



“Economic Development 2009”

When compared to the rest of the nation, Louisiana’s economy seems to be doing relatively well. Since the start of the recession in December 2007, the national economy has lost 3.6 million jobs. About one-half of this decline occurred in the past three months. But at the end of 2008, Louisiana was the only state in the nation to gain nonfarm jobs – 3,700 citizens were employed during November. Other recent successes:

- During 2008, Louisiana had a net gain of 8,500 jobs, a 0.4 percent increase from 2007. For the same 12 month period the U.S. experienced a 1.4 percent decrease in jobs while the South saw a decrease of 0.4 percent.
- All regions of Louisiana have seen job growth over the last year:
 - o Southeast +1.6%
 - o Central +1.3%
 - o Capital +1.2%
 - o Bayou +1.2 %
 - o Southwest +1.2%
 - o Northeast +0.9%
 - o Acadiana +0.9%
 - o Northwest +0.8%
- According to Louisiana Economic Development (LED), the addition of 24 company expansion projects and 10 new organizations to the state in 2008, will generate \$2.5 billion in capital investment and 17,249 new jobs over the next several years.



Downsizing

Despite the positive news, Louisiana has not been immune from the national recession. While the construction industry sector is growing at 3.3% and education and health services are up by 1.3%, manufacturing jobs have fallen by 3.5%. Some other recent unemployment news:

- In 2008, 1,000 jobs were lost due to the closing of GM’s Shreveport assembly plant.
- Albermarle Corporation which moved its headquarters from Richmond, Virginia to Baton Rouge just last year plans on cutting its work force in the capital city by 50 people.
- Dow Chemical announced earlier this month it will lay off 160 workers at its Plaquemine plant and 110 more at a facility in Hahnville.

Some of the biggest employment challenges facing the state are in Northeast Louisiana which has lost three major employers over the last four years. In 2004, the State Farm regional headquarters in Monroe closed terminating 1100 jobs paying an average of \$45,000 per year. In 2006 Guide Corp. closed its Monroe headlight plant which had a 50 million dollar payroll. And in December of 2008 International Paper, Morehouse Parish’s largest private employer, announced the closure of its paper mill in Bastrop. IP employed 550 workers and had a \$30 million dollar payroll.

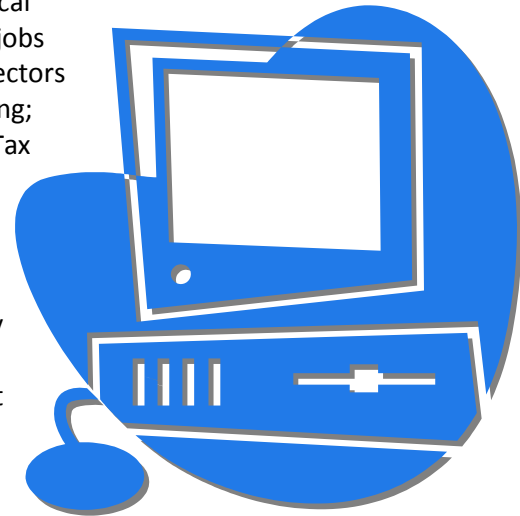
Despite these hits, Monroe Mayor Jamie Mayo expects 2009 to be promising because he is working with three companies that want to locate to the Northeast Louisiana city. And Bastrop Mayor Clarence W. Hawkins feels that the IP closure may have been a blessing in disguise since *“it has made us do what we needed to do earlier which is take a look at ourselves economically and start looking at twenty-first century kinds of industries.”*

Cultivating and growing

When recently asked about the impact of the national economic downturn to the state, LED Secretary Stephen Moret said, *“Louisiana’s greatest economic challenge is not the national recession, it’s the longer term issue that we are heavily invested in low to negative growth industry sectors.”*

According to LED, Louisiana’s four primary industry sectors - Chemical manufacturing; Farming; Paper Manufacturing; Oil & Gas have been losing jobs for many years. The state needs to pursue and cultivate growing industry sectors such as Computer systems design; Pharmaceuticals & Medical Manufacturing; Software Publishers; and Scientific R&D. By using the state’s Digital Media Tax Credit Program, LED attracted Electronic Arts (EA), the world’s leading interactive entertainment software company to Baton Rouge in August. EA will be placing its global quality assurance center in Baton Rouge creating 20 full-time jobs and more than 200 part-time jobs for LSU students. Payroll for the operation is expected to increase to approximately \$5.7 million per year within two years.

In addition to cultivating high growth industries, LED plans to target eight regional economic assets within the state and develop programs that identify investment opportunities for creating jobs at these locations. Examples include: NASA’s Michoud Assembly Facility (New Orleans), Barksdale Air Force Base (Northwest Louisiana); Pennington Biomedical Research Center (Capital Region), Chennault International Airport (Southwest Louisiana); England Airpark (Central Louisiana), Shipbuilding and oil service opportunities (Bayou Region); the Louisiana Immersive Technologies Enterprise or LITE (Acadiana Region) and the Franklin Farm Mega Site (Northeast Louisiana). The Franklin Farms Mega site is 1,440 acres of property owned by the state located on I-20 in northeastern Louisiana. The property is eligible for Renewal Community tax credits and over 100 auto suppliers are located within a 125 mile radius. According to Moret, the state continues to aggressively market the site, *“which we think will have an opportunity to participate in the next phase of the automotive industry growth starting around 2010, 2011.”*



Increasing Louisiana’s Economic Competitiveness

When ranking states with the “most favorable” business climate, a 2008 survey of corporate executives with site selection responsibilities placed Louisiana at #33. Some of the factors that industries consider before relocating include image; the cost of doing business; workforce and infrastructure.

Image Louisiana has had a national image problem. Some of it is based on misperception; some of it is based on fact. In 2008, Governor Jindal and the Legislature addressed the issue in a special session that resulted in new governmental ethic reforms that have already moved Louisiana from 46th to 5th place in the Better Government Association’s Integrity Index. According to the Shreveport Times, this action “sent a clear message to boardrooms and living rooms nationwide that Louisiana was serious about cleaning up its act.”

Cost Of Doing Business To create a more favorable tax climate for businesses, Gov. Jindal pushed the Legislature in a special session to speed up former Gov. Blanco’s plan to phase-out a sales tax on utilities and two taxes found only in Louisiana- a tax on equipment purchased for manufacturing and a franchise tax on a company’s debt. But, Dan Juneau, president of the Louisiana Association of Business and Industry feels that the Legislature still needs to do something about the *“arbitrary way we handle sales tax in Louisiana.”*

A current proposal by state Sen. John Alario, (D) from Westwego would raise the homestead exemption from the current \$75,000 to \$150,000 with the goal of lowering the tax load of homeowners. But since they receive no exemption, business property owners would “see their property taxes soar” according to the *Baton Rouge Business Report*. State Sen. Walsworth, (R) from West Monroe says, *“Businesses pay about 90 percent of all property tax.”*

The state continues to use large tax incentives to attract industry. To lure Albermarle's Headquarters to Louisiana, the state and city-parish agreed to \$6.9 million in tax breaks. Regarding these types of incentives, ULM associate economics professor Dr. Eisenstadt says "*Generally studies have shown that...they (states) give away more than they're getting in terms of revenue but it's not just a tax revenue question, it's a question of employment and job creation.*" But to compete with neighboring states, Eisenstadt notes, "*You've got to do it.*"



A much less controversial tax inducement that has seen success at expanding existing businesses in the state is the Renewal Community federal tax incentive. Enacted to spur growth for employers located in economically-challenged communities, four of the 40 designated RC's around the country are in Louisiana including the two largest ones. According to Tana Trichel, President of the Northeast Louisiana Economic Alliance, the tax break has generated over 3000 jobs and "*exceeds all the state incentives because it creates jobs, quality jobs in impoverished area. Twenty jobs in Rayville or Baskin Louisiana is like two hundred in South Louisiana.*"

Workforce Finding qualified employees is one of the top obstacles to business growth for companies in Louisiana. According to Gov. Jindal, "*workforce issues are among the top two concerns for roughly 70 percent of business development prospects for the state.*" Data from 2008 showed that more than 95,000 job slots in Louisiana were vacant because the state lacks qualified workers to fill them. These vacancies continue due to a "skills gap", where the training and education of our citizens does not meet the requirements of available jobs. Gov. Jindal and the Legislature worked together last year to adopt a comprehensive workforce development reform plan to improve the effectiveness of community and technical colleges. It also provides for turnkey workforce solutions to expanding and relocating businesses through the "Louisiana Fast Start" program. Numbers recently released by the Louisiana Community and Technical College System show a 13% enrollment increase since last year with many of these colleges among the fastest growing in the nation.

While commending the administration's strategies for addressing workforce development concerns, former Louisiana State Senate President Randy Ewing feels more needs to be done to address high school dropouts. "*Only half of the students who enter the ninth grade graduate from high school in Louisiana,*" Ewing says, "*This young person is ineligible to enter vocational-technical community colleges and lacks the ability to enter the work force,*"

Infrastructure Economic development specialists say poor infrastructure is a barrier to business expansion and recruitment. Gov. Jindal made state aid for roads and bridges one of his top priorities in his second special session in 2008. The bill that won final approval will gradually move sales tax dollars from car and truck sales that now pay for a wide range of state services into a transportation-only fund over seven years. It will gradually increase state transportation spending by \$255 million per year in five years.

Stimulus Plan Impact

Jobs According to *USA Today*, a White House analysis of the Economic Stimulus Plan projects 52,700 jobs will either be saved or created over the next two years in Louisiana. Although the White House has not specified how many jobs would fall into either category, according to the *Los Angeles Times*, experts say that "*saving jobs aids the overall economy, thereby increasing the likelihood that unemployed people can find work.*"

Funds Louisiana stands to receive infrastructure funding of more than \$595 million from the American Recovery and Reinvestment Act of 2009. The federal government is looking for projects that can be bid within 90 days of the passage of the stimulus package and be completed within 18 months. The state has submitted a stimulus wish list of more than \$1 billion in eligible projects. According to Moret, "*Completing the I-49 project in North Louisiana is literally the number one project on our infrastructure list.*"

Looking Forward

The price of crude oil will continue to be a strong performance indicator for Louisiana's economy in the year ahead. Because of Louisiana's heavy reliance on petrochemical industries, Moret notes that dropping crude oil prices will mean that *"our state's economic performance may begin to more closely track that of the country overall, as low prices would offset strengths elsewhere in the economy."*

Falling crude oil prices have already affected Louisiana's budget. Higher education is facing up to \$382 million in cuts and LSU System President John Lombardi has said the system would have to lay off as many as 650 instructors and 1,250 support employees at its campuses around the state. Both versions of the stimulus package include "State fiscal stabilization" funding that could translate to \$281 million for the state's colleges and universities.

State Rep. Jim Fannin (D) from Quitman, says the Revenue Estimating Conference is projecting \$2 billion or more deficits in each of the next four years. Fannin said some of the blame for the current budget issues falls at the feet of legislators, who grew the state budget following tax revenue spikes after Hurricanes Katrina and Rita and oil prices that soared above \$100 per barrel. As of Wednesday, February 11, crude oil prices were down to \$35.94 per barrel. ■

For more information on Louisiana's economic development efforts, visit:

Louisiana Economic Development <http://led.louisiana.gov/>

Louisiana Workforce Commission <http://www.ldol.state.la.us/>

For information on our program panelists, visit the following websites:

State Senator Francis Thompson <http://senate.legis.state.la.us/Thompson/>

Monroe Mayor James E. "Jamie" Mayo http://www.monroela.us/mayor_bio.php

LED Secretary, Stephen Moret <http://www.lded.state.la.us/louisiana-economic-development-department.aspx>

Dave Norris, Jr., Director of Tech Enterprise Center http://enterprise.latech.edu/contact_us.php?u=



Please tune into your local LPB television station to view *Louisiana Public Square's* "Economic Development 2009" Wednesday, February 26th at 7 p.m.

You can continue the discussion the following day in an online chat, Thursday, February 26th from 2 to 3 p.m. Have your questions answered live by representatives from Louisiana Economic Development, and members of North and Northeast Louisiana economic development organizations.

Visit www.lpb.org/publicsquare and click on the "Live Chat" link.