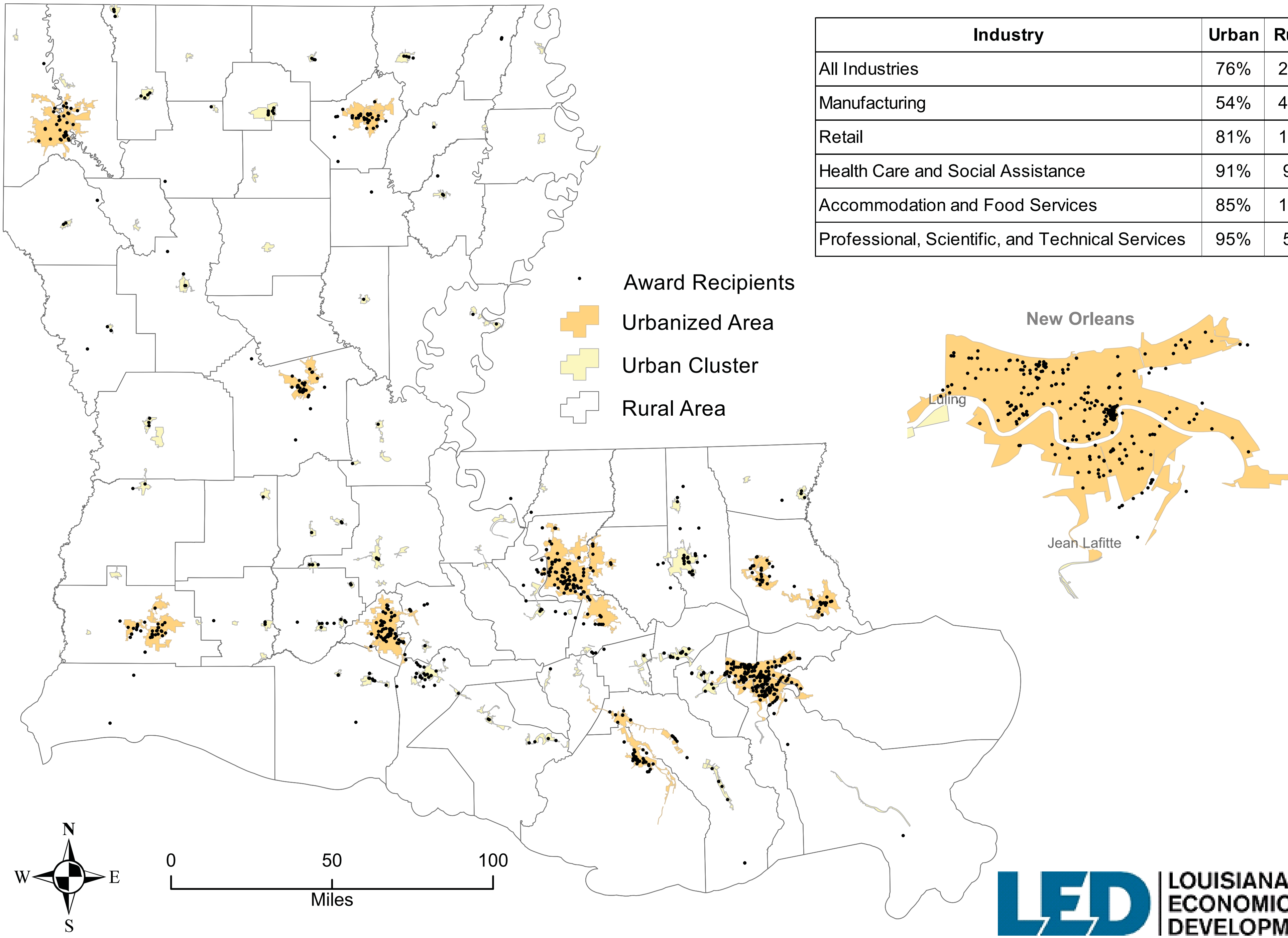


LOUISIANA ECONOMIC DEVELOPMENT

76 PERCENT OF ENTERPRISE ZONE PROJECTS ARE WITHIN URBAN AREAS

Geographical distribution of Enterprise Zone projects in Louisiana 2004-2009

Industry	Urban	Rural
All Industries	76%	24%
Manufacturing	54%	46%
Retail	81%	19%
Health Care and Social Assistance	91%	9%
Accommodation and Food Services	85%	15%
Professional, Scientific, and Technical Services	95%	5%



LOUISIANA ECONOMIC DEVELOPMENT