



## STATE OF LOUISIANA ECONOMIC DEVELOPMENT RESULTS TEAM

### Outcome Based Budgeting Request for Results

#### *DIVERSIFIED ECONOMIC GROWTH*

#### Outcome Goal Statement

I want Louisiana to retain, grow, and attract good jobs in a diversified, growing economy, while wisely utilizing cultural and natural resources.

In delivering diversified economic growth, I want Louisiana to build a diversified portfolio of businesses across multiple industry segments, many of which are positioned to grow. These businesses will offer a wide range of job opportunities for Louisiana citizens – job opportunities that fit a range of educational attainment and professional experience levels. Jobs that deliver strong wages, benefits, and personal and professional growth opportunities are of particular interest. Louisiana will retain, grow, and attract these good jobs by making strategic investments in the state’s workforce; continuing to improve the state’s overall business climate; implementing proactive business development solutions; leveraging a portfolio of cost-effective incentives; maintaining sufficient infrastructure; and delivering a high quality-of-life while wisely utilizing financial, cultural, and natural resources.

#### Indicators

**Indicators:** The indicators below reflect three critical measures associated with delivering the above-described outcome. They specifically relate to three inter-related elements tied to successful economic development efforts: jobs, wages, and people.

- **Indicator 1: Number of new Louisiana jobs (net)**

This indicator represents the year-over-year increase/decrease in Louisiana jobs based on Bureau of Labor employment data collected by the Louisiana Workforce Commission. The employment

data is derived from the quarterly tax reports submitted by all employers subject to the Louisiana Employment Security Law, and from supplemental reports providing establishment level data submitted by many multiple worksite employers. The result is a measure of the total number of workers who were employed in both the current and previous quarter. Total employment has been found to be a strong indicator of current labor market conditions and closely ties to the business cycle in periods of expansion and recession. Historical data is reflected below:

Year	Total Louisiana Jobs	Number of New Louisiana Jobs (net)
2003	1,855,667	8,116
2004	1,865,109	9,442
2005*	1,840,669	(24,440)
2006*	1,807,659	(33,010)
2007	1,868,767	61,108
2008	1,903,858	35,091

SOURCE: Louisiana Workforce Commission, Louisiana Employment and Wages (QCEW)

- **Indicator 2: Louisiana per capita income**

This indicator represents the per capital income for Louisiana residents based on data collected by the Bureau of Economic Analysis. This measure shows whether the average income in the state, whether associated with newcomers or long-time residents, is trending up or down. Income of a state's residents is a good measure of how well a state's economy is performing for its citizens. Historical data is reflected below:

Year	Louisiana Per Capita Income
2003	\$25,862
2004	\$27,262
2005*	\$24,651
2006	\$32,832
2007	\$35,100
2008	\$36,271

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business

- **Indicator 3: Net population migration into/out of Louisiana**

This indicator represents the annual net increase (or decrease) of Louisiana residents due to migration patterns as measured by the U.S. Census Bureau (i.e., components of population

change not related to births and deaths). This indicator is closely correlated to net job growth (Indicator #1), as the most frequently cited reason for moving to another community is job or business opportunities according to surveys conducted by the Pew Research Center. Net migration patterns are a reflection of the opportunities for career development and income growth in Louisiana as compared to other states. Additionally, this indicator is influenced by the relative attractiveness of Louisiana’s quality of life attributes, as a significant percentage of people move from one location to another for reasons outside of employment opportunities (e.g., a good place to raise children).

Year	Net population migration into/out of Louisiana
2003	(10,472)
2004	(5,724)
2005	(11,588)
2006*	(267,698)
2007	30,004
2008	16,423

SOURCE: U.S. Census Bureau, Population Estimates: Estimates of the Components of Resident Population Change for Counties

\* The above indicators all contain significant “anomalies” due to the dramatic economic impact associated with Hurricanes Katrina and Rita. These “anomalies” are particularly acute in 2005 and 2006 data, but remain a factor through 2008.

## Introduction of Key Factors

The following descriptions and Cause and Effect Map depict a spectrum of factors and activities that lead to diversified economic growth. Economic development outcomes are driven by both factors outside of state government control and influence (e.g., global economic trends) and factors directly controlled by the state (e.g., state government related business-climate issues, state business development efforts). Ultimately, these factors and activities, along with a variety of private-sector phenomenon (e.g., successful management of individual businesses) contribute to economic outcomes for the state. In any particular year, factors outside of state government control play a much larger role in determining state-level economic outcomes (e.g., number of new Louisiana jobs) than direct state government efforts. However, over a longer time horizon, state government efforts can play a critical role in improving economic development outcomes.

Included below are four primary factors, and related subfactors, that were identified by the Economic Development Results Team as contributing to the result being sought: diversified economic growth. The factors are listed in a rough order of priority relative to their level of

contribution or impact against the delivery of diversified economic growth. In addition, at the end of this section, the Team has included two additional factors and elaborated upon a set of factors outside of direct state control.

### **Primary Factor 1: Availability of Quality Workforce**

Availability of a quality workforce that is aligned with the needs of the current and future Louisiana economy is the most important factor in delivering diversified economic growth. A company's or facility's workforce typically plays an absolutely critical role in determining the success of that entity. As such, most business executive decisions regarding the location of a business enterprise involve workforce considerations as top criteria. Subfactors are listed and described below:

#### 1. Educational systems aligned with workforce needs

The formal educational systems, including *K-12, 2-year community and technical colleges, and 4-year universities* provide the ongoing pipeline of workforce talent being sought by private enterprises. As such, a strong alignment of these systems and their specific training programs with current and future workforce needs of businesses is viewed by business decision-makers as critically important to their long-term success. Additionally, policies that enable *access* to these systems are viewed favorably due to the positive impacts these policies can have on building a strong workforce pipeline. Finally, improvements in drop-out rates are critical to increasing the size of the *state's labor pool* or workforce to meet the demands of business and industry.

#### 2. Customized training, and related solutions, tailored to needs of individual companies, sectors, occupations, or circumstances

Many business location or expansion decision-makers seek *customized training* solutions to ensure that their projects can get up-and-running as quickly and successfully as possible. States that can convincingly demonstrate their ability to deliver customized training that uniquely fits the needs of the business are often much better positioned to attract the opportunity to their state. Additionally, there is a need for tailored solutions that focus on specific companies, sectors, occupations, or circumstances (e.g., large scale construction projects winding down).

#### 3. Additional important sub-factors

Other important sub-factors involved in company decision-making include: the general *work ethic* of the workforce within drive-distance to the company operation, *soft skills* (e.g., interpersonal) developed within the region's workforce, and *proximity to similar employers* with similar workforce requirements. Companies look at the latter sub-factor as an indication of a strong level of knowledgeable, experienced talent within the region being considered.

## Primary Factor 2: Attractive Business Climate

The overall business climate (both perceived and actual) plays a critically important role in a state's overall economic development success. The vast majority of business location decisions are driven by fundamentals, such as the tax/regulatory environment and other areas that impact the cost of conducting business. One of the most important things that a state can do to create a brighter economic future is to increase the state's economic competitiveness by improving its overall business climate. Louisiana has already taken several constructive steps in this regard. It adopted new governmental ethics laws that catapulted Louisiana from near the bottom to the top in the country. It also eliminated unorthodox business taxes, including the sales tax on natural gas and business utilities, the sales tax on manufacturing machinery and equipment, the franchise tax on corporate debt, and the capital gains tax on sales of private businesses. Continued progress in developing an attractive business climate will help facilitate diversified economic growth. Subfactors are listed and described below:

### 1. Tax and regulatory environment

The competitiveness of a state's *tax* and *regulatory* environment relative to other states and countries serves as a critical point of evaluation in business decision-making. An attractive business tax and regulatory environment can provide businesses with a solid foundation for success, spurring economic growth.

### 2. Legal environment

Similar to the tax and regulatory environment factors, a state's *legal* environment can create advantages and/or disadvantages relative to other states and countries seeking to attract business investment. A legal environment conducive to business growth is seen as critically important by business decision-makers searching for an attractive location to establish a long-term presence.

### 3. Operational costs

Business decision-makers make location decisions based on their projected likelihood of operating in a profitable manner. Key ongoing business costs, such as *electricity* costs, logistics costs, *insurance costs*, *water* and *wastewater* costs, and many others, impact a company's ability to profitably operate and grow.

### 4. Additional important sub-factors

A variety of other important sub-factors combine to define the overall business climate of a state. One of these factors, where Louisiana has recently made great progress, relates to state and local *government ethics*. Strong government ethics laws and practices indicate to businesses that they will be treated fairly by governmental officials. Additionally, policies that support *research and development* activity provide a nurturing environment for businesses seeking to innovate to remain competitive.

## Primary Factor 3a: Aggressive Business Development

In most private sector organizations, successful revenue generation hinges not only on providing an attractive product or service, but also on effectively communicating to potential customers the value being delivered through the product/service (i.e., business development efforts). The Team views aggressive business development activity, targeted towards both business decision-makers and visitors (i.e., tourists and business visitors), as absolutely critical to achieving diversified economic growth. Additionally, properly conducted business development efforts (e.g., highly professional, sophisticated, proactive) can be an effective differentiator for Louisiana relative to other states. The ability of Louisiana to proactively identify solutions to issues with which individual decision-makers are grappling can position the state to succeed in attracting new business investment and job opportunities.

### 1. Marketing and branding

*Marketing* and *branding* activities that connect with the intended audience (i.e., business decision-makers and visitors) create awareness of Louisiana as a compelling option. These efforts allow Louisiana to compete for an increased set of high-potential business opportunities. Additionally, tourism-related efforts drive increased visitor traffic to Louisiana, generating new out-of-state spend that results in maintained/increased hospitality-related jobs in the state.

### 2. Expansion and retention of existing businesses

The vast majority of new job growth -- and 100 percent of job losses -- come from *existing businesses* already located in Louisiana. Business development efforts specifically focused on Louisiana companies can generate significant impact because they are focused on opportunities where Louisiana is reasonably positioned to compete (a company already operating in Louisiana typically has experience succeeding in the state). By proactively uncovering investment decisions early in the decision-making process, the state can develop and deliver Louisiana-based solutions that result in new investment and new jobs in Louisiana instead of other locations potentially being considered.

### 3. Business recruitment

Targeted, professionally performed *business recruitment* efforts can lead to investment and job creation in Louisiana that would likely otherwise end up in another state or country. Effective business recruitment efforts can “tip the scale” towards Louisiana when multiple states offer relatively similar features on important business climate fundamentals. Additionally, successful efforts can “short-circuit” some aspects of the decision-making process, leading to improved chances for Louisiana to attract new investment and new jobs that might otherwise be directed to an alternative location.

### 4. Entrepreneurship and small business

Business model innovations often occur through the efforts of entrepreneurs and small businesses. These innovations can, from time-to-time, lead to tremendous successes for the business venture that offers a better product or service. A small business with relatively few direct jobs can, over time, evolve into a Fortune 500 headquarters with thousands of high-paying corporate jobs. Cultivating *entrepreneurship* and *small business* can provide Louisiana an opportunity to benefit from these types of transformational opportunities.

### **Primary Factor 3b: Cost Effective Incentives**

Oftentimes a company is able to identify multiple states in which it can successfully operate a new or expanded facility. Multiple states can offer relatively similar characteristics with regards to 1) the availability/quality of workforce and 2) business climate factors -- including tax, regulatory, and legal environment and operating cost variables. In these instances, cost effective economic development incentives can play a critical role in determining the state in which the company ultimately chooses to locate its project. Additionally, targeted industry-specific incentives (e.g., digital media, film) can, in some cases, generate a compelling platform that allows a state to build market share in an industry segment for which it otherwise might not be able to compete, particularly in the early stages of industry development within the state. For larger investments with significant numbers of net new jobs, “winning” the opportunity for Louisiana can result millions of dollars of new annual state tax revenues that would otherwise be foregone without the utilization of the incentive.

#### 1. General incentives

*General incentives* include incentives that can apply across multiple industry sectors. They are typically tied to capital investment and/or the additional of new jobs; they typically involve tax credits or rebates. The approval process for these types of incentives is usually fairly straightforward and includes a basic evaluation of the proposed project relative to criteria for the specific incentive program (often established in statute). General incentives are offered by most other states and represent a point of parity in economic development efforts where available incentives are a component of the decision-making process.

#### 2. Discretionary incentives

*Discretionary incentives* include incentives tailored as part of a custom solution for a particular expansion or relocation project. These incentives often involve “up-front” components (e.g., state funds to offset infrastructure costs) with company reimbursement provisions if the company fails to meet specific performance targets (e.g., new permanent jobs, new annual payroll). The targeted, creative use of discretionary incentives can result in Louisiana establishing a highly compelling investment platform in situations where companies are evaluating options across multiple locations in multiple states or countries and where the other locations offer similar workforce attributes, business climate, and general incentives as Louisiana.

### 3. Industry specific incentives

Incentives targeted at specific industries can enable a state to build a critical mass of activity in those specific industry segments. *Industry specific incentives* (e.g., digital media, film) can play a significant role in a state's overall efforts in cultivating new or emerging industry segments that could deliver long-term economic outcomes if the segments grow and prosper over time.

### 4. Research and development

Incentives designed to foster increased *research and development* at universities or in the private sector can establish a platform for in-state innovation. Innovation, if properly cultivated and applied, can drive significant positive economic outcomes, particularly over a longer-term time horizon.

## Additional Factors

The following two additional factors also contribute to diversified economic growth. While important, these factors are not as critical to achieving outcomes as compared to the factors described above.

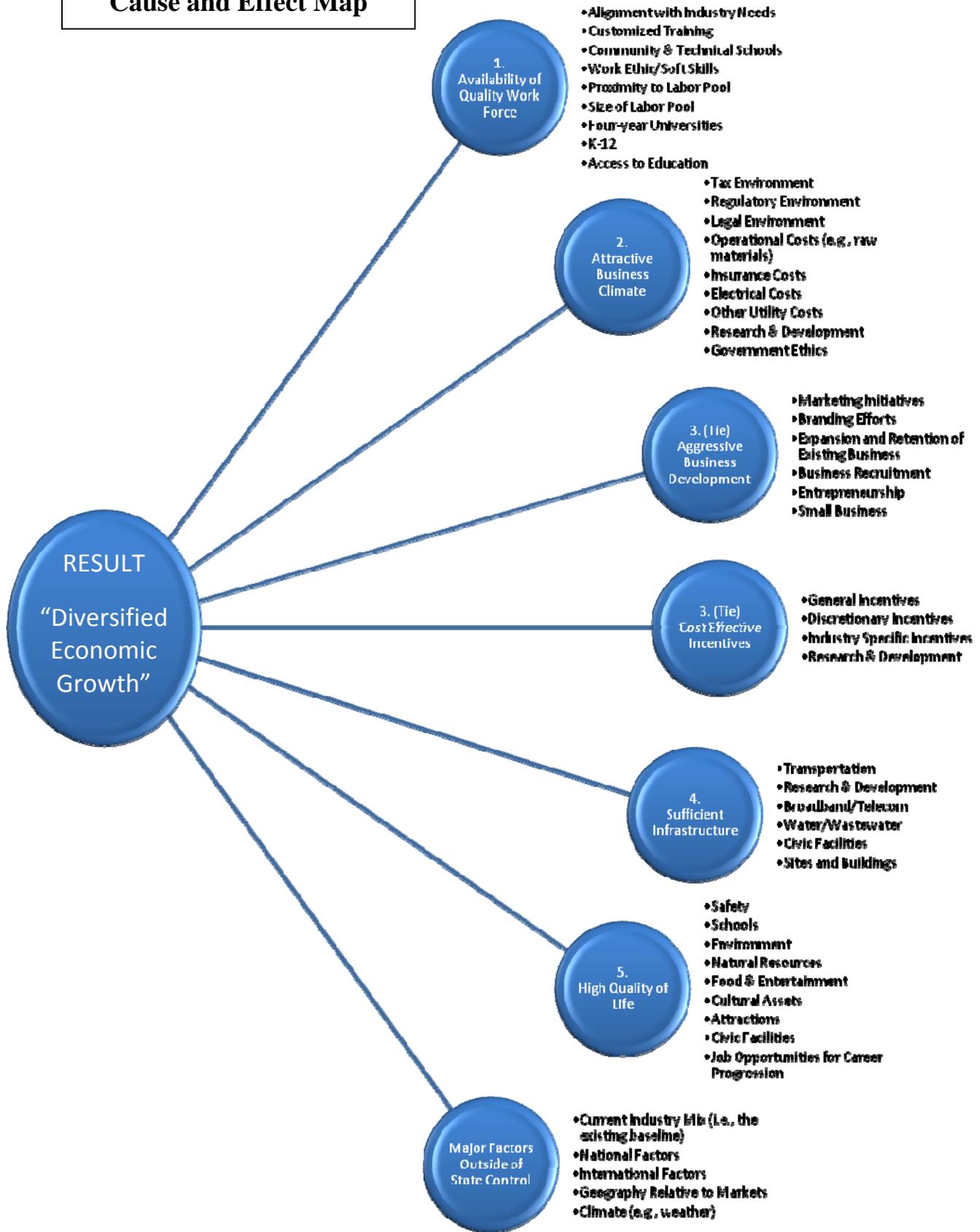
- **Sufficient infrastructure:** Businesses will often only consider investments in a region or state where the basic logistical and operating infrastructure is sufficient to support their investment. Subfactors related to sufficient infrastructure include:
  - o Transportation infrastructure
    - Ports
    - Roads
    - Rail
    - Airports
    - Waterways
  - o Research & Development infrastructure
  - o Broadband/Telecom infrastructure
  - o Water/Wastewater infrastructure
  - o Civic Facilities
  - o Sites and Buildings
  
- **High quality of life:** Businesses consider a variety of quality of life factors when making investment decisions. These factors can be particularly important if the company is considering relocating specific individuals to a new location. Additionally, quality of life amenities make regions and communities more attractive to residents, leading to more satisfied employees and a deeper labor pool for businesses in meeting their hiring needs. Finally, a poor reputation for public safety can act as a severe deterrent to businesses and individuals considering relocation. Subfactors related to a high quality of life include:
  - o Safety
  - o Schools
  - o Environment

- Natural Resources
- Food & Entertainment
- Cultural Assets
- Attractions
- Civic Facilities
- Job Opportunities for Career Progression (often important to residents relocating from larger markets)

### **Major Factors Outside of State Control**

Economic development outcomes, as well as critical indicators (e.g., net new Louisiana jobs, per capita income levels, net migration patterns) are significantly influenced by factors outside of the control of state government. For instance, global and national recessions can have tremendous negative impacts to Louisiana's economy. Similarly, periods of global and national expansions can have tremendous positive impacts. Additionally, Louisiana faces a somewhat unique challenge in that the majority of its dominant existing industry segments (e.g., chemical manufacturing, pulp and paper) have historically declined in employment levels; this trend is expected to persist in future years. This translates into a "natural" growth rate for Louisiana that is negative. This "natural" growth rate can be adjusted towards a more positive trajectory as Louisiana cultivates exposure to a portfolio of higher growth industry segments. However, this shift in the state's industry mix is a long-term endeavor.

## Cause and Effect Map



## Purchasing Strategies

The Economic Development Results Team seeks offers that will lead to diversified economic growth by positively impacting the factors described above. The Team encourages sellers to utilize the following strategies.

The Team seeks offers that:

- 1) Align training and educational programs with current and future workforce needs as driven by the Louisiana economy
- 2) Pursue business development efforts in a highly professional, sophisticated, proactive manner
- 3) Cultivate new, high-potential growth industries and companies, particularly those that offer the potential of routinely investing in research and development activities within Louisiana
- 4) Align state-level public policy to foster economic development
- 5) Attract a diversified portfolio of businesses to the state
- 6) Market and brand the state as a) an attractive location to invest and operate a business and b) an attractive visitor destination
- 7) Focus on and leverage existing regional economic assets within the state

In making its purchasing decisions, the Economic Development Results Team will apply a higher priority towards purchasing strategies 1-4. Additionally, offers should seek to promote partnerships with other state governmental agencies, local governments, and non-governmental economic development entities in delivering economic development initiatives.

NOTE: The Economic Development Results Team recognizes that most education-related offers will be directed to the Education Results Team. However, given the tremendous linkage between education and economic development, the Economic Development Results Team will look favorably upon innovative, education-related offers with strong linkages to the Louisiana economy.

## Criteria

The Economic Development Results Team will evaluate offers based on its assessment of the offers' ability to:

- Impact the outcome goal (i.e., delivering diversified economic growth)
- Positively impact the indicators (i.e., number of new Louisiana jobs (net), Louisiana per capita income, net population migration into/out of Louisiana) in a material way
- Influence the key factors outlined in the previous pages

The Team will also assess the offers based on their alignment with the purchasing strategies described above.

Additionally, the following criteria will be applied.

We are seeking offers that provide a strong return on investment.

*Job creation, wage growth, and population in-migration all deliver associated increases in state tax revenue collections. Offers with a high likelihood of delivering positive economic development outcomes, and resulting in positive movements in the three indicators described above, will typically be able to provide some estimate of future state tax revenue collections that result from the offer. As a way to assess the relative merits of various offers, and the cost-effectiveness of various offers, the Team will review the ability of offers to deliver a strong return on the state resources being requested. Return on investment projections should include an assessment of the new state tax dollars generated from the proposal netted against state tax dollars needed to fund the proposal.*

We are seeking offers that demonstrate a strong likelihood of success.

*With state resources being in short supply, the Team will prioritize its funding decisions towards offers that have a strong likelihood of success. Offers should clearly demonstrate why they provide a strong likelihood of delivering the economic development outcomes being sought through this Request for Results. This can be accomplished through a number of mechanisms, including:*

- *Demonstrating that the offer aligns with best practices that have been successfully implemented in other locations or settings*
- *Highlighting successful past performance of the program being offered*
- *Describing why the offer should be relatively straightforward to implement*
- *Documenting the successes historically achieved by the organization making the offer*

We are seeking offers that deliver impact in a reasonable timeframe.

*The Team recognizes that successful economic development requires a portfolio of both near-term and long-term initiatives. That being said, all offers should be able to demonstrate clear near-term milestones for delivering impact. Offers with projections for delivering near-term impacts will generally instill a higher level of confidence amongst Team members in the offer's ability to materially deliver positive economic development outcomes for the state.*

We are seeking offers that leverage the resources (e.g., funding, capabilities) of other organizations.

*Outcomes can often be achieved in a more cost-effective manner, and a more effective manner, by leveraging contributions from multiple organizations. For instance, capabilities of multiple state departments can be leveraged to uncover new high-potential business development opportunities. As another example, non-profit economic development organizations can be leveraged to deliver services that otherwise might have been funded through taxpayer dollars.*

Additionally, we are seeking offers that:

- Clearly and concisely articulate the offer and the outcomes that the offer is expected to achieve: *A clear, concise offer demonstrates that the seller understands exactly how to deliver impact*
- Demonstrate an innovative approach: *Continuous performance improvements can only be delivered through the application of new, innovative approaches*
- Provide high-quality measures for economic development outcomes: *When results can be tracked using high-quality measures, it instills confidence amongst stakeholders*

## Supporting Evidence

This report describes the central role that higher education plays in Louisiana's economic development efforts and illustrates where higher education is currently not structured to meet workforce and economic needs.

["Restructuring Higher Education to Help Create the Next Great American State for Economic Opportunity and Business Investment,"](#) August 2009. Presented by Louisiana Economic Development.

This article explains the results of a 2007 corporate survey which ranked the importance of different site selection criteria.

["Taxes and Incentives - Factor Into the Site Selection Equation"](#) by Larry Kramer and Rita Williams, Incentis Group. Feb/March 2008. Published by Area Development.

The purpose of this project was to determine the image of Louisiana held by businesses outside of the state.

["Louisiana Business Image Survey"](#) by The Public Policy Research Lab. January 24, 2005.

This article describes business retention efforts to cultivate existing business which produces up to 80 percent of job growth in any U.S. community.

["Business Retention: Helping Companies Compete in a Global Economy"](#) by Eric Collins, Economic Development Manager, Montgomery County, Ohio. Fall 2006. Published in Economic Development America by the International Economic Development Council, 734 15th Street NW / Suite 900, Washington, D.C. 20005.

This report quantifies the impact of companies founded by alumni entrepreneurs from a leading university on regional economies, in terms of revenues and job creation.

["Entrepreneurial Impact: the Role of MIT"](#) by Edward Roberts and Charles Eesley, Massachusetts Institute of Technology, February 2009. Published by the Kauffman Foundation, 4801 Rockhill Road, Kansas City, MO 64110.

An analysis of Bureau of Economic Analysis and National Science Foundation data shows that research and development spending significantly boosts GDP and economic growth.

["Research and Development Bolsters U.S. Economic Growth,"](#) October 2007. Published by the National Science Foundation, 4201 Wilson Boulevard, Arlington, Virginia 22230.

This study highlights state alignment of high school policies with the demands of careers and higher education.

[“Closing the Expectations Gap 2009,”](#) February 2008, Published by the American Diploma Project Network, 1775 Eye Street NW, Suite 410, Washington, DC 20006.

This study identifies public-private partnerships with manufacturers and state governments to enable a productive and competitive workforce, and includes factors contributing to the “skills gap” in the industry.

[“2005 Skills Gap Report – A Survey of American Manufacturing Workforce,”](#) spring 2005, Published by the National Association of Manufacturer’s Manufacturing Institute/Center of Workforce Success and Deloitte Consulting LLP, 1331 Pennsylvania Avenue, NW, Washington, DC 20004.

This series of reports details the impact of the cultural economy in Louisiana. The analysis was conducted by a team of Louisiana academics led by the University of New Orleans.

[“The Impact of the Louisiana Department of Culture, Recreation and Tourism on Louisiana's Economy and Quality of Life for Louisiana's Citizens,”](#) May 17, 2004.