

# PUBLIC POLICY COMMENTARY



## If They Don't Build It, the Jobs Won't Come 9,000 Construction Jobs at Risk from Attacks on Manufacturing

Written by:

Barker Dirmann, Manager of Governmental Affairs and Special Projects  
Andrew Fitzgerald, Director of Business Intelligence

In July of 2016, Governor John Bel Edwards issued an executive order changing the approval process for the Industrial Tax Exemption Program (ITEP) – an economic development incentive used since the 1970s to attract new manufacturing projects and encourage existing manufacturers to grow and expand their businesses. After the executive order, companies seeking ITEP must first seek approval from local taxing authorities before their applications can be reviewed by the state Board of Commerce and Industry, which shares joint approval authority with the Governor. Despite diligent work to educate themselves on their newly granted ITEP approval authority and to develop logical ITEP approval processes, local taxing authorities are operating under extremely confusing circumstances.

Together Louisiana – a statewide network of grassroots organizations – has used these confusing circumstances as an opportunity to inject its anti-business ideology into local political bodies and the communities they serve. The organization masks its divisive and abrasive tactics behind a veil of “community awareness” advocacy. The group’s true colors have recently been revealed, as it continued its tour throughout the state, arguing against the manufacturing sector and dismissing the critical role that manufacturing jobs play in the state and regional economies. Moreover, Together Louisiana refuses to recognize the victims of decreased investment in manufacturing: the very workers and families they claim to represent.

### Manufacturing and the Baton Rouge Economy\*

The role of manufacturing in the Capital Region’s economy cannot be overstated. While manufacturing employees make up approximately 7 percent of our workforce, the industry accounts for nearly 25 percent of our gross regional product. Clearly, manufacturing is an incredibly strong industry in the Capital Region. In fact, from 2011 to 2016, manufacturing jobs grew 13 percent in the Baton Rouge metropolitan statistical area, compared to the state, which lost 3 percent of its manufacturing jobs, and the country, which experienced a much more modest 5 percent growth in manufacturing employment over the same timeframe.

Manufacturing jobs are a large percentage of Capital Region jobs, and they are also well-paying. The average manufacturing job in the Capital Region pays \$110,357, while the median household income in the region is \$52,400. Jobs in petrochemical manufacturing are particularly numerous and lucrative – the region has over 3,350 jobs in petrochemical manufacturing, over 4,649 percent above the national average for a metropolitan area our size, with annual earnings per job of \$159,058. Programs such as ITEP ensure that our standout growth in manufacturing jobs continues. A failure to effectively maintain ITEP would make the area less competitive for companies looking to relocate or expand, and lead to stagnation not only in the direct jobs these manufacturers bring, but also thousands of indirect and induced jobs that these projects create in construction, food service, leisure and hospitality, and other working-class industries.

*\*All information is from EMSI – Q4 2017 and BRAC analysis*

## Construction Jobs at Risk\*\*

Despite billing itself as representing the working class of the state, Together Louisiana discounts the importance of indirect and induced jobs created by the manufacturing sector in its arguments against ITEP. But these jobs are as important to our economy as those directly in manufacturing. In fact, more than 21,000 Capital Region residents are employed in the industrial construction industry, a figure that will not stand strong if Together Louisiana's attempts to undermine ITEP are successful.

Underscoring the threat of a shrinking construction sector, respected LSU economist Dr. Loren Scott recently made the following statement while presenting his annual Louisiana Economic Outlook, "The decline in construction employment will have an arresting effect on total employment ... especially in 2018." The Capital Region will be hardest hit by this "arresting effect on total employment."

The economic growth that the Baton Rouge Area has experienced over the last several years was driven by the industrial boom. Many of the projects driving that boom are beginning to wind down, and very few projects stand ready to take their place. Because of this, Dr. Scott estimates that the Capital Region will lose 3,200 construction jobs over the next year. The Baton Rouge Area Chamber (BRAC) fears these alarming job loss numbers are a result of the current uncertainty facing ITEP.

In the 17 months since the Governor issued his executive order, there have been 47 ITEP advanced notifications filed for the nine parish Capital Region (the first step in the ITEP application process), but just one of these 47 projects has actually been approved and moved forward. The confusion surrounding local taxing authorities' ability to approve ITEP has caused the remainder to sit stagnant as the approval process in each parish has been developed. In contrast, during the 17 months prior to the executive order, the region saw five such projects approved. BRAC worries that the damage is not limited to a slowdown in ITEP approvals during the development of parish-by-parish processes, but that the ambiguity and rhetoric surrounding ITEP approvals has also created a void of potential manufacturing projects even considering expansion or relocation in Louisiana.

In the past, when large construction projects have come to an end, new large construction projects have taken their place, ensuring continuity for industrial construction workers' employment. The 47 ITEP advanced notifications filed in our region would create more than 9,000 construction jobs, nearly three times the amount Dr. Scott projects we will lose in the next year. These 9,000 jobs come with a corresponding \$395 million of construction payroll. In East Baton Rouge alone, projects with ITEP advanced notices that have yet to be approved are projected to create more than 4,400 construction jobs and \$270 million in construction payroll.

*\*\*Construction jobs numbers are from LED FastLane and BRAC Analysis*

## The Rhetoric Gets Reckless

Despite these clear threats to our regional economy and the families that will be negatively impacted by the coming projected unemployment, Together Louisiana continues to purposefully and irresponsibly attack the relevance and importance of manufacturing as a sector and thousands of construction jobs as worthwhile.

Together Baton Rouge and Together Louisiana, and their many affiliates, demonstrate a carelessness regarding the construction jobs lost by a slowdown in manufacturing projects, and that cavalier attitude carries over to the way they choose to mock and bully our region's political leadership. Following a recent meeting of the East Baton Rouge Metro Council, and in the context of the adoption of a resolution regarding competing for the new Amazon headquarters location, Together Baton Rouge posted a message on its Facebook page mocking our local leaders. The post read,

Dear Amazon, we'd love for you to come to Baton Rouge! Our schools are mediocre because we gave \$1B in tax exemptions to Exxon & the Koch brothers to cut 2000 jobs.

Your employees might flood because we made regulations ‘weaker’ after the worst flood in our history. But we’re expert at pretending we’re making the kinds of investments that build a healthy, vibrant, equitable economy. So come, Amazon. Come pretend with us.

The post has since been deleted, but its intent was clear and remains.

Anti-ITEP advocates also recently campaigned against a sales tax renewal for East Baton Rouge Parish public schools. The tax renewal, which funds facilities, technology, discipline, and teacher salaries, will come before the voters in 2018. As school system personnel and board members held meetings across the parish, gathering community input regarding prioritization of spending for the sales tax revenue, a flier was circulated stating,

Say no to all new and renewal taxes until the school board, the sheriff, and EBRP collect existing taxes we voters have already approved, but were waived by the state via the Industrial Tax Exemption Program.

This attempt to ransom the school board’s ability to provide East Baton Rouge children with a quality education and a safe learning environment is embarrassing and shameful, but completely in line with Together Louisiana’s tactics.

## Standing Up to a Bully

In mid-October, Together Louisiana met its match after sending an inflammatory email to every Ascension Parish School System employee with the title “Corruption is wrong.” This email alleged that Troy Gautreau, a member of the Ascension Parish School Board for 16 years, supported ITEP approval only because he was working in service to his employer, a manufacturing company that received an incentive for building a major, new manufacturing facility before Mr. Gautreau started working for it. The insinuations in Together Louisiana’s email were so outrageous that Mr. Gautreau felt the need to respond, in writing, to each school system employee that received the Together Louisiana email. In calling out the “slander” of Together Louisiana, Mr. Gautreau [wrote](#):

This political action group is trying to drag us down to mediocrity and collect money for their own agenda. People wonder why you can’t get any good honest people involved in politics? It’s because of organizations like “Together Ascension” who love to spread lies and misinformation because they can’t win on their own position and ideas.

Mr. Gautreau goes on to quite clearly refute the allegations made against him and his employer, and to acknowledge the benefit ITEP is to the Ascension Parish School System saying, “Ascension’s business partnership[s are] a critical success factor for our school system, and the ITEP program has created an economic engine that our school system has greatly benefited from.”

BRAC strongly encourages other local taxing authorities to follow Ascension Parish’s lead in standing up to Together Louisiana’s bullying. The Ascension Parish school board showed exceptional courage. Threatened with the knowledge that their peer organization in the local ITEP approval process, the Ascension Parish Council, had just been sued by Together Louisiana for its own approval of four proposed ITEP-seeking projects, the school board nonetheless joined together to publicly rebuke Together Louisiana’s ploys, and subsequently unanimously approved the four ITEP project applications. The board’s actions serve as an example that local officials will not be intimidated or politically pressured into making decisions they know are not for the greater good of their communities.

In his response to Together Louisiana’s letter, Mr. Gautreau specifically addressed the leader of Together Louisiana:

The mouth piece of their organization is a paid political activist that is not from Ascension Parish or Baton Rouge. He is an experience[d] political hack from Washington DC...They have no problem besmirching and slandering the reputation of anyone who does not agree with their position and ideas. They like to spoon feed and scare people rather than have them think for themselves.

In response, Together Louisiana's leader publicly addressed the email his organization sent disparaging Mr. Gautreau saying, "It was overstated." BRAC wonders what else Together Louisiana has overstated. There appears to be no limit to the willingness of this organization and its network to abuse rhetoric and distort information in the pursuit of its attack on manufacturing and economic development.

BRAC encourages local officials, who are now charged with the new task of deciding ITEP approvals, and therefore driving job creation in their parishes, to not let Together Louisiana's reckless tactics overtake common sense and practical analysis of economic development opportunities. BRAC is hopeful that our local officials, like those in Ascension Parish, will see through the rhetoric and propaganda meant to pit them against businesses. The path forward will require logic, analysis, and practical discussions where local leaders join together to develop collaborative, predictable, and transparent processes for attracting additional manufacturing investments. The key issue in deciding on a process for ITEP approvals should be how these investments will contribute to the greater good of the communities in which they locate, not the reckless disruptions of a bully.

####

*Barker Dirmann Manager, Governmental Affairs and Special Projects  
Dirmann directs BRAC's government operations, including legislative affairs and FuturePAC.*

*Andrew Fitzgerald Director, Business Intelligence  
Fitzgerald focuses on research and analysis for BRAC's business development and economic competitiveness teams.*