

National Association of Regional Councils

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The Economic Development Administration (EDA), the International Economic Development Council (IEDC) and the National Association of Regional Councils (NARC) have established an information dissemination partnership. One element of this partnership is the broadcast of a series of economic development telecasts called Economic Development Today. These telecasts are intended to provide information to economic development practitioners who serve all communities throughout the United States.

ECONOMIC DEVELOPMENT TODAY

A Telecast on the Report of the Strengthening America's Communities Advisory Committee

September 26th, 2005

By: Ben Steinberg

In its second term, the Administration has sought to review and reshape the policy, implementation and metrics of community and economic development programs administered by the Federal government. While the economy has evolved over the past forty years to a new era of global competition among regional economies, federal economic and community policy has not kept pace with this change. In order to update federal policy in this area to reflect and capitalize on these changes, the President proposed the Strengthening America's Communities Initiative (the Initiative) in February of 2005.

The National Association of Regional Councils (NARC) was asked by the Economic Development Administration (EDA) to develop two telecasts on the Initiative to disseminate the most up-to-date information about this evolving process, to professionals and the public throughout the country. The first telecast was entitled "Strengthening America's Communities Initiative" and broadcasted on March 15th, 2005. This broadcast reviewed why the Administration has chosen to reshape community and economic development in America. To view this program on-line please visit the EDA website at: <http://www.eda.gov/NewsEvents/WebCastsVideos.xml>.

On September 26th, 2005, NARC and EDA worked together again, as part of an ongoing collaboration on economic development information dissemination, this time to update the public on the progress of the Initiative. The second telecast was entitled "The Report of the Strengthening America's Communities Advisory Committee".

Last year, U.S. Secretary of Commerce Carlos Gutierrez appointed a 17-member Advisory Committee to provide advice and recommendations on the successful planning and implementation of the Initiative. The independent, non-partisan Advisory Committee consisted of economic and community development thought leaders from across the nation each appointed to serve a two year term. The Committee includes individuals from diverse backgrounds, including state and local government, social and community organizations, research institutions, and the private sector.

The Committee focused its attention on policy considerations and basic principles that should guide the reorganization of federal economic and

James A. Yeager, Senior Advisor to the Assistant Secretary of Commerce, and Moderator, Doris McMillon.

community development programs to become more relevant in a 21st century economy. The Committee was not tasked to focus on assessing or evaluating which federal programs would be best to consolidate, the individual performance of existing programs, or a suitable level of appropriations for the Initiative.



Over several months of extensive deliberation and consideration of public comment, the Committee developed a report of recommendations and presented it to Secretary Gutierrez on July 21st, 2005. The September 26 telecast provided a forum for discussion on some of the main points delivered by the Advisory Committee in the report and a context for why the committee came to their conclusions.

James Yeager, Senior Advisor to the Assistant Secretary of Commerce for Economic Development at the U.S. Department of Commerce began the telecast by introducing the Initiative. He stated that in order for federal policy to reflect and capitalize on the changing economy, the Initiative calls for the consolidation and unification of 18 existing community and economic development programs, in seven federal agencies to a single program. The program's mission would be to focus on the "new realities" of economic and community development in the 21st Century.

Yeager explained that the proposal will simplify access to the federal system and create a more efficient and responsive delivery program. The Initiative proposes more flexibility and stronger accountability measures than currently exist in many of the programs identified for consolidation. In addition, the Initiative strives to better target federal economic and community development resources to those communities most in need of assistance.

Dr. Mark Drabenstott, Vice President and Director of the Center for the Study of Rural America at the Federal Reserve Bank of Kansas City followed Mr. Yeager by delving into the reasons why our country needs to rethink economic and community development in the 21st Century. He stated that there are many issues surrounding America's globalizing economy and these concerns were an essential starting point for the Committee's work. Globalization has created intense competitive pressures for business in America, forcing them to cut costs or find new products or services in which to compete. Globalization has also created a very uneven landscape within the America economy. Drabenstott exemplified this by stating that approximately 10 percent of all the counties in the country have captured 75 percent of the growth in income, employment, and population over the past decade. This uneven landscape suggests many parts of the country are less prepared to deal with globalization. Therefore, new policies and regional strategies are needed to help these regions compete in the future.

Drabenstott stated that one key to 21st Century economic and community development is regionalism. The challenge is that most economic development activity today is focused on single firms, single sectors, and single places. Drabenstott noted that economic impacts go way beyond jurisdictional boundaries, indeed, that economic regions matter more than political boundaries. Drabenstott stated, "the number one job for federal economic policy is to help regions compete in the new marketplace."

Drabenstott stressed the importance of regional governance. Not to be confused with government, this concept defines the ability of a region to think and act as a region. In order to create strong regional governance, regions must engage businesses, nonprofits, local governments, and higher education. Engaging leadership in this process from all sectors of society is critical—diversity and inclusion must be hallmarks of effective governance. He stressed that this is particularly critical in rural regions of the country which are often reinventing their economy. A crucial aim of governance is to craft a sound competitiveness strategy that exploits a region's economic strengths to seize markets within its grasp.

The question is: how do regions pull all information together to form a competitiveness strategy? A sound robust competitiveness strategy/plan will help all regions go forward. A strategy can help a region develop an identity as well as give them a competitive edge worldwide. Drabenstott went on to discuss the critical forces motivating regional growth in the new globalizing economy.

Innovation and entrepreneurship are the twin drivers for the future success of America's regions. Acknowledging that innovation is an intangible that is often hard to quantify, he described it as a willingness and ability of a region to reinvent itself and to pursue new ideas that can lead to new market place opportunities. In other words, innovation is the "fuel" driving regional growth. If innovation is the fuel, then entrepreneurs are the "engines" of growth in this evolving economy. According to Drabenstott, regions that prosper are those that grow lots of entrepreneurs and have the capacity to develop and invest in more high growth entrepreneurs. Together, innovation and entrepreneurship have created a new paradigm shift in economic growth.

Drabenstott remarked that the new paradigm shift in economic development will create a very different focus on investment. Traditionally economic development dollars in a given community were focused on the recruitment of businesses and retaining existing businesses. Only a small portion of total spending went for entrepreneurial activities. On the other hand, under the new paradigm, entrepreneurship will be the foundation and base for economic development programs and dollars. Regions will put their money towards growing ideas and businesses and retaining them, and much less emphasis will be placed on recruiting companies. In order to help this new paradigm shift move forward and allow innovation and entrepreneurs to prosper in every region in America, federal policy must be able to help in a variety of ways.

Drabenstott remarked that the essence of the Committee's discussion was about how to best utilize federal resources to help regions compete in the global economy. First, the Committee suggested that federal policy must be brought into the 21st Century to align with current economic trends. As of now, community and economic development is a collection of programs developed over the past fifty years. There are now more than 180 programs dealing with economic and community development. There was a collective sense among committee members that this current system assumed a "one-size—fits—all" approach. In today's economy, every region will have its own unique competitiveness strategy. Thus, regions are incredibly diverse from one another, and it is essential to create a flexible federal policy that meets the needs of all regions.

Second, the Committee suggested the federal government must focus its resources on those regions most in need. The government has an obligation to help communities to understand their assets and give them the tools necessary to compete in the global marketplace. Drabenstott added that the most stressed areas in particular must give focus to a robust competitiveness strategy, since that is the key to lifting the well-being of citizens in the 21st century.

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Finally, the Committee suggested communities be held accountable to make sure that their program funds are spent in ways that effectively implement their competitiveness strategy. By creating effective performance metrics the federal government can help regions gauge their own success. These metrics will differ from the metrics used in the 20th century, when industrial development was often the standard. A new focus on entrepreneurship and the both the quality and quantity of jobs created will be important.

The federal government can help this process continue to move forward in many ways. Drabenstott suggested that two major areas need continued attention. They are research and development, especially when tied to regional innovation, and investing in the innovative capacity of public and private leaders, especially in regions that are most distressed.

Former Clearwater, Florida Mayor Brian Aungst spoke next. Now, Director of Public Relations at Bright House Networks in the Pinellas Region of Florida, Aungst has both a public and private sector perspective on economic and community development. Aungst stressed the importance of creating an effective streamlined regional economic and community development system, one that is user-friendly and efficient. It is important that regions come together and utilize funds together. In the current system local governments have to go through the federal and state government to receive funds, often competing with adjacent localities for these same funds and this only frustrates the efficient flow of funds.

Accountability and results was a key part of the Committee discussion. Aungst said that people have become accustomed to economic development assistance, as if these dollars were an entitlement. Communities must be held accountable for their actions. They should not be using the money to fund overhead for their cities, or save the money in their bank accounts. As mentioned by Drabenstott, sound performance metrics are a key to this process.

Aungst emphasized the importance of working with sub-regional organizations on the multi-jurisdictional level. These groups are important to the regional economic development process because they understand their region and can best talk about regional needs. They are also effective at bringing community stakeholders together to implement important projects spanning across political boundaries. As mayor of Clearwater, Aungst was always looking to work with the mayors of St. Petersburg and Tampa. Together as one political voice and economic force they could more easily convey important issues as well as attract business and government dollars. For example, Clearwater, Tampa, and St. Petersburg have worked together consistently on tourism and their collaboration is a key part to an extremely successful community and business environment.

Yeager followed Mayor Aungst to discuss how the Initiative is moving forward. Currently, the Administration is working on a draft legislative document that will be submitted to the Congress some time this fall. The document will be reviewed and opened for discussion with Congress, governors, mayors, state and local officials and economic and community development stakeholder groups to comment and give feedback.

Yeager continued by stressing the important elements of the Initiative. The Strengthening America's Communities Initiative is intended to be a one-stop shop where economic and community development issues can be addressed. Regions that are in need of assistance will be targeted and policy will be developed to help these communities carve out a competitive niche to compete in the global economy.

The Administration will propose a new eligibility formula for these critical economic and community development resources. It will be a formula that is more simple and unified in its mission. Communities that meet the distress criteria (unemployment, poverty, out migration, etc.) will receive direct federal assistance, and will not have to apply for this money.

Smaller communities for which measures of distress level are not available—mostly rural areas—will receive sub-grants from state governments that will receive block grants from the new program. Additionally, communities can apply for a challenge grant fund, which is essentially a “bonus” program. Communities that have taken steps towards becoming “development ready” can apply for extra funding to help accelerate their strategies to attract private sector investment.

Communities that do not qualify for direct assistance (i.e., do not meet the distress requirements) can receive funding under the system by partnering with distressed communities to build and implement *regional* economic development strategies.

Yeager defined “development ready” as the ability of a community to absorb federal dollars and utilize them effectively to attract private sector investment. This might include communities that have taken steps to improve their educational systems or reduce violent crime, each of which promote business growth, which, in turn, provide the tax revenue for additional economic and community development.

Throughout the Q&A period of the show, panelists elaborated on the main points discussed throughout the telecast. The focus of economic and community development in the future will be on regionalism and cooperation beyond political boundaries. Communities will work to create competitiveness strategies to enhance their ability to compete in the global marketplace. An emphasis will be placed on communities that are most in need of assistance. The federal government has looked to create a one-stop shop for economic and community development programs in order to reduce inefficiencies in the current system as a means to promote innovation and entrepreneurship throughout the regions of America. Through sound research and development, planning, proper funding structures, collaboration between regional stakeholders, and proper performance metrics economic and community development will create a burgeoning American economy in the 21st Century.

To access the Report of the Strengthening America’s Communities visit the Department of Commerce website at: http://www.commerce.gov/SACI/SACAC_Report_Final_d.pdf

To learn more about the Economic Development Administration and to access past telecasts visit: <http://www.eda.gov/NewsEvents/WEbCastsVideos.sml>

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