

APPENDIX B-10: FOCUS DISCUSSIONS WITH STATE GOVERNMENT OFFICIALS

Discussions Completed

- California Office of the Governor (Traci Arnold, Director of Jobs and Economic Growth)
- Enterprise Florida (Sena Black, Senior Vice President)
- New York Empire State Development Corporation (Adam Kuczuk, Director of Industry Development)
- New Jersey Board of Public Utilities (Jeanne Fox, President)
- New Jersey Office of Economic Growth (Gary Rose, Chief of the Office of Economic Growth)
- North Carolina Office of the Governor (Jim McCleskey, Director of NC Washington Office)
- Washington State Office of Regulatory Assistance (Faith Lumsden, Director of the Office of Regulatory Assistance)
- Washington Office of Economic Development (Marc Baldwin, Director of Economic Development)

General Business Questions

Individuals interviewed in each state felt a though their business environments were strong. Each person seemed to believe that the perception of their state's business environment is worse than the actual reality. The discussions with both individuals in Washington State reflected this. They both felt that Washington State is a major innovator and is looking forward to major advances in its economy. The following are some highlights of the general business questions area presented by state.

California

Ms. Arnold felt that California has a strong and innovative economy that continues to grow at a rapid pace. She identified some of her state's biggest advantages as its location, educated workforce, and strong universities. She felt the biggest challenge for California is its lack of investment in infrastructure. She mentioned that it is sometimes difficult to move goods from one part of the state to another. She also felt that it is difficult to compare California to other states because of the size of its economy. She said that her office has not paid a great deal of attention to the actions of other states.

Florida

Ms. Black described the business environment in Florida to be very good. Business leaders and state government officials have worked very hard over the years to make the business climate competitive. She went on to describe Florida as one of the most innovative, knowledge based economies in the nation. One of the biggest challenges facing the state is the slowdown in the housing industry. This has caused short-term cuts in construction and other related industries.

New York

Mr. Kuczuk felt that overall the business environment in New York State is good. However, he stressed that the diversity and regionalization of the state allows for some depressed regions north of New York City. He felt that infrastructure is one of the state's biggest advantages. This includes roads and airports. New York's capital markets and easy accessibility are also major advantages he discussed.

The challenges he identified in the state were regional. Long Island has high real estate taxes and electricity costs while upstate New York has labor shortages. Because of this, high-tech companies find it difficult to locate in this part of the state. The nanotech and semiconductor industries are doing very well in New York. However, Long Island companies are moving out of the state due the high cost of doing business.

New Jersey

Ms. Fox felt very positive about the business environment in New Jersey. She felt that the governor's business background gives the administration a better appreciation of the issues that the state faces. She identified New Jersey's location as its biggest advantage. She also felt that New Jersey has a skilled and highly educated workforce. In addition, she felt that the transportation network in the state allows for shipment of raw materials and finished products by rail, highway, air, and sea. Ms Fox said that some of the major challenges for the state are labor costs, taxes, healthcare, and energy. However, she did not feel that these challenges are unique to the state.

Mr. Rose felt that the overall state business environment is sound and improving significantly. He credited this to the state's location in the Northeast, access to markets, quality and availability of workforce, and quality of life. He felt that the biggest challenges in the state are taxes, cost of housing, and state regulations. He said that the state's inability to address fundamental change in the tax structure will continue to be a challenge until the state can achieve financial restructuring. Some recent successes he pointed to were Deloitte and Touche choosing to relocate 820 employees in Parsippany over New York City and Philadelphia and Bayer Pharmaceutical choosing New Jersey for its national headquarters.

North Carolina

Mr. McCleskey was very positive about North Carolina's business environment. He continued to cite the fact that the state has been selected number one by *Site Selection Magazine* for six of the last seven years. The biggest advantages he put forth for the state were a well-trained workforce, strong education for K-12 and higher education, a low overall tax burden, low cost of living, location, climate, and quality of life. Business successes he pointed to were Dell, Fed Ex, and Google locating offices in the state. In addition, many startups have been established in North Carolina.

Washington

Two individuals from the State of Washington were interviewed separately. The first was Faith Lumsden who served as the Director of the Office of Regulatory Assistance. She felt that the state business environment is strong. Ms. Lumsden felt that the biggest complaints from businesses in the state are on tax policy. However, she felt that this was a perception problem, and that the tax environment is much more favorable than it is portrayed. The biggest advantages she highlighted in the state were location, climate, environment, and a good education system. The biggest challenge she discussed for the state was transportation and infrastructure. Additionally, she mentioned that the state has worker shortages in the agricultural industry.

Marc Baldwin was the second person interviewed for Washington State. Mr. Baldwin is the Director of Economic Development for the governor. He also felt that there is a disconnection between the perception of the business community and the reality of the state's business environment. He said that the fact that the state has no income tax can be positive for companies in the state. He also discussed a number of incentives that exist for companies if they know how to find them. One of the approaches he discussed for Washington's success has been packaging industries together. Cameron Family Glass recently moved to the state and has been working closely with Washington's rapidly growing wine industry.

Strength and Challenge Questions

The following chart gives an overview of the answers for the strengths and challenges questions. Respondents were asked to rate each category on a scale of 1-5 (with a rating of 1 indicating no challenge and 5 indicating a big challenge).

Focus Area	California		Florida		New York		North Carolina		New Jersey ₁		New Jersey ₂		Washington ₁		Washington ₂	
	Benefit	Rate	Benefit	Rate	Benefit	Rate	Benefit	Rate	Benefit	Rate	Benefit	Rate	Benefit	Rate	Benefit	Rate
Cost of living, including housing		3	Y	3	Y	3	Y	2		5		5	Y	3		4
Availability of skilled workforce	Y	2		3	Y	2	Y	3	Y	1	Y	2		4	Y	2
Health coverage costs		2		2		3		3		4		4		4		4
Access to public transportation and adequate roads infrastructure		3	Y	2	Y	1	Y	3	Y	1	Y	2		4		4
State tax structure including corporate, income, and sales tax		2	Y	1		2	Y	2		4		5	Y	2		3
Labor laws and regulations		2	Y	1		1	Y	2		3		4		2		3
State environmental regulations	Y	2		3		1	Y	3		3		4		2		4
Energy costs		-	Y	2		3	Y	3		4		3	Y	1	Y	1
Corporate liability laws		-		2		1	Y	2		3	Y	2		1	Y	3

Evaluation Metric Questions

The following are some highlights from the evaluation metric questions sections presented by state.

California

- The state has been very supportive of research and innovation programs.
- The state has a \$42 billion infrastructure fund to help its current problem.
- The state's 42 enterprise zones allow for tax credits to companies. There is also a major research and development tax credit.
- The tax burden in California is higher than many states because of its 9% personal income tax and high cost of housing.
- The state has taken a comprehensive approach to its tax policy.
- The universities and businesses work very well in the state. UCLA just developed a new nanotechnology division that has been an asset to the business community.
- Business leaders generally feel that the regulatory environment in the state is too stringent.
- Labor costs are an issue by region and sector in the state.
- The Silicon Valley seems to be transitioning from a high-tech center to a clean-tech center.
- Overall employment in the state has increased. However, manufacturing has been stagnant.
- The state has not been focusing as much on attracting new business as it has been on growing new businesses in the state.
- The state has an excellent employment training program for businesses. State funds are given directly to business to train employees as long as the company increases the skills and wages of its employees. The state has a total of \$150 million to give each year. These grants range from \$25 thousand to over \$1 million.

Florida

- The Governor's Innovation agenda has had positive implications on the state business environment.
- The regulatory environment in the state is not onerous. This is very beneficial to the business community. In addition, the state's regulatory policy adapts well to changes in industry sectors.
- The state tax policy is very favorable to business. There is no state income tax and the state offers a wide array of tax incentives for business. This is especially true in the areas of research and development.
- The state has approached changes to tax policy comprehensively. There is a constitutionally mandated Florida Taxation and Budget Reform Commission that meets every 20 years to examine the budgetary process, revenue needs,

expenditure process, and tax structure for the state.¹ The 2007-2008 commission is currently meeting.

- Florida has the advantage of being a right to work state.
- The state workforce is in transition from low paying service jobs to higher paying technical positions in areas such as life sciences, aerospace, engineering, and information technology.
- Workforce is the most important issue in sustaining Florida's economic climate.
- There have been tremendous improvements in the state's educational system over the past ten years. Florida's FCAT program was a model for No Child Left Behind at the federal level.

New York

- Energy costs need to be addressed in the state. The lieutenant governor is heading up an energy task force to address the issue.
- Metering laws needs to be addressed. The governor is going to attempt to change the state from two kilowatts to two megawatts.
- The governor is advocating Article 10 in the state. This will allow for building new power plants. It will provide incentives for wind farms and other forms of clean energy.
- Empire Zones are a major incentive for tax policy in the state. Some new companies can go for approximately ten years without a major tax burden when locating in an Empire Zone.
- The state's approach to tax policy has been by sector and has not been comprehensive.
- New York has been a leader in innovation. The state has many exceptional universities. There is a large nanotech presence. Also, RPI (Rensselaer Polytechnic Institute) is building the world's fastest supercomputer in the state.
- NYSTAR (New York State Foundation for Science, Technology, and Innovation) has been a positive force for innovation.
- Labor costs are an issue of concern in New York City. However, labor costs in upstate New York are low.
- The state has been fairly successful in attracting new businesses. Many companies like to be near the major venture capital firms.
- While the education system is exceptional, New York is exporting much of its educated workforce to the Research Triangle in North Carolina and Boston, Massachusetts.
- New York is trying to establish itself as a solar and semiconductor state.

New Jersey

- There are a number of business incubator programs throughout the state affiliated with universities like NJIT, Fairleigh Dickinson, and Rutgers. These programs offer inventors and entrepreneurs the facilities and guidance they need to develop ideas into profitable businesses.

¹ The Florida Taxation and Budget Reform Commission is mandated by the state constitution to meet every 20 years. It last met in 1987.

- Board of Public Utilities (BPU) Office of Clean Energy worked in partnership with the state's Economic Development Authority to provide funding and financing support for three programs providing assistance to clean energy businesses. These included the Manufacturing Incentive Program, the Renewable Energy Business Venture Assistance Program, and the Renewable Grants and Financing Program.
- The creation of the Office of Economic Growth and the Economic Growth Strategy is a positive step for the state. The underlying goal of the strategy is to strengthen and grow New Jersey's economy while creating well-paying private sector jobs.
- The regulatory backlog in the state impedes business development and redevelopment in the state.
- New Jersey has not yet approached changes to the tax policy comprehensively. In the last budget, Governor Corzine cut business taxes for the first time in six years. The budget currently allows for the gradual elimination of the Alternative Minimum Assessment of the Corporation Tax and the full phase-in of the Net Operating Loss deduction.
- The Edison Innovation Fund was launched alongside the governor's Economic Growth Strategy to support research and development, generate jobs, and position New Jersey as a leader in the 21st century. In 2007, through the Edison Innovation Fund, the state provided nearly a dozen technology and life sciences companies with direct investments totaling approximately \$10 million.
- According to the Star-Ledger, 80% of businesses surveyed said they expect profits to rise in 2008. Sixty percent said they planned on adding new workers. In addition 92.5% of businesses said they planned to stay in New Jersey.²
- New Jersey has seen a shift away from manufacturing to a more service-oriented economy. This trend has resulted in higher paying jobs coming to New Jersey as blue collar manufacturing jobs are replaced by jobs in banking, financial services, research, healthcare, law, and technology.
- New Jersey ranks 5th for college attainment. The ratio of Ph.D. scientists and engineers per 1,000 workers is one of the highest in the nation, and 60 out of 1,000 private sector workers in the state are employed by high-tech firms.

North Carolina

- The state recently reduced its corporate income tax. This has been very positive for businesses.
- The state is generally business friendly. The workable, enforceable Clean Smokestacks Act and the Renewable Portfolio Standard maintain a good quality of life while providing regulatory and rate certainty.
- The state's regulatory policy is adapting to changes in industries throughout the state.
- The state has approached tax policy both comprehensively and on a case specific basis.

² Fitzgerald, Beth. "For Business Owners, Glass Is Half Full But Water Is Murky." [The Star-Ledger. Lexis Nexis Universe](#). Online. 5 Apr. 2007.

- The Research Triangle Park, the North Carolina Biotechnology Center, and the NCSU Centennial Campus help to provide excellence in innovation, patents, and research within the state.
- Labor costs are not a major issue in the state.
- There has been good growth in the state in the new economy. This has primarily been in the financial and high productivity manufacturing sectors. There has been a decline in the domestic textile and furniture industries.
- There has been very positive activity in workforce development. Private sector employers work very well with the university and community college systems.
- Education has been improving in the state from Pre-K to post-graduation. Individual community colleges specialize in market-driven, sector-specific training.

Washington

- The Washington Office of Regulatory Assistance has been a major asset in the state. The governor gave it new life and funding. This was the office that was profiled by *Forbes.com*. This office has helped companies navigate through the many regulations that exist in the state. In addition, the State Department of Labor and Industry has been working well with businesses and has been acting more as a consultant.
- The Washington Learn Initiative is a new policy created by the governor to provide greater assistance in Pre-K through higher education. This initiative included an additional \$2.5 billion for education.
- The governor announced a ten-year water strategy.
- Washington does not have an income tax. The Business and Occupation tax is the main tax, and it is based on gross receipts. This can be both beneficial and detrimental to businesses. This tax includes exemptions for research and development.
- Business people generally believe that Washington is a great place to live. However, the regulatory system is complicated, complex, and burdensome.
- Labor costs are an issue in the western region of the state. While there are high wages in this region, there is also high productivity. The state is second only to Texas in manufacturing growth.
- There are fewer natural resource industry jobs in the state than there once were. The move has been toward more high-tech jobs.
- Washington has been reasonably successful in attracting new business. Google and Yahoo are increasing their presence. Also, the wine industry is growing at a rapid pace.
- Washington does not have a fund to lure new businesses, due to constitutional restrictions. This has hurt the state when it has pursued some opportunities. The main strategy has been to be more responsive than other states.

Action Questions

State	Recent Executive or Legislative Action	Role of Economic Development Authorities	Upcoming Initiatives
California	AB32 – Environmental climate change initiative to help the clean technology sector	Economic Development Authorities are incredibly important	Strengthen the state's infrastructure
		The state agency, CA-BIS works with local economic development councils to strengthen the state business environment	
Florida	The Governor's Innovation Agenda and the tax credit for research and development	Very significant. The Innovation Agenda was developed by Enterprise Florida	Proposed legislation to further expand the R&D tax credits that currently exist
New York	Renewable Energy Task Force	These groups are better at policy areas than tactical areas	Changes in metering
		New York benefits from relationships with site selection consultants	Article 10 and renewable energies
North Carolina	The lowering of corporate taxes	These groups are very significant locally, regionally, and statewide	Pending
	Support for K-12 and higher education		
	Governor's Job Development Incentive Grant (JDIG) appropriations		
New Jersey	Transit Hub Bill	These groups have had a positive effect in the retention, expansion, and attraction of businesses to New Jersey	BPU doubled the cap on rebates for businesses from \$100,000 to \$200,000 through a SmartStart program

State	Recent Executive or Legislative Action	Role of Economic Development Authorities	Upcoming Initiatives
New Jersey	BRRAG Bill		BPU is preparing to implement programs for business that would provide free energy audits to identify potential energy savings
			BPU recently created an Office of the Business Energy Ombudsperson to work with the state's business community on energy issues
Washington	State implemented a tax holiday for workers compensation insurance	These groups have become more effective while they were hamstrung in the past	Ongoing push to help companies on education and health care issues
	Rate for unemployment insurance has decreased	Governor increased funding for the first time ever to these groups	Governor will hold the line on the supplemental budget and overall government spending
	There have been business and occupation tax rate cuts	Groups are centered around specific regions	
	Targeted tax reductions in the semiconductor and aerospace industries		
	Tax rate cut for new employers		

Final Questions

State	New Jersey Comparison	Additional Comments
California	This is difficult to answer. The states are very different. The one major similarity is the fact that both states have ports.	One of the major strengths of California is the quality of life. It is a place where CEOs want to live.
Florida	Don't know enough about New Jersey's business environment to compare.	Florida is a very progressive state that is great for business.
New York	Northern New Jersey benefits from having New York City nearby. Cannot comment on the rest of the state.	Renewable energy is very big in New York. NY and PA compete for many manufacturing jobs. Pennsylvania benefits because of lower wages.
		New York competes with Oregon in many ways because of the state's BETC tax credit.
		Singapore has become a major competitor to NY because of its location and intellectual property protection.
North Carolina	North Carolina is much more business friendly.	No additional comments.
New Jersey	NA	Governor Corzine's Energy Master Plan for New Jersey can result in many "green collar jobs" for the state.
		The Quality of Life in New Jersey should not be overlooked. CNBC ranked New Jersey #1 in Quality of Life in its 2007 "America's Top states for Business" Index
		New Jersey's K-12 school system is in top notch. Nearly 99% of New Jersey high schools offer advanced exams and 83% of students go on to college.
		Medical care is on par with the best in the world for cancer treatment, heart care, and overall quality of care.
Washington – Regulatory Assistance	The perception is that New Jersey has government corruption problems. There is little to none of that in Washington State.	No additional comments.

Washington – Economic Development	The quality of life is much better in Washington than in New Jersey. Also, Washington has the advantage of being closer to Asia.	New Jersey probably has a good workforce. The state should develop a better workforce strategy for the future.
---	---	--