PaR COMMENTARY

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LOUISIANA INC. PLAN MOVING AT THE SPEED OF BUSINESS

In the week prior to the special session, several non-governmental groups were given a preview of the administration's plan to reform the state's economic development efforts. However, the revised draft legislation was only made public when it was filed three days before being first considered in a Senate committee. The brief exposure prior to introduction resulted in a raft of amendments to address concerns of reviewers particularly those regarding exemptions from the state's ethics and sunshine laws.

The proposal originated in the governor's office with advice and assistance from consultants. Unlike many of the governor's other policy initiatives, there was no task force to work out the details and permit public input. Furthermore, no consultant's report has been released analyzing the state's current economic development efforts.

The governor's proposal clearly draws heavily from recent developments in several states where the state economic development agencies were replaced with quasi-public/private corporations using the "cluster" development concept. Whereas the Louisiana Department of Economic Development (DED) currently assigns developers geographically to work with businesses in different areas of the nation, the proposed concept would assign professionals specializing in working with "clusters " of related firms.

PAR contacted research agencies in four states that have created economic development corporations–Florida, Michigan, Rhode Island and Wyoming. In each case, the move was supported by the business community. Each of the four corporations also encountered heavy criticism or even scandal in the initial years as legislators and the public reacted to hefty pay increases for CEOs and other employees and some questionable expenditures. These problems aside, it is too soon to form an opinion regarding their performance. The Michigan and Wyoming corporations have only operated for a year or so while Florida and Rhode Island's have been around for five.

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Several of the corporation states have not been doing badly. Michigan was ranked the number one state in 1999 for new and expanded business facilities by *Site Selection Magazine*. Virginia, another corporation state, ranked among the top ten as well. Florida missed in 1999, but was eighth in the nation in new and expanded facilities for the combined years 1997-1999.

In the first two days of Senate committee hearings on SB 88, the 130-page bill was amended 105 times. Some of these amendments cleared up problems with the sunshine laws but most were to transfer a number of DED agencies to the governor's office rather than to agencies initially designated. The sheer number of last minute changes and the lack of time allowed to conduct a thorough and objective analysis of the proposal raises some uncertainty as to whether all the bugs have been found. Legislators can either accept it on principle and hope any remaining shortcomings can be corrected in the future or they can delay the decision. If delayed, the proposal could not be considered in the fiscal session and would have to wait for another special session or next year's general session.

The following list of concerns arises from PAR's observations and discussions with a variety of interested parties:

- What would Louisiana Inc. be able to do for a prospective business that the present department cannot?
- What would deter a future governor from using the corporation as patronage pool?
- Will there be sufficient public scrutiny of the corporation to prevent misuse of the recusal provision through vote-trading by members?
- If the new corporation effects a wholesale replacement of personnel, how long will it take the agency to again become fully operational? Could any existing projects be jeopardized in the transition process?
- Will the corporation be able to lure true experts in some of the contemplated industry clusters (such as computer-related businesses) to Louisiana even at low six-figure salaries?
- How will the coordination of state and regional planning efforts be affected by privatization of the economic development agency?
- Is a semi-private corporation the appropriate agency to be given responsibility for state land use planning?
- Will the existing planning and research operation be kept, moved to another agency, disbanded and replaced or even contracted out?

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- How would the corporation improve the state's assistance to local and regional economic development agencies?
- Why has there been no effort to redesign the existing department (employing the "cluster" concept, etc.) before suggesting its complete replacement?
- Major "brick and mortar" decisions are usually years in the making and decisions to donate public assets should be carefully considered. What specific types of state actions need to be made "at the speed of business" and are there alternative ways to speed up the process in those cases?
- The proposal would abolish LEDEC, a corporation in DED that manages various financial assistance programs. How would these programs operate under the new corporation?
- Would separating the tax incentive program unit from the corporation hinder its access to necessary expertise?

Privatization may well offer the most effective and efficient approach to administering the state's economic development efforts. However, the haste with which the present proposal has been assembled and presented to the Legislature precluded input from many interested individuals and organizations leaving them with a number of unanswered questions. PAR shares many of these concerns about SB 88. A reorganization of this magnitude requires adequate preparation to assure it is being done correctly and will stand the test of time.