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## Business Incentives and Economic Development Expenditures: An Overview of Louisiana's Program Investments and Outcomes

### Summary

Across the country, state economic development incentives have evolved into a complex mixture of programs with diverse structures and goals. The Council for Community and Economic Research (C2ER) and the Center for Regional Economic Competitiveness (CREC) have been working to catalog and document the range of available state programs through the [C2ER State Business Incentives Database](#), which includes detailed information about almost 2,000 state-administered incentive programs from every state; and the [C2ER State Economic Development Expenditures Database](#), a compilation of economic development expenditure budget data from every state. This report builds on that work by taking a deeper look at Louisiana's full array of incentive programs and includes an analysis of the available outcome data that is used by state policymakers and program administrators to gauge program effectiveness.

In order to create a comprehensive picture of the economic development landscape, we reviewed and culled data from a range of state statutes, reports, and websites, including tax exemption budgets and other sources. The numbers contained in this report are CREC and C2ER's best estimate of the dollars spent on economic development incentives at the state level in Louisiana.

In Fiscal year (FY) 2014, the most recent year for spending data are available for all program types, the state spent \$143 million on economic development program expenditures and \$879 million on economic development tax expenditures.<sup>1</sup>

### Overview of Business Incentives

Louisiana has a moderate number of incentive programs, with a total of 28 active programs in 2014. The C2ER State Business Incentives Database defines state business incentives as state-administered programs designed to influence business investment behaviors. States design their programs to influence these behaviors through tax incentives as well as through non-tax programs such as grants, loans, business assistance, and other investment vehicles. These incentives help businesses address one

[The Center for Regional Economic Competitiveness \(CREC\)](#) is working with The Pew Charitable Trusts (Pew) on the Business Incentives Initiative. This initiative engages forward-thinking teams of economic development policymakers and practitioners from six states, including Louisiana. These leaders are working together to identify effective ways to manage and assess economic development incentive policies and practices, improve data collection and reporting on incentive investments, and develop national standards. The initiative is supported by a grant from the Laura and John Arnold Foundation.

<sup>1</sup> Please see Appendices for detailed lists of all items included in this report as incentives, economic development program expenditures, and economic development tax expenditures.



**Figure 1: Louisiana State Business Incentives by Agency, 2014**

State Agency	Number of Programs
Louisiana Economic Development	23
Louisiana Board of Commerce and Industry	1
Louisiana Department of Culture, Recreation and Tourism	1
Louisiana Department of Revenue	1
Louisiana Office of Financial Institutions	1
Louisiana Workforce Commission	1

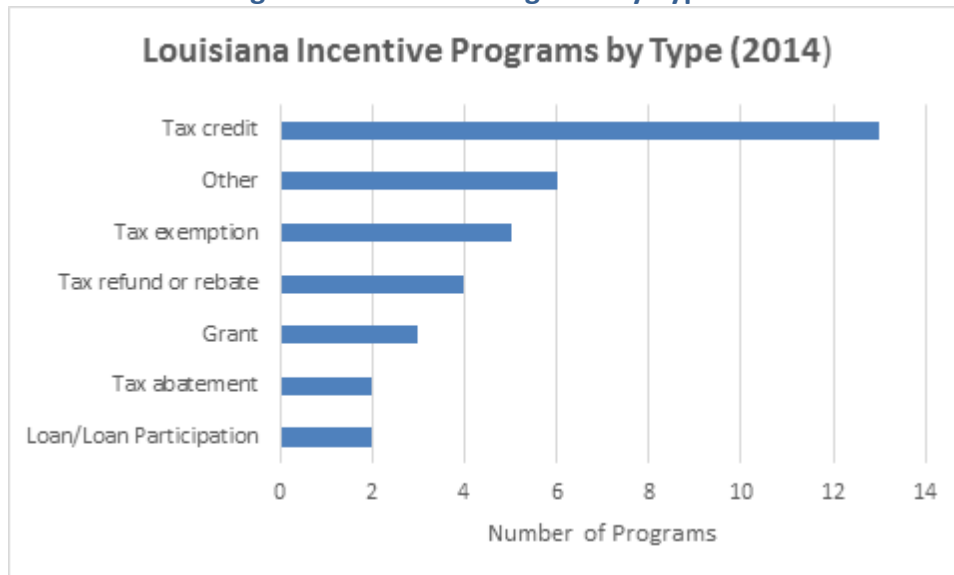
Source: C2ER State Business Incentives Database

or more needs, such as capital access, workforce preparation, technology transfer, site facility improvements, and so forth.<sup>2</sup>

In Louisiana, the responsibility for administering these incentive programs is spread across seven different state agencies. The primary agency responsible for administering incentive programs is the Louisiana Economic Development (LED), which handles 23 of the 28 programs. (See Figure 1.)

The Department of Revenue exclusively administers tax incentives (primarily exemptions and offsets of business-related expenses), while other state agencies administer a mix of tax (primarily credits) and non-tax programs.

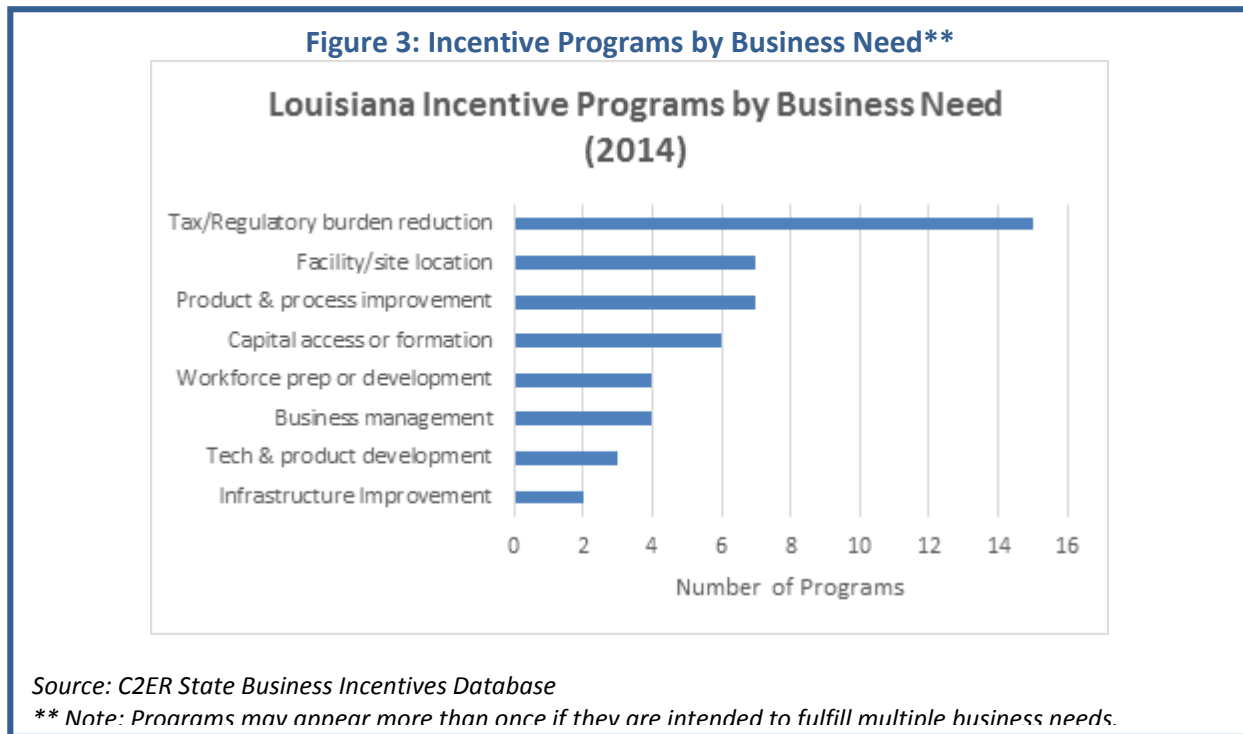
**Figure 2: Incentive Programs by Type\*\***



Source: C2ER State Business Incentives Database

\*\* Note: Programs may appear more than once if they provide multiple incentive types.

<sup>2</sup> The C2ER State Business Incentives Database definition of business incentives may differ from the definition used by the state of Louisiana. For a current list of incentive programs as defined by the state, please see the [Louisiana Economic Development](#) website.



Louisiana in recent years has invested in industry-focused incentives, most prominently the Digital Interactive Media and Software Development Incentive, which helped bring companies like EA Sports to the state.

More than half of Louisiana’s active incentive programs offer some kind of tax-related benefit. By comparison, tax incentives represent 45 percent of all state business incentive programs. Approximately one quarter of the state’s programs provide direct business financing, while about 10 percent offer indirect business financing. (See Figure 2.) The emphasis of the state’s current portfolio of incentives is on tax burden reduction, with a smaller number of programs addressing site selection and product development. (See Figure 3.)

There has also been a recent trend toward the development of site selection incentives and programs targeted at alleviating payroll and regulatory concerns, such as the Corporate Headquarters Relocation Program (2012), Competitive Projects Payroll Incentive Program (2012), Procurement Processing Company Rebate Program (2012), and Ports of Louisiana Tax Credit Program (2009).

### Economic Development Program Expenditures

Examining Louisiana’s budget for economic development program expenditures reveals how various state agencies outlay money for economic development programs. Expenditures fall into 15 functional areas for economic development defined by the C2ER State Economic Development Program Expenditures Database.<sup>3</sup>

<sup>3</sup> See Glossary definitions here - [http://www.stateexpenditures.org/about/Definition\\_of\\_ED\\_Functions.pdf](http://www.stateexpenditures.org/about/Definition_of_ED_Functions.pdf)

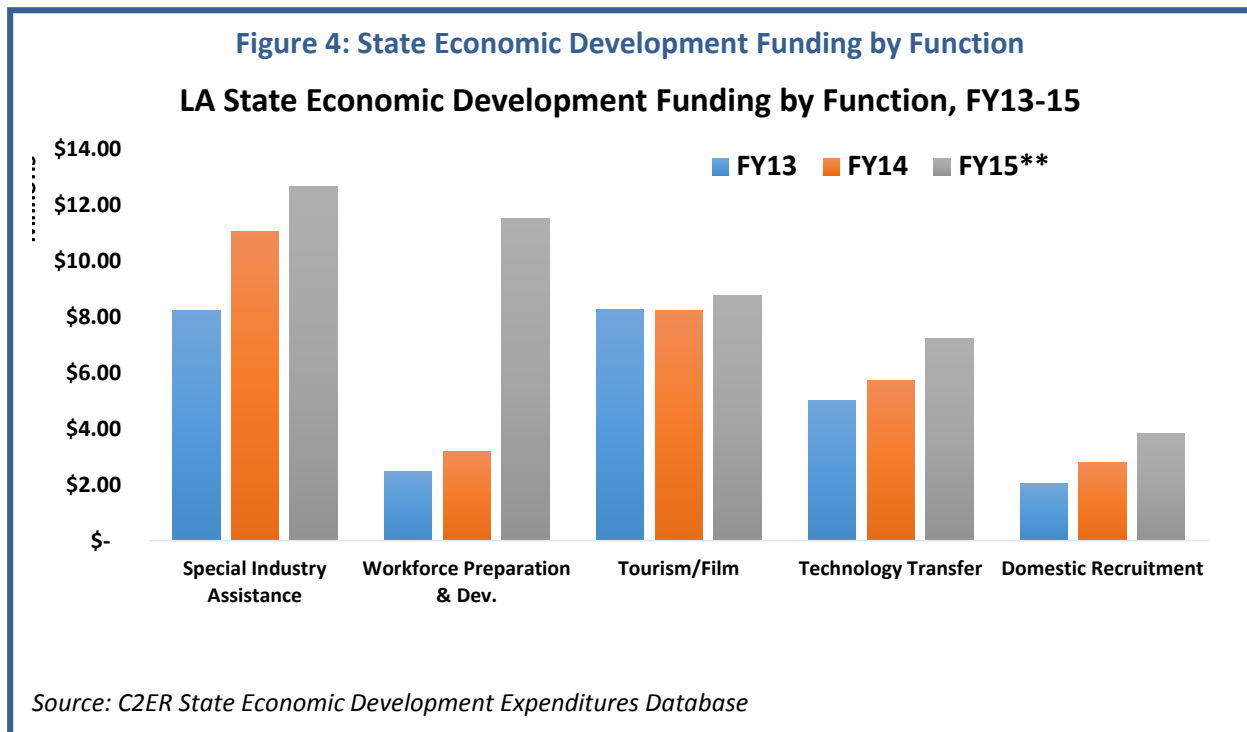


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According to Louisiana’s [FY 2014-15 executive budget document](#), which details actual and proposed FY 2014 spending, the state spent \$143 million on economic development in FY 2014. This level of spending represents an average of \$1,195 per business, which is significantly higher than the median average of \$791 per business spent in other states for that fiscal year. All of Louisiana’s economic development expenditures went to LED, Office of Tourism, Louisiana Workforce Commission, and Executive Department. However, the Executive Department received the highest share of the state funding, with 44 percent. This is due to the magnitude of the state investment in the Community Development Block Grant Program.

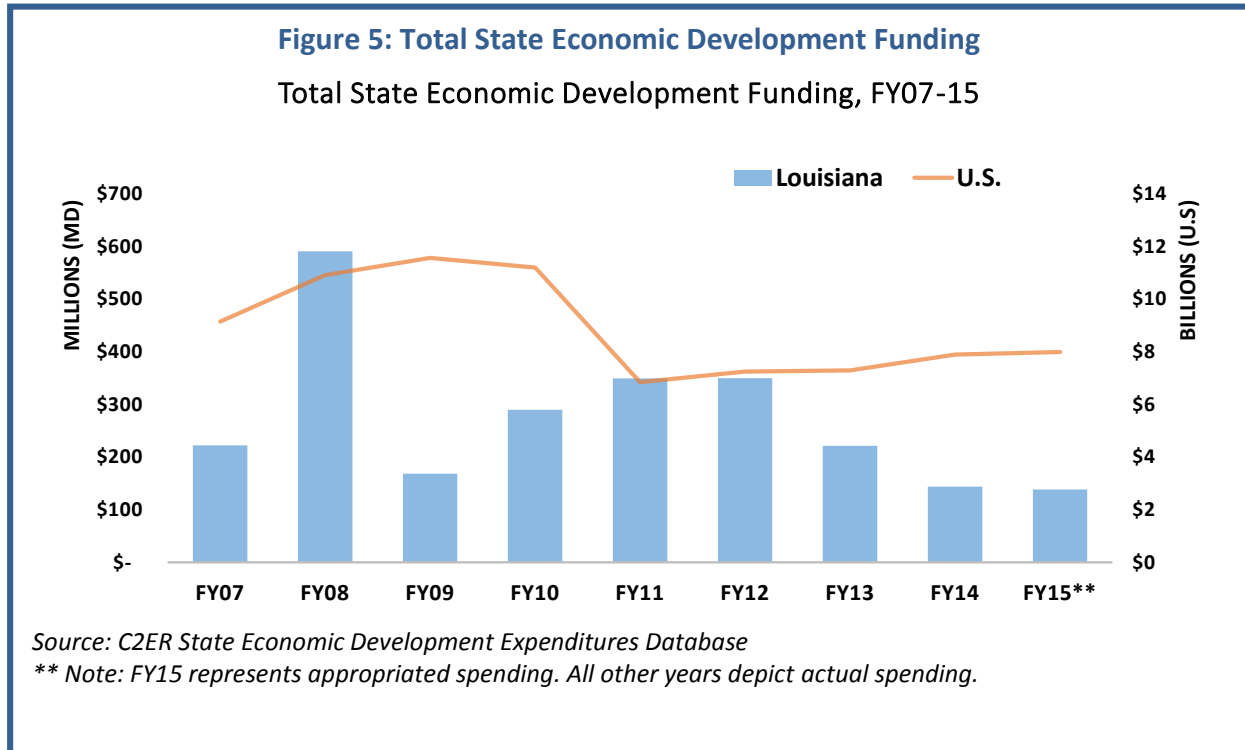
- State Economic Development Program Expenditures Function Areas**
- Business Finance
  - Strategic Business Attraction Fund
  - Business Assistance
  - International Trade and Investment
  - Domestic Recruitment/Out-of-State
  - Workforce Preparation & Development
  - Technology Transfer
  - Entrepreneurial Development
  - Minority business development
  - Community Assistance
  - Tourism/Film
  - Special Industry Assistance
  - Program Support
  - Administration
  - Other Program Areas

In comparison to economic development expenditures nationally, in FY 2014 Louisiana spent similar proportion of its budget (relative to other states) on programs related to business finance, domestic recruitment, and special industry assistance, and a lower share on programs related to technology transfer, business assistance, community assistance, tourism and film, and workforce development.





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Between FY 2007 and FY 2011, excepting a significant increase in FY08, economic development spending steadily increased in Louisiana, falling from \$223 million in FY 2007 to \$454 million in FY 2011. Economic development program expenditures have noticeably decreased since FY 2011, and are now lower than pre-Recession spending levels. Louisiana appropriated \$179 million to spend on economic development in FY 2015, relatively unchanged from FY 2014 levels. This is somewhat inconsistent with national trends in economic development spending, as most states decreased spending in FY 2011 following the Great Recession. (See Figure 5.)

### Economic Development Tax Expenditures

Tax expenditures can be defined as “revenue losses attributable to tax provisions that often result from the use of the tax system to promote social goals without incurring direct expenditures.”<sup>4</sup> *Economic development tax expenditures* in this context represent those tax provisions that use the state tax system to promote business investments that promote state economic priorities. The Louisiana Tax Exemption Budget for FY14-15<sup>5</sup>, published by the Louisiana Department of Revenue in March 2015, was used for the analysis in this section. Data was collected by reviewing and recording all line items in the report related to economic development, including all tax credits, abatements, refunds/rebates and exemptions that are designed to influence business investment behaviors.

In FY 2014, the state of Louisiana’s economic development tax expenditures totals approximately \$879 million, which is significantly higher than the \$143 million Louisiana invested in economic development program expenditures for that fiscal year. Louisiana administered its tax expenditures related to

<sup>4</sup> *Tax Expenditures: What are they and how are they structured?* Tax Policy Center. Accessed November 25, 2014 at: [www.taxpolicycenter.org/briefing-book/background/shelters/expenditures.cfm](http://www.taxpolicycenter.org/briefing-book/background/shelters/expenditures.cfm)

<sup>5</sup> Report can be accessed at: [http://revenue.louisiana.gov/Publications/TEB\(2014-2015\).pdf](http://revenue.louisiana.gov/Publications/TEB(2014-2015).pdf)



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economic development through several different state agencies, including LED, the Governor's Office of Film and Television Development, and the Board of Commerce and Industry.

For FY 2014, approximately 70 percent of Louisiana's economic development tax expenditures were for corporate income taxes. The remainder fell under individual income, sales and use, and other tax types. The primary economic development functional goals of these tax expenditures were to encourage product and process improvement, facility and site location, tax and regulatory burden reduction, and workforce preparation and development.

The majority of Louisiana's economic development tax expenditures went towards domestic recruitment (31 percent), technology transfer (22 percent) and special industry assistance (26 percent). Louisiana used tax incentives to assist many different industries in the state, with almost two thirds of line items going toward specific industries. The primary industries that received tax assistance in FY 2014 were telecommunications (15 percent); film production (14 percent); and professional, scientific, and technical services (43 percent).

## Analysis of Available Outcome Data

Louisiana Economic Development's principal tool for promoting and maintaining the transparency of the incentive programs that it manages is LED's "Performance Reporting" website, which is accessible from the agency's home page.<sup>6</sup> This website contains links to information about tax incentive programs managed by LED. From the LED Performance Reporting, the general public can access the following information resources:

- FastLane, LED's real-time, searchable database for company-specific tax incentive data
- Data on incentives managed by the Louisiana Board of Commerce and Industry (Enterprise Zones, Industrial Tax Exemption, Quality Jobs programs)
- Separate reporting data for the state's entertainment incentives (Motion Picture, Sound Recording, and Digital Media programs)
- Detailed reporting on LED's major discretionary incentives (Mega-Project Development Fund and Rapid Response programs)
- LaTrac, managed by the Department of Administration, which contains transaction-level incentive data from the state's financial accounting system

In addition to the information provided on LED's website, Louisiana's Department of Revenue (LDR) annually produces a combined Tax Exemption Budget (TEB), which provides descriptions, historical estimates and projections for the fiscal impact of all tax exemptions, rebates, credits, including all-LED managed tax incentive programs<sup>7</sup>.

Since March 2014, all state agencies that administer a tax credit or a rebate have been required to provide an annual report on each incentive to the Louisiana Legislature by March 1st. The agencies

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<sup>6</sup> The LED Performance Reporting website can be accessed at:  
<http://www.louisianaeconomicdevelopment.com/page/performance-reporting>.

<sup>7</sup> LDR's Fiscal Year 2014-2015 Tax Exemption Budget can be accessed at  
[http://revenue.louisiana.gov/Publications/TEB\(2014-2015\).pdf](http://revenue.louisiana.gov/Publications/TEB(2014-2015).pdf)



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report on the success of the incentive in meeting its purpose, direct and indirect beneficiaries of the incentive, return on investment and if the incentive has created any unintended effects.

The state's tax incentive programs and exemptions are currently evaluated through the legislatively mandated Revenue Study Commission (RSC), which was established during the 2012 legislative session. The RSC issued its final report in 2013, after conducting several months of hearings.<sup>8</sup>

Louisiana's use of outcome data is similar to common practices employed in other states, according to the [State Economic Development Incentives Survey](#) conducted by C2ER in 2012. Approximately 70 percent of state program respondents collected data on program impact or performance data for reporting purposes on either a regular basis or occasionally. The most common outcome data collected by states were the number of jobs created and retained, company investment, and average wages, while a smaller number of respondents collected data on business sales or tax revenue, or the value of cost savings to business. Unlike half the state programs surveyed, LEDC does not currently assess satisfaction among businesses that use its programs.

## Conclusion

Louisiana's current economic development structure is notable for its high level of economic development tax expenditures compared to program expenditure spending. Similarly, the actual amount of overall economic development program spending per business establishment in the state is higher than average relative to other states. Recently, the state has received attention for its use of tax credits to support the film and video game industries. With a significant budget shortfall, the state is interested in balancing the budget, but it is also committed to maintaining current tax revenue rates. It is unclear what this means for the states' use of tax incentives, but legislators are interested in ascertaining the return on investment.

Louisiana utilizes a variety of initiatives for tracking the outcomes of its economic development programs, including FastLane, its Revenue Study Commission, LaTrac, and the Tax Exemption Budget. Even so, the state is continuously exploring new methods for effectively evaluating how well its incentive programs accomplish the state's economic development priorities.

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<sup>8</sup> The Revenue Study Commission's 2013 report is available at: <http://house.louisiana.gov/rc/report/RSC%20final%20report.pdf>.



## Appendix A: Full List of Louisiana State Business Incentives (2014)

Program Name	Program Provider	Business need	Type
<b>University Research and Development Parks Tax Exemptions</b>	Louisiana Board of Commerce and Industry	Tech & product development; Tax/Regulatory burden reduction	Tax exemption; Tax refund or rebate
<b>Cane River Heritage Tax Credit</b>	Louisiana Department of Culture, Recreation and Tourism	Tax/Regulatory burden reduction	Tax credit; Tax exemption
<b>Ad Valorem Tax (Inventory Tax) Credit</b>	Louisiana Department of Revenue	Tax/Regulatory burden reduction	Tax credit; Tax exemption
<b>Angel Investor Tax Credit</b>	Louisiana Economic Development	Capital access or formation	Tax credit
<b>Competitive Projects Payroll Incentive Program</b>	Louisiana Economic Development	Facility/site location	Tax refund or rebate
<b>Corporate Headquarters Relocation Program</b>	Louisiana Economic Development	Facility/site location	Tax refund or rebate
<b>Digital Interactive Media and Software Development Incentive</b>	Louisiana Economic Development	Product & process improvement; Tax/Regulatory burden reduction	Tax credit
<b>Economic Development Award Program</b>	Louisiana Economic Development	Infrastructure Improvement	Grant; Loan/Loan Participation
<b>Enterprise Zone Program</b>	Louisiana Economic Development	Capital access or formation; Tax/Regulatory burden reduction; Product & process improvement	Tax credit; Tax refund or rebate
<b>Exemptions for Manufacturing Establishments (Industry Assistance Program)</b>	Louisiana Economic Development	Facility/site location; Product & process improvement; Tax/Regulatory burden reduction	Tax exemption; Tax refund or rebate
<b>Industrial Tax Equalization Program</b>	Louisiana Economic Development	Facility/site location; Tax/Regulatory burden reduction	Tax exemption
<b>Industrial Tax Exemption Program</b>	Louisiana Economic Development	Facility/site location; Tax/Regulatory burden reduction	Tax abatement





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<b>Louisiana FastStart</b>	Louisiana Economic Development	Workforce prep or development	Grant
<b>Louisiana's Small Entrepreneurship (Hudson Initiative) Program</b>	Louisiana Economic Development	Business management	Other
<b>Motion Picture Investor Tax Credit</b>	Louisiana Economic Development	Tax/Regulatory burden reduction; Product & process improvement	Tax credit
<b>Musical and Theatrical Production Tax</b>	Louisiana Economic Development	Infrastructure Improvement; Tax/Regulatory burden reduction; Capital access or formation	Tax credit
<b>Ports of Louisiana Tax Credit Program</b>	Louisiana Economic Development	Tax/Regulatory burden reduction; Product & process improvement	Tax credit
<b>Procurement Processing Company Rebate Program</b>	Louisiana Economic Development	Business management	Other
<b>Quality Jobs Program</b>	Louisiana Economic Development	Workforce prep or development; Capital access or formation; Tax/Regulatory burden reduction	Tax credit; Tax refund or rebate
<b>Research and Development Tax Credits</b>	Louisiana Economic Development	Product & process improvement; Tech & product development	Tax credit
<b>Restoration Tax Abatement</b>	Louisiana Economic Development	Facility/site location	Tax abatement
<b>Retention and Modernization Credit</b>	Louisiana Economic Development	Product & process improvement; Facility/site location; Tax/Regulatory burden reduction	Tax credit
<b>Small and Emerging Business Development Program</b>	Louisiana Economic Development	Workforce prep or development	Other
<b>Sound Recording Investor Tax Credit</b>	Louisiana Economic Development	Tax/Regulatory burden reduction; Capital access or formation	Tax credit
<b>Technology Commercialization Credit and Jobs Program</b>	Louisiana Economic Development	Tech & product development; Tax/Regulatory burden reduction	Tax credit



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<b>Veteran Initiative - Small Entrepreneurship Program</b>	Louisiana Economic Development	Business management	Other
<b>Business and Industrial Development Companies (BIDCO) Investment Program</b>	Louisiana Office of Financial Institutions	Capital access or formation	Loan/Loan Participation
<b>Incumbent Worker Training Program (IWTP)</b>	Louisiana Workforce Commission	Workforce prep or development	Grant



## Appendix B: LA Economic Development Program Expenditures (2014)

Function	Activity	Total State Funding
<b>Administration</b>	Info systems, accounting, human resources, etc.	\$ 9,370,428.00
<b>Business Assistance</b>	Business retention/expansion	\$ 1,360,000.00
<b>Business Assistance</b>	Small business dev. (e.g., SBDCs)	\$ 4,000,000.00
<b>Business Finance</b>	Loans available to Business	\$ 200,000.00
<b>Community assistance</b>	Community development	\$ 74,745,748.00
<b>Domestic Recruitment/Out-of-State</b>	Marketing/Prospect Dev. (Domestic)	\$ 447,751.00
<b>Domestic Recruitment/Out-of-State</b>	Prospect Site Location Assistance	\$ 450,000.00
<b>Entrepreneurial Development</b>	Incubator dev./operations support	\$ 200,000.00
<b>International Trade and Investment</b>	Foreign direct investment (excl. overseas representation)	\$ 349,832.00
<b>Program Support</b>	Other Program Support	\$ 146,116.00
<b>Program Support</b>	Policy and planning	\$ 1,686,768.00
<b>Program Support</b>	Public relations/intergovernmental	\$ 214,000.00
<b>Special Industry Assistance</b>	Biotechnology/life sciences	\$ 719,140.00
<b>Special Industry Assistance</b>	Other Special Industry Assistance	\$ 5,659,104.00
<b>Strategic Business Attraction Fund</b>	Other Strategic Business Attraction Fund	\$ 9,861,632.00
<b>Technology Transfer</b>	Other Technology Transfer	\$ 81,334.00
<b>Tourism/Film</b>	Film Promotion	\$ 100,000.00
<b>Tourism/Film</b>	Other Tourism/Film	\$ 1,670,077.00
<b>Tourism/Film</b>	Tourism advertising	\$ 3,081,637.00
<b>Tourism/Film</b>	Tourism promotion (exc. Advertising)	\$ 18,564,358.00
<b>Workforce Preparation &amp; Dev.</b>	Customized training	\$ 10,561,278.01



## Appendix C: LA Economic Development Tax Expenditures (2014)

Description	Total Funds
Ad Valorem Tax (Inventory Tax) Credit	\$452,676,421
Angel Investor Tax Credit	\$1,564,900
Cane River Heritage Tax Credit	\$ -
Digital Interactive Media and Software Development Incentive	\$15,031,546
Enterprise Zone Program	\$56,466,047
Exemptions for Manufacturing Establishments (Industry Assistance Program)	\$1,374,202
Green Job Industries Credit	\$ -
Industrial Tax Equalization Program	\$10,534,944
Industrial Tax Exemption Program	Data unavailable
Louisiana Basic Skills Training Tax Credit	\$ -
Motion Picture Investor Tax Credit	\$250,378,776
Musical and Theatrical Production Tax	\$8,754,304
New Jobs Tax Credit	\$ -
Ports of Louisiana Tax Credit Program	\$ -
Quality Jobs Program	\$55,779,923
Research and Development Tax Credits	\$25,895,753
Restoration Tax Abatement	Data unavailable
Retention and Modernization Credit	\$180,941
Sound Recording Investor Tax Credit	\$151,561
Technology Commercialization Credit and Jobs Program	\$201,377
University Research and Development Parks Tax Exemptions	\$ -
Urban Revitalization Tax Incentive	\$ -