

***STAYING IN BUSINESS:
An Analysis of Louisiana's Economic Development System
and the Retention of Current Businesses***

Prepared For:
Greater New Orleans, Inc.,
New Orleans, Louisiana

Prepared By:
Mia Bonarski
Robert Lalka
Timothy O'Shea
Elizabeth Shames
Amanda Sheldon

Terry Sanford Institute of Public Policy, Duke University
Box 90239
Durham NC 27708-0239
919-613-7401

25 April 2007

EXECUTIVE SUMMARY

POLICY QUESTION (pg. 1)

What changes to Louisiana's economic development system should Greater New Orleans, Inc. (GNO, Inc.) advocate to better serve the needs of the state's current business community?

RECOMMENDATIONS (pg. 22)

We recommend that GNO, Inc. advocate the following policy options regarding Louisiana's incentive programs and economic development system procedures:

- *Allow an automatic transition from participation in the Enterprise Zone program to the Quality Jobs program*
- *Tie Quality Jobs program benefits to net payroll increases*
- *Relax requirements for Quality Jobs program*
- *Broaden access to the Incumbent Worker Training Program (IWTP) for companies forced to close by the 2005 hurricanes*
- *Relax Louisiana Department of Labor regulations for IWTP*
- *Simplify the sales and use tax rebate provision for Enterprise Zone participants*
- *Reinstate the Capital Investment Tax Credit*
- *Shorten review and approval process for programs*
- *Create state incentive consulting capability dedicated to regional outreach*
- *Overhaul Louisiana Department of Economic Development (LED) website*

BACKGROUND (pg. 1)

Hurricanes Katrina and Rita severely damaged Louisiana's economy in the autumn of 2005. In addition to the human tragedy, these storms also caused property loss and environmental devastation which exacerbated preexisting weaknesses in the State's economic development system.

Louisiana offers businesses a slate of economic development incentive programs designed to encourage economic growth through job creation, capital investment, and workforce training by offering various cash grants, tax credits and rebates. Most, if not all, of these incentive offerings have remained unchanged from those offered prior to the 2005 hurricane season.

PROBLEM STATEMENT (pg. 3)

The current slate of incentive offerings doesn't address the issue of business retention. To the extent that Louisiana businesses are able to take advantage of the state's incentive offerings, it is almost always within the context of business expansion. The incentive offerings do not address the concerns of those companies wishing to maintain their footprint in the State.

Institutional flaws at all levels of the economic development system prevent businesses from accessing those incentives programs for which they qualify. The institutional flaws include lengthy administrative delays, uneven and limited knowledge of programs, and an inability for many companies to gain access to the system. Often, effective incentive use is stymied by regulations that ultimately occlude the full realization of the program's specific economic development goals.

CRITERIA (p. 10)

In evaluating our policy options, we weighed potential recommendations against four criteria:

1. Provide incentives for the retention of existing businesses
2. Encourage existing businesses to expand their in-state presence
3. Increase administrative efficiency
4. Meet existing statewide political challenges

Each of the alternatives we developed and analyzed addressed specific concerns raised during the course of our research. These concerns and resultant alternatives fall into two broad categories: those that consider the nuances of specific incentive programs, and those that address the larger system of economic development incentive delivery. Each alternative would improve Louisiana's economic development system if implemented. However, despite the merits of each individual alternative, we feel our specific recommendations would result in the most positive impact to the State's economic development system.

DISCLAIMER

This student paper was prepared in 2007 in partial completion of the requirements for PPS 304, a course in the Masters of Public Policy Program at the Terry Sanford Institute of Public Policy at Duke University. The research, analysis, and policy alternatives and recommendations contained in this paper are the work of the student team who authored the document, and do not represent the official or unofficial views of the Terry Sanford Institute of Public Policy or of Duke University. Without the specific permission of its authors, this paper may not be used or cited for any purpose other than to inform the client organization about the subject matter. The authors relied in many instances on data provided to them by the client and related organizations and make no independent representations as to the accuracy of the data.