



**COMMITTEE ON ECONOMIC DEVELOPMENT**

**Transition Advisory Team**

**Governor-Elect John Bel Edwards**

**January 6, 2016**

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**Michael Hecht, *Vice Chair***

# TRANSITION TEAM ON ECONOMIC DEVELOPMENT

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January 6, 2016

Governor-Elect John Bel Edwards  
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Governor-Elect Edwards:

Thank you for the opportunity to serve as your representatives in chairing the Economic Development Transition Committee. It was our goal to assure that all voices were heard so that our report fairly reflects the consensus of the diverse group you appointed to create a focus for the growth of the state and to assure the prosperity of all Louisianians.

In creating this report, the team:

- Focused on workforce training and education to prepare the state's diverse workforce and future generations to attract and maintain industry and to grow small business;
- Reviewed economic development incentives to prioritize growing and diversifying the economy, and
- Reviewed the role of LED in expanding its partnerships to all regions of the state.

We believe that economic development is a team sport and everyone should feel that they are a part of the team. Consequently, while we acknowledge that LED is recognized as one of the best economic development departments in the country, much of our work focused on opportunities to expand and continue those successes across a broader geographic and demographic footprint.

From the outset we found that even as a diverse team, each of us was working toward the same objective - good jobs and a good quality of life for all. As citizens of the great state of Louisiana, we respectfully submit this report.

Sincerely,



Sonia Perez  
Chair



Michael Hecht  
Vice Chair

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# INTRODUCTION

**The mission of economic development is to create jobs and wealth for the people of Louisiana, enhancing economic outcomes, business expansions and quality of life for all.**

The top economic development focus for this new administration should be training and education to prepare the state's workforce and future generations to create, attract and grow business opportunities. The committee recognizes that a strong education system and workforce is key to economic success.

The Louisiana Department of Economic Development (LED) has the respect of the national and international corporate and site selector community, and is known for its effectiveness, speed, innovative practices, professionalism and customer-focused approach. The state should build on this level of excellence.

However, there remain opportunities to expand and continue those successes across a broader geographic and demographic footprint. Specifically, LED must expand initiatives and outreach on:

- Rural economic development
- Small business
- Existing business
- Entrepreneurship
- Disadvantaged Business Enterprises (DBE)

It is important to use economic development dollars in an efficient way that maximizes benefit to the diverse population of Louisiana. It is also important that LED work in collaboration with local, state and federal agencies, elected officials, the private sector and other stakeholders in all regions of the state.

LED should be a leader and active participant in partnerships with education in order to:

- Best prepare Louisiana's workforce for emerging opportunities,
- Provide more and better jobs within Louisiana for the graduates of Louisiana schools,
- Utilize initiatives like FastStart, JumpStart, apprenticeships and internships to help individuals prepare themselves for business and workforce opportunities,
- Make Louisiana's workforce and educational systems a primary asset for economic development,
- Build research and development capacity as a core economic development asset, and
- Streamline and enhance commercialization policy within our research institutions.

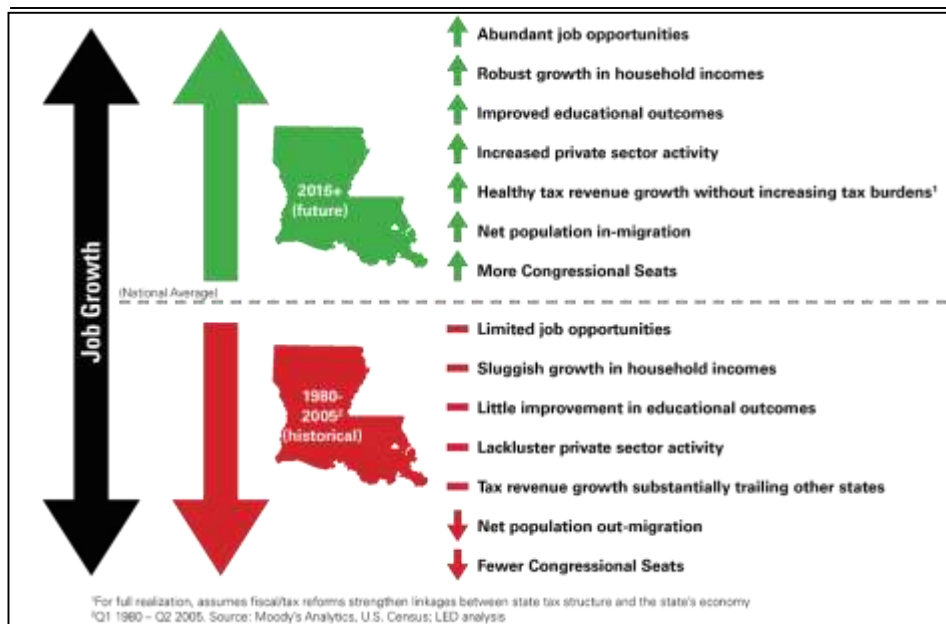
# CURRENT STATUS

## Economic growth should be a top priority

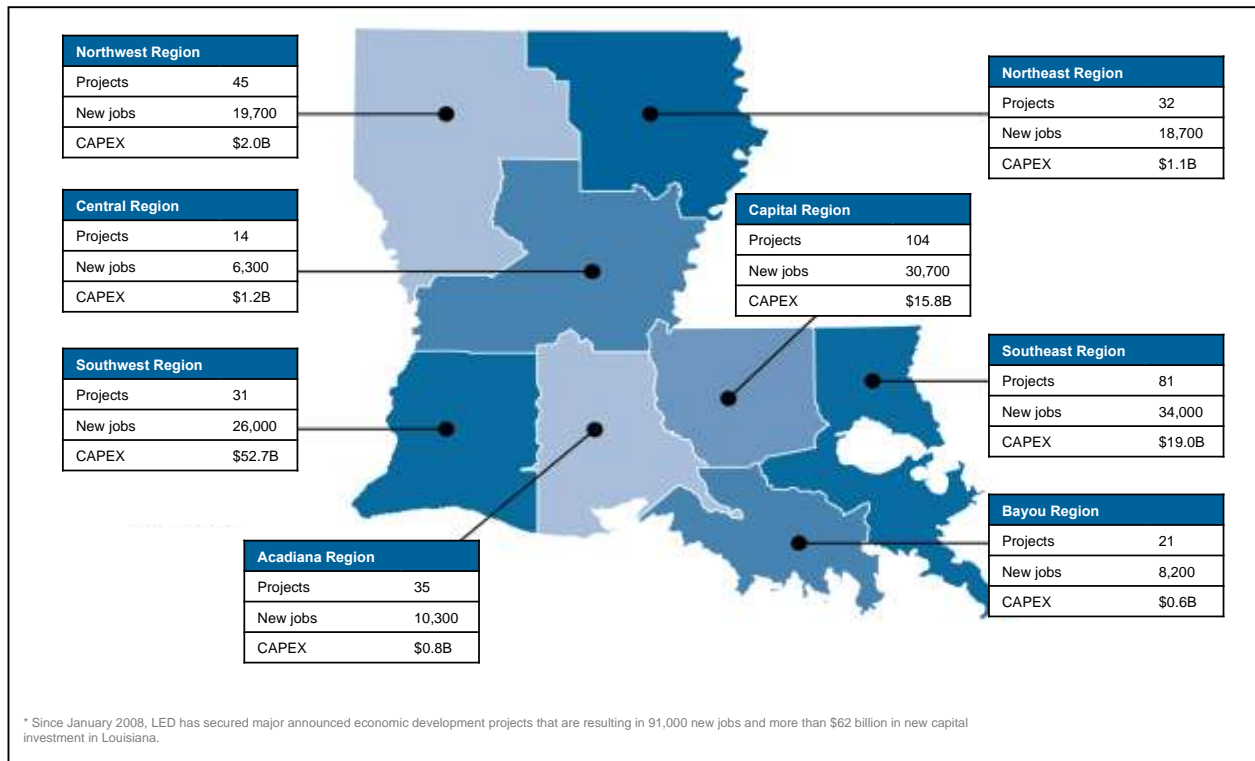
Louisiana's traditional assets, industry mix, and economic development efforts have not been enough to provide our state with sustained job growth over long stretches of time, at least not in comparison to the nation or the South overall. This reality was particularly evident during the 25-year period from 1980 through Hurricane Katrina in 2005. During that time, our state's economy so heavily underperformed the South and U.S. that we were the only state in the South to experience almost 25 years in a row of net population out-migration, as more than 600,000 people left Louisiana in search of better opportunities elsewhere.

Looking back at the last few decades prior to the Great Recession, states such as Georgia, North Carolina and Texas regularly were growing 2% a year or better. That may not seem very fast, but for Louisiana that growth rate would represent about 40,000 net new jobs per year. A Louisiana growth rate of 40,000 jobs per year would be transformational; it would make Louisiana one of the fastest-growing states in the South and U.S. over the coming decades.

With a surplus of new jobs, more Louisiana citizens could achieve the American Dream right here at home. Poverty would decline. Crime rates would decline. Education outcomes would improve. There would be more support for arts, culture and nonprofits. Provided that we make reasonable adjustments to our tax structure, we would experience growing tax revenues with no increase in tax rates.



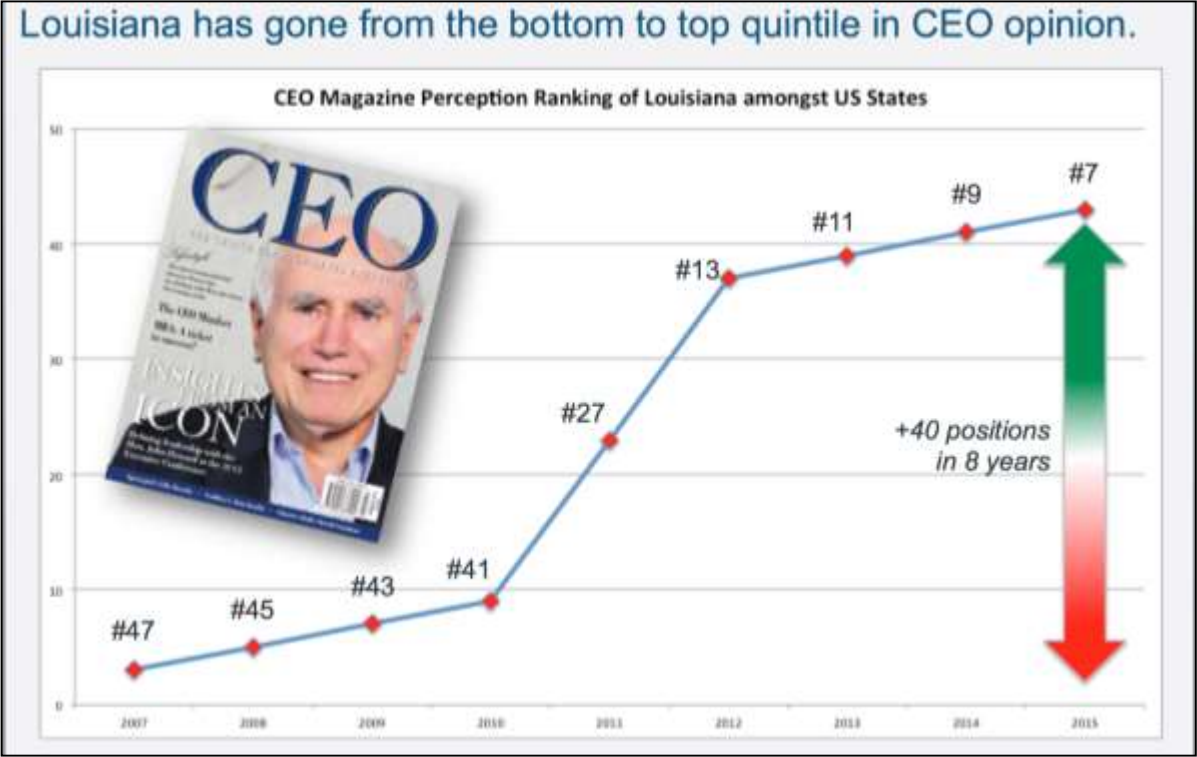
Fortunately, Louisiana's recent private-sector job growth ranks among the best in the South and in America. Moreover, U.S. Census data indicate we have gone from strong out-migration every year to a balanced situation, with slightly more people moving into Louisiana than moving out.



What accounts for this dramatic improvement? To a significant extent, this turnaround has been driven by one of the most competitive economic development delivery systems in the country, spearheaded by LED, in close collaboration with economic development organizations in each of the state's major regions. LED has built this system according to eight integrated economic development strategies:

1. Improve our state economic competitiveness
2. Improve the competitiveness of our communities
3. Identify and cultivate top economic development assets in each region of our state
4. Place special focus on business retention and expansion
5. Develop comprehensive national-caliber business recruitment capacity
6. Cultivate innovation, entrepreneurship, and small business
7. Develop robust workforce solutions
8. Aggressively tell our story

In addition to securing record levels of economic development, these strategies have also contributed to a dramatic improvement in Louisiana’s reputation and national rankings as a business destination.





## **KEY ISSUES, THEMES, AND FINDINGS**

Louisiana has historically struggled to provide equitable opportunities to prosper for all residents of our great state. Creating pathways for economic prosperity and social mobility requires intentionality, dedication, priority alignment, and leadership.

To advance itself as a progressive, innovative and competitive state, Louisiana must be led from the values of creating a world-class education system coupled with high quality skills development, a robust entrepreneurship ecosystem and quality of life indicators such as affordable housing, low crime, and a notable health care system. All of these areas present opportunities for greater inclusion and participation from residents who have historically been excluded or minimally included. Agencies and departments throughout state government all participate in economic development through research, recruitment, hiring, and contracting. Engagement in such activities provides on-going opportunities to advance Louisiana and should be maximized.

Greater inclusion can stimulate stronger economic outcomes for traditionally underrepresented beneficiaries. Hiring, contracting and procurement practices across state government should be structured to incentivize greater business participation while maintaining competitiveness. Small business and DBE advancement should become a much higher priority in LED and should be accompanied by stronger policies guiding participation with effective accountability.

Participation of Louisiana's small businesses, especially DBEs, on larger state development projects is challenging at best and in some cases prohibitive. Challenges with securing appropriate bonds, timely payments, administrative hurdles, and weak accountability systems all work against the inclusion of such businesses. LED, as our lead agency for economic development, and all other state agencies should adopt policies that incentivize and reward small, local, minority and women-owned business inclusion metrics. These metrics should be coupled with strong accountability measures that track and ensure compliance. Data systems should be developed that provide economic inclusion data to show our economic impact in vulnerable or marginalized communities throughout the state.

### **Organizational Priorities**

LED-managed incentives represent only about 6% of total exemptions that are reported in the annual Tax Exemption Budget.

Real opportunities remain to improve the cost efficiency of incentives in ways that advance both the state's economic development and fiscal health. To do so, state leaders should embrace the following characteristics of effective incentives:

- Positively influence business decisions that would otherwise not occur.
- Create permanent new jobs and infrastructure improvements.
- Catalyze industries that will remain even if the incentive is removed over time.
- Are set relative to the incentive levels of key competitors.
- Ensure reliability and efficiency, allowing businesses to budget with confidence.
- Have built-in protections (e.g., pay-for-performance) to safeguard the taxpayer.
- Have a positive long-term, holistic, net-present-value for Louisiana.

Specific incentive reforms that can be undertaken include:

- Return the R&D, Digital Media and Angel Investor incentives back to 2014 formulations.
- Fine-tune the Enterprise Zone and Quality Jobs program to eliminate a company's ability to receive benefits prior to compliance.
  - Revisit the method of qualifying for Enterprise Zone using non-traditional public assistance.
  - Improve the methodology regarding job qualifications and reporting.
  - Change the Enterprise Zone program to have a sliding scale of tax credits tied to job creation.
  - Revisit the cost of healthcare in the Quality Jobs program.
  - Consider increasing the payroll rate for Quality Jobs.
- Develop incentives that encourage the use of Louisiana small businesses.
- Develop incentives that better calibrate out-of-state work requirements to scale or size of the business.
- Incentivize new growth areas such as energy infrastructure, digital technology, R&D, and coastal restoration expertise.
- Remove references to Vision 2020 and replace with references to sectors themselves.

**LED has several programs focused on small business and entrepreneurship, and relies heavily on partnerships which should be evaluated for effectiveness, based on national best practices:**

- Certification programs: Small and Emerging Business (SBE), Small Entrepreneurship (Hudson), Veteran-Owned, and Service-Connected Disabled Veteran-Owned

- Economic Gardening Program: provides high-level technical assistance and research to high-growth, small businesses.
- Government Procurement Assistance Programs (PTAC and Hudson)
- CEO Roundtables: Host collaborative, growth-oriented meetings in an information exchange environment where small business CEOs discuss business issues.
- Small Business Advisory Council (SBAC) advises LED on issues affecting the competitiveness of small businesses in Louisiana.
- Small Business Development Centers (SBDCs) provide management and technical assistance for small businesses.
- Manufacturing Extension Partnership (MEP)
- Women and Minority Outreach Programs

## RECOMMENDATIONS

Louisiana is in the midst of an historic renaissance. The gains are fragile, however, and the entire state is not yet sharing in the benefits. Demographic and geographic diversity is lacking. In light of both the successes and challenges, the committee makes the following recommendations:

### Recommendations – Global

Overall, LED is an effective and productive organization. Existing effective programs should be preserved, while areas for improvement and growth should be aggressively explored.

- LED should continue to operate with objective, data-driven management practices.
- It is critical that LED has the capacity to make and keep financial commitments.
- LED should champion infrastructure investments as a critical component of economic development.
- LED should lead and support efforts to protect the Barksdale, Fort Polk and Belle Chasse operations.
  - Our installations should be considered models for those that will be closing so that their activity can move to our bases.
- Knowledgeable management of existing business development commitments made by LED through 2030 is critically important:
  - LED's General Appropriations extended obligations to business development projects (43 projects in total) in future years are significant. These are conditional commitments requiring company performance and oversight.
  - Capital Outlay pledges to business development projects (16 projects total) in future years are significant and extend through FY 2024.
- LED FastStart
  - FastStart provides customized recruitment, screening, and training to new and expanding, eligible companies.
  - FastStart has been named the number one workforce training program in the nation six years in a row by *Business Facilities* magazine.
  - LED FastStart has often been a deciding site selection factor in the recruitment of new companies to Louisiana (successfully executed more than 150 engagements, resulting in more than 300,000 total training hours).
- Louisiana Board of International Commerce (LaBIC)
  - Louisiana now has a group dedicated to international business.

- It is working – Louisiana is now #1 in the USA in Foreign Direct Investment per capita.
- Site development
  - LED has supported extensive work in conjunction with utilities, local and regional groups to increase the number of development-ready sites within the state.
  - The state’s inventory of available sites has grown from 50 sites in 2012 to 300 currently (including 54 certified sites in 49 parishes).
  - The program should move further toward smaller sites for certification, as well as more commercial property certification.
- Business Expansion and Retention Group (BERG)
  - This program successfully engages existing companies across Louisiana.
  - BERG should partner more closely with local and regional partners to extend its team’s “workforce” and enable it to visit a greater diversity of companies through a network of partners sharing information with the agency.
  - This existing business program should increase its presence as the front line for offering information and services to meet the growth needs of all Louisiana’s businesses.
  - These visits to existing businesses should generate policy strategies for the Governor, LED Secretary, and other cabinet agencies to implement in order to reduce bureaucracy and strengthen business conditions for investment.
- Lead generation
  - LED is successfully targeting national and foreign companies in industry sectors thought to offer new opportunities for Louisiana’s growth.
  - Future lead generation should continue to pivot and expand as opportunities in new sectors, such as water management, emerge.
- National rankings and reputation
  - The State Economic Competitiveness (SEC) group identifies and pursues opportunities to strengthen Louisiana’s fundamental attractiveness for business investment and job growth.
  - SEC focus: Improve Louisiana’s overall business climate through development of public policy proposals, targeted investments, and governmental process improvements.

## **Recommendations – Communication and Outreach**

Economic development is a team sport and everyone should feel they are a part of the team. This includes regional and local economic development partners, civic leaders, elected officials throughout the state and other pertinent stakeholders.

LED should require cross training of staffs for all programs administered. LED should create a marketing and outreach campaign to educate the state's small business community about programs and opportunities.

## **Recommendations – Workforce**

Given the state's workforce challenges, the committee recommends consideration of the following with respect to Louisiana's criminal justice crisis:

- The state must increase GED programs in Parish jails.
- Increase work-release programs in prisons (Department of Corrections Facilities).
- Encourage partnerships with the Department of Corrections to expand and improve work-release programs.
- Develop a comprehensive and integrated reentry and employment readiness plan; and collaborate with existing reentry and employment programs.

In a Right-to-Work environment, union workers have contributed significantly to the success of business and industry and to the overall economic well-being of all the citizens of this state. We recommend the following:

- LED should utilize union apprenticeship and journeyman training programs as a value-added option for workforce training.
- The state should consider incentivizing the union apprenticeship programs, so that unions may apply for funding to train additional in-state workers that will be needed over the next five years.

Coordinate with workforce intermediaries and community groups, working to target disconnected youth and adults.

FastStart has done a tremendous job meeting the workforce needs of economic development prospects. FastStart should be preserved, and expanded to serve as a model for the Louisiana Community and Technical College System (LCTCS) as it seeks to deliver customized workforce solutions to Louisiana's existing businesses.

## **Recommendations – Small Business**

Small businesses can benefit from mentoring, counseling, and business intelligence services offered through a network of local partners. These programs have been reduced over the years and need to be built back to competitive levels. Recommendations include:

- Louisiana Economic Development Corporation exists already to provide financial assistance to small businesses in the form of loans and investments, bonding assistance, and technical assistance. The assets of and funding for the LEDC has been reduced, raided, and used for other initiatives. This committee recommends that the LEDC funding should not be raided by the state for its general fund expenditures, and those resources should be protected and reinstated for small business bonding assistance, loan guarantees, and other programs.
- Appoint a Director of Diversity within LED responsible for ensuring that minority, women and otherwise underrepresented businesses are meaningfully incorporated into the development of policy, hiring and initiatives targeting those populations.
- Create an LED focus on rebuilding some of the abandoned former business sites across the state so that more jobs can be created by developing more incentives for economically distressed communities.

## **Recommendations - Rural**

Programs that are effective at growing the state's urban centers may not always be the programs that are most useful for smaller towns and villages. Louisiana's rural areas often lack the infrastructure, tax base, talent, and technologies that enable more vibrant local economies. LED should create a new roadmap for enhancing rural economic development, working across all state agencies that touch and impact local community economies. The roadmap should be built on proven best practices adapted for specific local conditions.

## **Recommendations – Entrepreneurship and Innovation**

Entrepreneurship programs are broader and distinct from small business programs. They must involve the state, but the best programs in Louisiana today are regional and local, and would benefit from more state funding support. To further improve entrepreneurship and innovation, the following recommendations are offered:

- LED should spearhead efforts to link the many local and regional initiatives to share best practices, adding matching funding to the best, most effective programs for entrepreneur ecosystem support.
- Access to successful mentoring is a best practice in entrepreneurship and should be expanded through non-governmental organizations.
- Create a culture of innovation and entrepreneurship. Incentives for growth of entrepreneurship and innovation should be protected and restarted (e.g. Angel investment incentive, Transferability for small businesses for the Research and Development incentive).
- The Louisiana Innovation Council should continue, changed to be chaired by and led by private sector volunteers, and should continue to advise on and advocate for improvements to entrepreneurship and innovation activities of LED, higher education and other agencies.
- LED should bolster local and regional angel investor groups, pools of risk capital funding, and increase business engagement for innovation development with state research universities.
- Fund Louisiana's public research universities at national levels of their peer institutions.

## **Recommendations – Education**

Economic development and education are co-dependent. With this in mind, the committee recommends the following:

- Greater access to training programs. LED should advocate for higher education funding, and push for greater alignment of education programs to private sector and economic development needs.
- Programs should continue to be expanded to provide greater access to opportunity for Louisiana's citizens. Community colleges and high schools should offer greater access to technical certifications and significantly expand two-year associate degrees in relevant fields.
- LED should push for the expansion of STEM education needs of PK-12 education across Louisiana.
- Bolster the inclusiveness of partnerships with public and private education institutions.