ECONOMIC DEVELOPMENT AGENCY MODELS

LOUISIANA ECONOMIC DEVELOPMENT

ECONOMIC ADVISORY SERVICES

Informational Brief
Issued March 27, 2024

LOUISIANA LEGISLATIVE AUDITOR

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March 27, 2024

The Honorable J. Cameron Henry, Jr.,
  President of the Senate
The Honorable Phillip R. DeVillier,
  Speaker of the House of Representatives

Dear Senator Henry and Representative DeVillier:

This informational brief provides the results of our review of state economic development agency organizational models. This brief is intended to provide timely information related to an area of interest to the legislature or based on a legislative request. I hope this brief will benefit you in your legislative decision-making process.

We would like to express our appreciation to Louisiana Economic Development for their assistance during this project.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MJW/aa

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Informational Brief

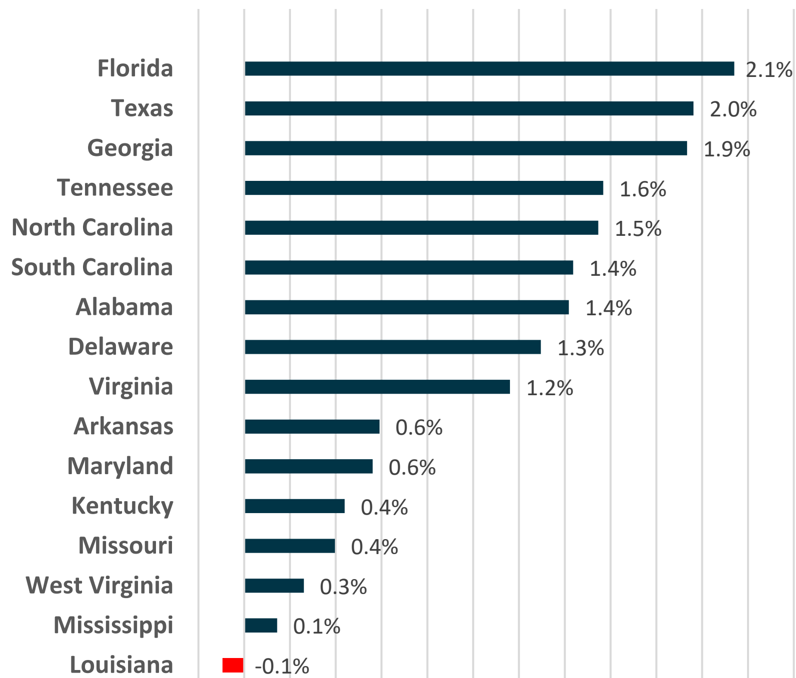
Economic Development Agency Models

Louisiana Economic Development

Audit Control # 42240003
Economic Advisory Services - March 2024

This report provides information to aid the legislature in evaluating different strategies for organizing and delivering economic development services in Louisiana. Following the commencement of Governor Jeff Landry's term in January 2024, the Governor's transition team called for an evaluation of the organizational structure of Louisiana Economic Development (LED), and urged the development of a long-term strategic plan for economic development, including a renewed target industry strategy.

Exhibit 1
Southeastern States' Employment Growth
Calendar Years 2015 to 2023



Source: Prepared by legislative auditor's staff using data from the U.S. Bureau of Labor Statistics, accessed via the Federal Reserve Bank of St. Louis FRED repository.

The state's growth in employment from 2015 to 2023 ranked last among southeastern states, as shown in Exhibit 1, and the state also ranked second-to-last among energy-intensive states.[1] Economic growth cannot be reduced to a single statistic such as employment, and determining how much of the state's lagging economic performance, if any, should be attributed to LED, any particular gubernatorial administration, or state policy is difficult and beyond the scope of this report. However, the state's declining employment levels do suggest that the state's overall approach to economic development merits further attention from state policymakers and the public.

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[1] We define "energy-intensive" as those states with employment location quotients for the mining and extraction sector greater than or equal to Louisiana's, specifically, Wyoming, North Dakota, Alaska, West Virginia, New Mexico, Oklahoma, and Texas. Louisiana's employment growth over this period was less than that of all other energy-intensive states except Wyoming.

Why We Compiled This Informational Brief

To support the state's economic development efforts, we obtained information on economic development agency models for sixteen southeastern states and reviewed best practices from organizations such as the National State Auditor's Association, International Economic Development Council, and U.S. Economic Development Administration.

Informational briefs are intended to provide more timely information than standards-based performance audits. While these informational briefs do not follow all *Governmental Auditing Standards*, we conduct quality assurance activities to ensure the information presented is accurate. We met with the Department of Economic Development and incorporated its feedback throughout this informational brief.

Some states have created a quasi-public entity to work alongside their state's economic development agency to provide more consistency between governors, more flexibility in hiring highly talented staff, and more flexibility in spending on marketing and business development efforts. In this context, a quasi-public entity is an organization that is not a state government agency, but that still performs a public service with some level of recognition, control, or support from the government. This report is intended to provide the Legislature with a high-level overview of quasi-public economic development entities used by other states, as well as additional information on best practices for economic development strategic plans.

State law provides that the policy of the state of Louisiana is "to fully develop the human, economic, and natural resources of the state through a well-informed and business-oriented Department of Economic Development."[2] To fulfill this goal, state law created LED as a "nonpolitical agency," to be operated by a "thoroughly professional staff,"[3] and advised by a 24-member Commerce and Industry Board (C&I Board).[4] LED's stated mission is "to cultivate jobs and economic opportunity for the people of Louisiana."

Overall, this report aims to highlight the following points:

- **Most southeastern states use quasi-public entities as part of their overall economic development efforts, particularly for marketing and business development, but strong governance and accountability, as well as a fully-developed strategic plan, are needed to avoid pitfalls experienced by other states.** Specifically, 11 of 16 southeastern states use some form of quasi-public entities or non-profit organizations to conduct economic development activities. Such organizations may have some advantages relative to government agencies with regard to flexibility in

[2] Louisiana Revised Statute (R.S.) 51:921.
[3] R.S. 51:922(1).
[4] R.S. 51:923. The C&I Board consists of 15 industry representatives and two local government representatives, all appointed by the Governor. In addition, the Governor, the Lieutenant Governor, the LED Secretary, and the four chairs of the legislative tax-writing and commerce committees, or their designees, are ex-officio members with full voting rights.

hiring and spending and consistency in organizational direction, but the organization should have strong governance and accountability to avoid problems identified with quasi-public entities such as in Florida and Virginia.

- **LED should update its strategic plan to have more information on the rationale and direction of economic development policies for each of the state's targeted industries.** Having a more detailed strategic plan could help coordinate activities across state government agencies and among local governments and economic development organizations across the state. While LED's current strategic plan (for FY 2021-2025) is detailed and contains specific, measurable goals, the plan does not specify which industries the state will target aside from entertainment. Best practices recommend the use of a strengths-weaknesses-opportunities-threats (SWOT) analysis or similar framework to provide direction and focus. In addition, having a more detailed strategic plan could be beneficial if the state wants to delegate functions to a quasi-public entity.

This informational brief contains three sections: first, an overview of LED's structure, funding, and activities; second, an overview of quasi-public entities in other states and important considerations regarding accountability and governance with such entities; and third, a review of LED's strategic plan and recommendations based on best practices. Appendix A contains LED's Management Response. Appendix B contains a summary of state economic development agencies and quasi-public or private partners for southeastern states, and Appendix C contains a brief summary of LED's performance indicators.

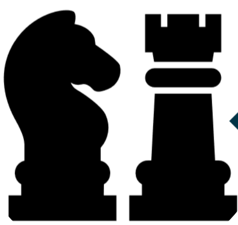
Section 1. Overview of Economic Development Activities, Funding, and Structure in Louisiana

LED consists of three major activity areas, each subdivided into several divisions tasked with different aspects of economic development. As of February 1, 2024, LED had 171 employees, including 108 that it employs directly and 63 employees with LED FastStart who, for administrative purposes, are employees of the Louisiana Community and Technical College System, but functionally report to LED and are funded through LED's budget. In FY 2023, LED spent $48.8 million on economic development activities, not including incentives and grants to companies paid through the Other Requirements schedule in the state budget (20-931) or the tax administration process, such as the Motion Picture Investor Tax Credit or Quality Jobs rebate. The State General Fund provided $37.3 million (76%) of LED's funding, with the remainder coming from federal funds ($6.5 million, or 13%), statutory dedications ($2.6 million, or 5%), fees and self-generated ($2.3 million, or 5%), or interagency transfers ($84,000, or less than 1%). A brief summary of the three major activity areas is included in Exhibit 2 below, along with the funding, number of employees, and divisions assigned to each.[5]

Exhibit 2
Functions, Spending, and Staffing for LED's Major Program Areas
Spending for FY 2023, Staffing as of February 1, 2024

Leadership and Administrative ($17.2 million, 21 classified, 13 unclassified, 63 at LCTCS, 97 total positions)

- Lead department, provide administrative support, study other states, develop economic development policy reforms, approve major discretionary incentives.
- Office of the Secretary, State Economic Competitiveness.
- Also includes LED FastStart, which provides customized recruitment and training for businesses. FastStart has 1 employee at LED and 62 employees housed at LCTCS.



Business Development ($23.3 million, 22 classified, 26 unclassified, 48 total positions)

- Identify, analyze, and nurture economic development prospects.
- Meet and negotiate incentive packages with businesses to recruit, retain, and expand business in Louisiana.
- Promote exports, trade and federal/military projects.
- Community Competitiveness, Office of Business Development, Small Business Services, Business Expansion and Retention Group, Business Marketing and Recruitment, Office of International Commerce, Military Affairs and Support.

Incentives Administration ($8.3 million, 19 classified, 7 unclassified, 26 total positions)

- Review applications for compliance, issue cash incentives to qualifying businesses.
- Business Incentives program staffs the Board of Commerce and Industry and the Board of the Louisiana Economic Development Corporation.
- Office of Entertainment Industry Development can functionally fall into this category, although it is organizationally situated within the Business Development Program.

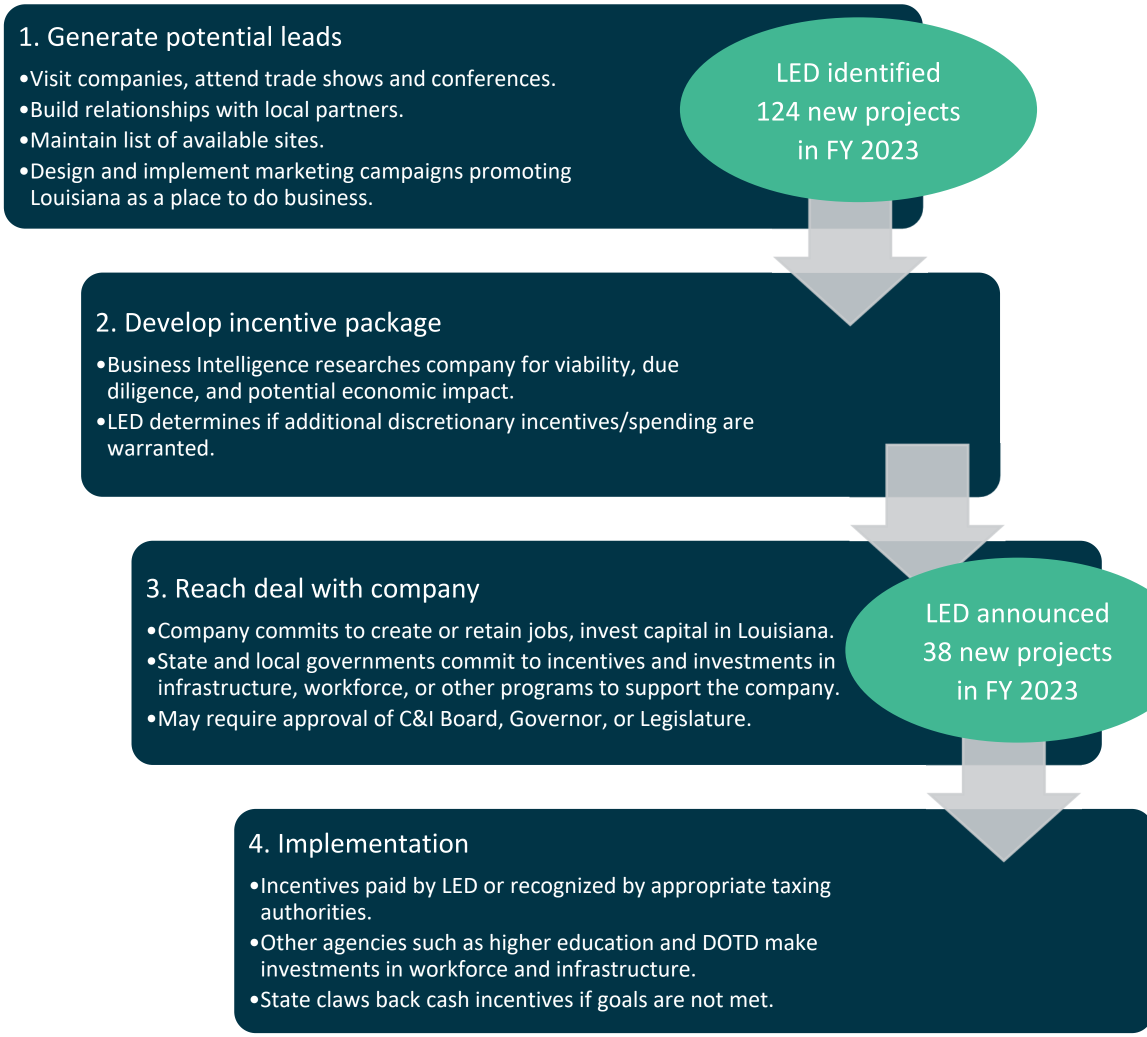
Source: Prepared by legislative auditor's staff based on information provided by LED and data obtained from LaGov.

[5] Classified positions refer to those covered by Civil Service rules on pay, merit-based hiring, political activity, and employee protections from removal without cause. Unclassified positions refer to those exempt from Civil Service rules, such as management positions or student employees.

Stakeholders have indicated that the business development activity is the section of LED that could benefit the most from a quasi-public structure, and the quasi-public economic development entities used by other states at a minimum always include some aspect of business development. As shown in Exhibit 2, the business development activity accounts for the bulk of LED's own direct-hire employees (48 positions, or 44% of the total) and spending ($23.3 million, or 48% of the total). The work of this program area involves outreach, relationship building, vetting, and deal-making with businesses and site selectors.[6] For example, the work of LED's business development team helped the state become the primary candidate for a new battery-ingredient manufacturing plant in Ascension Parish operated by Element 25, an Australian mining company, which expects to create 220 new direct jobs with annual average salaries of more than $90,000. As part of the deal, the state will offer discretionary incentives, including recruiting and training assistance through FastStart and a $6 million infrastructure grant, as well as non-discretionary incentives through the Quality Jobs and Industrial Tax Exemption programs. Exhibit 3 provides a flow chart for LED's business development activities.

[6] Site selectors are consultants who help companies with expansion or relocation decisions. Their work often includes considerations for business strategy, engineering suitability, real estate availability, tax planning, regulatory environment, and quality-of-life. Site selectors are a key stakeholder group that LED needs to work with in order to be effective.

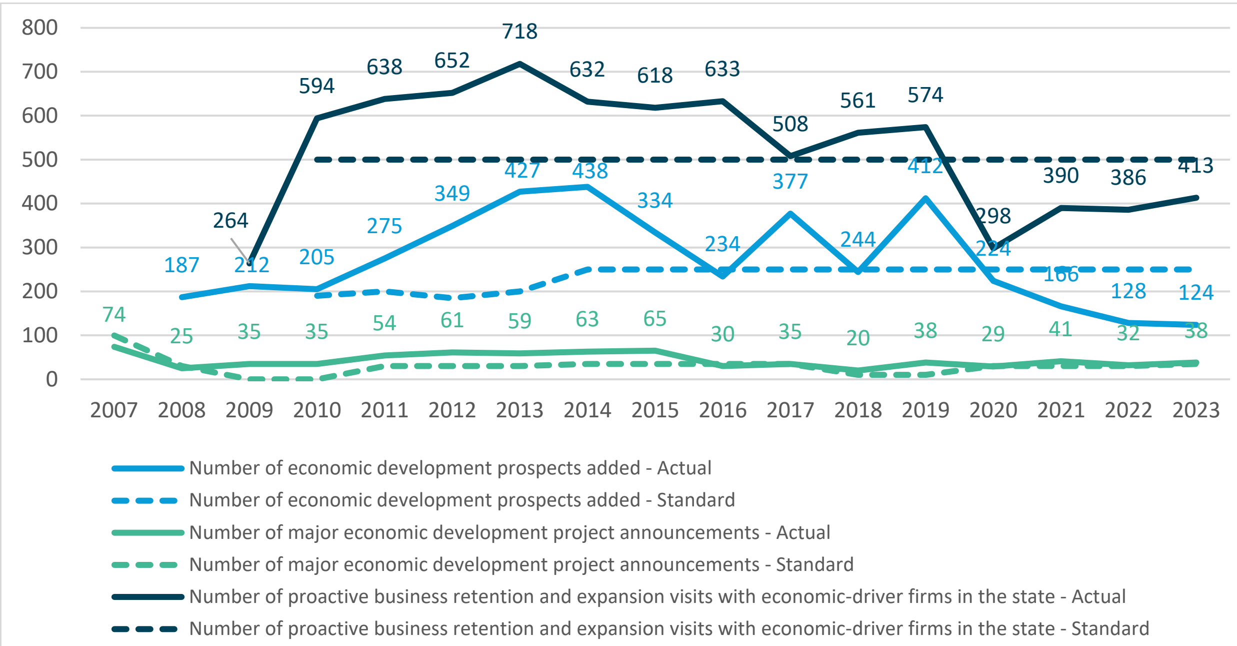
Exhibit 3
Overview of Business Development Process



Source: Prepared by legislative auditor's staff using information from LED and stakeholder interviews.

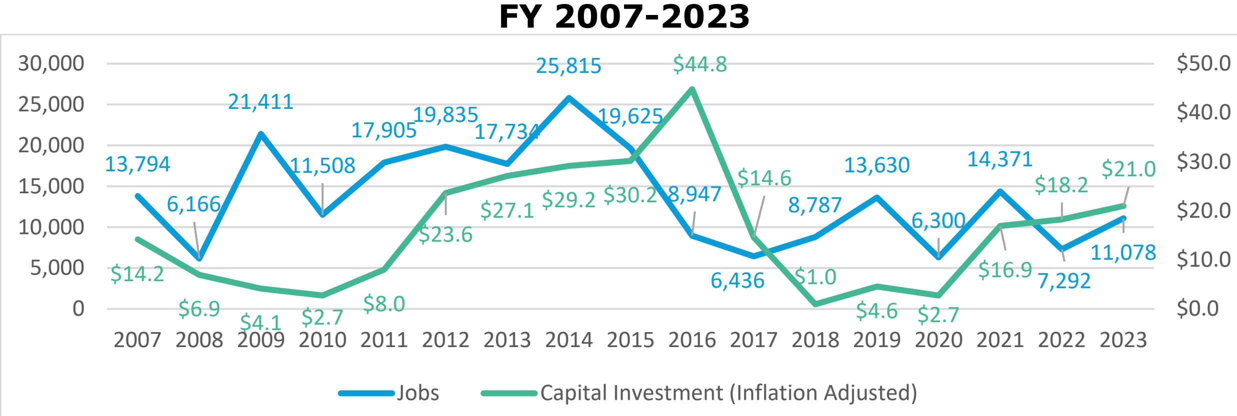
LED has made fewer business expansion and retention visits and added fewer economic development prospects each year since the COVID-19 pandemic in FY 2020, but it has met its targets for major project announcements for the past three fiscal years. LED reports performance indicators for its economic development activities as part of the state's performance-based budgeting process. Overall, LED's economic development efforts between FY 2007 and FY 2023 resulted in 734 project announcements that were anticipated to create 231,000 jobs and $270 billion in inflation-adjusted capital investment. Since FY 2015, Louisiana has been buffeted by economic shocks arising from global events in energy markets and from the COVID-19 pandemic, which are important factors outside LED's control that have hindered the state's economic development efforts. LED management noted that COVID-19 restricted LED's ability to conduct on-site visits with businesses and that visits by regional partners are not included in their performance indicators. Exhibit 4 shows LED's performance indicators for its business development activities along with associated targets, while Exhibit 5 shows the jobs and inflation-adjusted capital investment associated with the major project announcements for each fiscal year.

Exhibit 4
LED Prospects Added, Announcements, and Business Visits
FY 2007-2023



Note: LED did not track these measures in FY 2007 and did not publish targets for all three until FY 2011. Dotted lines represent performance standards, which are the expected level of performance associated with a particular indicator for a particular period.

Exhibit 5
Jobs and Capital Investment from LED Project Announcements
FY 2007-2023



Source: Prepared by legislative auditor's staff using unaudited information from Louisiana Performance Accountability System (LAPAS) and Executive Budget Supporting Documents and the U.S. Bureau of Labor Statistics.

Section 2. Overview of Quasi-Public Entities in Other States

All 50 states have a state agency or other state-designated entity charged with economic development. However, states employ a variety of organizational models to deliver these services, and some states have a designated quasi-public or private non-profit organization to assist the state economic development agency. In contrast, Louisiana's economic development efforts are led by LED, a state agency funded primarily with state general fund and statutorily-dedicated funds and staffed by state employees (many of whom are classified employees subject to civil service rules on hiring, pay, and dismissal). We focused our review on 16 southeastern states so that we could provide more information about each state.

Eleven of 16 southeastern states have a quasi-public entity or private non-profit organization to lead or support their economic development efforts. The functions of these entities vary from state to state, with some serving as the primary economic development organization at the state level, while others supplement the activities of a state agency. Some states' entities have no employees and serve primarily as a vehicle for raising private funds. Exhibit 6 lists the states we studied and organizes them into four overall categories based on how their economic development agencies are organized.

Exhibit 6
Economic Development Agency Models Across States

Quasi-Public Entity Is Primary State Economic Development Organization

- Delaware – Delaware Prosperity Partnership, Inc., provides entrepreneur assistance, workforce development, business recruitment, international development, marketing strategies, and research, alongside Division of Small Business and Delaware Economic Development Authority.
- North Carolina – Economic Development Partnership of North Carolina, Inc., provides business development, recruitment, existing industry retention and support, international trade, tourism, film, and marketing alongside the Department of Commerce.
- Virginia – Virginia Economic Development Partnership, a state authority responsible for economic development, including business development, marketing and compliance.

Quasi-Public Entity Has Employees, Supplements State Agency

- Florida – SelectFlorida, Inc., assists with international trade, acts as international trade and travel mission organization, assists and supports international offices, supporting Department of Commerce.
- Maryland – Maryland Public-Private Partnership Marketing Corporation, oversees and executes marketing campaigns, supporting Department of Commerce.
- Missouri – Missouri Partnership, provides business development, research, and site certification, supporting Department of Economic Development.
- Texas - Texas Economic Development Corporation, provides marketing and business recruitment, supporting Texas Economic Development and Tourism.

Quasi-Public Entity Has No Employees, Serves As Vehicle to Raise Funds, Sponsor Initiatives for Economic Development

- Georgia – Georgia Economic Development Foundation, sponsors conferences, as well as receptions and other costs associated with visiting dignitaries, supporting Department of Economic Development.
- South Carolina – Palmetto Partners, raises funds for marketing and events, supporting Department of Commerce.
- Tennessee – Tennessee Economic Partnership, organizes events to facilitate relationship-building with site selectors, supporting Department of Economic and Community Development.

State Agency Is Primary State Economic Development Organization, No Quasi-Public Entity

- Alabama –Department of Commerce is primary state agency, with support from Economic Development Partnership of Alabama, Inc., which provides lead generation, business intelligence, policy advocacy, and a site certification program.
- Arkansas - Economic Development Commission is primary state agency.
- Kentucky - Cabinet for Economic Development is primary state agency.
- Louisiana - Louisiana Economic Development is primary state agency.
- West Virginia - West Virginia Economic Development is primary state agency.

Source: Prepared by legislative auditor's staff using information from IRS Form 990's, quasi-public entity websites, state laws, and the North Carolina Program Evaluation Division's 2019 report on the Economic Development Partnership of North Carolina, Appendix B.

According to the International Economic Development Council (IEDC), several states have implemented public-private partnerships or quasi-public entities to deliver economic development services, citing "fiscal concerns, burdensome bureaucracy, lack of flexibility and limited knowledge of the private sector" as key motivators for this shift.[7] Five of 16 southeastern states,[8] including Louisiana, rely primarily on traditional government agencies to deliver their economic development services. In contrast, the remaining eleven states[9] have created state authorities, not-for-profit corporations, or special funds in their state treasuries for economic development. Some are structured as non-profit corporations, similar to the Tiger Athletic Foundation, a 501(c)(3) non-profit corporation that supports Louisiana State University's athletics programs. Others are structured as authorities with more autonomy than a state agency, similar to the Louisiana Lottery Corporation, which has a corporate structure to enable it to operate in an entrepreneurial and business-like manner.[10] Specifically, eight of the eleven states with quasi-public entities have organizations that submit financial data on a Form 990 to the Internal Revenue Service and report a tax-exempt status as a 501(c)(3) or 501(c)(6). Two states have authorities, and one consists primarily of a fund in the state treasury. Exhibit 7 shows the organizational types employed by the eleven states with quasi-public entities or private non-profit support organizations and gives a brief description of the characteristics of each model.

[7] IEDC (2012), "New Realities for Economic Development Organizations," p. 11.
[8] Specifically, these states are Arkansas, Kentucky, Louisiana, Mississippi, and West Virginia.
[9] Specifically, these states are Alabama, Delaware, Florida, Georgia, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Texas, and Virginia.
[10] R.S. 47:9001

Exhibit 7
Organizational Types of State Economic Development Quasi-Public Entities or Private Non-Profit Support Organizations

Charitable Non-Profit Corporation – 501(c)(3)
Contributions are tax deductible, but organization cannot engage in substantial lobbying

- Delaware - Delaware Prosperity Partnership
- Florida - SelectFlorida
- Georgia - Georgia Economic Development Foundation, Inc.
- North Carolina - Economic Development Partnership of North Carolina, Inc.
- Tennessee - Tennessee Economic Partnership
- Texas - Texas Economic Development Corporation

Business League/Chamber of Commerce Non-Profit – 501(c)(6)
Organization can lobby, but contributions are not tax deductible as charitable contributions and may be only partially deductible as business expenses

- Alabama - Economic Development Partnership of Alabama, Inc.
- Missouri - Missouri Partnership

State Authority
State instrumentality or political subdivision, but not subject to all rules that apply to state agencies

- Maryland - Maryland Public-Private Partnership Marketing Corporation
- Virginia - Virginia Economic Development Partnership

Fund in State Treasury
Fund that allows for receipt of private contributions and spending on purchases not typically allowed under state law

- South Carolina - Palmetto Partners

Source: Prepared by legislative auditor's staff using information from state laws and U.S. Internal Revenue Service Form 990 filings.

Both public and quasi-public entities have advantages and disadvantages, as well as specific elements that should be decided upon by policy makers for each approach. Based on meetings with stakeholders, we identified and analyzed three elements by which quasi-public entities in other states differ from traditional state agencies. In particular, we noted that quasi-public entities are generally governed by boards instead of being within the control of the governor, not subject to the same administrative rules as traditional state agencies, and may be partially or fully funded from private contributions, as shown in Exhibit 8. Each of these concepts is discussed in greater detail below.

Exhibit 8
Transitioning from a State Agency to a Quasi-Public Entity
Summary of Pros and Cons

Governance: Quasi-public entities generally transfer oversight from governor to an oversight board	State Administrative Rules: Quasi-public entities are generally exempt from civil service and public records laws	Funding: Quasi-public entities are sometimes partially or fully funded with private funds
•Pros: More stability between governors, more private sector expertise •Cons: More difficult to integrate into overall state policy, less support from governor	•Pros: Allows more flexibility in hiring, promotions, dismissals; businesses can send confidential information •Cons: Lack of public accountability and support, appearance or existence of favoritism or nepotism, improper influences on hiring and firing of personnel, risk of fraud	•Pros: Private funds are not subject to the same restrictions as public funds and can be used more flexibly, e.g., to entertain prospective employers •Cons: Reliance on private funds may make the entity more accountable to the interests of private funders instead of the public interest

Source: Prepared by legislative auditor's staff.

Quasi-Public Entities Generally Governed by Boards, not Governors

Six out of the 11 southeastern states with quasi-public entities or private non-profit support organizations have a highest-ranking employee who is hired by a board of directors, as opposed to being appointed by the governor.[11] According to the Government Finance Officers Association (GFOA), economic development strategies should be coordinated within and among governments. GFOA sees economic development as an overarching context that should be considered when setting fiscal policy across different areas of government. At the state level, this includes not just spending that falls clearly into the category of economic development, such as incentives, grants, and marketing, but also other areas of government such as education and infrastructure. As a result, the state's economic development activities need to be represented at the cabinet level to ensure coordination across departments in the executive branch and integration into overall fiscal policy. However, stakeholders and public policy researchers have noted challenges that can arise when economic development policy is designed entirely by government officials subject to electoral and political concerns. As a result, alternative governance models have been proposed.

The Legislature may be able to provide more stability and private-sector expertise into LED's oversight by giving more responsibility to a governing board with a mix of industry and government representatives.

[11] Specifically, these states are Alabama, Delaware, Missouri, North Carolina, Texas, and Virginia. We were unable to determine the selection process for the CEO of Florida's quasi-public entity, SelectFlorida. Neither SelectFlorida nor the Florida Department of Commerce replied to our requests for information via telephone and email.

Economic development strategies may require long-term investments to build up infrastructure and talent pools to attract business, a process which may take longer than a four-year election cycle. Furthermore, economic development stakeholders noted that the most successful business developers understand the industries that they are trying to attract and can give honest, well-informed feedback about whether they can find a solution for a business considering where to locate or expand. For example, the Louisiana Lottery Corporation board is directed by state law[12] to provide private-sector perspectives on the operation of a large marketing enterprise. By incorporating private-sector expertise into the governing board for LED across a range of industries, LED may be able to increase the effectiveness of its economic development efforts. Providing for board members to serve staggered terms could also increase continuity across gubernatorial and legislative terms.

Ensuring that the oversight board is well-informed, able to exert control over the quasi-public entities' activities, and supported by a robust internal audit function, and that the board coordinates economic development with other aspects of state government could help to ensure that the quasi-public entity functions well. A review of other states' quasi-public entities provides insight on potential pitfalls associated with this organization model and safeguards that could be applied to help ensure good performance.

- **Virginia**. A 2016 report by the Virginia Joint Legislative Audit and Review Committee (JLARC) on the Virginia Economic Development Partnership (VEDP), a quasi-public authority established that has led Virginia's economic development efforts since 1995, noted that the agency at that time suffered from significant churning of economic development strategies with every new gubernatorial administration, where governors are limited to one four-year term. JLARC further noted that "the board has historically not held VEDP sufficiently accountable, largely due to members' lack of engagement and apparent misunderstanding of their governing responsibilities." JLARC recommended raising the qualifications for board members and creating an internal audit function accountable to the board. In response to this report, VEDP hired a new CEO who worked to address the recommendations.
- **Florida.** *Site Selection* magazine noted that Florida's quasi-public entity was eliminated in 2023 in favor of returning more power to a state agency.[13] A site selector interviewed for the article noted that placing economic development within a state agency would give governors the ability to "more fully put their stamp on the program" and reduce the risk of strategic errors, such as a controversial $1 million marketing contract with a recording artist. An expert we interviewed said that it is important for a quasi-public entity to ensure that credit is shared with the governor.

[12] R.S. 47:9007

[13] "The Life and Death of Enterprise Florida," June 2023, *Site Selection*. URL: https://siteselection.com/investor-watch/the-life-and-death-of-enterprise-florida.cfm.

- **North Carolina.** A 2019 program evaluation noted a lack of coordination between the North Carolina Department of Commerce and the Economic Development Partnership of North Carolina in strategic planning, despite the two entities' closely-related missions. The evaluation recommended more cooperation and coordination between the quasi-public entity and state agencies with adjacent responsibilities. The report also noted that North Carolina's strategic planning process for economic development had gone from one that involved stakeholders across multiple agencies to one that only involved the Secretary of Commerce; to address this, the report recommended requiring the Secretary of Commerce to consult with other state agencies and stakeholders in the strategic planning process.

Quasi-Public Entities Not Subject to State Agency Restrictions

Advocates for quasi-public economic development organizational models have cited state administrative rules as hindrances for economic development agencies. In addition, LED management stated that Civil Service rules, particularly concerning low salaries for classified employees, as well as executive orders[14] prohibiting overtime for unclassified appointees in the Office of Business Development, impede LED's ability to effectively compensate its employees, which in turn makes it more difficult to hire and retain talented employees.

State laws that govern the staffing and administration of state agencies and availability of public records may hinder economic development efforts, but Louisiana law currently provides exemptions for LED. Louisiana and other states have in some instances created exemptions for their economic development agencies from rules that ordinarily apply to public entities, as summarized below.

- **Civil Service Rules.** LED management has cited Civil Service rules on pay and overtime as hindrances to attracting and retaining highly-talented individuals. Of LED's 171 total employees, 109 (64%) are unclassified or are hired through LCTCS, but the remaining 62 are classified employees. In contrast, the Louisiana Lottery Corporation is exempt from Civil Service provisions, and the president has the discretion to hire, set the pay of, and dismiss the corporation's employees, provided that they adhere to specific restrictions against self-dealing and other conflicts of interest.[15] When Delaware transferred its economic development activities from the public Delaware Economic Development Office to the quasi-public Delaware Prosperity Partnership in 2017, the state specifically cited hiring as a

[14] Executive Orders JBE 2023-18, issued November 1, 2023; JBE 2016-48, issued August 5, 2016; BJ 12-02, issued March 16, 2012; BJ 08-64, issued August 22, 2008.
[15] R.S. 47:9015

motivation for the reform. In addition, employees at some entities, such as the EDPNC and VEDP, are eligible for bonuses or pay for performance, which can be an effective way to motivate and retain employees.

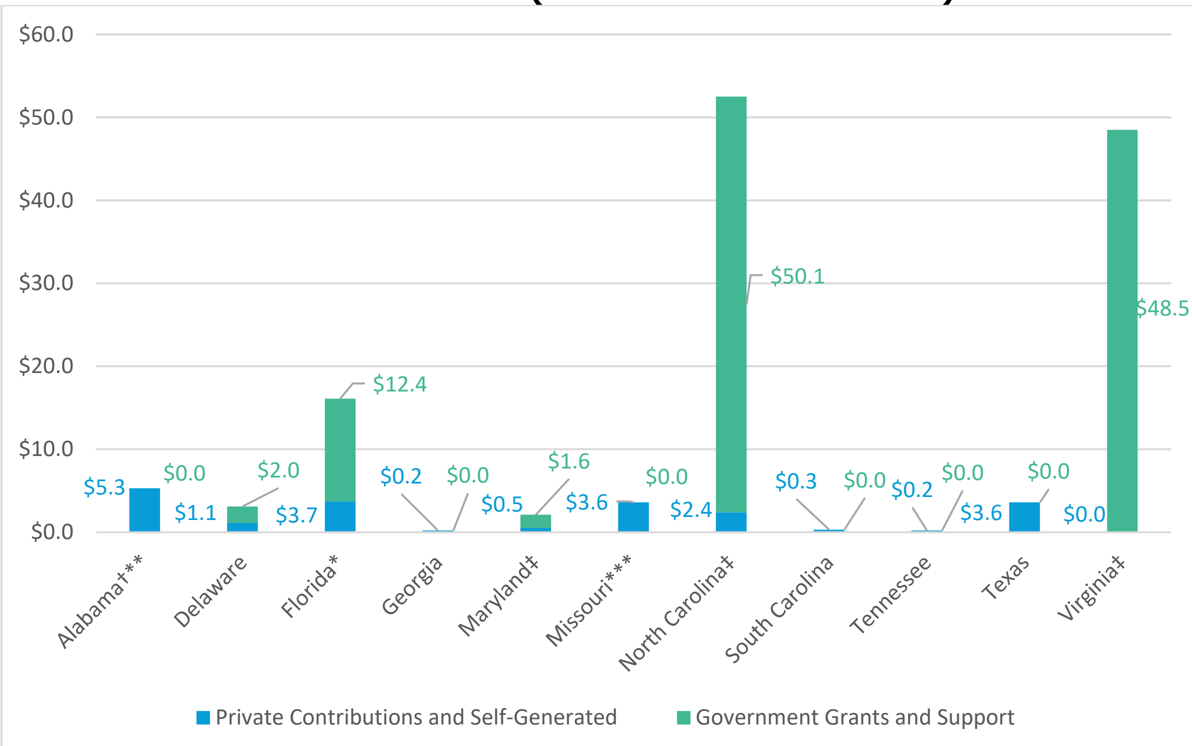
- **Public Records Laws.** All 16 southeastern states have laws that provide some level of confidentiality for records related to economic development, at least until the project is announced or a defined period of time has elapsed. Louisiana law (R.S. 44:22) recognizes these concerns by providing that records related to active economic development negotiations may be kept confidential for up to 24 months. Site selectors stress the importance of confidentiality in negotiations between governments and businesses seeking to relocate or expand for a variety of reasons. Businesses generally want to avoid stoking fears of layoffs for their existing personnel if they announce relocation plans, and they may also want to avoid signaling their business strategy to the firms they compete with. Furthermore, businesses may be concerned about public opposition to their project, which could reduce support for incentives, permits, rezoning, or other government actions that would enhance the profitability of selecting a given site. However, stakeholders we interviewed stated that Louisiana's confidentiality statutes were generally adequate.

While creating a quasi-public entity could provide some additional flexibility, completely exempting a state-sponsored entity from state oversight could lead to poor performance. The Virginia JLARC report noted that VEDP, even as a quasi-public entity exempt from the Virginia Personnel Act, did not effectively hold staff accountable for their productivity, performance, or compliance with statutory requirements and agency policies. In addition, the *Site Selection* magazine article on Florida's quasi-public entity noted that the elimination of the quasi-public entity and return to state-agency model was partly motivated by concerns over confidentiality of documents, conflicts of interest among board members, and secret meetings.

Quasi-Public Entities and Private Non-Profit Organizations May Be Partially or Fully Funded with Private Contributions

Ten of 11 southeastern states with quasi-public entities or private non-profit organizations receive private contributions to support their economic development efforts. LED's $55.0 million enacted budget for FY 2024 is funded entirely from public sources, with $38.6 million (70%) coming from the State General Fund and another $6.6 million (12%) coming from federal funds. While LED does collect some revenue from fees charged to private businesses, businesses are required to pay these fees to participate in economic development programs. LED does not raise voluntary donations in the way that a not-for-profit organization would by seeking tax-deductible contributions from private individuals, businesses, or foundations. According to a site selector interviewed in the *Site Selection* magazine, a major consideration for establishing a quasi-public entity is to aid in raising additional funds for economic development. In addition, a 2015 audit of the South Carolina Palmetto Partners program, a separate fund in the state treasury designed to receive contributions of private dollars for economic development purposes, reported the account is primarily used for "making disbursements that are not allowed or are limited under State laws, rules, and regulations," such as "purchase[s] of alcohol, meals, and entertainment costs of prospects and Department allies." Exhibit 9 shows a summary of revenues by source for each of the eleven quasi-public entities or private non-profit organizations for the most recently available fiscal year.

Exhibit 9
Quasi-Public or Private Non-Profit Economic Development Entity Revenues from Private and Public Sources
Fiscal Year 2022 (Unless Noted Otherwise)



* Florida's quasi-public entity, SelectFlorida, has not been in existence for a full year. Instead, this exhibit includes financial data from the Form 990 for Enterprise Florida, Inc., which was Florida's primary economic development organization until May 2023.
** Does not include the Economic Development Partnership of Alabama Foundation, Inc., an organization supporting the Economic Development Partnership of Alabama, which reported $1.4 million in revenue for calendar year 2021, of which $517,940 came from government grants.
*** Does not include the Hawthorn Foundation, an organization supporting the Missouri Partnership, which reported $5.4 million in revenue in calendar year 2022, of which $3 million came from government grants.
† Data are for fiscal year ending in 2021.
‡ Data are for fiscal year ending in 2023.
Source: Prepared by legislative auditor's staff using information from Internal Revenue Service Form 990's and entity websites.

In conclusion, our review of quasi-public entities from other states can be summarized as follows:

- A quasi-public entity needs effective oversight from its board, which should consist of individuals who not only possess expertise in private industry and economic development but who also observe ethical prohibitions against self-dealing and conflicts of interest.

- If the state decides to create a quasi-public entity for economic development, the entity should be integrated into the state's overall economic development efforts and fiscal policy throughout state and local government.

- The public records laws governing a quasi-public entity should balance the need for confidentiality with the need for transparency, performance reporting, and audit capabilities to ensure that public funds and economic development efforts are being managed effectively and are serving the public interest.
- Exempting a quasi-public entity from civil service rules could provide additional flexibility in hiring, but the state should still ensure appropriate safeguards are in place to hold staff accountable for performance and to avoid conflicts of interest.
- A quasi-public entity should be able to accept and separately account for private contributions and use them for economic development expenses that are acceptable for donors, even if they are not allowable uses for public funds.

Section 3. Best Practices for Economic Development Strategic Planning

National organizations have established best practices for the contents of economic development strategies to help states conduct their economic development programs effectively, efficiently, and fairly. We identified best practices from a range of groups, including the National State Auditors Association (NSAA), Pew Charitable Trusts (Pew), International Economic Development Council (IEDC), Government Finance Officers Association (GFOA), the Urban Institute, and the U.S. Economic Development Administration (EDA). We also interviewed stakeholders to gain additional insight into these best practices.

Economic development best practices emphasize the need for effective strategic planning, with attention to a state's unique strengths and weaknesses and a focus on complementary industries. The IEDC, EDA, and Urban Institute all recommend that a strategic plan should start by recognizing the realities or existing areas of competitive advantage for a community. The EDA specifically recommends for a community to identify its economic strengths, weaknesses, opportunities, and threats, also known as a "SWOT" analysis.

According to the EDA, while physical assets and natural resources are still important to include in a SWOT analysis, "knowledge and the ability to apply knowledge" are the most valuable assets that a region has in the modern economy. As an alternative, the EDA also offers options such as the SOAR (strengths, opportunities, assets, risks) or NOISE (needs, opportunities, improvements, strengths, exceptions) frameworks as alternatives that may work better in some settings. The EDA and Urban Institute both describe this in terms of identifying specific industries or industry clusters that operate within a region, as well as other complementary industries that require a workforce with skill sets similar to those of the existing workforce. For example, according to the Society of Petroleum Engineers, many petroleum engineering and geoscience skills used in mining and extraction of oil and gas can be applied to emerging industries like carbon capture, utilization, and storage; geothermal energy; and offshore wind. Furthermore, the Boston Consulting Group also recommends looking at clusters in terms of industries that support other industries. Balancing all of these concerns, the IEDC and economic development stakeholders emphasized the need for agility in responding to emerging trends in economic development, and good judgment in knowing when it is appropriate to deviate from an established plan.

LED's strategic plan does contain specific activities and goals, as well as performance indicators to track progress towards those goals. However, best practices also recommend that LED should be more specific in identifying which industries it seeks to develop, how it identified those industries, and the means by which those industries will be targeted. LED's Five-Year Strategic Plan for FY 2021-2025 does contain many of the elements recommended in best practices. LED's plan gives an overview of all of its activity areas and specific performance measures, published annually or sometimes even quarterly, that can be used to evaluate LED's performance towards its goals. Furthermore, LED's State Economic Competitiveness division takes on projects intended to address specific, identified areas of need, such as low workforce participation in rural areas or boosting the state's traditionally strong water transportation sector to remain competitive. In addition, LED FastStart provides funding for a postsecondary program that supports the state's aerospace sector in the New Orleans area.

However, LED's strategic plan does not outline a specific strategy that can serve as a reference point for stakeholders across the state. For example, LED's plan calls for identifying and prioritizing investment opportunities, but it does not say how those priorities will be identified. In addition, the plan calls for identifying high-risk firms that are in danger of closing, laying off staff, or leaving the state, but the plan is non-specific as to how these firms will be identified. Furthermore, the plan calls for "proactive outreach to targeted business executives and site selection consultants," without specifying how they will be targeted. While LED's website does list "key industries," the information included for each industry is largely focused on promoting the state's assets and accomplishments in each area in a manner that promotes the state in a favorable light to industry executives and site selectors, rather than developing strategic goals and identifying actions necessary to achieve those goals for state and local economic development related to each industry.

Other agencies in Louisiana have proposed more specific plans, and LED has in the past published strategic plans with a higher level of specificity. For example, the Louisiana Board of Regents' 2020 Master Plan for Higher Education, required by La. Const. Art. VIII § 5(D)(4), identifies a specific target to have 60% of the state's working-age population attain a postsecondary credential or degree, estimates the level of degree completions that would need to occur each year in order to reach that goal, and describes how the state's postsecondary educational system intends to reach those goals. In addition, the Louisiana Economic Development Council's Vision 2020 plan, issued as a 20-year economic development plan in 1999, included a SWOT analysis along with specific targets for the state's economy and educational attainment. Many of these targets were industry-specific, such as number of acres of timberlands/wetlands reforested, or energy production by source. LED outlined a Blue Ocean strategy in 2010 that identified specific industries, such as nuclear energy manufacturing, digital interactive media, and pharmaceutical manufacturing as industries with growth potential that were suited to Louisiana's competitive advantages in economic development. We also found that the regional economic development organizations for the Baton Rouge and New Orleans areas had more detailed strategic plans, describing their strengths and weaknesses and the industries they sought to target, and that other states' economic development agencies had published strategies that contained a higher level of specificity with regard to the industries targeted.[16] Exhibit 10 highlights the strengths, weaknesses, and targeted industries included in economic development strategic plans from other states and Louisiana regional economic development organizations. We also noted when other states did not include strengths and weaknesses or targeted industries in their strategic plans. LED could consult these other entities' plans as potential guides in updating its strategy.

[16] Baton Rouge Area Chamber's "Bring It" plan: https://brac.org/bringit/. GNO Inc.'s "GNO Future" report: https://gnoinc.org/wp-content/uploads/sites/2/2021/01/GNO-Future-Report-FINAL.pdf.

Exhibit 10 - Highlights from Economic Development Strategic Plans Strengths, Weaknesses, and Targeted Industries

Alabama: "Accelerate Alabama 2.0" (2017)

- Strengths: Identifies strengths associated with each industry
- Industries: Metal and advanced materials, aerospace, agriculture/food, automotive, bioscience, chemicals, forestry, plus seven "foundational targets" with cross-sector synergies
- Includes a research/industry matrix linking higher education institutions to specific research areas with targeted industries
- Economic Development Partnership of Alabama also provides industry profile documents listing available assets and recent projects won

Arkansas: "FY 2018 – 2019 Strategic Plan"

- Strengths/weaknesses: None listed
- Industries: None listed
- Lists specific economic development activities, such as identifying needs of companies in target sectors and marketing

Florida: "Strategic Plan for Economic Development 2018-2023" (2018)

- Strengths: Diverse population, good climate, low taxes, emphasis on private over public spending
- Weaknesses: High insurance costs and litigious environment, generational imbalance, lack of affordable starter housing, economy highly reliant on tourism, construction, and agriculture
- Industries: Life sciences, trade and logistics, simulation, digital media, clean energy, marine and environmental sciences
- Seeks to diversify economy and rely less on tourism, construction, and agriculture; lists manufacturing growth as a goal

Louisiana - Baton Rouge: "BRING IT! Baton Rouge 2026 Regional Strategic Plan" (2021)

- Strengths: Presence of universities to support a talent pipeline and innovation
- Weaknesses: High reliance on state government, LSU, petrochemical industry, and construction to drive growth
- Industries: Life sciences, software, renewable energy, water

Louisiana - New Orleans: "GNO Future Report" (2020)

- Strengths: Mississippi River for transportation/trade, advanced manufacturing in space and wind, highly responsive institutions for workforce development, global tourism destination
- Weaknesses: Lack of historical diversification, lack of professional jobs, post-1980s loss of corporate headquarters
- Industries: Trade, advanced manufacturing, energy, technology, biomedical, environmental management, hospitality

Mississippi: "JLBC Strategic Plan" (2023)

- Strengths/weaknesses: None listed
- Industries: Advanced manufacturing, aerospace and defense, agriculture, food and beverage, automotive, distribution and logistics, forestry, energy and chemicals, motion picture and tourism

North Carolina: "First in Talent" (2021)

- Strengths/Weaknesses: None listed
- Industries: Agriculture, manufacturing, offshore wind, tourism, child care, hospitals, and broadband
- Advocates for two million residents to have a high-quality postsecondary credential, and for unquantified increases in enrollment in Medicaid, early childhood education programs. Also advocates for more broadband access

South Carolina: "Annual Accountability Report" (2023)

- Strengths/weaknesses: Refers to a SWOT analysis being performed, without detailing specific findings
- Industries: Advanced energy such as small modular reactors, life sciences, and headquarters and Fortune 500 companies
- Lists specific targets for job creation, recruitment, visits to businesses

Tennessee: "Transparent Tennessee: TNECD Performance Metrics" (Web-based dashboard)

- Strengths/weaknesses: No SWOT analysis or discussion of strategy
- Industries: Aerospace and defense, automotovie, business services, chemicals, electrical equipment and appliances, entertainment and media, food and beverage, healthcare and medical devices, rubber, clay and glass, and transportation, distribution and logistics
- Includes actual and target performance indicator data, including new job commitments, rural project commitments, capital investment, existing business visits

Virginia: "Compete to Win" (2022)

- Strengths: Data centers, information technology, food and beverage, defense
- Weaknesses: Economic development strategy targets too many industries, net out-migration of residents
- Industries: Lists 16 targeted industries, but calls for narrowing the state's focus

Source: Prepared by legislative auditor's staff using information from state and local economic development organizations' websites.

In addition, if LED can develop and gain support for an economic development strategy from stakeholders across different levels of government and in the public and private sector, this would help to coordinate the economic development efforts of a wider range of stakeholders over a longer period of time. GFOA notes that economic development plans should align with organization-wide goals and objectives and be coordinated with other entities. By sharing more of its own internal analysis with external stakeholders and the public, LED could increase public awareness of specific goals that have been identified as important as part of the state's overall economic development strategy. In addition, stakeholders we interviewed expressed concerns that LED's strategy changes significantly between gubernatorial administrations, even though economic development investments may require a long-term time horizon to build up the physical infrastructure and skilled workforce necessary to attract industries.

APPENDIX A: MANAGEMENT’S RESPONSE

Jeff Landry
Governor

Susan Bonnett Bourgeois
Secretary

LOUISIANA ECONOMIC DEVELOPMENT

March 22, 2024

Mr. Michael Waguespack
Legislative Auditor
1600 N. 3rd Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Waguespack:

This letter serves as the official response to the informational brief pertaining to Economic Development Agency Models researched by the Legislative Auditor over the last two months. We have appreciated engaging with Dr. Edward Seyler as he has worked to provide insight into the economic development models employed by other states.

Highlight 1: Most southeastern states use quasi-public entities as part of their overall economic development efforts, particularly for marketing and business development, but strong governance and accountability, as well as a fully-developed strategic plan, are needed to avoid pitfalls experienced by other states.

We agree that the current LED structure is an obstacle to fulfilling the agency's statutory directives and LED's stated mission "to cultivate jobs and economic opportunity for the people of Louisiana". Major changes legislatively and internally must be made if LED is to comply with the spirit of the law that established the agency some 88 years ago.

As denoted in the informational brief, most other competitor states have employed alternative organizational structures to ensure the maximum flexibility in staffing while eliminating bureaucracy in their organizations to better adapt to changing market conditions. We agree that a structure that provides consistency and accountability that spans administrations is critical to aggressively competing for new business while retaining and nurturing our legacy businesses.

Highlight 2: LED should update its strategic plan to have more information on the rationale and direction of economic development policies for each of the state's targeted industries.

It is imperative that we develop a clear and transparent strategic plan that can be embraced by all of those engaged in economic development work across the state. With a well-defined strategy, we can better reach across agencies and more fully engage local and regional partners, as well as private sector stakeholders, to pave the most effective and efficient approaches to reach our shared goals. It is incumbent that all of our workforce, transportation, education systems and taxation policies work in tandem to help create the business climate needed to produce the economic success we all desire.

This session we will be presenting solutions that align with the observations in the LLA report. Our proposed framework will allow LED to function at the speed of business and position Louisiana to win, by modeling successful, proven strategies. It is reassuring that the elements of our path forward parallel the recommendations in your report, and we look forward to working together to ensure Louisiana's success.

We are on a path to securing the legislative, structural and agency culture changes necessary to maximize economic opportunity for every parish and demographic in Louisiana. Thank you for the work you have done to help further refine our vision.

Sincerely,

Susan Bonnett Bourgeois

Susan Bonnett Bourgeois
Secretary
Louisiana Economic Development

APPENDIX B: SUMMARY OF STATE ECONOMIC DEVELOPMENT AGENCIES AND QUASI-PUBLIC OR PRIVATE PARTNERS – SOUTHEASTERN STATES

	Public Agency		Quasi-Public or Private Agency				
State	Name	Latest Published Head-count	Name	Latest Published Head-count	Yearly Spending and Source of Funds	Organizational Form	Responsibilities
Alabama	Department of Commerce	74	Economic Development Partnership of Alabama, Inc.	14	$5.7 million (all private)*	501(c)(6)	Supporting workforce development, emerging businesses and community development initiatives.
Arkansas	Arkansas Economic Development Commission	96	n.a.	n.a.	n.a.	n.a.	n.a.
Delaware	Division of Small Business, Development, and Tourism	19	Delaware Prosperity Partnership	15	$3.1 million (65% public, 35% private)	501(c)(3)	To lead the state's economic development efforts; attract, grow, and retain companies; build a stronger entrepreneurial and innovation ecosystem; support private employers in identifying, recruiting, and developing talent.
Florida	Department of Commerce - Economic Development Program	44 (entire department has 1,291 employees, but this includes workforce functions)	SelectFlorida (formerly Enterprise Florida, Inc.)	105 (for Enterprise Florida, Inc., prior to dissolution)	$26.6 million (77% public, 23% private for Enterprise Florida Inc., prior to dissolution)	501(c)(3)	Facilitating job growth, assisting companies with expansion and location plans, site selection, demographic information, incentive information, trade leads, etc.
Georgia	Department of Economic Development	213	Georgia Economic Development Foundation	0	$441,311 (all private)	501(c)(3)	Function as an advocate of economic development for the state of Georgia.
Kentucky	Cabinet for Economic Development	89	n.a.	n.a.	n.a.	n.a.	n.a.
Louisiana	Louisiana Economic Development	171 (including LED FastStart)	n.a.	n.a.	n.a.	n.a.	n.a.

	Public Agency		Quasi-Public or Private Agency				
State	Name	Latest Published Head-count	Name	Latest Published Head-count	Yearly Spending and Source of Funds	Organizational Form	Responsibilities
Maryland	Department of Commerce	169	Maryland Marketing Partnership	0	$2.4 million (76% public, 24% private)	State authority	Create a branding strategy for the state, market the state's assets to out-of-state businesses, recruit out-of-state businesses, and foster public-private partnerships.
Mississippi	Mississippi Development Authority	260	n.a.	n.a.	n.a.	n.a.	n.a.
Missouri	Department of Economic Development	165	Missouri Partnership	16	$4.3 million (all private)**	501(c)(6)	Promote economic development in the state of Missouri.
North Carolina	Department of Commerce	184 (excluding 1,874 authorized FTE positions for employment security and workforce solutions)	Economic Development Partnership of North Carolina, Inc.	87	$51.3 million (95% public, 5% private)	501(c)(3)	Collaborate with partners to improve economic well-being and quality of life for all North Carolinians.
South Carolina	Department of Commerce	91	Palmetto Partners	0	$779,000 (all private)	n.a. (fund in state treasury)	Leverage resources of major economic development participants to create a globally recognized image for South Carolina.
Tennessee	Department of Economic and Community Development	103	Tennessee Economic Partnership	0	$208,000 (all private)	501(c)(3)	Through strategically planned networking events, generate leads and build relationships with key prospects and consultants.
Texas	Texas Economic Development	191	Texas Economic Development Corporation	7	$3.7 million (all private)	501(c)(3)	To market and promote Texas as a premier business state, and to facilitate the location, expansion, and retention of domestic and international business investment in the state.

State	Public Agency: Name	Public Agency: Latest Published Head-count	Quasi-Public or Private Agency: Name	Latest Published Head-count	Yearly Spending and Source of Funds	Organizational Form	Responsibilities
Virginia	Department of Commerce – Office of the Secretary of Commerce and Trade	9	Virginia Economic Development Partnership	210	$50.4 million (all public)	State authority	To create economic opportunities for the Commonwealth through effective marketing programs, business development, product development, coordination of economic development organizations, encouraging exports, assisting in formulating economic development strategies, administering incentive programs, and fulfilling administrative and reporting responsibilities.
West Virginia	West Virginia Economic Development	139	n.a.	n.a.	n.a.	n.a.	n.a.

***** The Economic Development Partnership of Alabama Foundation, Inc., a related entity, reported $1.4 million in revenue in calendar year 2021, of which $517,940 came from government grants.
** The Hawthorn Foundation, a related entity, reported $5.4 million in revenue in calendar year 2022, of which $3 million came from government grants.
Source: Prepared by legislative auditor's staff using information from state budget offices, executive budgets, agency websites, and IRS Form 990's.

APPENDIX C: LED PERFORMANCE INDICATORS

Exhibit C.1 shows performance indicators for LED reported as part of the state's performance-based budgeting process, as well as average growth in the number of employed persons in Louisiana reported by the U.S. Bureau of Labor Statistics. According to LED, performance indicators from these time periods should be evaluated in the context of factors outside of LED's control, such as changes in energy markets, the COVID-19 pandemic, hurricanes, and floods.

Exhibit C.1
LED Performance Indicators Over Time
Annual Averages for Fiscal Years 2008-2023

Indicator	Target or Actual	FY 2008-2015	FY 2016-2023	Percent Change
Business Expansion and Retention Visits	Target	500	500	0%
	Actual	588	470	-20.0%
Number of Prospects Added	Target	247	250	1.3%
	Actual	303	239	-21.3%
Number of Competitiveness Improvements Identified	Target	10.0	10.0	0.0%
	Actual	19.3	19.1	-0.8%
Stakeholder Satisfaction with Business Development Services	Target	82.5%	85.0%	3.0%
	Actual	93.7%	89.3%	-4.7%
LED Staff Reporting Job Satisfaction	Target	80%	80%	0%
	Actual	85.6%	89.6%	4.7%
Number of Sites Certified	Target	14.3	14.4	0.3%
	Actual	8.7	11.1	28.4%
Major Project Announcements (new, expansion, and retention)	Target	31.7	26.9	-15.1%
	Actual	49.6	32.9	-33.8%
Jobs Created or Retained Associated with Announcements	Actual	17,500	9,605	-45.1%
Capital Investment Associated with Announcements (Inflation Adjusted)	Actual	$16.5 B	$15.5 B	-6.2%
Actual Growth in Employment Per Year*	Actual	9,029	-1,883	-120.9%

* Employment is based on the number of employed persons estimated from the Bureau of Labor Statistics' Current Population Survey for the corresponding calendar year. This avoids any bias that may occur from the rise of gig-economy workers or other non-traditional forms of employment.
Source: Prepared by legislative auditor's staff using unaudited information from LAPAS and executive budget requests and the U.S. Bureau of Labor Statistics.