

APPENDIX B-12: FOCUS DISCUSSIONS WITH ECONOMIC DEVELOPMENT AUTHORITIES

Discussions Completed

- North Carolina Department of Commerce (Kathy Neal, Assistant Secretary for Communications and External Affairs)
- Virginia Economic Development Partnership (Kim Weir, International Investment Manager)
- New York Economic Development Council (Brian McMahon, Executive Director)
- New Jersey Economic Development Authority (Caren Franzini, CEO)
- Pennsylvania Economic Development Association (Patrick Killiam, President)
- Baltimore County, Md., Department of Economic Development (David Ianucchi, Executive Director of Economic Development)
- California Association of Local Economic Development (Bruce Ackerman, Chairman)

General Business Questions

(To note: Maryland's EDA was not responsive when asked to complete the survey. Baltimore County's EDA was used in Maryland's place. When analyzing data, Baltimore County was considered a state EDA.)

Overall, each state's economic development agency said that its state's business environment was relatively solid. Nearly all, with the exception of California, see sustained growth and a good business climate. New York said its business environment could be better, but the state sees a great deal of potential. Similarly, New Jersey also said that their business environment was good overall, but also has its challenges.

The majority see a strong workforce as their biggest business advantage, which is supported by having colleges and universities graduate highly knowledgeable and skilled students. Geographic location and infrastructure were noted as business advantages in New York, California and Pennsylvania.

While having a knowledgeable and skilled workforce is seen as a business advantage in most states, some see the workforce as a challenge. For instance, Virginia has workforce shortage issues -- their problem is finding a quantity of workforce, not quality. In North Carolina, workforce is also a challenge in that, while the state has an excellent existing workforce, continuing to improve the education system always remains a constant challenge when building the workforce for the future. They, along with other states, work closely with the universities and colleges to see that curriculums will match skills needed by the workforce.

In New Jersey, business leaders are challenged with a combination of high taxes, harsh regulations and the high cost of housing. These complaints mirror those of California business leaders. In New York, the high cost of doing business is their biggest challenge, along with the high costs of electricity, health care, workers compensation and general business costs. Pennsylvania's fragmentation of government is a definite disadvantage to businesses. It was stated that there are too many units of municipal and local government. This was considered a possible problem for New Jersey as well.

Not surprisingly, most EDA's think of success in terms of large companies deciding to locate within their state. In New York, AMB, Corning and GM will either be building new facilities in their state or expanding current operations. In Virginia, big news is that Volkswagen NA will be moving out of Detroit for a Northern Virginia site, and that Rolls Royce will be investing over \$100 million and creating about 500 new jobs in the civil aerospace arena. Rural North Carolina is proud of the expansion of a commercial boating manufacturer who will be using a skilled workforce left over from the exodus of furniture manufacturers to China. And, in Maryland, T. Rowe Price just expanded operations and will be adding 1,400 new jobs in Baltimore.

New Jersey defined their success somewhat differently, pointing to 47 businesses that decided to expand their operations over the past year. In 2007 alone, these businesses created 4,800 jobs which provided \$800 million in new salaries.

Pennsylvania and California were the only states that pointed to state legislative action as a success for government and business communities within the state.

Pennsylvania's EDA mentioned that their success consisted of the state passing a substantial half billion dollar economic stimulus package and a minor lowering of the corporate net income tax. Meanwhile California cited their worker's compensation reform (costs scaled back by 10% and caps on punitive damages put in place) as the only major legislative action that has been beneficial to business in the recent past.

In most cases, failures were measured by companies leaving the state. Bristol Labs, after considering New York, opted to build a major facility in Massachusetts. Norfolk, Virginia was recently home to Ford Motor Company's F-150 production line, which has left the state. In North Carolina, Freightliner, the commercial trucking company, recently moved its headquarters to South Carolina, though the location is near the North Carolina boarder and the area is considered an economic development area for both states. And, Novartis was considering Baltimore County as a potential location to produce their flu vaccine; however the county lost the bid, largely due to the state's cost of living.

Again, Pennsylvania and California point to their legislature when indicating the cause of business failures. The Pennsylvania EDA said the state is still trying to pass an energy plan that pushes for alternative fuels and offers tax breaks. According to the respondent, the plan has been sitting in the legislature for 11 months. In addition, it is expected that utility costs could soon skyrocket in Pennsylvania. According to the EDA in California, there has been a reduction in the state's manufacturing industry due to the loss of the Manufacturer's Tax Credit. The state legislature also planned to eliminate the enterprise zone tax credit, but state EDAs convinced legislators to preserve the enterprise zone tax credit for another year.

When it comes to how their state compares to other states in the country all, with the exception of California, believe their states compare favorably to very well. Specifically, New Jersey believed that they performed very well and credited state business incentives, strong business assistance, and business innovation for keeping the state competitive. Meanwhile, New York says its state is less competitive for manufacturing jobs, but very competitive for technology companies. Virginia boasts their low taxes, low regulatory impact on businesses and less red tape. Pennsylvania credits its

competitiveness to their size, allowing for a good existing market for business. North Carolina believes they compare very well to other states, even in many areas where the state would not normally be considered – financial services, for example. Maryland boasts its lower-than-national-average unemployment level, which stands at 4%, and thinks they compare “fairly well” to other states.

Representatives identified surrounding states as the most similar to their specific state’s business policies. For instance, New Jersey compared themselves to Massachusetts, Maryland and Pennsylvania. New York, said they are similar to New Jersey and Pennsylvania; Virginia is similar to North Carolina; Pennsylvania is similar to New Jersey, Maryland, Ohio and New York; North Carolina’s policies are closest to Virginia and South Carolina; and Maryland thinks that Virginia and North Carolina are most similar, while they are “probably our closest competitors,” too. On the other side of the country, California viewed Nevada as its closest competitor. They also said that the state of Washington business policies were the most similar to California, thereby indicating that Washington is also an anti-business state.

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 large challenge).

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

Of note in this section, New York gave an average of “3” in the “Cost of Living” category because they would give New York City a “4” and Upstate New York a “2” ranking.

Evaluation Metric Questions

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

New Jersey

- The state has resisted increasing taxes on business and has taken measures to ensure there would not be a deficit in state pension funds.
- The state has placed a new emphasis on ethics within state government.
- New Jersey's regulatory environment is locked in a "back and forth" battle with business leaders when trying to balance business interests with the quality of life issues (including the environment) that the population at large demands.
- New Jersey's business incentives provide for state economic development agencies to issue grants through the Business Employment Incentive Program (BEIP) to businesses expanding or relocating within New Jersey.
- The state tax policy protects unprofitable technology and bio-tech companies through the Technology Business Tax Certificate Transfer Program which allows these companies to sell state tax losses to the state. Furthermore, they can sell research and development tax credits to other businesses for 75% of their value.
- The Edison Innovation fund supports state technology and life sciences through their discovery, development and commercialization stages.
- Cost of living and taxes are frequent complaints of business leaders.
- Quality of education and the workforce are consistently held up as some of the state's greatest assets.
- New Jersey grew 20,000 jobs in 2007, 87% of which were in the private sector.
- New Jersey's growing industries include Life Sciences and Telecommunications.

New York

- The state reduced corporate income tax rates in addition to reductions and reforms for the state's workers' compensation laws.
- The approval process for economic development sites along with securing environmental permits takes too long.
- The state offers good business assistance, such as a centralized office to take care of permits, and a program to pre-permit sites for businesses.
- The state is trying to adapt to industry change, however, it needs more work.
- There are a number of good incentives in the state. The Empire Zones allow for some programs to be operated tax free for ten years.
- There have been tax adjustments in certain sectors. The overall corporate income tax was reduced which has benefited all companies.
- To increase innovation, patents, and research capabilities, the state has centers for excellence and advanced technology. There is a great deal of emphasis on research. NYSTAR is the state's high-tech agency, and this organization has been very positive for the state.

- In general, businesses see the very high cost of living as a negative and the state's highly skilled workforce as a plus.
- Labor costs are not an issue in New York State. The state is seen as competitive compared to other states.
- The state has lost manufacturing jobs at a higher rate than the rest of the country. However, jobs in technology, education, health care, and social services are growing at a rapid pace.
- The state is not as successful as it would like it to be in attracting new business. The EDA thinks the state could be much more aggressive in marketing itself.
- The state's workforce is generally very highly skilled and productive weighing in at 29% more productive than the nation as a whole. However, there are job shortages in some areas.
- The state has been working with community colleges and universities to tailor curriculums to the needs of businesses. This is especially true for the technology community jobs.
- A huge incentive in the state for businesses is that Empire Zones have a zero tax liability for certain programs in the first ten years. There are also a number of targeted technology initiative programs.
- One of the main barriers to starting a new business in the state is the cost of entry for companies.

Virginia

- They have an e-government initiative about to come out, which will set up a one-stop shop for all companies considering locating in or currently located in Virginia.
- The state tries not to pile on additional standards already set by the Federal government. For example, they follow the same US EPA standards, except for a Chesapeake Bay Watershed policy.
- They are a right-to-work state, and that is seen as a huge advantage for them. In addition, it is advantageous that they have lower workers' compensation compared to other states.
- Localities have the upper hand in the state. The state does not do much to get in the way of a company locating there, so most obstacles are the wants and needs of the local community. Local regulations can have a negative impact on a company's decision to locate in Virginia.
- The state takes a conservative, low-impact approach when adopting regulatory policy.
- Their tax policy is seen as positive, meaning that they have the lowest corporate income tax in the nation. Also, incentives are not related to tax policy – they don't give tax credits, but cash up-front.
- The Commonwealth has primarily taken an industry/sector-based approach versus a comprehensive approach to tax policy. It appears, based on the current list of Virginia business credits, that the state had been taxing on the basics such as land, shelter, energy, and food.
- Most of Virginia's credits focus on Real Estate Development, Redevelopment, and Building (both Historical and Rehab Credits) Land Conservation (Easement Credits) Agricultural and the disadvantaged (physical, mental, and financial).

Unfortunately, there have not been credits for Research and Development, which benefit high technology, pharmaceutical and other companies who develop intellectual property. In addition, there are no incentives towards the ports regarding imports credits nor are there credits geared toward the financial services industry or transportation. Many of the states that surround Virginia do have credits programs for these industries.

- *List of Virginia Credits:*
 - Credit for Taxes Paid to Another State
 - Agricultural Best Management Practices Credit
 - Cigarette Export Credit
 - Coalfield Employment Enhancement Credit
 - Conservation Tillage Equipment Credit
 - Day-Care Facility Investment Credit
 - Employers of Disabled Individuals Credit
 - Enterprise Zone Act Credit
 - Fertilizer and Pesticide Application Equipment Credit
 - Foreign Source Retirement Income Credit
 - Historic Rehabilitation Credit
 - Home Accessibility Features for the Disabled Credit
 - Land Preservation Tax Credit
 - Low Income Housing Credit
 - Low Income Individuals Credit
 - Major Business Facility Job Credit
 - Neighborhood Assistance Act Credit
 - Political Contributions Credit
 - Qualified Equity and Subordinated Debt Investments Credit
 - Recyclable Materials Processing Equipment and Alternative Recycling Credit
 - Rent Reduction Program Credit
 - Riparian Waterway Buffer Credit
 - Trust Beneficiary Accumulation Distribution Credit
 - Vehicle Emissions Testing Equipment, Clean Fuel Vehicle and Certain Refueling Property Credit
 - Waste Motor Oil Burning Equipment Credit
 - Worker Retraining Credit

- From its original mission to enhance the research and technology transfer activities of Virginia universities, Virginia's Center for Innovative Technology (CIT), working closely with Virginia's economic development partnership, has recently moved its focus toward the new technologies, entrepreneurs and technology companies that make innovation happen.
- Businesses in Virginia say they love the school systems for their families; they have a good quality of life; and they like that government does not play a large part in the business.
- Labor costs are an issue especially in Northern Virginia.
- Virginia lost a lot of textiles and furniture manufacturing businesses to China and India. They are replacing textiles and furniture manufacturing with more advanced manufacturing which is an all-together different industry sector. Also,

coal is diminishing and is no longer a growth industry. Lower-paying jobs are going elsewhere.

- The state has been very successful in attracting new business, but for every one they win, they say they lose three. They have both an international and domestic team marketing approach, and also use a market verticals approach to help them. They pull together supporting industries to assist in marketing, too. They like to say they play off their strengths.
- They have been able to attract automobile component industry businesses, along with distribution companies, food processing and advanced manufacturing companies.
- Virginia's workforce is quite varied. They are strong on highly skilled engineering and degreed workers, but the challenge is that they are over-skilled, in general. They have many moderately skilled and technical employees, too.
- They are strong at the secondary and university levels -- the community colleges interact with industry to better serve their needs.
- One of the main incentives for a company to establish a business in Virginia is the Governor's Opportunity Fund. This is a discretionary investment and requires a community match. It is supplemented by workforce incentives. Their biggest barrier is that a low-skilled workforce is not necessarily available in the state.

North Carolina

- Impacting the business community on a positive note are: The governor's education initiatives, including the "More at Four" pre- kindergarten program; The Small Business Ombudsman program – a small business advocate who helps businesses cut red tape and resolve issues with state agencies and departments; the Business ServiCenter – a one stop portal for information, programs and resources to help grow small business; and the One North Carolina Small Business Program, developed to help innovation in small business.
- Overall, there tends to be a good relationship between the business community and most state regulators.
- The state's regulatory policy is adapting as industry in the state changes.
- A major tax incentive in the state is The "Three J" qualified business venture tax credit, which is available to qualifying businesses for job creation, investment in business property and, in some cases investment, in real property.
- North Carolina has approached changes to tax policy comprehensively.
- The One North Carolina Small Business Program was created to help fund innovation in small business.
- In North Carolina, both small and large businesses are able to qualify for Research and Development Tax Credits and Renewable Energy Tax Credits of up to 35% of the costs of renewable energy property.
- Most businesses have a very favorable impression of the business climate in North Carolina and the state government.
- Labor costs are not an issue in the state. North Carolina is a right to work state.
- Like other states, North Carolina is experiencing the same type of shifts - low skilled manufacturing jobs to highly skilled, high-tech jobs. Still, the state is doing a good job of investing in education and worker retraining.

- Some of the growth areas in the state include aviation, life sciences, and financial services. The quality of the workforce, plus low business costs and cost of living, are helping to bring these types of businesses to the state. HondaJet, for example, recently moved its U.S. operations to North Carolina.
- North Carolina continues to be one of the highest ranking states for most of the business rankings and has been for several years. The state offers a number of incentives and tax credits to attract new business.
- The governor has a comprehensive program to improve education, including a universal pre-kindergarten program and efforts to reduce class size and improve teacher training.
- Educating the workforce of the future remains the most important challenge to the state.

Maryland

- Maryland has put forth three major public policy initiatives recently that have had a positive impact on the business community:
 - Funding for stem cell research;
 - Commitment to higher education; and
 - Base Realignment—Maryland to be major beneficiary.
- Before the special session of 2007, the state income taxes were viewed positively. However, the state raised corporate income tax to 8.2% during the special session, and now the threat of a combined tax is potentially going to have a negative impact on business. The state does offer incentives, though, and a lot of tax benefits (i.e.: Property, Enterprise benefits, Tax Credits, Research and Development).
- Maryland has approached tax policy both comprehensively and has made adjustments in certain sectors. Most recently, the state made incremental changes during the Special Session of 2007.
- There have been loans and grants created for start-up companies, and research funds have been provided for technical research and development in the universities.
- Businesses in Maryland generally praise education and are positive about corporate liability levels and the quality of the workforce; however, they view the availability of workforce, infrastructure and “Labor-Friendly” laws negatively.
- Labor costs are an issue in Maryland, but not in relation to unions. They are an issue when you talk about doing business in general. Cost of living, for example, along with property taxes can be expensive.
- There has been a shift from manufacturing to technology (IT and life sciences). The movement is due to new demand for technology, and tech- based innovations. There is not a problem with businesses leaving the state. The state does well on business retention
- Maryland has recently gained new business in the financial services and life sciences sectors. The motivating factor is the quality of the workforce. Also, the presence of federal laboratories in the state, and the proximity to Washington, D.C., are a plus to Maryland.
- Most of Maryland’s business growth has been homegrown. As for entering companies, the EDA thinks that the change in governors has been helpful.

- Baltimore's EDA said that the state has the best workforce in the country. Education training has been very high, and they gave no suggestions on how to improve.
- Maryland believes they are among the best in the country when it comes to education.
- Some of the main incentives and barriers for a company to establish a business in Maryland include increasing funding for development of industry and education (incentive) and their transportation infrastructure (barrier).

Pennsylvania

- The Commonwealth reduced corporate net income tax rates.
- Every administration talks about easing the regulatory burden in the Commonwealth, however no significant changes have been made.
- The Commonwealth is not adapting to industry change.
- One of the positive tax incentives put into place was the Keystone Opportunity Zones, created by Governor Ridge. It allows businesses to build tax free for ten years in disadvantaged communities.
- Tax policy has been approached very piecemeal...one sector at a time.
- Governor Rendell has started an innovation fund for smaller and medium size companies that have cutting edge technologies. He is also continuing Ridge's Keystone Innovation Zones program.
- In general, businesses think taxes are too high.
- Labor costs are an issue in the state. This is especially true in the construction trades.
- Pennsylvania has seen a shift over the last 15 years from manufacturing jobs to service jobs.
- The Commonwealth has gained businesses, primarily in the service and health care industries.
- U.S. Steel is investing more in the state.
- The Commonwealth's workforce is solid, however many people become educated in the Commonwealth and then leave for another state.
- Pennsylvania is doing a pilot program with the National Governor's Association to build a better education system for cutting edge and new technology.
- The EDA says that educational institutions could be more involved in local communities. The institutions that are involved seem to be much more successful.
- The fragmentation of government and public services is a major disadvantage to businesses.

California

- Workers' Compensation Reform (cutting costs by 10% and capping punitive damages) ranks as the only recent piece of legislation that has been beneficial to business.
- The state regulatory policies regarding environmental regulation and corporate liability are extremely anti-business

- The most beneficial tax policy in the past has been the enterprise zone tax credits which allowed businesses to grow in a specified area. The state EDA had to save that program from elimination
- California's approach to tax reform has come in the form of sporadic "tweaks" with no overall strategy.
- The state has recently based a bond measure to provide for growth in bio-tech industries related to stem cell research. However, there has been no broad-based efforts to benefit other business sectors
- California business leaders typically enjoy a strong market of potential customers (35 million people), access to international markets, and the relatively warm weather in the state.
- Business leaders are also typically saddled with oppressive business regulations, particularly when it comes to environmental policy.
- In general, businesses are leaving California and the state receives an insignificant gain in new business. Any new business that flows into the state is purely unrelated to state business policies.
- California's workforce is hailed as one of its greatest assets, as employers typically have a talented pool of candidates to choose from when filling their staffing requirements.
- The state colleges, universities, and other institutions of high learning are held in extremely high regard as some of the best in the nation. In contrast the state K-12 education system is among the worst in the country while also being one of the most expensive.
- The largest incentives to conduct business in the state are its large population and access to international markets.
- The largest barrier to business in the state is the oppressive, anti-business regulations.

Action Questions

State	Recent Legislative Action	Role of Economic Development Authorities	Upcoming Initiatives
New Jersey	No increase in business taxes	New Jersey EDA has a very positive impact and a good record on helping businesses achieve success in the state	A new Clean Energy policy and a Energy Marketing plan
	Saved pensions from deficit		
	New emphasis on ethics in state government		
New York	Workers' Compensation Reform resulted in 20% reduction for employers	Major role with state and local governments	Hoping state will enact a corporate tax reduction and expand its economic development programs

Pennsylvania	With the exception of lowering the corporate net income tax, no action	EDAs are on the frontline and have been working very well at the local levels	Commonwealth will try to pass an energy plan and there will probably be a bond issue for innovators in the high-tech industries
State	Recent Legislative Action	Role of Economic Development Authorities	Upcoming Initiatives
North Carolina	The Joint Select Committee on Economic Development Incentives is a standing committee that continues to try and develop incentives to attract business to the state; committee now meeting to devise an incentive package for next year's legislative session	To improve the business climate, the Department of Commerce offers a number of programs to help	A new interim worker training program is being created to help retrain the existing workforce and the Chamber of Commerce is creating new "sector teams" to better identify issues and solutions in different industries
Virginia	Legislature stays out of the way and that is best for us; because we rank so highly, they flat fund our agency every year; agreement on a transportation policy would be helpful	Would like to say they play a significant role, but they are public servants and implement whatever is passed on for them to accomplish	VITAL: Virginia's International Trade Alliance, which is a state-led initiative to push international trade for the Commonwealth; also an e-government initiative (one-stop shop) under the Secretary of Technology
Maryland	Provided funding for business research and development and offers tax credits for government expansion	Very positive role; office has best record for developing business	N/A
California	California is a very unwelcoming state to do business. For those who attempt to try to establish a business, the state saddles them with oppressive regulations	EDAs do the best they can in an anti-business state. They are most effective in the local government arena where they can help businesses complete necessary paperwork	The state needs to develop business incentives that promote business expansion for companies manufacturing environmentally friendly products

Final Questions

State	New Jersey Comparison	Additional Comments
New Jersey	N/A	No additional comments
New York	Better than NJ's business environment; the direction of policy has gotten better (the reduction of the corporate tax is an example of this); and the regulatory environment is better than that of NJ	NY, PA and NJ have a very regional economy would like to find better ways that the three states can work better together to attract more international businesses.; partnerships, instead of competition, would be beneficial to the region
Pennsylvania	Taxes are higher in NJ, which always helps PA, although NJ is known for having cheaper gas	No additional comments
North Carolina	Not enough information to comment on NJ's business environment	No additional comments
Virginia	Actually, we barely cross paths with them; NJ has done well with pharmaceutical industry and we have not; ports are comparable	No additional comments
Maryland	Far superior: lower cost of doing business; better traffic/infrastructure; better workforce; and better quality of life	No additional comments
California	Not sufficiently familiar with New Jersey; however a fair assumption could be made that California is worse than New Jersey	When left to its own devices, government is not rational when it comes to business; EDAs need to concentrate on forging a working partnership with government leaders

In addition, most of the EDA's surveyed believe they work well with state government decision-makers and have a good working relationship with business leaders. And, as would be expected, all would like more money directed their way. New Jersey specifically would like all financial products for businesses to go through EDA. Pennsylvania says that PAEDA is usually the first place the state budget office cuts during the budget process. However, the EDA usually lobbies to successfully get the funds placed back in the budget. In addition, they don't think they work as well with business leaders as they would like to think they do. They said they should have a better relationship with the state Chamber of Commerce and other business groups. New York's EDA thinks the state should expand its marketing efforts.

