

STRATEGY PAPER 

May 7, 2008 • Volume 4



**Strategic Investments in LED:**  
Creating a World-Class Statewide Economic Development Agency

---

**Executive Summary:** *Strategic investments in economic development activities are critically important in allowing our state to be more competitive and achieving a brighter economic future. As an organization whose mission it is to lead economic development in the Capital Region, the Baton Rouge Area Chamber (BRAC) must have a strong partner with reliable resources at the state level in order to advance regional economic development. In alignment with our 2008 advocacy agenda, BRAC supports increased investment in the state's Mega-Project Development Fund to allow for better management of large site-selection inquiries. Similarly, BRAC urges the Legislature to increase investment in the Governor's Rapid Response Fund to ensure the reliability of these state business incentive funds. Finally, BRAC advocates for the proposed increases in Louisiana Economic Development's (LED's) agency budget for activities that identify necessary changes to improve economic conditions, enhance their ability to rapidly respond to site inquiries, and improve efforts to retain existing Louisiana businesses.*

---

In 2005, the Baton Rouge Area Chamber (BRAC) launched *The Campaign for a Greater Baton Rouge*, a five-year initiative designed to deliver a highly professional and proactive, nationally-competitive regional economic development program for the businesses and families of the Baton Rouge area. The *Campaign* is built upon seven core strategies: (i) retaining and expanding existing businesses; (ii) attracting new businesses to the region; (iii) developing a targeted national marketing program to support business development; (iv) creating a robust business intelligence capacity; (v) creating a special opportunity fund for closing key attraction and retention projects; (vi) creating a robust public policy capability to address issues that impact the business climate; and (vii) launching a regional learning community initiative. Over the past three years, BRAC has made great progress on each of the strategies laid out in the *Campaign*. Our region's economic development strategy balances competitive business recruitment and retention activities with significant product development efforts that make the Capital Region more attractive for business investments that create and sustain vibrant job growth. Yet BRAC must have a strong partner with reliable resources at the state level to ensure future success.

For many years, Louisiana has lagged our peer states in competitions for business expansions, relocations, and growth. In the not too distant past, our burdensome business taxes, history of political corruption, both real and perceived, lagging transportation infrastructure, and high poverty levels have kept us from competing with many of our neighboring states, including Florida, Texas, Alabama, and Georgia. Yet, steps have been taken recently to show that

Louisiana is indeed competitive for business. Burdensome business taxes have been eliminated, aligning us more closely with our competitors. New ethics laws have taken us to the top of national rankings and garnered front-page headlines around the country. Significant investments have been made in our state's transportation infrastructure, though many needs remain. All of these elements are critical to economic development, but these must be matched with a nationally-competitive economic development and marketing strategy for the state to be successful.

Through its annual agenda, BRAC strongly supports measures to advance the state's business recruitment and retention efforts to the next level. Louisiana Economic Development (LED) has recently made substantial improvements in its operations, yet our state must continue to invest in its business recruitment, retention, and expansion capabilities in order to remain competitive. As part of its advocacy agenda, BRAC supports improved economic development on the state level that will:

- **Enhance state capacity to effectively manage large site-selection opportunities**

During the 2007 Regular Legislative session, state leaders recognized the importance of LED being able to count on a reliable source of funds for large-scale recruitment projects that involved large state incentives, and created the Louisiana Mega-Project Development Fund. The fund was created to provide LED with immediate access to dollars for economic development mega-projects. Mega-projects are defined as those that create or retain at least 500 new direct jobs, involve a capital investment of at least \$100 million, and provide a substantial return on investment (ROI) for the state.

The Mega-Project Development Fund is an important tool in the state's economic development arsenal, as it allows the state to rapidly commit to investments in infrastructure, training, and other areas for eligible projects. Louisiana is currently in advanced discussions with several of these large-scale prospects, each of which could create roughly 500-2,000 new direct jobs with annual wages averaging \$45,000-\$80,000 and \$0.1-\$3.6 billion in capital investment. Louisiana is in a much more favorable position when competing for these mega-projects when we can demonstrate that the state has the capacity to make good on the incentives being offered. One of our nearby competitors, Alabama, has a Capital Improvement Trust Fund for "deal closing" that is currently funded at \$350 million. A \$400 million increase to the fund, requested by the Governor, handily passed in the state Legislature and goes before a vote of the people on June 5, 2008. If no new dollars are appropriated to Louisiana's Mega Fund, the estimated impact would be a loss of several thousands of new,

direct jobs, hundreds of millions per year in new payroll, and over time, hundreds of millions per year in new tax revenues.

In his executive budget, Governor Bobby Jindal has committed to adding \$307 million to the state's Mega-Project Development Fund. BRAC supports this funding, as it ensures that we remain in line with our peer states in competing for large economic development projects with significant economic impact for the state. BRAC strongly encourages the state Legislature to fund the Governor's request, so that all regions can continue to be competitive on major projects in their portfolios.

- **Maintain and increase predictability of state-funded business incentive programs**

Business interest in Louisiana has increased significantly due to recent policy and fiscal reforms and the rebuilding efforts along the Gulf Coast. LED estimates that they are currently managing seventy significant prospects. The Governor's Rapid Response Fund provides a critically important source of incentive dollars for economic development projects. Unlike the Mega-Project Development Fund that can only be utilized for very large projects, the Governor's Rapid Response Fund provides incentive dollars for the many projects that do not meet this high threshold. This funding allows LED to access incentive dollars for projects, while avoiding the need to call the Legislature into session to appropriate funds as projects arise throughout the year. The current \$10 million fund was nearly depleted only halfway through the fiscal year, eliminating a critical source of funds for all other projects in the state's pipeline. Governor Jindal has committed \$17.9 million for the Fund, an increase of \$7.9 million over the Fiscal Year 08 appropriation. BRAC supports this increase, which is necessary to ensure that these funds remain accessible as economic development deals are closed *throughout the year*.

- **Advance state and regional government policies to help place the Baton Rouge area on equal footing with many other communities in the United States**

Through our regional economic development efforts, BRAC focuses on business development, which includes activities to recruit and retain businesses, along with product development, which involves improving economic conditions to make our region more competitive. For states and regions to succeed in growing and retaining high quality jobs, they must have sound economic conditions in addition to competitive incentives. Factors such as an educated workforce, access to capital, quality educational institutions, a well-developed transportation infrastructure, and a high quality of life are important as regions seek to attract growth-oriented companies. Oftentimes, weak economic conditions are the reason a location is eliminated or never considered. Governor Jindal's

budget for LED includes \$2.5 million for a state economic competitiveness benchmarking, planning, and research initiative. This effort will allow LED, through staff and third-party efforts, to outline what Louisiana must do to improve its competitive positioning against other states in areas that impact economic conditions. BRAC supports this funding, as it will identify the statewide changes needed to improve economic conditions that allow our region to be more competitive.

- **Enhance state government’s ability to rapidly respond to site inquiries**

Each year, Louisiana competes for economic development projects through the process of site-selection. These projects bring good jobs and capital investment to communities throughout the state, yet the site-selection process can be a cumbersome one that involves title searches, wetland delineations, environmental assessments, land surveys, and other hurdles that can slow down the project and decrease competitiveness. Ensuring quick, easy access to relevant information is critically important to identifying sites for businesses looking to expand or relocate. As such, improving access to data managed by state agencies can position our region and state to be more competitive in completing deals. Governor Jindal’s budget for LED includes \$2 million for project specific site preparation and evaluation. This funding is critical in that it improves LED and regional partners’ ability to professionally and rapidly respond to site inquiries.

- **Secure business retention project wins**

Economic development is about more than just business recruitment. Successful economic development strategies also include a focus on business retention. Roughly 80% of all future job growth in Louisiana and 100% of any future job losses will come from businesses currently operating in Louisiana. Recognizing the impact of existing businesses on our regional economy, BRAC includes retention as the first of the seven core strategies in the *Campaign* and employs dedicated staff in this important field. Ensuring that LED has a solid understanding of issues and challenges faced by businesses in the state will enable them to remove obstacles to growth and expansion, in support of our regional retention activities. A focus on business retention will allow for enhanced job security for Louisiana citizens and will lead to greater economic growth in our state. LED currently has no designated staff to focus on this critical portion of our state’s economic development strategy. Governor Jindal’s budget includes \$400,000 for a business retention and expansion team that would work with local and regional partners around the state to identify obstacles and expansion opportunities through interviews with top economic-driver companies. BRAC supports this funding to ensure that current Louisiana businesses are able to succeed and grow.

## **Conclusion**

BRAC is committed to leading economic development in the Capital Region. To be successful in that regard, we must have a strong partner at the state level and access to reliable resources that allow all regions in Louisiana be successful in competing for business relocations and expansions. Investments in the Mega-Project Development Fund, the Governor's Rapid Response Fund, LED's economic competitiveness initiative, site preparation capabilities, and new business retention group, will position Louisiana to have a much brighter economic future and become one of the best states in the nation in which to live, work, and do business.