State Strategies for Empowering Economic Regions

Considerations for California

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Objectives

• Provide a framework and considerations for the state role in spurring and supporting regional economic strategies.

• Focus on systems and regional economic development planning / engagement processes, not individual State program issues.

• Results:
  • Locally-driven and tailored
  • Comprehensive and integrated
  • Cross-sector responsibility and contributions
  • Funding follows strategy, versus strategy chasing funds
Rationale for states to spur regional economic strategies

- States are comprised of distinctive economic regions that do not conform with political boundaries -- defined by shared assets, workforce, infrastructure, and industry affinities.

- Regions are best positioned to apply their knowledge of opportunities and assets and integrate efforts, rather than “one size fits none” determined from above.

- However, regions are internally constrained by institutional fragmentation, capacity, and resource competition that make collaboration and focus a challenge.
States are attempting reforms to align behind economic regions
California regions are testing cross-sector inclusive economic planning.
Dynamics to manage in advancing new approaches

• Balancing focus on state structures and programs, versus priority for building and empowering regional capacity.

• Ensuring cross-sector collaboration and business leadership on regional economy-shaping strategies, versus historic emphasis on intergovernmental relationships.

• Adhering to established regional “government” or administrative boundaries, versus allowing new collaborations and incentivizing strategies at the geography and scale of the economy.
“7 Steps” to state empowerment of economic regions

1. Establish scale of regional strategy development and action
2. Articulate a State point-of-view on goals and drivers of economic competitiveness
3. Set framework for regional economic development planning
4. Support regional capacity-building
5. Redefine State operating model
6. Align State funding to enable implementation
7. Leverage cross-regional commonalities / complementarities
1. Establish scale of regional strategy development and action

1. Apply data to identify distinctive economic regions for comprehensive strategy development, defined by common assets, industry sectors, workforce, transportation links, etc. (e.g. Greater Fresno vs San Joaquin Valley Partnership vs Central Valley)

2. Set parameters and criteria for self-organizing to develop regional economic strategies, and linkages for funding support, accounting for existing local entities

3. Determine State responsibility, scope, or authority for vetting and approvals
NEW YORK
• State focused planning and investment around ten regions aligned with state workforce development geographies.
• State required formation of Regional Economic Development Councils, to be led by one private-sector and one university leader, with membership determined locally and “appointed” by State, chaired overall by Lieutenant Governor.

VIRGINIA
• State board established new set of nine economic regions, based on stakeholder engagement and public comment processes.
• Process overseen by 24-member GO Virginia Board of business leaders, state agency secretaries, and legislators; administered by the Virginia Department of Housing and Community Development.

1. Establish scale of regional action - examples
1. Establish scale of regional action - examples

**Examples from states**

**MICHIGAN**

- State applied data and consultation to consolidate and rationalize “spaghetti map” of state service regions into new “prosperity regions.”
- Prosperity regions serve as geographies for voluntary development of regional prosperity collaborations and plans.
1. Articulate principles and outcomes for economic development that prioritize tradable sectors and drivers of competitiveness, to guide strategy development planning and provide clear criteria for investment / grant decisions
   • Define core goals, values, and criteria around inclusive growth objectives, but allowing for variation among regions with different issues around job quality, wages, and drivers (e.g. San Diego versus Stockton)
   • Emphasize importance of working across and uniting systems around drivers (e.g. economic and workforce development)
   • Note related State-wide priorities to emphasize in programming and funding (e.g. cluster focus; leveraging higher education assets and commercialization; middle market scale-up; transportation project decisions that incorporate economic benefit)
   • Affirm what is beyond the scope (e.g. health care delivery)

2. Focus first on addressing economic development goals through bottom-up strengths, assets, and challenges, then filter other State policy priorities
Sample: Economic success metrics and drivers of competitiveness

GROWTH
Jobs
Output
Entrepreneurship

PROSPERITY
Productivity
Standard of Living
Average Wage

INCLUSION
Employment Rate
Median Wage
Relative Poverty Rate

Source: Brookings Remaking Economic Development / Metro Monitor
3. Set framework for regional economic development planning

1. Outline forms of “governance” across cross-sector regional leaders – particularly business and university -- to collaborate around comprehensive economic vision and plan for region
   • Set minimum parameters re: composition, leadership, and approval of participants, including mechanisms for ensuring inclusive representation and avoidance of conflict and self-interest in decision-making; balancing self-organizing versus State appointment or approval

2. Provide guidance for planning approaches, without mandating process or product templates

3. Establish process for regions to review, endorse, and advance applications for resources that adhere to strategic regional plans
### 3. Set framework for planning - examples

#### NEVADA
- State designated Regional Development Authorities (public or private actors, or consortia), based on RFP process. Parameters included regional support and partnerships, organizational capacity, and alignment with state economic development values.
- RDAs required to lead inclusive process for organizing regional economic development plans, consistent with state focus on economic diversification through sector and cluster development.
- State established awards to incentivize, reward, and lift up RDA planning efforts consistent with state vision, such as “Most Compelling Strategies Award(s)” for “innovation in economic development” and “Collaboration Award(s) for “proposal that actively incorporates collaboration and inclusiveness.”

#### NEW YORK
- State appointed members of regional councils (representing business, political, academic, and community interests), including business and university co-chairs.
- REDCs lead process to generate five-year, data-driven economic development plans, defining vision against which potential projects are considered, and updating annually.
- Strategic planning manual provides guidance, including samples of workplan, timeline, workgroup assignments, and deliverables.
- Annual guidebooks offer instructions and guidance on yearly priorities, process, and requirements. Annual resource guide outlines specific funding opportunities for year.

#### VIRGINIA
- State created councils, but regions self-organize for membership across private sector (required to be majority), plus academic and community interests.
- Councils develop regional “Growth and Diversification Plans,” including identifying target industries.
4. Support regional capacity-building

1. Make funds and resources available to offset local costs of regional convening and planning
   • Consider a technical assistance fund to account for variable baseline experience across regions
   • Focus on ability to build ongoing local capacities versus consulting products

2. Provide or sponsor baseline data availability across regional efforts

3. Host a peer learning cohort among regional leads to share information on process and problem-solving
4. Support regional capacity-building - examples

VIRGINIA
- State established regional planning/capacity building grants in first year (up to $400K/region) and second year (up to $250K/region) to help regions identify target industries, conduct skills gap analysis, and develop plans.
- State created GO Virginia Foundation to collect and disseminate best practices.
- State supports/facilitates selected economic research for regions (e.g. TEConomy Partners analysis of regional startup ecosystems).

NEVADA
- State created “state economic development information clearinghouse” to centralize, analyze, and improve communication of state economic and workforce data.
- State provided $250K matching fund to support planning in lower-capacity regions. Individual regions capped at $150K in awards, supporting no more than a third of costs.
1. Establish dedicated inter-agency action teams working as advocates and navigators for each region, mandated to link State resources in service of regional plan tactics

2. Assess whether existing State agency service delivery areas fit true regional economic boundaries

3. Evaluate legacy State programs for barriers to alignment with regional geographies and cross-sector efforts

4. Codify regular ongoing mechanisms for regional collaboratives to inform State priorities and activities

5. Redefine State operating model
5. Redefine State operating model - examples

**COLORADO**
- State leaders added up “regional statements” surfaced through meetings and surveys into “state blueprint” for economic development priorities.
- Blueprint addressed both policy areas and improvements in state/regional collaboration (e.g. unfunded mandates, state agency customer service).
- State established regular “feedback loops” for regional engagement, including regional meetings every nine months.

**MISSOURI**
- State formed Regional Engagement Division within Department of Economic Development to serve as centralized resource for regions.
- State reorganized and streamlined economic and workforce development activities, including combining Division of Workforce Development with Department of Higher Education.

**NEVADA**
- State established “industry specialists” within economic development agency to work with RDAs and others to advance sector growth, including collaborating with regions to create sector action plans and embedding specialists in select regions to provide additional support and capacity.
6. Align State funding to enable implementation

1. Create a new, flexible funding source for activities across issues, jurisdictions, and sectors, consistent with the regionally-driven plans
   • Set minimum / maximum thresholds for eventual funding allocation, ensuring that all regions receive baseline of support (e.g. per capita or absolute)

2. Consolidate application for certain existing State programs, qualified if led by the regional collaborative and linked to the plan
   • Provide weighted preferences within mainstream programs, accounting for statutory limitations

3. Establish expectations for regional contributions to ensure local buy-in and long-term sustainability

4. Designate structure and composition of State-level review processes, while retaining regionally-driven focus (e.g. independent board, interagency group)
6. Align State funding - examples

NEW YORK
• State allocates approximately $750 million annually (grants, abatements, etc.), with $225 million in flexible competitive awards and $525 million via mainstream program consolidated application.
• Minimum annual award per region includes $50 million, with $10 million in flexible ”per capita” funding.
• REDCs review applications for funding and rank projects according to alignment with regional strategies: 20% of total scoring determined by REDC ranking, while the remaining 80% is determined by state agencies, who evaluate projects according to their contribution to state program goals and objectives such as the development of target industries, downtown revitalization, or shrinking the state’s skills gap in select occupations.

VIRGINIA
• GoVA implementation funds through per capita grants ($15.25 million in FY19) and statewide competitive grants ($11 million in FY19). Each region awarded at least $1 million per year, and individual regions capped at 25% total competitive funding.
• Regional Councils review project submissions from groups of local civic actors (e.g. government, economic development, community development, workforce), and if approved, share with state board.
• State funding criteria include: alignment with regional plan and target industries; 1-to-1 matching funds, with at least 20% from local government, school district, or economic development organization; support of two or more local governments; support for job creation above community median wage; positive ROI after three years; and potential to be self-sustaining after state funding ends.
• Funding not available for health care, scholarships, capital projects, or to individual companies.
Examples from states

**MICHIGAN**
- State offers three tiers of incentive grants for implementation of regional plans based on level of demonstrated collaboration.

**MINNESOTA**
- Plan proposed providing new flexible funding via a “regional economic competitiveness” fund tied to state vision around talent, trade, and innovation, available to regional, industry, and/or workforce partnerships.
7. Leverage cross-regional commonalities / complementarities

1. Target areas within State responsibilities of service delivery to address common issues across regions and/or achieve scale for shared priorities
   - sectoral overlaps having nexus with State assets (*e.g.* agriculture)
   - international trade and investment, informed by shared market prioritization

2. Uncover opportunities for intra-State matchmaking of regional interests (*e.g.* supply chain connections, in-state expansions)
Case study: Central New York

- Awarded $703.6 million since 2011 through NY REDC process
- Selected as one of three winners for UpState Revitalization Initiative funds ($500 million/each)
- Areas of emphasis include unmanned systems and cross-connected platforms strategy, economic inclusion, entrepreneurship, downtown revitalization, and government modernization
State process incentivized diverse, cross-sector input and alignment

Central New York REDC co-chairs

SUNY Oswego
(originally Syracuse University)

Manufacturers Association of Central NY
(originally CenterState CEO)

Council Members Represent*

Currier Plastics
City of Syracuse
LeMoyne College
CenterState CEO
UNITE HERE Local 150 AFL-CIO
Molina Healthcare

Cayuga County Economic Development Agency
New York State Assembly
Cortland County Business Development Corporation
SUNY Syracuse Educational Opportunity Center
Felix Schoeller North America, Inc

*selected examples
Regional processes identified in 2013 to transition prior industry and military strengths for emerging sector around drones and other unmanned systems / data-driven platforms. REDC and URI funding through 2015 delivered $90 million in committed investments, including $30 million for drone test corridor and $6+ million for entrepreneurship competition.
Impact: Unmanned systems strategy

- Creation of 50-mile UAS test corridor between Syracuse and Rome, NY.
- Expansion of regional operations by six related companies (two international), creating up to 200 jobs
- Relocation of Saab Defense and Security USA North American headquarters to region
- Launch of signature entrepreneurship competition drawing global startups from Italy and Switzerland
- Establishment of UAS Center of Excellence, with connections to Israeli firms and innovators
- Integration with regional foreign direct investment activity
- Annual drone symposium elevating regional industry’s global profile
- Growing sector alliance of public, private, and academic stakeholders drives action
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