

Commerce Committee Forum

Creating Effective
Economic Development Organizations

January 30, 2006

BENCHMARKING CONNECTICUT'S ECONOMY:

TECHNOLOGY • FINANCE • ENTREPRENEURIAL & BUSINESS VITALITY • HUMAN CAPITAL • GLOBAL LINKS

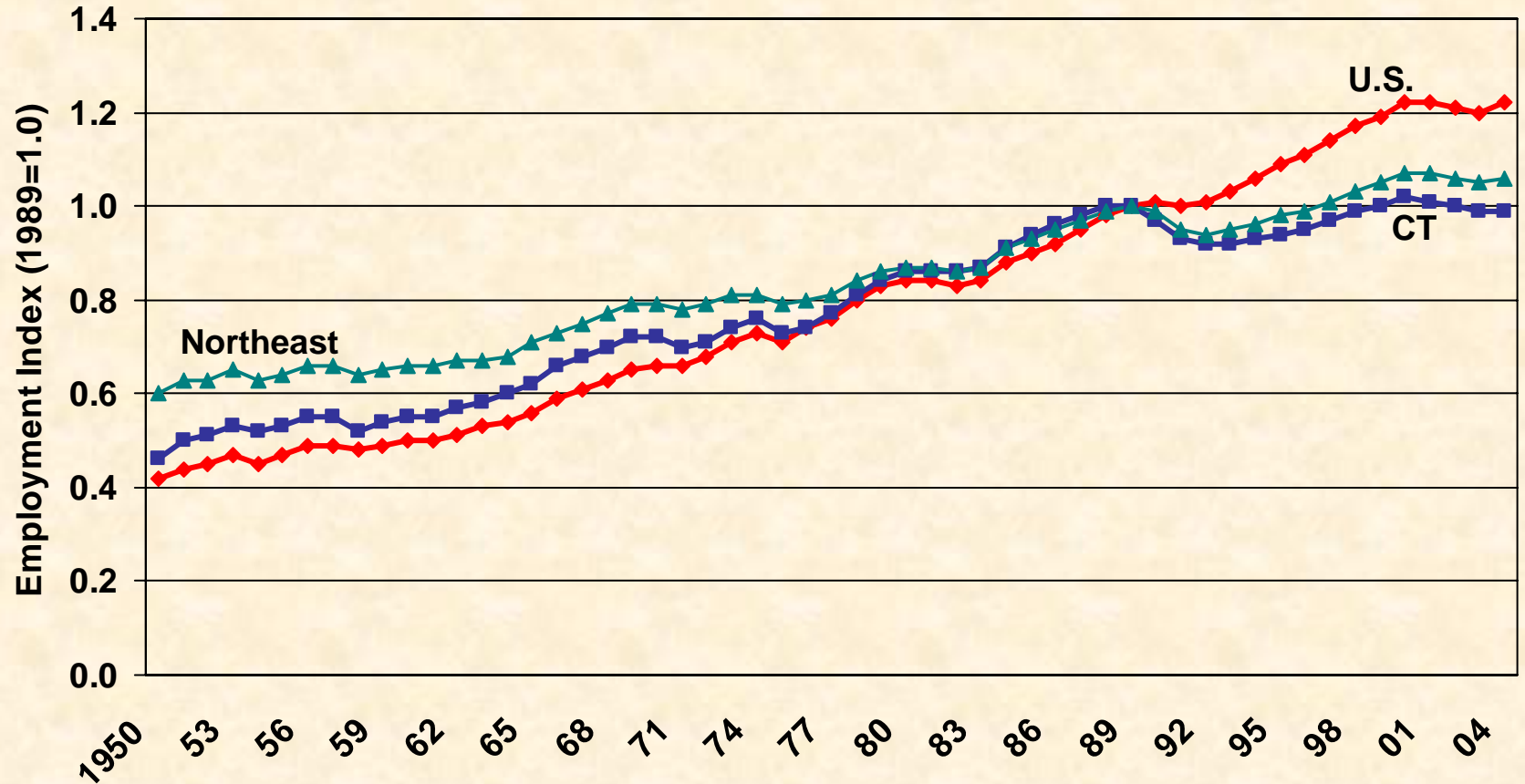
OVERVIEW



Structural Change and Business Cycles

- *Small differences in long-term growth rates lead to huge differences over time.*
- *Long-term growth rates have a larger impact on economic development than business cycle fluctuations.*

No employment growth since 1989



Source: U.S. Bureau of Labor Statistics; Calculations by CERC

The historic trend in monthly employment growth is worrisome.



Source: CT Department of Labor; Calculations by CERC

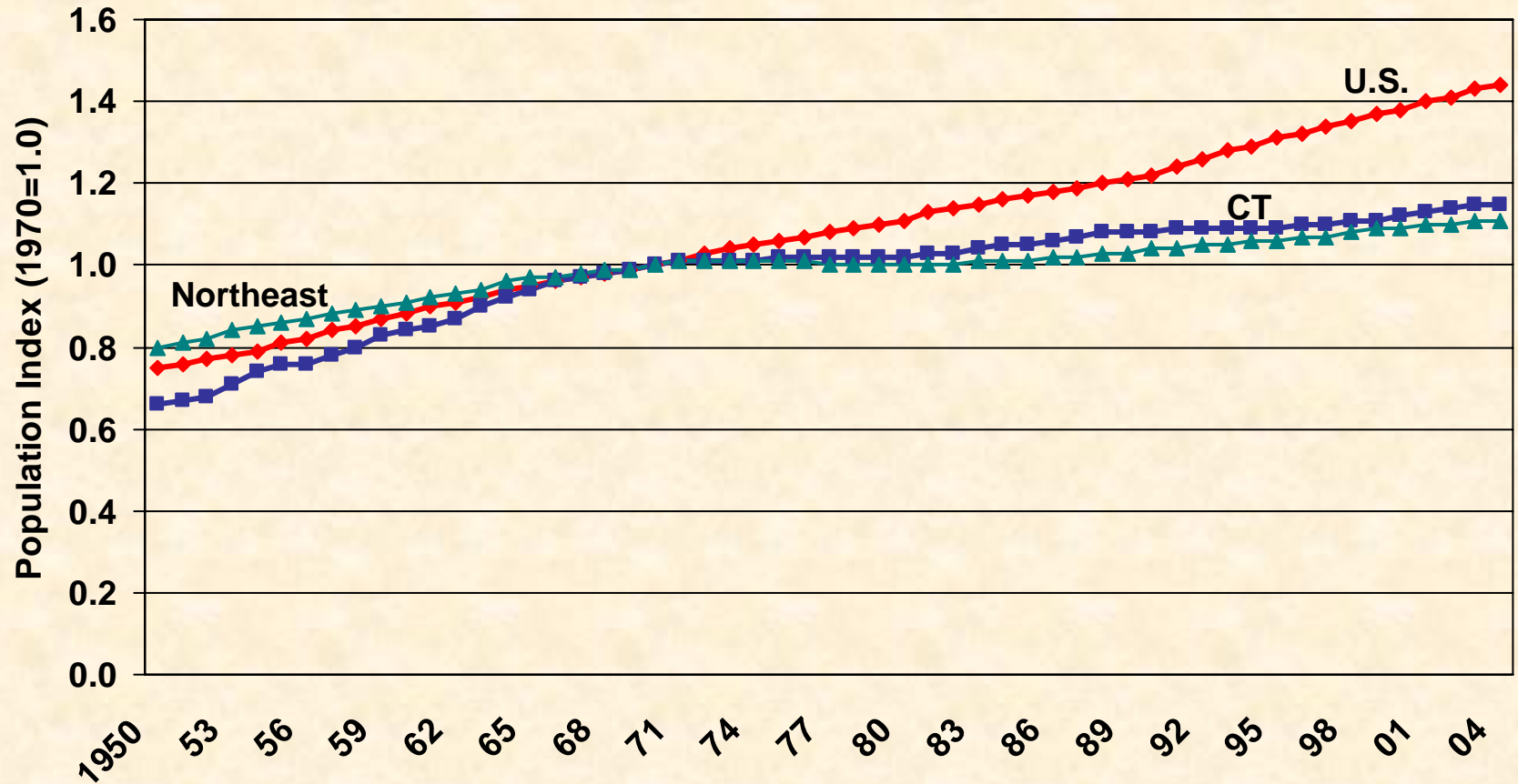
Consider the following

- **Between 1989 and 2005, CT has:**
 - *Had no net job growth*
 - *Lost 60,000 tech sector jobs*
 - *Had negative business growth*
- **Now in the 5th year of recovery, the State has recovered slightly more than half of the 60,000 jobs lost in the 2001 recession.**

Low-wage jobs are replacing high-wage jobs

- Between 1998 and 2004 the 10 occupations with the greatest number of openings paid on average \$41,000 annually.
- In the same period the occupations with the largest losses paid on average \$56,000.
- The result is a \$15,000 gap between the jobs we are creating and those we are losing.

Population growth in Connecticut and the Northeast has lagged the U.S. for 40 years.



Source: U.S. Bureau of Economic Analysis; Calculations by CERC

U.S. Census Projections

Geography	Percent change, 2000 to 2030
United States	29.2
New England	12.2
Maine	10.7
New Hampshire	33.2
Vermont	16.9
Massachusetts	10.4
Rhode Island	10.0
Connecticut	8.3
New Jersey	16.5

A large divide between the most and least affluent towns.

Town	Adjusted Gross Income Per Exemption		
	1991 in 2002\$	2002	Change 91-02
New Canaan	\$83,579	\$151,595	\$68,016
Darien	\$74,489	\$128,931	\$54,442
Weston	\$69,027	\$113,669	\$44,643
Wilton	\$59,727	\$88,599	\$28,872
Westport	\$71,386	\$109,712	\$38,326
Average Most Affluent	\$71,641	\$118,501	\$46,860
Bridgeport	\$17,913	\$16,528	-\$1,385
Hartford	\$17,920	\$15,428	-\$2,492
New Britain	\$19,708	\$18,125	-\$1,583
New Haven	\$20,572	\$19,935	-\$636
Waterbury	\$19,559	\$18,180	-\$1,379
Average Least Affluent	\$19,134	\$17,639	-\$1,495

Source: IRS

An economic divide between the most and least affluent towns.

Town	Business change 1992-2004	Employment change 1991-2004
New Canaan	85	793
Darien	78	-773
Weston	64	229
Wilton	96	2,582
Westport	3	2,626
Average Most Affluent	326	5,457
Bridgeport	-633	-11,333
Hartford	-596	-24,296
New Britain	-249	-2,573
New Haven	-600	-5,530
Waterbury	-255	-5,494
Average Least Affluent	-2,333	-50,526

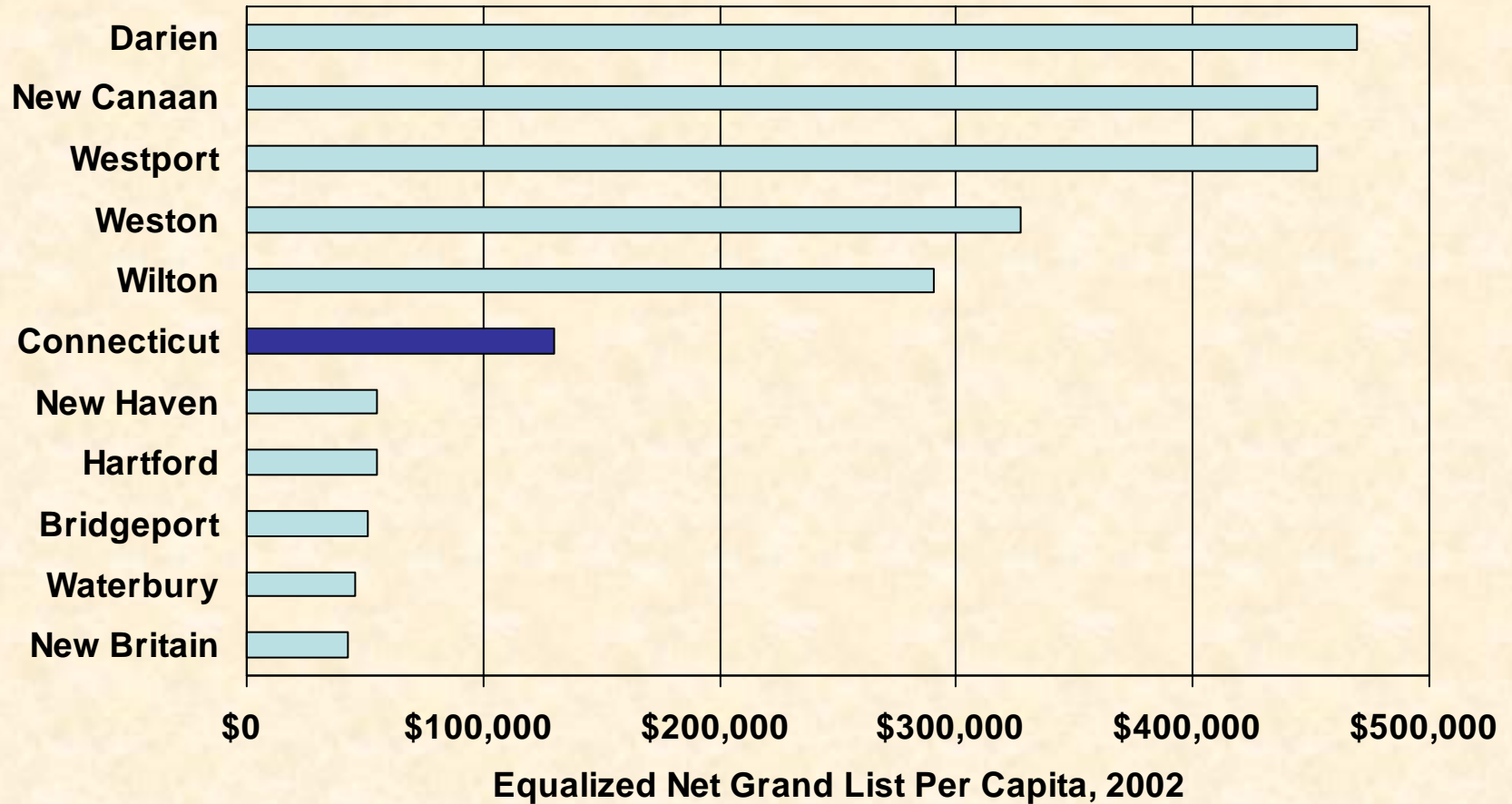
Source: CT Department of Labor

An achievement gap between the most and least affluent towns.

Town	CAPT % Meeting Goal Grade 10 All 4 Tests, 2002	SAT Combined; average 1996-2002	High School Completion Rate, 2001
New Canaan	56%	1,160	NA
Darien	61%	1,162	NA
Weston	70%	1,170	NA
Wilton	62%	1,176	NA
Westport	57%	1,139	NA
Average Most Affluent	60%	1,161	NA
CONNECTICUT	24%	1,018	79.0%
Bridgeport	4%	773	57.3%
Hartford	2%	759	31.7%
New Britain	13%	929	67.2%
New Haven	7%	804	55.1%
Waterbury	7%	864	56.3%
Average Least Affluent	6%	816	NA

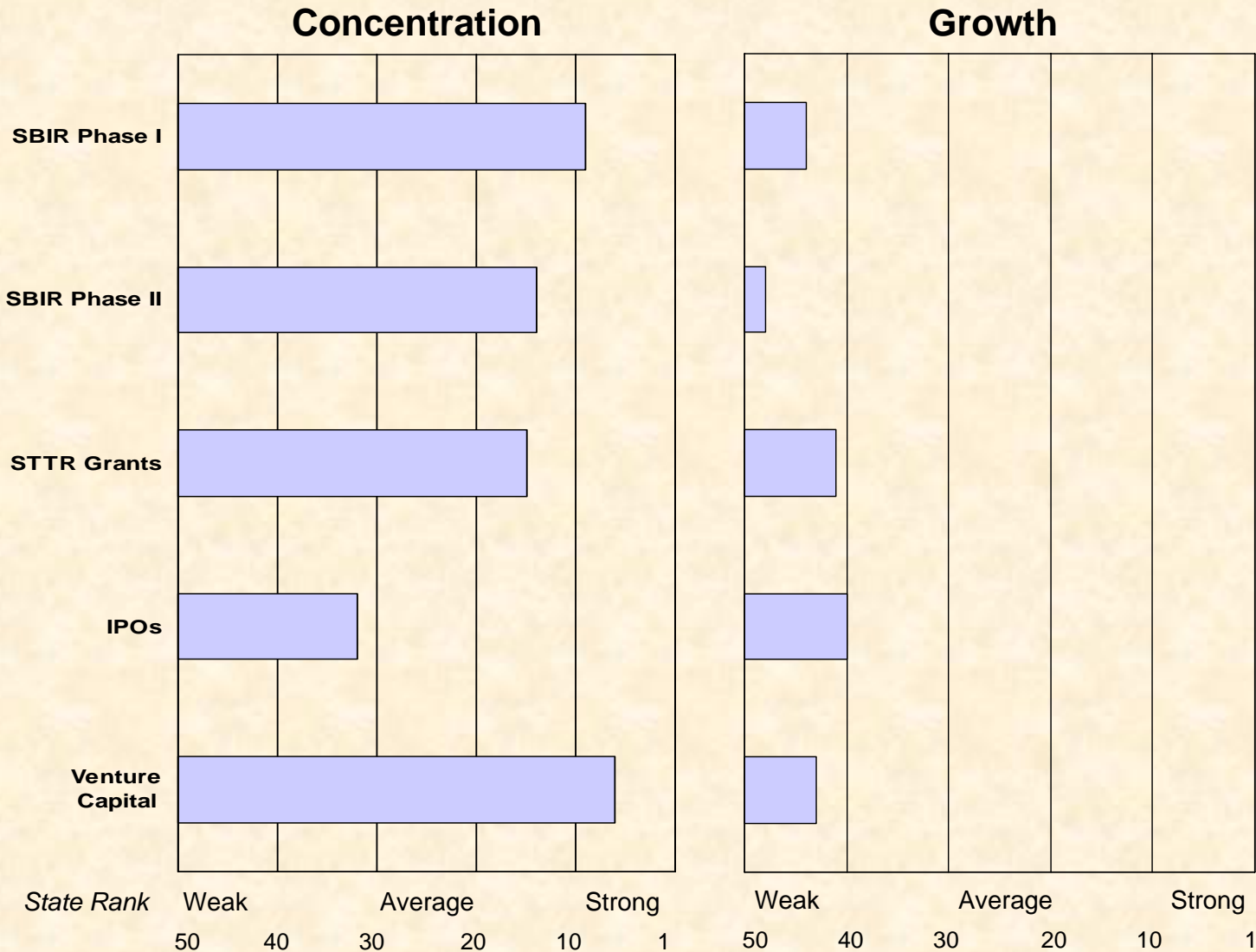
Sources: CT Department of Education, Urban Institute

There are wide differences in grand list strength.



Sources: CT OPM, CERC DataFinder; Calculations by CERC

Financial and Capital Resources

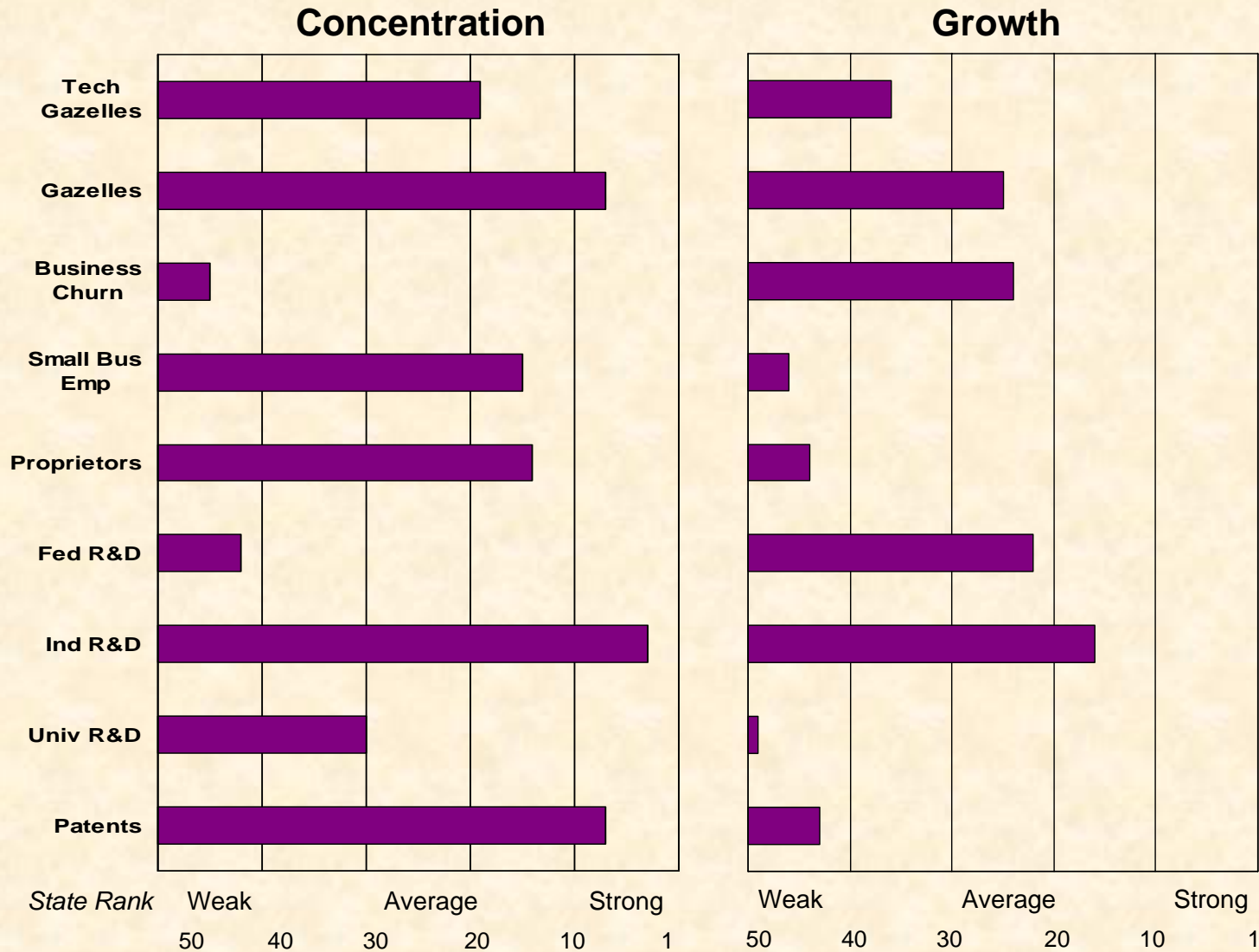


CT Composite Rank:

Concentration: 13

Growth: 45

Entrepreneurial & Business Vitality

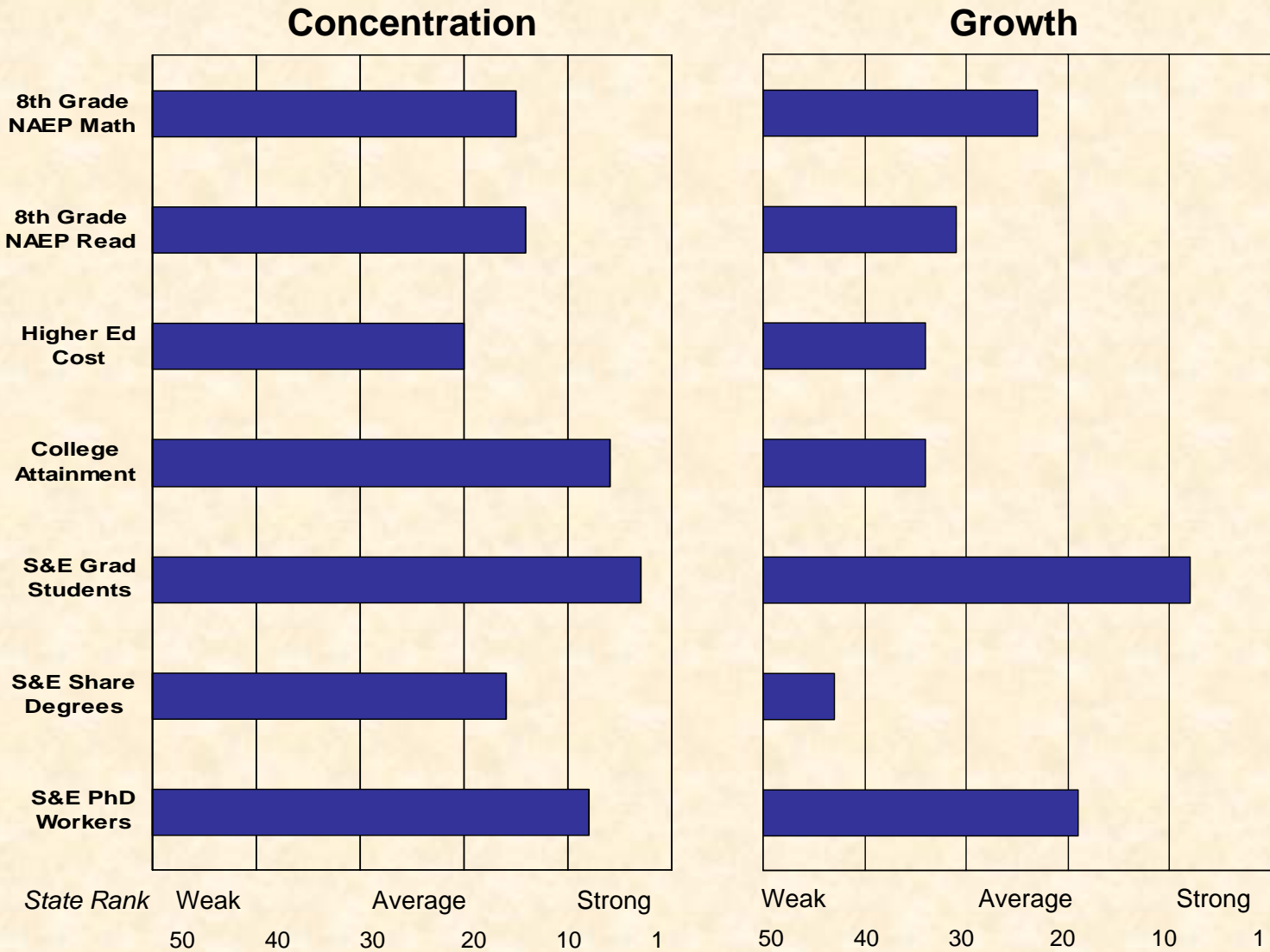


CT Composite Rank:

Concentration: 9

Growth: 42

Human Capital

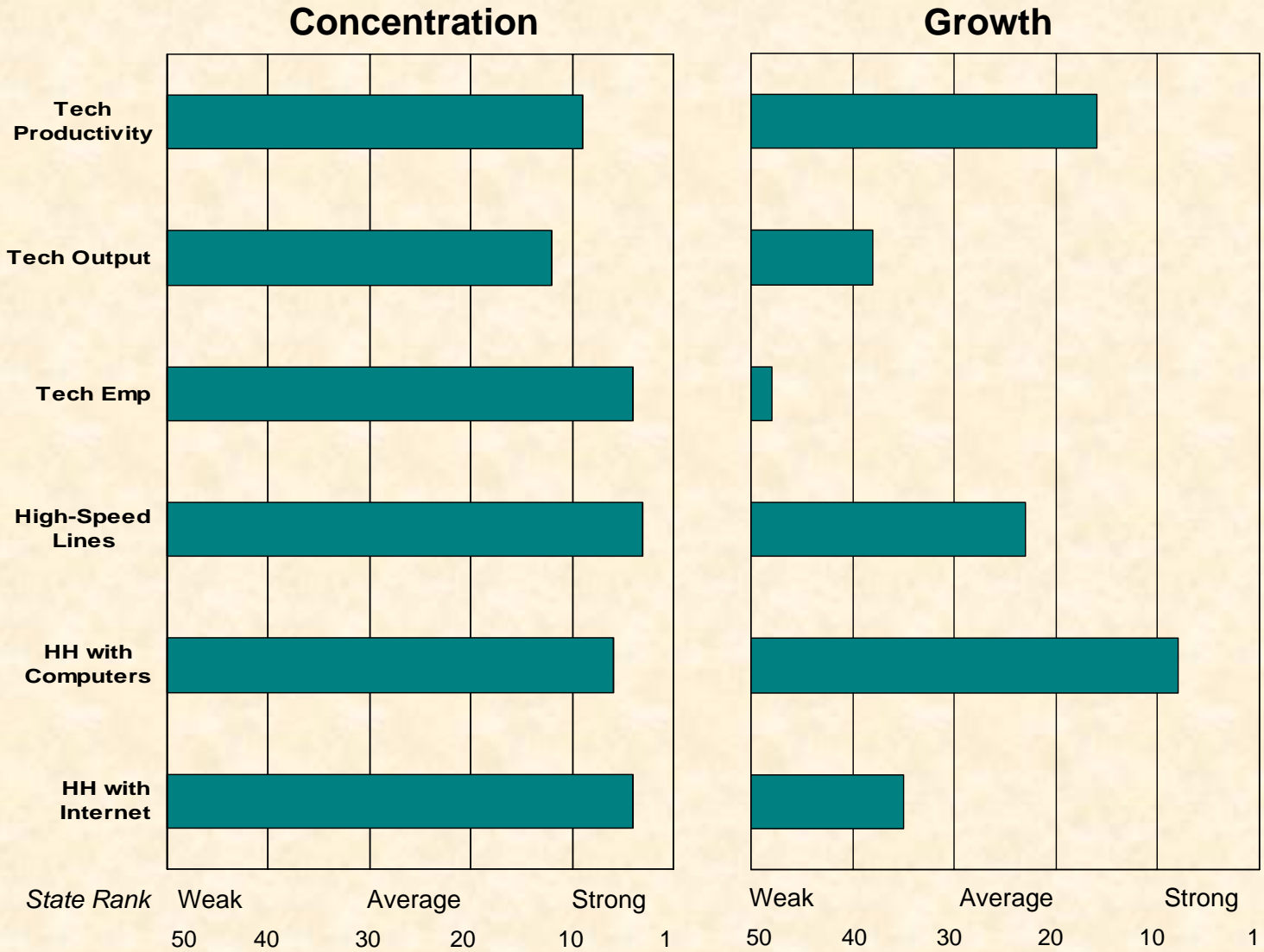


CT Composite Rank:

Concentration: 5

Growth: 35

Technology

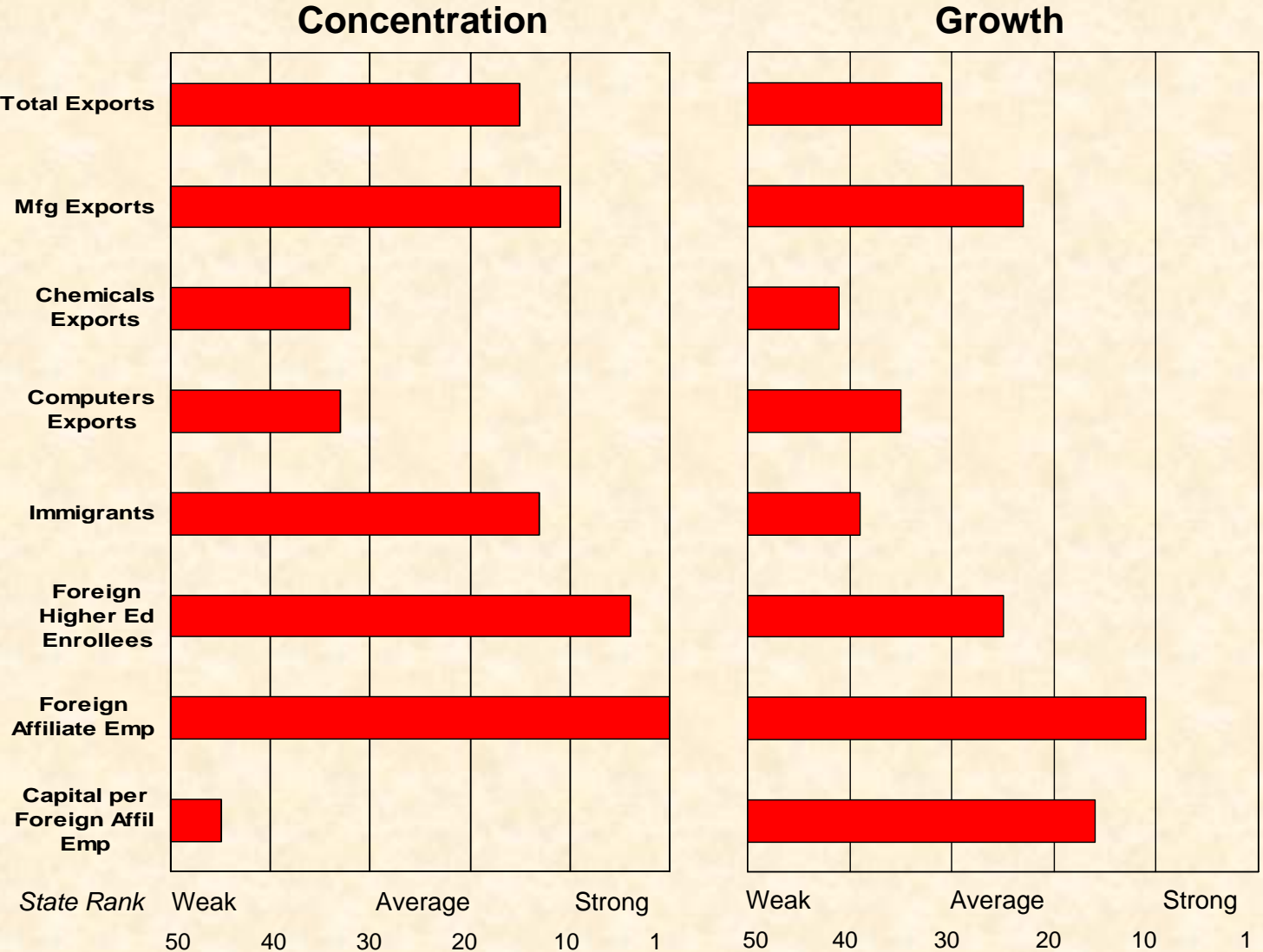


CT Composite Rank:

Concentration: 2

Growth: 36

Global Links



CT Composite Rank:

Concentration: 7

Growth: 29

Good For Now, But...

- **At the moment, Connecticut is equipped to compete and succeed in the global, knowledge-based economy**
 - The average scores of all the variables rank the state with the 7th best composite concentration score
 - Currently Connecticut possesses assets critical to meeting the challenges of the global, knowledge-driven economy
- **However, Connecticut must improve if it is to succeed in the future**
 - Composite growth score is 43rd

Competitiveness Challenges

- *No job growth & no business growth in 15 years.*
- *Decline in tech sector employment*
- *Demographic change:*
 - *By 2020, 40 percent of new workforce entrants are to come from Connecticut's urban areas;*
 - *Boomers retiring in record numbers*
- *Continued decline in urban conditions*

Conclusions

- The current system is not working as well as it can.
- Growth and prosperity are no longer birthrights
- Complacency is not a viable policy option
- We, in the economic development community, need to work smarter and harder in order to reverse these long-term trends.

Potential Solutions

- Create economies of scale with interstate and intrastate regional solutions
- Create long-term strategies that bridge administrations

State ED Organizations National Principles & Trends

Why Do States Invest in Economic Development?

- To attract and retain long-term capital investment and jobs
 - Business Attraction
 - Business Retention & Expansion
 - Business Creation
 - Business Transition
- To get the best long-term ROI on the invested \$

A National Trend

- Many (most?) states are trying to find ways to “do it better” – to get a better ROI
 - Some major overhauls
 - Many sets of “multiple-tweakings”
- Some examples that made news:
 - Enterprise Florida, Inc.
 - Kentucky Economic Development Partnership
 - Virginia Economic Development Partnership
 - Rhode Island Economic Development Corp.

Shared Principles

- Customer focus
- Public – Private Partnership
- Strategic & tactical focus
- Cross-disciplinary planning & policies
- Multi-level services alignment
- Performance-based accountability
- Flexibility, adaptability & sustainability

Customer Focus

- Clear recognition that businesses create most jobs – government creates very few
- Streamlined and seamless delivery system
 - Easy to access
 - Simple to understand
 - Easy to navigate
- All programs designed to create jobs (not worker training) and investment should be housed in the state EDO

Public – Private Partnership

- State EDO is a cabinet level organization reporting directly to the Governor
- A true economic development team
 - Governor is the team captain
 - Private sector is the co-owner & GM
 - Commissioner/secretary is the coach
 - State, regional, utility and local ED reps are the players
- Oversight & operational planning should not be purely governmental/political

Strategic & Tactical Focus

- A comprehensive, long-term action agenda is necessary
 - Annual updates
 - A cluster focus is an important component, but not the entire action agenda
- 4 inter-related components
 - Innovation
 - Productivity
 - Prosperity
 - Sustainability

Cross-Disciplinary Planning & Policies

- Seeks and creates planning linkages and policy integration with other entities
 - Other state departments
 - Federal and multi-state regional agencies & programs
 - Educational institutions
 - Business associations
 - Not-for-profits
 - Intra-state regional organizations

Multi-Level Services Alignment

- Takes maximum advantage of available federal programs
- State EDO is the master-packager of multi-department business assistance packages
- Makes regional, local & utility ED reps feel like they are important parts of the state team
- Promotes regionalism with programs that have strong support and produce impact

Flexibility, Adaptability & Sustainability

- The strategy should drive the budget – not the other way around
- Commitment to the strategy is long-term beyond political terms of office
- Adapting to sudden challenges and opportunities does not take an act of Congress
- Programs are flexible to meet business needs – not standardized to meet government convenience
- Funding is adequate and long-term

Performance-Based Accountability

- Measures impact and accomplishment – not just activity
- The ED program as a whole and individual programs demonstrate fiscal effectiveness
- Programs that deliver results live and get more \$ - those that are of limited effectiveness die. Now.

Illustrations of good alignment,
collaboration and interdisciplinary
approaches to Economic
Development

Who Practices Economic Development in Connecticut?

- CEDAS membership
- Municipal
- Regional
- State
- Multi-state regions

How are these levels aligned with each other and with federal resources?

Alignment

- We must organize to use our limited resources as effectively as possible
- We should minimize duplication of effort
- There should be agreement on the vision, mission and goals of our economic development efforts
- Each player should know what their role is in the big picture.

New Jersey

- Commerce, Economic Growth and Tourism Commission
 - Board of Directors, 11 members: Gov., DEP, Labor, Transp., Higher Ed, 3 private, 2 legislators
- Prosperity New Jersey
 - Tri chairs: CEO of Johnson and Johnson, President of Princeton, Sec. And CEO of Commerce

Kentucky

- Partnership governing the Cabinet (Department) for Economic Development
- 3 public, 8 private members (chaired by the Governor)
- Governor selects Secretary from 3 candidates presented by Board

Kentucky Statutes

- Require cooperation among state agencies that impact economic growth “to achieve the successful implementation of the state’s strategic economic development plan.”
- Statewide network for information transfer and assistance to “facilitate strategic planning and coordinate delivery” of assistance and provide state with information on communities and ed providers

Kentucky statutes (cont.)

- Preparation of state strategic plan for economic development:

“process shall include the broadest participation of all public and private interests including, but not limited to, members of the General Assembly, state agencies; local, regional and statewide associations with interest in economic development; and members of the various industrial sectors.”

Kentucky model

- Area Development Districts created after federal passage of the Public Works and Economic Development Act in 1965
 - » *“to bring local civic and governmental leaders together to accomplish major objectives and take advantage of opportunities that cannot be achieved or realized by those governments alone”*
 - » *“to be the focal point of a necessary Federal-State-Local partnership for improvement of the quality of life”*

Alignment with federal programs

- Economic Development Administration (EDA) is the federal agency with responsibility for encouraging ED nationwide
- EDA assistance is delivered primarily through a network of over 325 regional Economic Development Districts
- No EDDs in Connecticut
- Wayne State University: EDDs are "both effective and essential to local development."

Comprehensive Economic Development Strategies (CEDS)

- EDA requires Districts to develop Comprehensive Economic Development Strategies
- Strategies must include:
 - Analysis of problems and opportunities
 - Background on region
 - Community participation in planning process
 - Goals and Objectives
 - Implementation Plan
 - Performance Measures

Alignment of Strategic Approaches

- Seven regional CEDS have been prepared in Connecticut
- Regional CEDS should be integrated into state-wide strategy
- State should encourage creation of Economic Development Districts to take best advantage of federal programs and funding

RECAP

- Alignment results in everyone knowing their role and pursuing common goals
- Collaboration avoids unnecessary duplication
- Cross disciplinary approach gets state agencies working together, avoids delays and encourages consensus

Sustainability and Accountability within Economic Development Organizations

Sustainability

- Economic development efforts often take years and even decades to reap the investments they require
- Concept of sustainability in both planning and execution is essential
- Vision, strategy and plan with appropriate investments and metrics which can address a long-term timeframe

Institutionalizing Sustainability

- Difficult to do in the public sector with the reality of election cycles
- Benefit to using nonprofits and public-private partnerships

Research Triangle Park

- Conceived 45 years ago
- Initial authorization in 1959
- First building went up in 1965
- In the first 10 years, 21 companies
- Next 10 years, another 17 companies
- Today, 1100 acres for development, 100 companies, 38,000 residents employed representing \$1.2 billion in payroll

Enterprise Florida, Inc.

- Established as a nonprofit in 1992
- In 1996, Florida shifted the responsibilities of the state Department of Commerce into Enterprise Florida and provided a multi-million dollar grant to operate
 - International trade
 - Marketing
 - Other business assistance programs

Enterprise Florida, Inc.

- Tourism and technology programs operate independently
- Workforce programs operate through a separate line agency – Agency for Workforce Innovation

EFI Governance

- A Board of Directors serves as the governing body responsible for developing the state's strategic plan in conjunction with state, local and regional partners
- Board establishes, implements and manages economic development policies and programs
- Board is comprised of 18 members – 12 from private sector, 6 appointed by the governor, 3 by the Senate, 3 by the House

EFI Governance

- Governor is Chairman of the Board
- Other state offices on the Board include:
 - Chief Financial Officer
 - Commissioners of Education, Workforce
 - Secretary of the State
 - Two legislators
- Staff of 70
- Budget of \$10 million, appropriated by Legislature

Performance Measures

- Number of direct, full-time jobs created or retained
- Promotion and development of economic opportunity for the state
- Success of Florida companies involved in international trade
- Number of successful economic development projects
- Overall satisfaction rate of their customers

Accountability

- Measuring success in economic development has been a difficult task
- Typical measure of success is creating new and retaining existing jobs
- Other factors are also important: capital investment, productivity, increase in wages, R&D investments, numbers of trained workers, remediated properties

Benchmarking

- Popular tool in the private sector where companies define their success in terms of competitive position
- Methodology involves:
 - Selecting critical areas of strategic importance
 - Selecting reliable indicators of performance
 - Comparing one's performance to others using these indicators

Benchmarking

- Minnesota and Oregon have produced benchmarks for the last 12 – 15 years
- Maryland and Washington produce tech-based benchmarks that compare themselves to neighboring states
- Indiana produces traditional benchmarking on jobs, income, quality of life
- Massachusetts, through its Tech Council, produces annual benchmarks comparing 9 states

Oregon Economic Development Structure

- Oregon Economic and Community Development Commission
 - 5 member bipartisan commission leads the Oregon Economic and Community Development Department
 - Responsible for creating Oregon's economic development policies
 - Provides integrated approach, continuous policy direction
 - Designed to transcend changes in political leadership

Oregon Economic Development Structure

- Oregon Progress Board
 - Independent state planning and oversight agency
 - 12 member panel, chaired by the governor, comprised of citizen leaders, reflecting social, ethnic and political diversity
 - Directed by statute, responsible for monitoring the state's 20 year strategic vision.
 - Must include measurable indicators of success and report progress to the Legislature

Oregon Business Plan

- Statewide initiative of the business community to help shape a vision for the state
- Guided by a Steering Committee, which includes business associations, public agencies with responsibility for Oregon's economic progress
- Includes Leadership Committee, with active bipartisan participation from U.S. senators, state legislative leadership and the governor
- Funded entirely by the private sector

Oregon Business Plan

- Works jointly with the Oregon Progress Board to produce the “Competitive Index” a guide to the state’s economic competitiveness in seven areas:
 - General well-being
 - Traded sector cluster health
 - Pioneering innovation
 - People
 - Place
 - Productivity
 - Public Finance
- Notable for initiative tracking and progress reports

Public – Private Partnerships

- Validate rhetoric
 - “run government like a business”
 - “governments don’t create jobs – businesses do”
- Bring private sector perspective to an area traditionally relegated to government
- Give governors / legislative leaders opportunity to work side-by-side with business executives
- Provide windows to see policy evolve into practice (transactions, programs, etc.)
- Have stamina

Public – Private Partnerships

Example: Rhode Island

- In 1995, Gov. Almond replaced created Rhode Island Economic Development Corporation (RIEDC)
 - Consolidated all e.d.-related programs
 - Created Rhode Island Economic Policy Council
- Gov. Carcieri maintained and enhanced organizations
- Gov., Speaker, Senate Majority leader sit with business leaders to set state's economic agenda at Economic Policy Council
- Gov. presides over (and attends!) E.D. Corporation
 - Transactions, programs, financing, marketing
- RIEDC
 - 100 employees, \$18 million budget
 - Nearly half of the workers work at 3,000-acre Quonset Point

Public – Private Partnerships

Example: Virginia

- In 1995, Gov. Allen consolidated all state marketing & promotion efforts (including int'l) into Virginia Economic Development Partnership
- Kept other core e.d. programs in Dept. Business Assistance
- VEDP has mostly business people on board
- Secretaries of Business Assistance and Finance on VEDP board
- In 2002, Gov. Warner maintained approach
- In 2006, Gov. Kaine to carry model forward