

APPENDIX B-13: FOCUS DISCUSSIONS WITH ELECTED OFFICIAL ASSOCIATIONS

Discussions Completed

- National Governors Association - NGA (Steve Crawford, Director of Social, Economic, and Workforce Programs)
- National Conference of State Legislatures - NCSL (Michael Bird, National Legislative Director)

Comparison Questions

NGA

The most important issues in creating and establishing a business friendly environment in the states are knowledge, innovation and a tax policy that is not burdensome. Innovation is the most important factor in helping states to lower business costs.

The biggest challenges for states in creating and maintaining a positive business environment is workforce. Governors believe that innovation is the most important issue in maintaining a positive business climate in their states.

States that are seen as leaders in attracting and maintaining a positive business environment are:

- Virginia
- North Carolina
- Florida

The factors that help these states maintain a positive environment are a strong workforce, favorable tax structure and low business costs

NCSL

Governors and state legislatures need to work together. This is more of a process problem than anything else in the states.

It is important for states to modernize their tax codes. The corporate tax is dying. States need to look at other mechanisms for improvements.

States that are successful merge education with the labor force and the business community.

States that are seen as leaders in attracting and maintaining positive business environments are:

- Virginia
- North Carolina
- Arizona

California and Minnesota also have some good advantages.

States that are more challenged have older workforces. Iron belt and Great Lakes states have some problems. The wage base is high and there is a great deal of union control. In addition, states that have public policy makers who are not creative have problems.

Regulatory Affairs Questions

NGA

Some states such as California and New York have determined that their overall regulatory environment is detrimental to a positive business environment and are making innovative efforts to reform their regulatory environment. New York recently completed an overhaul of its workers' compensation program and has dramatically reduced workers' compensation costs.

Litigation and tort reform have become a growing issue of concern in many states. Mississippi recently passed major legislation on tort reform that has become a model for several states.

Several states such as Washington, North Carolina, Florida and Missouri have designated specific agencies and units, some located directly in the governor's office, to serve as direct points of contact for businesses to work with in solving regulatory issues. These states have become models for best practices.

NCSL

Litigation and tort reform issues are very important in the states. However, consumer protection is also important. States need to balance both of these well.

Administrative Rule Review is a good best practice for states. It helps them to get legislators to understand and comment on needed changes. States should be more proactive in this area. States that stand out as effective leaders in regulatory policy include Florida, Tennessee, Maine, Arizona, Colorado, and Washington.

Tax Policy Questions

NGA

There is an obvious correlation between tax policy and market attractiveness for business. NGA, however, does not have a specific unit designated to analyze state tax policy or recommend best practices. The National Association of State Budget Officers (NASBO) focuses primarily on tax policy as an organization and NGA looks to NASBO for analysis and best practices regarding tax policy.

NCSL

There is a definite correlation between tax policy in the states and market attractiveness. Some major tax incentives that contribute to a state's success include:

- Tax exempt financing
- Tax incentives – credits for workforce and childcare
- Moratoriums on taxes for new business – however, this should not be shifted to other businesses

The two states that stand out as leaders in effective tax policy are Virginia and North Carolina.

Innovation Questions

NGA

More states are now developing programs, offering grants and tax incentives to increase research and development. Some of the states that have been leaders in innovation include:

- Arizona
- California
- Florida
- Georgia
- Kentucky
- North Carolina
- Virginia
- Washington

Bio Tech and Clean Energy have become two of the most important areas for new research and development. NGA created the Innovation America Task Force led by Governor Napolitano (D-AZ) and Governor Pawlenty (R-MN). Recent NGA reports have focused on innovation in post secondary education, investing in innovation and state initiatives to promote innovation. A major unit within NGA's Center for Best Practices is dedicated to innovation and has been a focal point for most governors as they look for ideas to improve the business climate in their states.

NCSL

Mr. Crawford declined to answer to due to lack of expertise in this area.

Workforce and Education Questions

NGA

States are constantly looking for new ways to increase the quality and education of their workforce. A growing number of states are adopting Universal Pre-Kindergarten programs and there has been an increased emphasis in improving secondary education, particularly in the areas of math and science. States that have been seen as leaders in workforce and education are:

- Arizona
- Kentucky
- North Carolina

- Virginia

NGA, again, has a large unit within its Center for Best Practices which is dedicated to Workforce and Education issues.

NCSL

Pre-K programs in the states can make a major difference in the quality of education. Ohio is a good example of a successful state in this area. States where the universities and community colleges are strong have major advantages. Virginia and North Carolina have great universities and community colleges. The community colleges in these states help to fill education gaps in the workforce.

Successful states have developed task forces to make sure that business and colleges work together on a long-term basis. Approaches that look forward 15-20 years can give states major advantages. North Carolina has taken this approach.

States that are leaders in workforce and education areas include:

- Virginia
- North Carolina
- Texas

Cost of Market Entry Questions

NGA

The biggest obstacle for most companies establishing a business presence is workforce. Tax policy and labor costs obviously contribute to business costs, but from the perspective of most governors, the main factor in attracting business is workforce.

NCSL

The biggest obstacles for companies include an unfavorable tax code, an uneducated workforce, an inadequate infrastructure system, and unfavorable weather patterns. Favorable tax codes, better workforces, and business incentives make the biggest differences.

States that are leaders in attracting new businesses include:

- Virginia
- North Carolina
- Texas

Final Questions

NGA

Mr. Crawford did not feel he knew enough about the business climate in New Jersey to comment. Workforce and innovation remain the most important theme for governors when looking for ideas to improve the business climate. Clean energy is emerging as one of the most important areas for new research and development.

NCSL

New Jersey is too reliant on its business activity taxes.