Indiana Department of Commerce

Community and Economic Development Best Practices

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Indiana

Be in a state of progress

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Overview

OVERVIEW

"Best Practices"

The term *"best practices"* refers to the body of knowledge produced as practitioners experiment and innovate in the pursuit of greater effectiveness and efficiency. For this document, *Market Street Services* has examined selected economic development practices from around the nation that have been proven to provide an organizational, programmatic, or market advantage for the organizations that use them. An examination of practices from other state, regional, and local economic development efforts is a crucial component of this project as it gives the State of Indiana insight into the methods and models that others have used to create a competitive advantage.

A review of economic and community development practices from other states will help to provide benchmarks for evaluating the services and service delivery systems, programs, and activities that shape the economic development programming in Indiana. The best practices information provides a framework for evaluating the success of existing programs and organizational structures. It allows us to learn from the experiences of others, build upon their successes and – we hope – avoid their mistakes.

No single approach to economic development, nor any individual program, is being put forth by *Market Street* as the standard against which Indiana should be measured. Rather, each example in this review offers at least one aspect that highlights a method, organization, or program that is relevant to the situation in Indiana. Together, they provide benchmarks to help us identify opportunities to improve business services in Indiana and strengthen the State's economic development programs. Further, these selections portray innovative and successful program implementation in each of the selected areas. There is something to be learned from each and every example.

For clarity, this document organizes information on best practices according to program area. However, this structure should not be interpreted as downplaying the importance of connections among program areas. Linkages are commonplace among these program areas (such as the link between entrepreneurial activity and access to capital) and, in fact, these ties are crucial to the development of a business environment in Indiana that is supportive of the wide-ranging types of businesses and opportunities desired by the State. The selection of the program areas was strategic and based upon information gathered on Indiana's existing conditions and resources, the knowledge and experience of the project team, plus research conducted throughout the six-month process.

Because the economic challenge facing Indiana is both systematic and complex, the program areas address a wide range of economic development topics. Programs are presented for nine program areas: entrepreneurship and small business development; rural development; business retention; business recruitment; technology; international development; access to capital; tourism; and regional development.

Economic Development Program Areas

These topics represent program areas judged to be essential to the development of a strong, diverse economy for Indiana.

Entrepreneurship and Small Business Development
Since the late 1970s, economic research has documented the overwhelming importance of entrepreneurship to job creation nationwide. The creation of new businesses offers an opportunity for Indiana to add jobs, build local wealth, and contribute to economic and community development. Entrepreneurship offers Indiana residents an opportunity to make their own jobs rather than having to leave the State to find meaningful work. This is an important economic development strategy, as Indiana is seeing out-migration of its younger people.

Rural Development
In many states, the most significant economic development is occurring in urban centers while rural areas – with the exception of those in resort areas – languish. This syndrome is particularly important to the Indiana economy because the State has many rural areas. Most rural areas are positioned neither to capture benefits from, nor to meet the challenges of, trends in technology and globalization. As a result, disparities in income and employment opportunities between urban and rural areas are likely to increase. Any strategy for economic development in Indiana has to address this reality and include a focus on rural economic development.

Business Retention
Existing businesses are the foundation upon which the economy is built. Retention of existing business may lack the excitement of recruitment, but the nurturing and tending of resident firms is a key component of strategic economic development activities. Business retention efforts leverage scarce public resources, because it is usually far less costly to retain a company than it is to recruit one. Business retention or existing business programs are important adjuncts to recruitment programs because they demonstrate to prospects how Indiana will value them once the "courtship" is over.

Business Recruitment
Attracting facilities that represent major investments and sources of employment can help jump-start a lagging economy. Clearly, over the years, many states have diversified and strengthened their economies by bringing in new firms. While the South really started these programs in the modern era (pioneered by Mississippi's Balance Agriculture and Industry Program in 1936), virtually every state is expending tremendous resources on national and international recruitment. While, initially, the effort was directed at manufacturing recruitment, it now includes all sectors and has reached a high degree of sophistication and has led, in many cases, to public-private partnerships.

Technology

Technology has always been important to economic development because technological improvements lead to increased productivity that enables economic expansion and diversification. The emergence of a knowledge-based economy has created whole new industries and raised technology issues to the highest priority. At the same time, globalization of the economy has placed the United States in the position of competing on the basis of innovation and quality, as we cannot compete with third world countries on the basis of cheap labor. In the 21st century, technology-focused efforts are central to successful economic development programs.

International Development

With technology, globalization is a driving force in the modern economy. Globalization refers not only to increases in international trade but also to growth in international investment, the number of corporations that are multi-national, international tourism, students from other countries, and even "international telecommuting." Advances in technology have shrunk the economic world, creating an environment of international markets for most goods and services. In recent years, the majority of in-migrants to Indiana have come from foreign countries and not from other parts of the United States.

Access to Capital

Capital is a vital component for business development. The need for capital is particularly acute for entrepreneurs and developing companies. Indiana companies have good access to traditional sources of funds from the presence of regional and national banks with strong capacity in the State. However, non-traditional sources of capital are of great importance to the "gazelle" companies that every state seeks. These forms of capital range from seed capital to mezzanine financing to investment banking services and are important to the growth of these companies. Many states have aggressive, proactive programs to "fill the gaps" and attempt to fill a variety of needs. Interestingly, some of the wealthy states are also experimenting primarily to assist small business and help foster entrepreneurship. Many states view these investment programs as key parts of their overall economic development strategy.

Tourism

Tourism is included as a target program area because of its potential for furthering economic development in Indiana, and specifically in rural areas. The economic impact of leisure travel continues to grow in the United States. According to the U.S. Department of Commerce's Tourism Industries Office, the tourism industry provided $100 billion in tax revenue for local, state, and the federal governments in 2001. Indiana is well positioned to capture a significant share of this market. The State has many natural and man-made destinations and is convenient to much of the nation's population.

Regional Development
A common component of successful state economic development programs, in recent years, has been their use of regions to achieve their objectives. Most states have a broad economic development initiative, but through the use of regions many states have been able to customize development, leverage scare resources, deliver more specific services, and market specific regional assets. Additionally, regionalism has been used as a vehicle to nurture partnerships between state and local economic developers.

Selection of Programs

The second step in compiling these best practices was to establish a set of criteria that would guide the selection of programs. Based upon the situation in Indiana, and the requirements of the project, the *Market Street* team agreed that the characteristics to be used in the selection of model programs should center on program effectiveness: what it accomplishes and how, and why it is successful. The single most important selection criterion was the answer to the question, "Are there relevant lessons for Indiana in this program?"

Successful programs are characterized by a strategic vision with an outcome-based focus; coordination and relationship with outside entities; an appropriate match between tools and problems; accountability; and administrators who continually upgrade/change their programs according to best practices and the accomplishment of their outcomes. The most effective programs tend to leverage public resources by putting the state in the role of a wholesaler rather than a retailer of economic development services.

The program write-ups follow a standard format that includes information on:

- Organization and purpose;
- Innovations and notable features;
- Accomplishments and benefits;
- Critical success factors; and
- Staff, budget, and other resources, including partnerships.

The breadth of structures and program concentrations demonstrates the depth and variety of economic development programs that shape a state's efforts in these fields. Discussion of these programs and their particular approaches are meant to spur and support thoughtful innovation as Indiana devises its strategic plan for economic development.

Document Structure

This document is divided into 10 sections:

1. **Overview**
2. **Entrepreneurship and Small Business Development**
3. **Rural Development**
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9. **Tourism**
10. **Regional Development**

At the beginning of each of the program area sections, an introduction addresses the following questions:

Why is the program area important?

- ☒ This section outlines the importance of the program area and its role in a successful community and economic development system.

What are the key characteristics of successful efforts in that program area?

- ☒ These characteristics were developed based on *Market Street Services'* experience and expertise in each program area. Each example provided was chosen because it contains most, if not all, of the characteristics that define successful programs.

Why were these highlighted programs selected?

- ☒ This section provides key lessons or applications the program was selected to illustrate.

Entrepreneurship and Small Business Development

Market Street Services, Inc.
change management for communities

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ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT

Why are entrepreneurship and small business development important?

Entrepreneurs and small businesses are engines for job growth in the contemporary U.S. economy. Any effective economic development strategy should include initiatives to enhance the environment for entrepreneurship and small businesses. Despite many positive changes over the last five to ten years, entrepreneurs and small businesses in general still face a number of real barriers to starting and maintaining successful businesses.

Technology has greatly increased the capacity of small businesses to function, but it has not erased all the hurdles facing an emerging business. For a new business, there are fewer established relationships with the business community – other business owners, lending institutions, and business assistance providers. The result is that new and small businesses often face access issues:

- Access to affordable capital;
- Access to market opportunities; and
- Access to quality technical and management assistance.

Entrepreneurs need access to relevant information, creative ideas, and responsive technical assistance. There is a role for the public sector when lack of access means that the market fails to serve small and new businesses. A mix of public and private sector initiatives along with high-performance service delivery systems can operate an environment supportive of business formation. Ideally, a state umbrella provides resources and expertise supporting regional service delivery.

Support for entrepreneurs and small businesses is important statewide, and a successful entrepreneurship and small business development effort for Indiana needs to pay attention to both urban and rural areas. For example, the private sector may provide business services in metropolitan areas, but it may be necessary for state governments to support similar programs in rural areas that lack the scale to support the economic infrastructure needs of entrepreneurs and small businesses.

What are the key characteristics of successful entrepreneurship and small business development efforts?

- ✓ Vision that recognizes the value of small businesses in the greater system
- ✓ Analysis of specific needs for entrepreneurs and small businesses
- ✓ Collaboration and coordinated service provision

- ✓ Outreach services throughout the State
- ✓ Special focus on rural areas
- ✓ Public/Private partnership structure
- ✓ Facilitation role in widening access

Why were these highlighted programs selected?

1. ***Oregon Emerging Business Initiative*** – provides example of coalition emerging from the private sector and working with state government to create a better environment for entrepreneurs.

2. ***Northeast Mississippi Business Incubation System*** – demonstrates model of business incubation with state support delivered at a regional level to leverage resources not possible at an individual county level.

3. ***TEAM Pennsylvania's Entrepreneurial Networks*** – illustrates a quick start for an entrepreneurial support system built on collaboration among service providers, public-private partnership, and a regional system of service delivery.

4. ***North Carolina Institute for Minority Economic Development*** – demonstrates state level non-profit focused on minority economic development and connected through a strong network of non-profits to deliver all needed services to any client.

5. ***The Collaborative*** – a Minnesota based membership organization that is focused on providing the resources needed by new and growing companies to be successful.

Oregon Emerging Business Initiative
Oregon Council for Knowledge and Economic Development
The New Economy Coalition:

The Oregon Emerging Business Initiative's (OEBI) goal is "to make Oregon into one of the top three regions in the world with supportive business climates for emerging businesses by the year 2008." The emphasis of the Initiative is on creating an environment that fosters growing companies from start-up to becoming strong and competitive in the global economy. Emerging growth companies are defined by the Coalition as small businesses that grow at double-digit rates for at least five years.

The Initiative has its roots in the Software Association of Oregon. This trade association was started with the help of the State and the Oregon Economic Development Department through the Key Industries Program. The Initiative further demonstrates the continuing shift by business leaders and State government away from attracting outsiders to diversify the State's economy and toward nurturing home grown businesses.

The impetus for the Initiative came out of a 1997 study commissioned by the Oregon Economic Development Department about Oregon's environment for start-up businesses. A mix of organizations from the private, public and non-profit sectors as well as entrepreneurs formed in 1998 to address the problems faced by entrepreneurs in Oregon. This group eventually became OEBI and included a coalition of organizations such as the Oregon Economic Development Department, Oregon Entrepreneurs Forum, Oregon State Bar Business Law Section, Oregon University System, and the Software Association of Oregon.

In early 1999, OEBI began to collect public input on how to create a better environment for emerging growth companies in order to provide further guidance in setting the Initiative's agenda. Based on the results of this process, OEBI seeks to strengthen the State's business climate for emerging growth companies in 10 key areas: quality of life, availability of venture capital, management teams, workforce, higher education, primary and secondary education, tax and regulatory structure, networks, national recognition, and business climate.

The Initiative further funneled its focus into four strategic areas – networking and awareness; capital resources; education; and public policy and taxes – to achieve the mission of the Initiative. The following is a description of the four strategic areas with their goals and objectives highlighted.

Networking and Awareness: develop consensus and awareness among key business constituencies; strengthen formal and informal networks; implement a statewide communications plan; and establish a web-based communication network to connect emerging business stakeholders.

Capital Resources: develop an angel capital network to provide seed funding; increase access to venture capital firms in Oregon; enhance opportunities with Oregon Growth Account to support venture/seed capital activities; and coordinate and fund business mentoring programs.

Education:
Higher Education: connect public/private higher education and economic development strategies; seek increased public/private R&D that facilitates technology innovation; inventory educational programs that support emerging growth businesses; and develop incubator space with coordinated higher education and economic development strategy.

K-12 Education: support risk-taking/business/science curriculum development; and seek increased funding related to building technology infrastructure.

Public Policy and Taxes: seek continuation and modification of capital gains rollover; review best practices in other states that encourage emerging business/angel investment using tax incentives; support statewide Oregon Small Business Conference; and support the creation of the Council on Small Business.

OEBI has been described as a virtual organization, as its success has been dependent on the volunteers who care about this important issue. It has truly been a grassroots effort to initiate positive change in Oregon for entrepreneurs. The effort is supported by a network of volunteers who number in the hundreds and has operated without a dedicated staff or a defined budget. It is not the intent of its membership to "institutionalize" the effort; rather it will serve as a vehicle to further the aforementioned entrepreneurial goals and seeks to direct its resources towards organizations that can help it achieve those goals.

As a result of this belief, work in several of OEBI's strategic areas has been absorbed into two new organizations whose missions complement that of OEBI. As additional opportunities arise to partner with new or existing efforts, OEBI will further consolidate its tasks. Again, it is important to note that OEBI is a collection of individuals, organizations, and companies who all share the same entrepreneurial vision for the State and are looking for ways to further that agenda. Their intent is to create a permanent voice rather than an organization. Therefore, OEBI continues to evolve, and two groups are evidence of its growth and vitality: The New Economy Coalition and The Oregon Council for Knowledge and Economic Development. Both are outgrowths of the Initiative's efforts to support the resources needed by new and growing companies.

The New Economy Coalition is a limited duration coalition to build public awareness of the long-term economic benefits that will be gained by investing in Oregon's higher education system, with emphasis on engineering and bioscience programs and technology transfer. Its primary means of building awareness has been through educational events and to affect legislation supportive of entrepreneurs and education. Beginning in 2000, the Coalition supported several higher education proposals that promote the growth of engineering programs, research and development, and technology transfer initiatives at Oregon's universities. All of the efforts supported by the Coalition passed the legislature and were signed into law by the Governor in 2001. Additionally, in 2001 the Coalition hosted a series of educational events to increase awareness of the importance of an entrepreneurial economy. The Coalition raised in excess of $140,000 for these events, which included a Legislative Workshop, a statewide communications effort, and smaller events focused on educating Oregon's civic leaders on the issue. These results show that the Coalition is an effective communications mechanism for the

entrepreneurial community to use in furthering OEBI's message before the public and elected officials. The Coalition is currently completing a planning process to develop a work plan for its future efforts. It will continue to focus on educating elected officials and civic leaders about the importance of supporting initiatives that will build Oregon's entrepreneurial economy.

The Oregon Council for Knowledge and Economic Development (OCKED) was established in late 2001 to promote knowledge-based economic development in Oregon. OCKED is a partnership between private and public institutions of higher education, economic development organizations, and the private sector. Part of its mission will be to serve as an "early warning" system for the State in the areas of higher education/research and development, entrepreneurial climate, workforce development, and access to capital. Additionally, OCKED will focus its efforts to affect change in the these areas:

- Increase the quality and amount of research and development in Oregon
- Develop an intellectual property compensation system in Oregon's University System that will encourage researchers to develop more commercially viable technology
- Develop and implement a model for increasing technology transfer and commercialization in Oregon
- Organize a system to provide sufficient capital resources to entrepreneurs bringing new technologies to market

The Council is funded with a federal grant and is staffed by employees of the Oregon University System. The organization is still in its initial stages, but already has a core membership of approximately 30 organizations. Membership is distributed among some of Oregon's largest organizations such as the Oregon University System; Oregon Economic Development Department, and the Oregon Board of Education; large and small private sector businesses such as Intel Corporation, Pixelworks, and In-Med; federal laboratories; and, service providers like law firms and certified public accountants.

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Northeast Mississippi Business Incubation System:

During the late 1980's and early 1990's the State of Mississippi actively encouraged the establishment of incubators across the State. As a result of this effort, local economic development agencies and chambers of commerce in the northeastern Mississippi counties of Alcorn, Tippah, and Tishomingo came together to develop an incubator system. The Northeast Mississippi Business Incubation System (NEMBIS) is a private, non-profit corporation that manages a system of three incubators in these three rural Mississippi counties. The counties established NEMBIS as a result of a 1992 feasibility study that found that none of them could support an incubator on their own. As a result, the counties came together to develop a system of incubators, with one facility in each county. The Mississippi Development Authority, Tennessee Valley Authority, and the Appalachian Regional Commission partnered in the development of NEMBIS.

This regional system of incubators reduces its operation costs by sharing staff and purchasing supplies in bulk. Regional cooperation also enhanced the system's applications for grant funding. Each county owns its own incubator building and leases it to NEMBIS for $1 a year. NEMBIS staffs, equips, and manages the incubators, operating from a headquarters office in Alcorn County, home of the largest facility.

The three incubators range in size, from 12,000 square feet to 64,000 square feet. The first opened in 1993, the next in 1994, and the last in 1996. Tenants gain many benefits from locating in the incubators: below-market rents; reception and secretarial services; the use of computers, copiers, fax machines, and other office equipment; plus management and technical assistance. The incubators all work with the Northeast Mississippi Community College's Small Business Development Center for additional counseling and assistance for start-ups.

Businesses applying to the incubators must submit a business plan that shows profitability within two to three years, the potential to create quality jobs, and a commitment to the area. The incubator system has a large focus on the manufacturing industry. Manufacturing facilities require more space than professional offices, and manufacturing space rents for less per square foot than commercial or retail space. For instance, the location in Tippah County has 17,000 square feet of manufacturing space and 3,000 square feet of space for related administrative purposes.

The first center that opened in 1993 has had a variety of tenants, including an interior furnishings store, a furniture manufacturer, a shuttle service, and a software design firm. Since their inception, the incubators have served 48 clients, 27 of whom have graduated from the program. The businesses within NEMBIS and program graduates employ in excess of 610 people.

A board of directors governs NEMBIS, with representatives from local economic development agencies, NEMBIS funding agencies, local governments, local bankers, and the private sector. There are a total of three employees that manage NEMBIS, and the system has an annual operating budget of $200,000 that is funded completely from rents and revenues derived from tenants.

The success of NEMBIS is a result of several factors, which include the following:

- No debt service. The use of federal and state financing sources allowed the system to open debt-free and concentrate on serving clients rather than "paying the bills."
- Regional cooperation. Each of the counties involved had scarce resources and did not have a history of working together. Key public and private sector leadership from each county came together and understood the value of collaborating on this project.
- Successful business plan. The project had a well thought out business plan that was followed until the system was self-sufficient.
- Unified staff. Each incubator in the system has its own staff, but an executive director manages the system centrally. Additionally, the incubators rely on centralized training, purchasing, marketing services that promotes cooperation as well as helps keep operating expenses low.
- Comprehensive services. NEMBIS provides clients with management and consulting services, access to office services (copying, fax, reception services, etc.), mentoring services, access to a Small Business Development Center, and institutions of higher education in the State.
- Equity financing. The project included the formation of an early stage venture capital group that provides needed capital to NEMBIS clients.
- The project achieved "scale". NEMBIS is of sufficient size and can support itself. Additionally, the facilities are large enough to handle the requirements of most potential clients.

NEMBIS continues to search for ways to provide needed resources to entrepreneurs in rural Northeast Mississippi. Recently, the system was awarded a U.S. Department of Education grant for a Community Technology Center. The Center, located at the Corinth (Alcorn County) facility, offers computer resources and training to businesses in the incubators and to citizens in the area. In addition, the Center has 15 laptop computers which function as a "mobile laboratory" and training resource for NEMBIS and the region's public high schools. NEMBIS works hard to supply all of the resources needed by new businesses to be successful. The success of the incubators and the development of community resources, like the Community Technology Center, show how the system is working to build the business environment needed by entrepreneurs.

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Team Pennsylvania's Entrepreneurial Networks

The Team Pennsylvania (Team PA) Entrepreneurial Network Initiative is a program of the Center for Entrepreneurial Assistance (CEA.) The CEA is housed in the Pennsylvania Department of Community and Economic Development and is the lead agency in Pennsylvania government for small business development. The mission of the CEA is to enhance the entrepreneurial vitality of Pennsylvania and build an environment that encourages the creation, expansion, and retention of successful small, women, and minority owned businesses. In addition to the TEAM Pennsylvania Entrepreneurial Networks, the CEA oversees the State's Small Business Resource Center, the Minority Business Advocate, and the Women's Business Advocate.

- Small Business Resource Center: As part of the Center for Entrepreneurial Assistance, the Small Business Resource Center serves as the single point of contact and is a hub of information for small business. The Small Business Resource Center answers State-related and general business questions about all stages of small business development.

- Minority Business Advocate Office: The Minority Business Advocate acts to encourage creation, expansion, and retention of minority-owned businesses as part of the overall economic development strategy to improve the entrepreneurial climate in the State. The Advocate represents minority business owners in resolving issues with state agencies and interacting with other government agencies. The Minority Business Advocate also coordinates the Youth Entrepreneurship Program, which is a statewide, after school program that introduces inner-city youth to entrepreneurship.

- Women's Business Advocate Office: The Women's Business Advocate Office acts to encourage creation, expansion and retention of women-owned businesses as part of the overall economic development strategy to improve the entrepreneurial climate within the State. The Advocate assists women business owners in resolving issues with state agencies, exploring marketing options, and identifying financing strategies. The Office publishes a directory and supports activities within the State developed to address women's business needs.

CEA works closely with other state offices that offer entrepreneurial assistance, such as the Ben Franklin Centers and the Small Business Ombudsman at the Pennsylvania Department of Environmental Protection. The Center for Entrepreneurial Assistance has 10 full time employees and an annual operating budget of approximately $1 million. CEA receives in excess of 20,000 inquiries and requests for assistance annually, and provides over 10,000 copies of *The Entrepreneur's Guide -- Starting and Growing a Business in Pennsylvania* to entrepreneurs seeking to start businesses in the State.

The Entrepreneurial Network project began in 1997. The idea originated as part of a project with the Appalachian Regional Commission (ARC) and Pennsylvania's seven Local Development Districts (LDD) that receive ARC funding. The purpose of the project was to provide targeted managerial and technical assistance to entrepreneurs and support collaborative efforts to provide local assistance to small businesses.

The primary impetus for creating regional networks was the need for cooperation among private and public sector small business service providers, which was absent in many areas of the State. CEA went to key organizations in each region – the Local Development District (LDD) and/or the Small Business Development Center (SBDC) – and asked them to lead the effort and decide which entity in the region would administer the network. Other partners in the regional networks include but are not limited to Ben Franklin Technology Centers, chambers of commerce, regional technology councils, banks, business groups, venture capital firms, professionals providing business services to entrepreneurs, and educational institutions.

To receive funding, the Networks submitted a two to three-year plan describing their mission, activities, rationale, organization, milestones, and impacts. As part of the planning process, network members identified their core competencies, assessed the current service delivery system, and proposed solutions to fill gaps, meet unmet needs, and address any other identified problems. The plan had to specify methods for:

- Referrals and team management within the network;
- Outreach efforts; and
- Quality control and continuous improvement.

In partnership with major banks, accounting firms, and the Ben Franklin Centers, Team PA organized two-day seminars in each of the regions. Where feasible Team PA hosted the seminars in Ben Franklin incubators. The financial training was tailored for businesses in the first two phases of development: the start-up phase, where cash flow is poor, capital is needed, and management lacks experience; and the high-growth phase, where despite high profits, the demands of growth are straining the operating and equity resources.

An inter-agency team representing Pennsylvania's economic development entities plus those regulatory agencies overseeing any aspect of business operation developed the seminar presentations and collateral materials for the train-the-trainer effort. The agencies also provided personnel to act as trainers. The training and the manual given to participants enhance the ability of service providers to consult with new and small businesses on State regulations and certifications, finance opportunities, and sources of assistance. To keep training current, the Small Business Resource Center of CEA maintains a list of participants who receive updates about relevant changes in state regulations and programs.

The Entrepreneurial Network Initiative has just completed its fourth year. The success to date is indicated by the formation of 10 regional networks and the enhanced cooperation among service providers. There is now collaboration where there had been competition. The Financial Management series was received well and held 15 seminars for small businesses across the State. CEA estimates that these seminars were attended by more than 600 potential small businesses. The seminars will continue to be offered to an increasingly broad target audience. Finally, the train-the-trainers program has created the desired diffusion of expertise among service providers. The program held 20 training sessions for over 300 economic developers during the first three years. Building a network is a time consuming process, but that has been accomplished and in

year four, the Network will begin keeping statistics on business start-ups and expansions among its clients.

In addition to CEA's activities to create the networks, each of the 10 regions receives an annual grant to implement the program's objectives in its service area. A unique aspect of this grant process is the autonomy that the regions have in using the funds. CEA believes that each region should prioritize and fund activities based on its own unique circumstances as set forth in its plan. In this way, each network can best meet the needs of its entrepreneurs and small businesses. CEA staff reviews proposals from the regional networks and funds each with an annual grant of $70,000 to $80,000. Although the grants are relatively modest, they are leveraging existing programs and promoting the coordination that the State sought. Additionally, staff convenes quarterly meetings of Network coordinators where issues are addressed and participants share information about what is working well in their regions.

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North Carolina Institute for Minority Economic Development, Inc.:

Created in 1986, the North Carolina Institute for Minority Economic Development, Inc. is a not-for-profit corporation. The Institute was established as "a center of research, policy development, and technical support to provide data on low-wealth and minority populations in North Carolina and strengthen their contributions to the State." One of the Institute's core beliefs is that economic development in any community is virtually impossible without a strong base of entrepreneurs. The goal of the Institute is to build assets in minority and low-resource communities by employing three simple but extremely important strategies:

- Providing balanced data and information that allows communities to build and strengthen the asset base among low-wealth sectors of the population.
- Creating a central source for quality management and technical assistance to minority businesses and entrepreneurial initiatives in low-resource communities.
- Engaging the historically minority universities, and other constituencies, in public and private partnerships to build a quality labor force in low-wealth sectors of the population; a labor force which responds to market-driven needs and whose workers have skills which are readily transferable.

The Institute has a diverse and multi-faceted Program of Work. The Institute implements this agenda through a combination of internal programs and services, and a series of partnerships with other community resources. The Institute's efforts can be broken into three broad categories: imparting knowledge and research, business development, and special projects. Following is a description of some of the successful programs and initiatives with which the Institute has been involved.

Imparting Knowledge:

- *Data and Information Initiative* – The primary functions of the Institute are policy research, analysis, and information sharing. Studies are conducted on the status of minority businesses, the role of government in minority business development and on minority firms' disparate access to public procurement contracts. The Institute also monitors the impact of minority-controlled community development corporations and credit unions.
- *Dissemination* – Research results are published in journals and special reports as well as the Institute's newsletter. The Institute also publishes the Minority Business Directory that lists over 2,600 Minority Business Enterprises (MBEs) in the State.
- *Workshops, Forums, and Symposia* – The Institute sponsors or co-sponsors symposia, forums, workshops, and seminars to help disseminate the Institute's findings. Examples of specific events held by the Institute are:

  Straight Talk – symposia for frank discussions on racism, economic inequality, and other contemporary social trends that have been attended by more than 300 participants.

  Executive Networking Conference –brings together representatives from the corporate community and selected minority businesses to discuss business opportunities in a casual

and relaxed atmosphere. For many, it was the first opportunity to interact with one another and to establish much needed partnerships. ENC 2001 brought together 9 major corporations and 31 minority businesses.

- *Market Development and Procurement Program* – The mission of the Institute's Market and Procurement Department is to identify potential private sector markets and procurement opportunities for North Carolina's minority-owned businesses, and to create an environment that promotes the expansion and development of these firms.

  The Department works to identify potential business opportunities in both the public and private sectors and disseminate the information to the appropriate MBEs. There is also a database of industry specific MBE listings that are regularly referred to organizations/businesses seeking MBE participation.

  Additionally, the staff provides advice and information to private sector firms seeking to enhance their supplier diversity programs. The Institute conducts Corporate Round Tables that bring together various stakeholders in discussions regarding both procurement opportunities and the challenges facing minority and women-owned businesses.

Business Development:

- *Business Finance Program* – The Institute's business finance program provides technical assistance, capital access, education, and training to historically underutilized businesses. A special emphasis is placed on firms operating in low-wealth communities and firms owned by women, minorities, and veterans. In collaboration with traditional and non-traditional financial institutions and programs, significant one-on-one assistance is provided, particularly in the area of loan packaging and financial management.

  The mission of the Business Development Team (BDT) is to empower minority-owned businesses by helping them reach their management and financial goals. The Institute accomplishes this by consulting with clients to ensure that their businesses have clearly-defined managerial and financial objectives and controls, which put them in a position to obtain equity and/or debt financing.

  In addition to financial consulting, the program provides direct or indirect funding to qualified businesses via internal financial programs and external partnerships. The Institute is also a qualified loan intermediary, and receives, reviews, and processes loan packages. The staff also provides or refers the appropriate technical assistance to minority, women, and veteran-owned businesses desiring loans from the SBA. The seven financing programs are:

- ***United States Small Business Administration (SBA) 7(A) Pre-qualification Program***. The Institute is a qualified loan intermediary, whose primary role is to receive, review, and process loan packages. It provides or refers to the appropriate technical assistance to ethnic-minority, women, and veterans owned businesses desiring loan guarantees from the SBA. The maximum loan amount is $250,000.

- ***United States Department of Agriculture Intermediary Relending Program (IRP)***. The Institute was selected by the USDA to finance and administer a $700,000 loan fund for businesses and community development projects in Edgecombe, Halifax, Northampton, and Wilson counties. Interested clients must be turned down by at least two financial institutions and located in areas with a population of 25,000 or less. The loan size ranges from $50,000 to $125,000.

- ***Federal Home Loan Bank Economic Development and Growth Enhancement Program (EDGE)***. The Institute was the founding recipient of this loan program. It received $500,000 to benefit individuals or neighborhoods with incomes at or below 80% of the area median income. The loan amounts are $5,000 to $75,000 for a maximum of 48 months.

- ***Hot Fudge Social Ventures, Inc***. The Institute and Hot Fudge will jointly manage a $1,000,000 Investment Fund with a $500,000 contribution from Hot Fudge. Hot Fudge and the Institute will advance funds, pro-rata, as the Investment Fund makes investments.

- ***Self-Help Ventures Fund (SHVF) Partnership***. This partnership with SHVF provides small business loans to businesses that have the ability and willingness to repay but are not considered viable candidates for traditional bank loans.

- ***The Rural Center Micro-Enterprise Loan Program Partnership***. The Partnership provides loans to qualified individuals for business start-ups or expansion in an amount up to $25,000. The business must be located in one of the 85 rural counties of North Carolina.

- ***Banking Partnerships***. These partnerships allow the Business Development Team to counsel and assist select small businesses in applying for traditional bank loans. The partners in this effort are Centura Bank, First Citizens Bank, First Union, BB&T, CCB, Mechanics and Farmers, and Bank of America. Small businesses also have access to the Self-Help Credit Union and the Self-Help Ventures Fund.

- *Specialized Management and Technical Assistance Program (MTAP)* – is a management consulting service for a select group of established minority owned firms with high growth potential created in partnership with UNC's Kenan Institute of Private Enterprise. Experienced MBA graduates on staff work with these firms in the areas of industry analysis; loan packaging; marketing plans and development; restructuring debt; cash flow analysis; system development and implementation; sales force training; and market expansion. The

Institute estimates that annually this program supplies in excess of 1,500 hours of technical assistance to selected firms.

MTAP works to effectively address the major issues facing minority-owned businesses such as under capitalization, diminishing access to markets, and the lack of management systems. The program consists of three inter-connecting phases designed to assist clients with managing sustainable and profitable growth in an ever-changing business environment. The staff works with the client in three phases:

Phase I – Organizational Audit. Institute staff conducts a comprehensive organizational audit and produces a detailed financial analysis of the business.

Phase II – Industry Analysis and Strategic Planning. Institute staff conducts an in-depth industry and competitive analysis, and works to identify local and national business opportunities. Using the information gained through the organizational audit and the industry analysis, the staff facilitates a series of strategic planning sessions that focus on measurable goals and action steps for the next three years.

Phase III – Implementation of Strategic Growth Plan. The Institute assists the company in prioritizing and implementing recommendations. Examples of Phase III projects include developing cash-flow projections, annual budgets, scheduling, job costing systems, incentive programs, quality control procedures, and marketing plans. In some cases, consultants work with management to diversify product lines, strengthen employee relations, conduct market research among potential customers, or develop pricing strategies. In addition to implementing systems, consultants may assist the firm in obtaining additional financing.

- *Minority Contractors Development Initiative* – A significant number of North Carolina's historically underutilized business enterprises (HUBs) are in the construction industry. The Institute is working to increase minority participation in the construction trades. As an example of the effectiveness of this initiative, in one nine month period the Institute helped 22 firms receive $4.8 million in contracts or subcontracts and positioned 150 HUBs to compete for university system construction contracts. Some of the projects that the Minority Contractors Development Initiative has been involved with areas as follows:

  Minority Contractors Resource Centers (MCRC) – as part of the Minority Contractors Development Initiative, the Institute has entered into partnerships to develop Minority Contractors Resource Centers (MCRC) in Charlotte and the Research Triangle areas. A MCRC is a one-stop shopping center for minority contractors to take full advantage of the expanding construction activity in these growing markets. The MCRC maintains complete construction plans and specifications on various public sector projects throughout the State, which allows the contractors to review the plans and to have an opportunity to prepare bid applications for submission on the projects. There are also postings for "Invitations to Bid" and "Advertisements to Bid" as well as the latest weekly

editions of the *North Carolina Construction Market Data Bulletins* and the *Carolina AGC Weekly Bulletins*.

The Minority Contractors Technical Assistance Program (MCTAP) – MCTAP is a valuable asset to the minority construction community that it serves. The program concentrates primarily on existing small businesses and provides three main services:

- Resource materials and identification of various public sector construction projects;
- Outreach for Certification to MWBEs and DBEs (Minority Woman Owned Business Enterprise and Disadvantaged Business Enterprise); and,
- Necessary business resources, tools and skills that will enable them to operate a successful business.

Special Projects:

- *Biotechnology/HMU Partnership* – The Institute brokered a partnership between the North Carolina Biotechnology Center and six of the State's Historically Minority Universities in 1993 to enhance minority students' access to careers in the biotechnology industry. As a result of this project, each of the universities has developed a five-year plan for boosting biotechnology instruction and more than 1,700 students have received training or instruction.
- *Community Advantage Secondary Markets Program* – In 2001, the Institute partnered with the Center for Community Capitalism and the Kenan Institute of Private Enterprise, part of the Kenan-Flagler Business School at UNC-Chapel Hill, to conduct research on affordable mortgages. The study is being conducted in partnership with Self-Help, Fannie Mae, and the Ford Foundation, and is an evaluation of loans that Self-Help had purchased as part of its Community Advantage Program.
- *Women's Business Center* – In 2000, the Institute received funding from the U.S. Small Business Administration (SBA) to implement a Women's Business Center for North Carolina (WBC). The development of the Institute's Women's Business Center complements the existing programs and services currently provided by the organization based on its knowledge, research and work over the years with women and minority-owned small businesses.

  The mission of the Center is to promote economic self-sufficiency for women in North Carolina through entrepreneurship. In order to carry out this mission, the Women's Business Center provides one-on-one counseling, educational services, and financial assistance.

  Counseling – The WBC has counseled approximately 558 clients in 69 North Carolina counties. The WBC classifies each counseling client as either an aspiring (thinking and planning), start-up (beginning to act on plans) or existing business owner.

  Training – Since January 1, 2001, the WBC has held approximately 30 workshops and seminars, and has trained 347 individuals.

Businesses Launched – The WBC has been instrumental in launching nine new businesses in North Carolina.

The Institute seeks to "build effective communication, collaboration, and partnership between North Carolina's minority and low-wealth communities and the large majority population." The Institute provides approximately 2,000 hours of intensive technical assistance to MBEs annually, hosts in excess of 15 corporate roundtables, and distributes more than a 1,000 copies of the *Minority Business Directory*.

A 16-member board of directors comprised of representatives from the governmental, educational, and private sectors governs the Institute for Minority Economic Development. There are 14 full-time staff and an annual budget of approximately $2 million.

A key feature of the success of the Institute has been the strong network of non-profits throughout the State of North Carolina. While the non-profit sector in the State is strong in many areas, the Institute works closely with other non-profits to serve the needs of its clients and forward the efforts of entrepreneurship and minority business development. The efforts in North Carolina should be viewed as a system that lends its resources to the success of many of the individual non-profits as well as their clients. While not all the services for entrepreneurs or minority businesses are held within the Institute, through cooperative efforts with others, the needs of its clients are met in a comprehensive and systematic manner.

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The Collaborative (Minnesota):

The Collaborative is a vital community of emerging companies, investors, and advisors established to foster entrepreneurship and build better, more profitable companies in Minnesota. The effort grew out of a magazine called the *New Venture Review* that was started in 1987. The magazine focused on entrepreneurs in Minnesota and after a few years they began offering workshops and seminars to widen the services available to the State's new and growing businesses. The focus on assisting entrepreneurs with the unique challenges that they face continued to grow and the organization was renamed The Collaborative in 1994 to reflect this change and the increased breadth of its activities. Today The Collaborative is a full-service, member-based organization solely focused on providing information, contacts, and resources to Minnesota's new and growing businesses. Although it is a private venture, The Collaborative works closely with the State of Minnesota, the Minnesota Capital Investment Network, and other entrepreneurial organizations to ensure that high growth potential companies in the State have access to the resources they need to be successful.

The organization's mission is to try to enhance the possibilities for creating new ventures in Minnesota and to stimulate the continuing growth of existing ventures by providing a network of entrepreneurs, managers, professionals, and investors. To accomplish its mission, The Collaborative provides information in a variety of forms, including publications, meetings, workshops, and seminars.

The Collaborative is a member-based organization of entrepreneurs, growing companies, service providers, venture capitalists, and others interested in promoting Minnesota as a home to entrepreneurs. The Collaborative has a staff of six full-time employees who manage a membership base in excess of 800 that are distributed across Minnesota, but concentrated in the State's urban centers. The organization has an annual operating budget in excess of $1 million and is funded through a combination of membership dues, program revenues, and publication sales. An example of the success of the organization can be found in the fact that it has an annual member renewal rate exceeding 70%.

The Collaborative Publications:

The Collaborative publications help entrepreneurs efficiently and effectively address the issues commonly faced by all emerging businesses. In addition to the existing publications, the online publication Collaborative.net will be introduced in 2002.

- The quarterly *New Venture Review* (NVR) profiles Minnesota's emerging growth companies. NVR keeps the entrepreneurial community abreast of new, up-and-coming, and under-the-radar emerging companies. NVR readers are among Minnesota's most influential investors, entrepreneurs, managers, and advisors. Company Briefs profile high potential, emerging companies by summarizing company information, current status, funding history and requirements, and their management teams.

- *The Collaborative News* published bi-monthly, provides updates on the activities of the Collaborative members, program summaries, and upcoming events information. Through the Member Digest section, *The Collaborative News* provides a vehicle for members to publicize

their companies, recent funding, new products, new management and other relevant public relations information.

- Published annually, *The Collaborative Membership and Resource Directory* lists all The Collaborative members and serves as a directory of leading resources for emerging businesses.

The Collaborative Programs:
The Collaborative events help companies efficiently and effectively address the issues commonly faced by all emerging businesses. Whether they are looking for a key contact or for information on a specific issue or problem, The Collaborative programs, seminars, and Annual Venture Finance Conference help new and growing companies make contacts and provide access to resources that they need. Programs provide useful information about how to grow a company through panels of experts and peers, delivering "how to" and "real world" advice. With an average attendance of 75 to 200, programs also offer entrepreneurs a unique networking opportunity. The Annual Venture Finance Conference brings together more than 500 entrepreneurs, investors, and professionals for two days of unparalleled networking and information exchange.

The Collaborative also regularly hosts meetings in which entrepreneurs, investors and others who have built companies relate their experiences. Some meetings take the form of half-day workshops that provide owners and managers information on such subjects as tax issues or choosing a board of directors. In addition, its seminars provide a deeper look at issues of importance to entrepreneurs, such as mergers and acquisitions.

The Collaborative annual Fall Venture Finance Conference has become an almost mandatory event for new and emerging companies in Minnesota, not only because of the subject matter that it covers, but also because of the extensive networking opportunities it offers.

One of the most important benefits of The Collaborative is the exposure to other entrepreneurs, potential investors, and advisors that the organization provides. Meetings also typically include companies that provide services for entrepreneurs such as bankers, lawyers, accountants, management consultants, and investors. The Collaborative has hosted over 250 seminars, workshops, and meetings in the past five years.

The organization makes a conscious effort "to systematically help networking to occur" among members. The result is that attendees have an opportunity to benefit from the experiences of - fellow entrepreneurs who have already "been there." What is offered isn't textbook theory, but rather the stories and insights of "real experts who have dealt with real problems."

Membership Structure
Emerging Company Membership
Annual membership for entrepreneurs and growing companies involved in a fast-growth business through the development of a product or service. Memberships range from $500 - $700 per year. An emerging company membership includes:

- Complimentary attendance to regular programs;
- *New Venture Review* and *The Collaborative News*;
- Individual and Company profiles in *New Venture Review*;
- *The Collaborative Membership and Resource Directory*;
- Discounted attendance to seminars; and
- Discounted attendance to the annual Venture Finance Conference.

Professional Membership*:*
Annual membership for an individual whose primary business involves providing a service or product for growing companies. A professional membership is $900 annually and includes:

- Business description in up to three service categories in the *Membership and Resource Directory* sent to all members;
- Complimentary attendance to meetings;
- Discounted attendance to seminars and conferences;
- *New Venture Review* and *The Collaborative News*; and
- Individual profile in *New Venture Review*.

Investor Membership*:*
Annual membership for individuals whose primary business is investing their managed capital in growing companies. An investor membership is $500 annually and includes:

- *New Venture Review* and *The Collaborative News.*
- Complimentary attendance to regular programs.
- Discounted attendance to seminars and conferences.
- Investor profile in *New Venture Review*.
- Investor listing in the *Membership and Resource Directory* available to all members.

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Rural Development

Market Street Services, Inc.
change management for communities

March 11, 2002

RURAL DEVELOPMENT

Why is rural development important?

Rural America accounts for about 80% of the geographic area of the U.S., and roughly one in four Americans call rural communities "home."[1] A 1997 United States Department of Agriculture (USDA) research report – *Rural Economic Development: What Makes Rural Communities Grow?* – cited that rural economic growth was associated with attractiveness to retirees, right-to-work laws, excellent high school completion rates, good public education expenditures, and access to transportation networks. Other research has linked rural development to the presence of natural amenities for recreation and tourism. Natural amenities attract in-migration, especially of retirees, who bring both wealth and a demand for more services to rural areas. The diversity of contributing factors suggests that a successful rural development program take a broad approach that recognizes the special needs and differences of rural areas.

Although rural America as a whole is gaining in population, many rural communities face special problems due to population loss through out-migration. This creates economic issues as it becomes harder for businesses to stay alive. The challenges of an aging population, the arrival of new immigrant populations, youth retention, and workforce development are all critical issues that impact the rural economy. Clearly, quality rural development requires sustained commitment. For remote rural areas, it may take a significant investment of time and resources before the local physical, economic, and civic infrastructure can support traditional economic development programs or new economy efforts. These three definitions are helpful in understanding the challenges facing rural communities:

- Physical infrastructure encompasses the housing, sewer, water, transportation networks, and telecommunications (telecom) access needed to support economic activity.
- Economic infrastructure refers to financial institutions, professional and business services, and intermediaries such as brokers and freight forwarders who support economic activity. Where the rural economy lacks the scale needed to support the economic infrastructure, these resources can be provided through a network. Two programmatic examples are Business Carolina (*Access to Capital* section) and the Northeast Mississippi Business Incubation System (*Entrepreneurship and Small Business Development* section).
- Civic infrastructure is the citizen leadership and local institutions capable of making and carrying out strategies that promote a high quality of life and an effective economy for all citizens. Underdeveloped rural areas may need outside resources to provide leadership training and the technical assistance required to develop the organizations necessary to provide a high quality of life for a region's citizens. The goal of building civic infrastructure is to empower people to act on their own behalf.

[1] Rural Entrepreneurship Initiative, *Understanding Rural America*, October 2001.

The rural economy continued to grow during the late 1990's, despite low commodity prices that caused economic problems in the farm sector. For example, the value of U.S. agricultural exports, which fell from $60 billion in 1996 to $49.2 billion in 1999, began to rise in 2000. Agricultural export value is projected to grow at an average of about 4% annually, which equates to an increase from $53 billion in fiscal year 2001 to $77 billion in 2011.[2] The resiliency of the rural economy indicates that agriculture is no longer the primary source of economic growth in rural America.[3] A state strategy for rural development acknowledges the role rural areas can play in the "new economy" and the equity of all regions sharing in the wealth of the State. The state strategy should include a regional allocation of flexible resources based on need, the presence of a credible strategy, and compliance with mandates from the State. The importance of rural strategies in programmatic areas such as tourism, technology development, small business development, access to capital, and others must be considered.

The Georgia Rural Development Council describes the challenge: "Rural development in a global economy requires informed investment strategies to build upon unique rural assets, acquire and retain human capital, enhance opportunities for small business development, and supply the infrastructure and services needed for growing economic sectors."

The issue for Indiana is clear. How do you create the opportunity for shared prosperity across the State? Its efforts at rural development are an important component of a successful economic development strategy.

What are the key characteristics of successful rural development efforts?

- ✓ Clear state strategy based upon a realistic SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis of rural areas and their capacity for development
- ✓ Regional strategies consistent with state plan
- ✓ A long-term commitment of resources and sustained efforts
- ✓ Emphasis on building infrastructure – physical, economic and civic
- ✓ Leadership training
- ✓ Enabling communities and businesses to assimilate technological change
- ✓ Holistic view of community and economic development
- ✓ Collaboration and cooperation in strategy development and project implementation
- ✓ Public/private partnership structure
- ✓ A commitment to build widely shared prosperity
- ✓ Communication – both bottom-up and top-down
- ✓ Networking

[2] USDA, Economic Research Service, *Agricultural Baseline Projections: February 2001*.
[3] USDA, Economic Research Service, *Rural Conditions and Trends*, Vol. 10, No. 2.

Why were these highlighted programs selected?

1. ***North Carolina Rural Economic Development Center*** – demonstrates a comprehensive, extensive process to develop and implement a coordinated rural development strategy at the state level.

2. ***Mountain Association for Community and Economic Development*** – provides some examples of progressive concepts in rural economic development.

3. ***Partnership for Rural Nebraska*** – illustrates collaboration in rural development service delivery legislated by the State for state agencies and non-profits involved in rural development.

4. ***Colorado Rural Development Corporation*** – shows grassroots efforts in preparing rural communities for the 21st century and beyond through community and volunteer-based activities and a diverse membership.

5. ***HandMade in America*** – utilizes a regional, non-traditional approach to foster the economic and community development of Western North Carolina through heritage and agri-tourism.

North Carolina Rural Economic Development Center (Raleigh, NC):

The North Carolina Rural Economic Development Center is a private, non-profit organization established in 1987 to lead economic and community development efforts in the 85 North Carolina counties defined as rural (having 200 or fewer persons per square mile). Its mission is "to develop, promote, and implement sound economic strategies to improve the quality of life of rural residents." The Center's role has been to serve as a central clearinghouse for information, ideas, and resources, with a special focus on low- to moderate-income individuals and communities with limited resources. The Center assists rural communities in connecting to business capital, water and sewer facilities, natural gas services, job support services, and other critical services.

In FY01, the Center's operational budget was $16 million, with the State providing $5.5 million. The remaining funding came from Clean Water Bond funds, contract revenue, and other grantors and investors. A 50-member board of directors governs it, and four committees provide programmatic oversight: Business Development; Workforce Development; Physical Infrastructure; and Civic Infrastructure. The full board meets three times a year, and meetings of other committees are held as needed. A total of 49 staff members are responsible for implementing the Center's programs.

The Center's activities include:

- Conducting research on rural issues;
- Testing promising rural development strategies;
- Advocating for policy and program innovations;
- Building the productive capacity of rural leaders, entrepreneurs, and community organizations;
- Securing and directing resources to rural communities; and
- Administering business finance and community development programs.

Center programs and activities are driven by the Office of the President and the Vice-Presidents of four divisions:

- Policy and Programs;
- Rural Internet Access Authority;
- Communications and Development; and
- Finance and Administration.

Division of Policy and Programs

The Division of Policy and Programs is responsible for research and demonstration, policy development, and capacity-building programs. Policy development roles include developing a long-range future for rural North Carolina through research, demonstration, advocacy and information dissemination, and technical assistance. Major research initiatives currently include Communities of Faith, Community Education for Enterprise Development, Sustainable Communities, Tobacco-Dependent Communities, and Water and Sewer. A research grant is available to communities, regions, and state-level organizations to execute innovative ideas for

rural development. There are two departments within the division: Community and Human Resources and Business and Natural Resources.

The Community and Human Resources Department

This Department houses the Workforce Development Office and the Civic Infrastructure Office. The Civic Infrastructure Office coordinates the North Carolina Rural Economic Development Institute, a leadership development program that provides participants with the necessary knowledge and skills to bring about positive change in today's economy. A fundamental program of the Center since 1989, the institute consists of nine days of classes over a three-month period. It is designed for rural leaders who are active in decision-making roles and space is limited to 30 participants each year. The program has already trained more than 500 leaders across the State.

Staff also oversees the Community Development Corporation (CDC) Grants Program that provides assistance to minority CDCs for business loans, housing, literacy training, community planning, childcare programs, and commercial district revitalization. Maximum grant amounts range from $45,000 to $110,000.

Business and Natural Resources Development Department

This Department houses the Business Development Office and Physical Infrastructure Office, who manage the following grant and loan programs:

- Water and Sewer Grants: In FY01, more than $20 million in grants was awarded to 50 rural communities to help in building and expanding their water and sewer systems. This grant assistance is funded by the State's Clean Water Bond funds approved by voters in 1998. The grants are administered through three programs. The Unsewered Communities Grants Program provides funding for the planning and construction of new, publicly owned sewer systems. Grants are designed to cover 90% of total project cost but cannot exceed $3 million. The Supplemental Grants Program allows for the improvement of local water and sewer systems, and the maximum grant amount is $400,000. The Capacity Building Grants Program funds the planning efforts of local governments that support strategic investments in water and sewer facilities. The maximum amount for this program is generally $40,000.

- Microenterprise Loan Program: In place since 1989, this program provides rural residents with small business loans to help them achieve self-sufficiency through business ownership. It provides loans of up to $25,000 in combination with business planning and technical assistance. The Center offers two types of loan programs. The Group Lending program is available to individuals who self-select into groups of four to ten people. Each group must participate in a training and certification process to qualify. Individual Based Lending offers one-on-one assistance to those with more business experience and greater financial needs. Funding for both projects comes from the North Carolina General Assembly, private foundations, U.S. Small Business Administration, and the Ford Foundation. The amount of available capital varies and this continues to be a very viable program.

- Capital Access Program: This program offers alternatives to lending institutions by creating a special loan loss reserve that enables 22 participating banks to make loans that carry a high level of risk. Reserves are matched by a borrower's fee of 3%-7% of the loan amount and matching funds from the program. Funds for the reserve, totaling $1.65 million, were provided by the North Carolina General Assembly and Small Business Administration. About $1.2 million of reserve funds have been expended to date. They are expected to leverage up to $32 million in business loans.

- Child Day Care Loan Guarantee Fund: Created by the General Assembly in 1994, the fund guarantees loans made by participating banks to qualified day care homes or centers. Its goal is to increase the supply of affordable, quality child care in economically distressed rural communities. The guarantee covers up to 80% of the total loan amount.

The Business Development Office also oversees the activities of the Agricultural Advancement Consortium. The Consortium, created in 2000, is a 20-member board whose purpose is to develop a shared vision for farming in the State and improve its long-term vitality. The General Assembly provides funds for staff, research, and other expenses.

Rural Internet Access Authority Office

The Rural Internet Access Authority was created in 2000 through state legislation that charged the Authority to study and report on North Carolina's telecommunications infrastructure and to increase Internet use throughout the State. The Authority became operational in 2001 when it moved into the Rural Development Center. The Center supplies the Authority with operational and program staff. With a life span of three years, the Authority is leading a grassroots campaign called "e-NC" to link all state residents – especially those in rural areas – to the Internet as a means of improving their quality of life. One of its goals is to make high-speed Internet access available to every citizen by December 2003. Currently the Microelectronics Center of North Carolina is the sole funding source for this project, pledging $30 million last year. The Microelectronics Center of North Carolina is a joint activity of the University of North Carolina, North Carolina State University, Duke University, and The Research Triangle Institute. The aim of the Center is to provide research resources for the rapidly growing semiconductor microelectronics industry in North Carolina.

A 21-member commission guides the Authority's work, and e-NC operates with support from a coalition that includes the Center, the legislature and State government, the telecommunications industry, and non-profit organizations. Through seven program committees, the Authority launched six initiatives in 2001, including:

- Identification and registration of Internet service providers in the State;
- Development of a grants program to fund four model telecenters;
- Conducted surveys to determine citizen perception of technology and technology use among local governments;
- Developed an inventory of telecommunications structure in North Carolina;
- Created a student "techforce" to serve communities; and
- Offered computer and Internet training opportunities for individuals and businesses.

In May 2001, the Authority offered grants of up to $700,000 to economically distressed communities to establish four "telecenters," which are innovative, multipurpose information technology centers. In addition to providing technological resources and services, the telecenters must also offer training programs that support the needs of individuals and businesses.

Division of Communications and Development
This division is responsible for print and electronic publishing, events management, outreach, and fund development. The Rural Center communicates with rural leaders through its newsletter *Rural Routes*, a report series on selected research and demonstration projects, and an annual Rural Partners Forum. The Center also sponsors briefings, workshops, roundtable discussions, and conferences to build awareness of emerging issues and opportunities.

Division of Finance and Administration
Activities of this division include budget management, human resources, and building and office management.

In support of the Center's rural development activities, The ***Golden LEAF (Long-Term Economic Advancement Foundation)*** was created to administer a portion of tobacco funds received by the State in 1998. At that time, North Carolina received $4.6 billion as a result of the lawsuit between the cigarette industry and the state attorneys general. Half of the proceeds from the bonding of these funds were set aside for a fund to assist tobacco-affected areas. In 2000, about $5 million in grants were allocated towards nearly 40 projects throughout the State. Project areas include agriculture, community assistance, economic development, and education. The dollar amount of grants issued more than doubled in 2001, with 61 applicants receiving about $11 million in grant assistance.

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Mountain Association for Community Economic Development (Central Appalachia, KY):

The Mountain Association for Community Economic Development (MACED) began in 1976 when 10 community development organizations in Central Appalachia partnered to create it as a provider of technical assistance to community-based groups in the region. Since its inception, MACED has worked to improve the quality of life in mountain communities, particularly for low-income residents. MACED has worked in both community and business development, and many times, works in conjunction at the state, regional, and national levels with other community development organizations.

The mission of MACED is to "provide opportunities and resources to help build healthy, sustainable, equitable, democratic and prosperous communities in Kentucky and Central Appalachia." MACED is governed by a 12-member board of directors, representing academia, business, and communities. Currently, 10 staff members are housed in five divisional areas: Administration; Business Development; Communications Team; Financial Team; and Sustainable Communities. Staff members have expertise in business, law, education, environmental issues, community organizing, finance, and leadership development. The organization's operational budget in FY01 was about $1.5 million.

MACED's ***Business Development Program*** finances projects that aim to provide jobs to low-income people that would not normally be eligible for financing at private banks. MACED offers below-market rates and innovative financing options by packaging loans with public and private resources. Businesses that create jobs in the service or manufacturing sector are eligible to apply, and loans can be used to finance fixed assets and/or fixed term working capital. The maximum loan amount cannot exceed 75% of the total project cost, and loans typically range between $100,000-$500,000.

In 1996, MACED sharpened its focus on sustainable development, which led to the creation of the ***Sustainable Communities Program***. This program utilizes citizen-based action teams while developing a long-term strategy for sustainable community development decision-making at the local level. The purpose of the initiative is "to create conditions for people to work together voluntarily, to understand the larger system they are part of, and to make informed choices about where they want to be in the future and how to get there." The implementation of this strategy was launched in 1996, when four pilot communities signed on to participate. Funding is not provided by the State, but through other sources and foundations such as the Kellogg Foundation and Gateway Foundation. MACED administers grant and loan funds totaling more than $3.8 million. In addition, participating communities continue to seek and receive alternate funding sources for their projects. Since its inception, this initiative has redirected over $4.2 million for action team efforts in six Kentucky counties. Community action teams have created a variety of new local programs, including a Grower's Market, beautification efforts, local government broadcasts, and computer training classes.

The MACED's ***Forestry Program*** is now part of the Appalachian Resource and Design Center, which focuses on sustainability's physical aspects and deals with the health of human and natural resource environments. The purpose of the Forestry Program is "to work with people in Central

Appalachia to manage forest resources so the environment, the economy, and the communities are enhanced and protected over the long term." Its program of work focuses on two primary areas:

- *Ecological Design* – developing and implementing ecological design concepts as a means of reversing unsustainable pattern of resources. Some of its design projects include: a student design contest for eco-friendly furniture; the Blanton Forest Environmental Education/Visitor Center; and ecologically-designed affordable housing.

- *Sustainable Natural Resource Management* – utilizes a Geographic Information Systems (GIS)-based model to evaluate the availability of forest resources. A diverse working group designs principles and guidelines for regional forest management standards based on the U.S. Forest Stewardship Council Certification Standards. The Appalachian Forest Regional Center is one of four centers that develop research initiatives and local information resources. Other projects include the *Forest Landowners Handbook* and a study of coal taxation in eastern Kentucky.

The ***Entrepreneurship Initiative*** is MACED's program focus on entrepreneurial activity in Central Appalachia. Through this initiative, MACED conducts research and promotes entrepreneurship in Central Appalachia. MACED spent a year interviewing entrepreneurs and service providers to identify challenges and the types of support most needed by these businesses. This study concluded that entrepreneurs would benefit from an easily accessible information clearinghouse, better access to training, and increased networking opportunities. As a result, the *Business First Stop* website (www.bizfirststop.org) was created to provide businesses with information about business resources, sources of capital, marketing and management, and government regulations and incentives. MACED plans to create a community entrepreneurship support program and hopes to provide online training sessions.

MACED also staffs three ***affiliate organizations*** in Appalachian Kentucky with independent Boards of Directors. They are: Democracy Resource Center, the New Opportunity School for Women, and WINGS: Women's Initiative Networking Groups.

- ***Democracy Resource Center*** – targets its efforts towards eradicating racism, winning environmental justice, achieving economic justice, and empowering citizens. It provides publications, a help line, and technical assistance to citizens statewide.

- ***New Opportunity School for Women*** – a three-week residential program and on-going career counseling for low-income, middle-aged women experiencing a transitional period. The program is free and participants receive funds for childcare and transportation. More than 350 women have completed the school's session, and a recent survey showed that 70% are currently employed, enrolled in continuing education, or both.

- ***WINGS: Women's Initiative Networking Groups, Inc.*** – a non-profit organization that provides entrepreneurial training, marketing consultation, and networking opportunities

to women interested in starting their own business. Since its inception in 1995, it has provided assistance to over 300 women in Appalachian Kentucky.

The organization is currently updating its Strategic Plan and some of its new initiatives will focus on the following issues:

- Public Policy Development;
- Business Development;
- Venture Capital;
- Assisted Living for the Elderly;
- Housing; and
- Micro-lending for Entrepreneurship.

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Partnership for Rural Nebraska:

The Partnership for Rural Nebraska is a non-profit created by Executive Order and Memorandum of Understanding in 1995 to "improve the effectiveness of rural resource utilization statewide." It designates the role of "Core Partners" as "committed to integrating efforts and coordinating resources to enhance rural research, policy analysis, program delivery, education, and professional development."

It is an intergovernmental partnership termed as a "virtual organization" of USDA Rural Development, the State of Nebraska, the University of Nebraska, and the Rural Development Commission. The charter was revised in 1997 to add the Nebraska Development Network as an additional Core Partner. It was created to improve the effectiveness of resource utilization statewide, and its mission is "to provide unified leadership and resources for the development of rural Nebraska." Of the 93 counties in the State of Nebraska, only the six in the Omaha-Lincoln-Sioux City MSA are *not* classified as rural.

The evolution of the Partnership is a study in long-term collaboration. In 1991, the Nebraska Rural Development Commission was created as well as the Center for Rural Community Revitalization and Development at the University of Nebraska-Lincoln (UNL).[4] In 1992, the Nebraska Development Network was formed and the following year, the Nebraska Community Foundation was created. In 1994, initial discussions of a formal partnership began and the Partnership for Rural Nebraska was created by Executive Order in August of 1995. The formation of the Partnership was initially funded by a USDA grant in the amount of $474,000.

A key part of the Partnership's success is the fact that the collaboration is legislated, so there is no option for choosing not to participate or coordinate efforts. Core Partners are committed to integrating efforts and coordinating resources to enhance rural research, policy, and analysis. The Partnership is governed by a board representing each of the partners, for a total of five members, who meet three times a year. The eight-member Coordinating Committee oversees the day-to-day activities of the Partnership. Implementation Teams identify specific tasks to be accomplished.

The Partnership has limited human and financial resources, and as a "virtual entity," the organization does not have a formal staff structure. Instead, two staff members from the Center for Applied Rural Innovation (CARI) at the University of Nebraska-Lincoln assist with various programs on a part-time basis. Their time is compensated through the financial support of the Rural Development Center. The Partnership's website is included as a link on the CARI's website. The State of Nebraska, University of Nebraska, and USDA Rural Development each contribute $10,000 annually, for a total annual operating budget of $30,000. Currently, the Partnership is not pursuing other outside funding sources.

[4] Effective July 1, 2000, the University of Nebraska Board of Regents created the Center for Applied Rural Innovation (CARI). CARI combines the efforts of the former Center for Rural Community Revitalization and Development, the Center for Leadership Development and the Center for Sustainable Agricultural Systems.

The activities of the Partnership represent a wide variety of interests, including professional development, the Nebraska Mandate Initiative, regional development, local government restructuring, market research, local fundraising, and community modeling. The Partnership has prepared a statewide Rural Strategic Plan in order to analyze rural development programs across agencies, examine gaps in services, and prioritize area needs for future distribution of rural development resources.

The goals of the Partnership are as follows:

1. Ensure long-term partnering with Nebraska's rural communities, citizens, institutions and local, regional, and tribal governments.
2. Develop and implement a common rural research agenda that delivers timely and relevant information.
3. Initiate common needs assessments of rural Nebraska to establish Core Partner priorities annually.
4. Create an enhanced rural policy analysis process.
5. Create an integrated and on-going strategic planning process resulting in a single strategic plan to guide the rural related efforts of the Core Partners.
6. Continue to move Nebraska toward a customer-driven rural development program delivery system.
7. Evolve a shared education and professional development program for Partner staffs.
8. Create a shared resource management and acquisition system, while maintaining Partner control over its own resources.
9. Establish a unified targeting process for rural development.
10. Establish and implement an integrated program and performance evaluation system.

The major projects of the Partnership have centered on the following issues:

- ***Local Government Assistance*** – Initiated in 1998, several projects were implemented to increase cooperation for governmental efficiency and mandated management. Best practices of collaborative efforts have also been documented and shared. The Government Assistance Project established at the Nebraska Community Foundation offers technical assistance, impact analysis, and capacity building. This project is ongoing through the Foundation and the Nebraska Mandates Management Initiative within the State Department of Environmental Quality.

- ***Healthcare*** – The Partnership was the early impetus for establishing a health insurance purchasing cooperative. In 1997, this project was funded by a separate LB144 grant and helped to create the Nebraska Cooperative Center. The Center assists various types of groups looking to form a cooperative marketing or purchasing venture.

- ***Rural Poll*** – Started in 1996, the Center for Applied Rural Innovation at UNL conducts extensive, comprehensive research on rural trends and attitudes from about 7,000 Nebraskans that live rural life everyday, with such indicators as community attributes, taxes, school finance, agriculture-related issues and satisfaction of rural lifestyles. It receives its funding from the Partnership. Some of the results from the latest poll are:
  - 80% of rural Nebraskans contribute money annually to charitable causes;
  - 28% of respondents believe their community changed for the better during the past year, 53% believe it stayed the same, and 19% believe that it got worse;
  - Nearly 2/3 of rural Nebraskans say their income hasn't kept pace with the cost of living, and 61% faced at least one economic hardship in the past year; and
  - Of those polled, 3/4 oppose the elimination of federal farm program payments.

  Planning for the 2002 Rural Poll will begin in October.

- ***Education and Training*** – Working with the Nebraska Development Network's Academy, the Partnership established the Nebraska Rural Institute, which addresses professional development issues for volunteers as well as rural practitioners and community developers. Its multiple-day format allows for maximum sharing and networking opportunities. Now in its fourth year, the Institute is funded through registration fees and "pays for itself" each year.

- ***Community Resource Mobilization*** – A series of training workshops have assisted communities with planning and fundraising efforts. The sessions train community leaders on ways to raise awareness and financial support for projects. The seminar has created a core of trained leaders who disseminate this information through further training for additional community leaders.

- ***Strategic Planning*** – An ongoing project that has developed a usable framework to assist communities and organizations in assessing their strengths and weaknesses, needs and capacity for overall community involvement. Researchers are in the final phase of identifying what works best and creating modules to be used by community and organizational planning entities.

- ***Rural NewsBits*** – A multi-agency newsletter with over 6,000 subscribers, this has become the "voice of community development" for sharing ideas, educational and financial opportunities, announcements, and other good news. It is delivered in paper and electronic format about 10 times a year. In a survey conducted last year, 76% of respondents indicated that they used information from the newsletter to assist their community, business or self.

- ***Evaluation*** – In 1998, a formal evaluation document outlining the Partnership's efforts found that collaboration, while sometimes difficult, is worth the effort. The benefits identified include the administrative capacity, cross training of agency staff, applied

research, and direct feedback to the legislature. Partnership agency staff and others agreed by an 88% majority that the organization is filling gaps in their effort to deliver services to communities and only 8.8% stated concerns that the Partnership will become another tier of government.

To give a context to the breadth and depth of the rural development efforts networked throughout the State, the following is a list of some of the participating services and programs in addition to the State of Nebraska itself.

- ***Nebraska Rural Development Commission*** – fosters sustainable community and economic development initiatives in rural areas through partnerships.
- ***Center for Applied Rural Innovation*** – focuses on leadership, sustainable agriculture, and economic and community development through education and research.
- ***Nebraska Development Network*** – partnership of over 500 public and private organizations committed to supporting community-based development throughout Nebraska.
- ***Nebraska Community Builders*** – process to empower local residents to engage in more effective community building and stimulate regional collaboration through partnerships.
- ***Nebraska Community Foundation*** – supports local community efforts to increase levels of charitable giving for community betterment projects.
- ***GAP – Local Government Assistance Program*** – provides services to local governments in order to assist local government design and implement sustainable local solutions.
- ***Nebraska Cooperative Development Center*** – created in response to demand for services and a larger opportunity to create more sustainable rural communities in Nebraska.
- ***Nebraska Development Academy*** – provides systematic way to access education, training and technical assistance in leadership, community, and economic development.

A survey of the Partnership conducted last year resulted in the following comments regarding the benefits of this collaborative effort:

- Improved understanding of other agencies' scope of operations and programs;
- Opportunities to meet agency staff in person;
- Changes in grant qualifications that encourage representation of a large number of agencies;
- Willingness to work together, decreased territorialism, and more trust of one another; and
- Cooperation with other agency staff has become easier.

It is important to note that this is a State-initiated effort to address the specific needs of rural Nebraska. The Partnership is a first-level effort in statewide networking that has begun to experiment with a wide variety of initiatives to address these needs. Although the Partnership represents a good example of a collaborative, volunteer effort, the creation of a more formal structure with financial and staff support could further strengthen its services. By developing a

central focus and a strategy with benchmarks and measures, the Partnership can streamline its program efforts and determine those that are successful.

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Colorado Rural Development Council (CRDC):

Colorado began the task of forming the Rural Development Council in 1993 when the Governor convened a statewide Conference on Rural Development. One unique aspect of the CRDC is the inclusiveness and diversity of its membership. A 52-member Board of Directors governs the CRDC. Thirty of these members live and work in rural Colorado and represent private businesses, community non-profit organizations, and local government. Up to 14 liaisons from state and federal agencies, as well as two tribal nations, complete this broad-based network.

The mission of the CRDC is "to encourage and assist locally defined community development by fostering creative partnerships, knowledge, communication and resources needed for rural Colorado to compete effectively in the 21st Century and beyond." The CRDC is identified by five regions (Northeast, Northwest, South Central, Southeast, and Southwest) that intentionally overlap to accommodate communities with common interests. It currently has about 80 member organizations, and annual membership dues are $75 for individuals/organizations, $250 for businesses, $500 for Benefactors and $1,000 for Patrons. The organization has two full-time staff members and an annual budget of approximately $230,000. Funding is a mix of federal agency support, membership dues, meeting and newsletter sponsorships, miscellaneous grants, and registration fees to offset meeting expenses.

Technology and Telecommunications

One of the most innovative programs of the CRDC is the ***Internet Masters Course,*** which is designed to increase a community's technological knowledge and skills by "mastering" use of the Internet. It is a 30-hour program that includes instruction, group discussion, and computer lab time. The civic volunteer component makes this a unique educational experience. Courses are coordinated at the community level by a Local Organizing Committee. The course is led by a team of Certified Internet Master Trainers, who complete an additional 12-hour workshop, co-teach two courses, and complete another program activity. Participants develop basic abilities to access the Internet, navigate and search the web for information, utilize e-mail, and create and publish a web page. Course graduates provide 30 hours of Internet-related community service within six months of course completion. This could include tutoring at a local library, developing a web page for a non-profit organization, or assisting at a school computer lab. At least half of the community service hours must be coordinated in a group setting. Following this volunteer service, participants are awarded their Internet Masters Certification.

Between 2000-2001, about 130 people participated in the program, and half of these participants advanced to become Trainers. This resulted in nearly 800 hours of community volunteer efforts. The statewide planning team for this program is made up of the CRDC, Colorado State University Cooperative Extension, Small Business Development Centers, and the Colorado Rural Technology Academy.

The ***Beanpole Project*** is a $5 million initiative established by the General Assembly in 1999. A three-year pilot project of the State Legislature, its purpose is to assist rural communities in determining their current and projected telecom needs, and to partner with the private sector to help rural Colorado counties build the "last mile" of infrastructure and enable them to hook up to the statewide government fiber "backbone." The funding assists rural organizations in pooling

resources and contracting for advanced, broadband services from a private telecommunications service provider. To stimulate the development of private sector telecommunications infrastructure ("beanpole") in rural areas, CRDC contracted with the Colorado Department of Local Affairs to administer a series of telecommunication grants. About 2% of total funding was allocated for administrative costs. The majority of funds were directed towards Basic Technical Assistance Grants (3%), Advanced Technical Assistance Grants (3%) and Implementation Grants (92%).

The initial efforts of the CRDC provide outreach to educate communities about the project, work with an advisory committee to review grant applications, and offer technical assistance throughout the telecom planning process. As of January 2001, 10 communities had completed the planning efforts of this project, seven had entered into the implementation phase, and 19 counties had received Technical Assistance Planning funds and Implementation Grants. An additional 17 counties had received funding for their Technical Assistance Planning efforts to determine what their costs will be for Beanpole Implementation. An advisory council determines which applications are funded with final approval by the Director of the Department of Local Affairs. Although these dollars were all obligated or spent by the end of 2001, this Department continues to make money available for Beanpole Planning Grants.

The CRDC sponsors the ***Rural Telecom Policy Summit***, which has been an annual event since its inception in 1997. It is attended by individuals representing rural communities, health care, educators, small businesses, telecom providers, and local, state, and federal government agencies. The summit's objectives are to raise the level of awareness about the importance of telecommunications in rural development, create a forum for discussion of policy issues, educate participants about proposed broadband telecom initiatives, and learn effective strategies to prepare the rural population for the future of the Information Age. The most recent summit was held in February 2002. The Rural Telecom Task Force was created at the 1997 summit, and a speakers bureau has been formed to provide an introduction to basic rural telecommunications policy.

Entrepreneurship

In 2001, the ***Rural Entrepreneurship Initiative (REI)*** designated Colorado as a "Discovery State." REI is a collaborative effort between the Rural Policy Research Institute, Partners for Rural America, the National Rural Development Partnership, the Nebraska Community Foundation, and the Kaufman Center for Entrepreneurial Leadership. The purpose of REI is threefold: to strengthen rural America through entrepreneurship; support learning that enables rural America to build a stronger and more supportive environment for entrepreneurship; and create and support a national learning community on rural entrepreneurship. As a designated Discovery State, Colorado coordinates a broad mix of stakeholders who participate in two Policy Academies. These stakeholders include rural entrepreneurs, practitioners, researchers, and policy makers. The first academy, held in November 2001, defined existing entrepreneurial activities, identified the necessary infrastructure and stakeholders, and offered presentations, exercises, and information-sharing opportunities. Academy II, scheduled for Spring 2002, will build on this information and begin to focus participants on future policies and programs.

Colorado received a one-time grant allocation of $5,000 to fund these efforts. The CRDC will seek alternate grant funding to continue this program.

Youth

Many communities have recognized the need for the involvement of young adults in policy and decision-making processes at the local, regional and state levels. The purpose of the ***Colorado Youth Resource Directory*** is to offer statewide public access to and awareness of a comprehensive database of youth development programs and organizations across the State and provide models of successful youth involvement and development programs that can be applied at the local level. The directory, which debuted in May 2000, can be accessed at www.coloradoyouth.org, and is updated twice a year.

Opening Windows is a theatrical and human services project that addresses adolescent health issues from a rural perspective. This program addresses issues such as substance abuse, domestic violence, and teen pregnancy, and each performance is based on feedback from rural teenagers and their families. Following the show, a dialogue is facilitated between the cast, local resource personnel, and the audience. This open discussion helps communities identify and discuss local issues and challenges in the area of rural adolescent health. A program planning team is pursuing theatrical companies who may be interested in producing the play. Currently two theatre troupes, in Colorado Springs and Idaho State University, are conducting performances.

Community-Based Planning

WestLand the Workshop is a six-hour workshop developed by a resource team from Colorado State University Cooperative Extension and the CRDC. The workshop incorporates "AgLand the Game," a public forum, news flashes, and a video titled "Managing Community Growth." AgLand the Game is a computer-simulated region, and through role-playing participants learn about agriculture, economics, and environmental policy issues. The game illustrates how future rural conditions are influenced by the results and interdependence of decision-making and policy. At the workshop's conclusion, attendees participate in open discussion and leave with a greater understanding of the complexity and interdependence of decisions made by policy makers and land managers.

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HandMade in America (Asheville, NC):

Western North Carolina is constrained by the lack of available land for economic investment. A large federal presence, extensive holding by corporations and utilities, watershed restrictions, and the topography of the region restrict the use of more than half of its 7.3 million acres. HandMade in America was initiated in 1993 as a project of the Asheville Chamber of Commerce to seek alternate economic development approaches for the region. The Chamber was looking beyond industrial recruitment to the area's cultural and historical assets.

The organization received a three-year organizational development grant of $400,000 from the Pew Partnership for Civic Change. Partner groups provided a 25% local match. Additional grant sources included: North Carolina Division of Travel and Tourism ($25,000 for a market study of heritage visitors and trail planning); Tennessee Valley Authority ($35,000 for writing, mapping and photography); and the Federal Highway Administration ($50,000 for printing the guidebook and other publications). AdvantageWest, a regional economic development partnership, matched the federal grant with $25,000. Additional funds are received from consulting fees, various grants, and private foundations.

More than 360 citizens participated in a regional planning process to determine how HandMade could establish the area through cultural and eco-tourism efforts. Its mission is "to celebrate the hand and the handmade, to nurture the creation of traditional and contemporary craft, to revere and protect our resources, and to preserve and enrich the spiritual, cultural, and community life of our region."

A survey conducted in 1995 revealed that crafts contributed $122 million annually to the region's economy. That figure was four times the revenue generated from burley tobacco, the State's number one cash crop at that time. The survey also revealed some of the challenges and needs of the craft community, including access to capital and marketing and business education services.[5] This same study found that more than 60% of craft purchases were not made locally, and 40% of the crafts were sold outside the state.

HandMade in America, Inc. is a 501(c)(4) that is governed by a 30-member Board of Directors. It serves as the parent company to three other entities each with a separate Board of Directors. A total of six full-time staff members oversee the various operations with an annual operating budget of about $800,000. It is funded from a variety of sources:

- External Services – About one-third of the total budget is provided through services such as speaking engagements and consulting with other communities and states. Requests for consulting services focus on stabilizing economies in mountain regions, tourism, and small town revitalization. In addition, each staff member must earn one-third of their salary through another means or organization, and everyone on staff earns the same salary.
- Bulk Mail – This service, which is later described in more detail, pays for all of the organization's equipment and utilities, contributing about $12,000 per year.

[5] John A. Walker College of Business, Appalachian State University, *The Economic Impact of Crafts*, 1995.

- Appalachian Regional Commission – Provides $100,000 that is "re-granted" to small communities for revitalization.
- North Carolina Community Development Initiative – $130,000 that is also "re-granted" to small communities for revitalization.
- North Carolina Department of Cultural Heritage – offers $20,000 that is used for educational programs.

One full-time staff member is responsible for both of the trails programs (described below). HandMade in America Services, Inc. is a 501(c)(4) that serves as the earned income subsidiary in which the sale of guidebooks, bulk mail, and consulting fees are deposited. The HandMade in America Foundation is a 501(c)(3) that works to promote crafts as educational curriculum and develops strategies to enhance the region on a national and international basis. Finally, the HandMade in America Community Development Corporation is a 501(c)(3) that implements environmentally sustainable economic strategies for the region that emphasize cultural and heritage tourism. Its partners include nearly 10 state departments and divisions and its strongest collaboration is with the State Department of Cultural Affairs.

Heritage and Eco-Tourism

Craft Heritage Trails of Western North Carolina: Started in 1996, the program incorporates 500 miles of trails throughout 22 western North Carolina counties. It was designed and designated by HandMade in America and a multi-county private sector association of tourism professionals, working together to promote the craft industry in the region. The Heritage Trails consist of seven self-guided tours: High Country Ramble, Circle the Mountain, Farm to Market, Mountain Cities, Cascades Trail, Shadow of the Smokies, and The Lake Country. Tours are directed through a 145-page book featuring more than 500 listings of craft studios, shops, galleries, and restaurants. The guidebook was updated in 1998, and the third edition will be available in Summer 2002 and will contain about 200 new listings.

Visitors generally come for a series of three-day weekends, and travelers go to the studios of artisans, crafters, galleries featuring local artists, restaurants, and lodging facilities with historic and cultural character. A breakdown of visitors by residence is as follows: Atlanta, 40%; Winston-Salem/Raleigh/Knoxville, 30%; Charlotte, 30%. Nearly all (95%) of trail visitors purchase a hand-made item. Of these purchasers, 11% spend more than $500, and 42% spend at least $200.

Garden and Countryside Trails: Started in January 2002, this program serves as a means of providing touring opportunities in the areas of horticulture, agriculture, and natural and heritage areas. It features six auto loop trails off of the Blue Ridge Parkway through 21 counties in Western North Carolina. A 240-page guidebook was developed in partnership with the North Carolina Cooperative Extension Service-NCSU and the Blue Ridge Heritage Initiative. The book features more than 500 natural attractions such as gardens, farms, orchards, restaurants serving local produce, walking trails, and bed and breakfasts. Another 1,100 potential sites have been inventoried for possible inclusion in a future second edition of the guidebook. HandMade

in America is currently developing packaged farm and garden tours to begin in late summer of 2002.

Sustainable Development

Small Town Revitalization Program: Launched in 1996 at request of communities along the Craft Heritage trails who wanted to revitalize their downtown areas but could not afford to participate in the National Main Street Program. For the past six years, a process of mentoring, technical assistance, self-help and learning from each other, has assisted 11 communities with a total investment of $25 million of private and public dollars. The program is partially funded through a grant from the Kathleen Price Bryan Family Fund. Since its inception, it has assisted in the renovation of 128 buildings and 1,992 facades, and community volunteers have contributed 139,000 hours of their time. In 1999, this program was selected by the Pew Partnership to participate in a documentary study called "Wanted: Solutions for America."

Landfill Gas Powered Studios: Partners with Blue Ridge Resource Conservation and Development Council, EnergyXchange, and Mayland Community College. Works to establish craft incubator studios powered by landfill methane gas from abandoned landfills in the region. Pilot project located at Yancey-Mitchell County landfill. Two studios provide space and equipment for artists who otherwise could not afford to start their own business, and a gallery opened on the site in fall 2001.

Production Weaving Cottage Industry: HandMade is working with the Appalachian Regional Commission and other partners to establish a customized skills training program in weaving and spinning for resident in a remote and rural community. The program has fostered a cottage industry where rural residents produce products in their own homes and sell them within an organized marketplace. This project will help to provide an anchor tenant at a potential small business incubator focusing on craft.

Education Initiatives

The ***Craft Across the Curriculum*** program offers hands-on workshops that unite teachers and local artists. The goal is to utilize craft heritage as a means of teaching math, language arts, science, and social sciences in the school system. The Center for Craft, Creativity and Design was established by HandMade and is now integrated as part of the University of North Carolina System. Located in Henderson County, its purpose is to incorporate the subject of craft into the university curricula.

Other Resources

The ***Craft Registry*** is a comprehensive computer database of craftspeople working in the region, and is designed to help connect these businesses with craft buyers, galleries, shops and museums. The organization works closely with businesses services such as the Mountain Microenterprise Fund and the Self-Help Credit Union. The crafts industry has access to various business development conferences and workshops. Building Creative Economies: The Arts, Entrepreneurship, and Sustainable Development in Appalachia will be offered in April 2002, and the Agri-Tourism Institute is scheduled for Fall 2002.

Publications include: *The Craft Heritage Trails of Western North Carolina* ($19.95); *Farms, Gardens and Countryside Trails of North Carolina* ($19.95); *Economic Impact of Craft in Western North Carolina* ($10.00); *Small Voice, Big Songs: A Story of American Renewal* ($18.00); and *Explorations in Community* ($3.00). Nearly 40,000 Heritage Trails and 1,000 Garden Trails guidebooks have been sold to date.

Bulk Mail Services provide affordable bulk mailing services to business owners, organizations, and individual residents in any of the 22 counties of Western North Carolina.

The organization's 20-year goals focus on creating sustainable economic development to provide business and financial support for craftspeople, nurture the region's craft culture through public relations and education, and maintain the area's rural quality of life. HandMade has been honored with several awards and has been featured in numerous local, regional and national mediums. HandMade estimates that their programs have contributed a $5 to $7 million economic impact in Western North Carolina. Nearly 5,000 regional residents are employed in the crafts industry with an annual median income of $34,000. According to a survey conducted by the Craft Organization Directors Association, the total impact of national craft sales is about $13.8 billion per year. There are approximately 126,000 craftspeople working in the U.S. with a median income of $50,000.[6]

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[6] Craft Organization Directors Association, *The Impact of Craft on the National Economy*, 2001.

Business Retention

Market Street Services, Inc.
change management for communities

March 11, 2002

BUSINESS RETENTION

Why is business retention important?

Programs and services focused on existing business are usually referred to as business retention programs. This label may seem misleading, since these efforts promote job growth and capital investment at existing businesses – not solely job retention. A highly utilized and proven statistic is that over 80% of all new jobs are created by businesses already established in a community, region, or state. Existing business development is a springboard for growth, change, economic expansion, and diversification.

Existing businesses should be viewed as a foundation for all economic development efforts, including state investment, job retention, and job creation efforts. A successful existing business program requires that relationships, networks, information, leadership, and cooperation are cultivated over a long-term period. Well-developed and effectively implemented existing business programs are difficult to sustain, but can help overall economic development efforts in numerous ways.

A powerful synergy exists between existing businesses and recruitment programs because the existing business programs clearly demonstrate to prospects how they will be valued after the "courtship" is over. Existing businesses can be the strongest ambassadors and salespeople when prospects come to town. Too often, however, recruitment and prospect marketing efforts are defined as separate endeavors, and existing businesses are overlooked while prospects are pursued.

Forging strong relationships with existing businesses can help communities prevent corporate downsizing through continuing assistance, or at the very least create the opportunity to be better prepared for such occurrences. The status of existing businesses can reflect the tone of the business climate. If resident firms are unhappy or feel ignored, it can foster the perception of a negative regional or state business climate. In addition to the direct benefits of assisting businesses and receiving feedback about current industry conditions, an ongoing interaction with the business community can offer the opportunity to monitor companies that have the potential for scaling back, relocating, or closing.

The trend in helping existing business is focusing on serving clusters or business sectors as well as individual firms. Establishing a more defined connection among business clusters – and filling a facilitation role – is many times the appropriate position for state government in expanding the economic base or heightening productivity levels in a region. States across the country are increasing their incentive packages and workforce development programs as a means of not only recruiting new industries but also holding onto their existing business clientele. Regional efforts are becoming a more common approach as many state programs realize the benefits of shared resources.

What are the key characteristics of successful business retention efforts?

- ✓ Encourage and facilitate development of business sector associations
- ✓ Serve regional major employers
- ✓ Ongoing strategic analysis and re-positioning
- ✓ Technical assistance through outreach services
- ✓ Continual collection of market intelligence
- ✓ Strengthen regional intermediaries
- ✓ Customer orientation
- ✓ Wholesaler position – not retailer
- ✓ Develop and use networks
- ✓ Build response capacity

Why were these highlighted programs selected?

1. ***Team Pennsylvania Business Calling Program*** – a proactive business retention strategy to meet identified needs and concerns of businesses through a partnership comprised of the Commonwealth, private industry, and community and economic development professionals.

2. ***Georgia Tech's Economic Development Institute (EDI)*** **–** brings the resources of the State's premier technical institute to support existing business through technical assistance and technology diffusion.

3. ***MarylandB2B.com*** – portrays progressive public/private state level partnership serving as a traditional buyer-supplier matching service with a new economy application.

4. ***Kentucky Cabinet for Economic Development: Existing Business Services*** **–** utilizes a regional approach to foster the retention and expansion of existing businesses through strategic planning, business visitation, alliance creation, and workforce development programs.

5. ***Mississippi Development Authority: Existing Industry and Business Division*** – demonstrates a state agency with a clear focus on existing business that represents established relationships and networks.

Team Pennsylvania (Team PA) Business Calling Program:

The Business Calling Program was initiated in 1997 as a function of Pennsylvania Department of Community and Economic Development (PDCED). The Team PA Foundation [7] is a public-private partnership between the Governor's office, local economic development organizations, and the Pennsylvania business community. It is staffed by two full-time employees and 10 regional coordinators. More than 120 professional interviewers are funded through the Department of Community and Economic Development. The program's annual budget is about $3.9 million.

The success of this initiative has been its ability to link the economic development efforts of local and state economic development organizations under a common brand, Team PA. The Business Calling Program is a pro-active business retention strategy to:

- Identify businesses' needs and concerns; and
- Meet those needs and concerns through a partnership comprised of the Commonwealth, private industry, and community and economic development professionals.

The program is distinguished not only for the information it generates, but also for the high degree of local and private sector involvement in regard to the structure, operations, and funding of state economic development programming and the commitment to leverage information in public policy development and service provision. The Governor's Action Team has a close relationship with Team PA and utilizes the 10 regions in its business marketing efforts. In addition, the Governor's Action Team assists local professionals in the regions with targeted retention and expansion projects.

Team PA was designed as an "umbrella" organization for all of the State's job retention and business expansion initiatives. The organization is governed by a 36-member Board of Directors with representation from the private sector, State departments, and elected officials. It is funded through State appropriations, grants, and private contributions. All private funds are collected by the Team PA Foundation, a 501(c)(3) corporation whose purpose is to increase private investment in economic development initiatives throughout the State. The goal of the foundation is to raise in excess of $10 million by the end of 2001. In addition to private funding, the Team PA Foundation received a State appropriation of about $5.6 million for 2001. The affiliates in the regions receive the majority of these funds in the form of an administrative grant from Team PA to manage each program. The amounts provided to each region vary based on the scope of work and services that are delivered by the regional affiliates.

[7] In 1997, three entities were established to improve business development and the effectiveness of economic development services in the state: Team PA (programs), Team PA Foundation (non-profit fundraising corporation), and the Governor's Action Team (high profile business development). After four years of successful operation, the Governor merged all of the Team PA operations into the Foundation and reaffirmed the partnership with PDCED in an executive order. The Governor's Action Team has been a unit of PDCED reporting to the Secretary since 1999.

The primary programs of Team PA are the:

- Business Calling Program;
- Business Resource Network;
- Cooperative Marketing;
- Ambassador Program;
- Workforce Investment Board;
- Entrepreneurial Assistance Network; and
- Export Assistance Network.

The centerpiece of the Team PA initiative has been the Business Calling Program, which is the primary business retention program administered through the regional network. Each of Team PA's 10 marketing regions customizes the Business Calling Program to meet local needs within the region while incorporating any existing business retention efforts. A team of 120 local economic development professionals conducts the interviews and a regional coordinator directs the Program's initiatives and reviews all the survey data for comprehensiveness and consistency. Although each regional coordinator has a significant degree of autonomy regarding implementation and program management, they report to the directors of the various programs of Team PA.

All interviews are confidential and information is aggregated before being made public. Interviewers use a standardized survey form that addresses the following areas:

- Company Profile;
- Products and Sales;
- Employment – numbers and skill needs;
- Facilities;
- Machinery and Equipment; and
- Local Services.

In the survey section on Local Services, the companies interviewed for the first time are asked to evaluate local infrastructure and utilities, and rank them from excellent, good, fair, or poor. Services assessed include roads, water ports, water and sewer, telecommunications, utilities, land use, and airports. In future years, follow-up interviews with companies will be conducted, including those firms whose issues were applicable to specific entities. These follow-up interviews will evaluate customer satisfaction with economic and workforce development programs. This information will be used to help map a strategy for future workforce and economic development efforts in each region across the State.

Once interviews have been completed, the information obtained is downloaded to the Business Calling Program database, which is the first of its kind in the nation. Data is analyzed to determine industry and geographic trends and to shape future policy. For example, the survey generates information not only about employment and investment, but also about sales trends and the location of suppliers and customers. This information has extensive value in that it:

- Provides current regional information about each region's economic base, business issues, and trends;
- Generates instantaneous e-mail referrals;
- Creates response business retention initiatives;
- Supplies baseline information for regular strategic assessments of the region's competitiveness;
- Uses the information in an aggregate format by professionals at both the State and regional levels to identify trends and issues that can affect future policy changes that assure continued improvements in Pennsylvania's business climate; and
- Creates publications available in hard copy and on-line that present regional summaries of the data collected from these surveys.

These interviews also have helped economic development professionals build relationships with the businesses in their respective regions. Such relationships have helped to improve the efforts of economic developers and provided businesses with better access to services, both at the State and local levels. An unplanned benefit of the Business Calling Program was that it required various economic development organizations to build teams, create a more open environment for information, and fundamentally change the way they do business.

In FY01, the Business Calling Program had a total budget of about $3.9 million. Since its inception, local economic development professionals have met with more than 25,000 Pennsylvania businesses with Team PA conducting 6,000 interviews during the past year. Performance measures are also used to evaluate the Program's success. Each region establishes goals regarding the volume of business calls to complete and signs a contract agreement with Team PA specifying their minimum performance levels. Based on the regional goals, Team PA sets a statewide objective for program calling volumes. Program efficiency is also measured through success stories focusing on retention, expansion, and partnership efforts.

Other business retention programs of Team PA include:

- *Business Resource Network* – a web site that provides access to all State, regional, and county data. It is promoted as the nation's first statewide library for economic development by providing a connection to databases and information about sites, communities, workforce issues, and business assistance in all 10 regions. Team PA is electronically linked to more than 1,000 service providers and acts in a "service referral" role to match business needs with the appropriate agency or organization.
- *Entrepreneurial Assistance Network* – encourages the creation and expansion of small businesses through training programs and a network of local economic development professionals.
- *Cooperative Marketing* – provides economic development agencies and the business community with the resources to promote the advantages of doing business in the State.

- *Export Assistance Network* – a network of 17 overseas offices that help companies expand there sales in international markets and works to recruit more businesses to the worldwide marketplace.
- *Ambassador Program* – employs business leaders and State officials as "ambassadors" for the Commonwealth.
- *CareerLink* – consolidates public and private resources to deliver one-stop services to business and job seekers for employment and training needs.
- *"Stay Invent the Future" Initiative* – attracts and retains talented young people to Pennsylvania by promoting the State as a great place to live, work, play, and prosper.

These networks and programs refine service offerings, develop online tools, communicate regarding best practices, and aim to deliver flexible, responsive services. Due largely to the partnership structure and well-developed online resources, the collaborative service delivery of Team PA and PDCED has matured to become a nearly seamless system.

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Georgia Institute of Technology
Economic Development Institute (EDI):

The Economic Development Institute is a unit of the Office of Economic Development and Technology Ventures (OEDTV) at the Georgia Institute of Technology (Georgia Tech) and serves as one of the statewide business and economic development service groups. Its mission is to foster job creation, provide support for businesses, and help communities prepare for future economic needs. Other units within the OEDTV are the Advanced Technology Development Center and VentureLab, a new initiative aimed at expanding technology commercialization from Georgia Tech research.

The FY01 operating budget for all EDI programs was $13.4 million of which 65% came from the State of Georgia, 24% came through federal grants and programs, and 11% was generated by private funds. The majority of funds (62%) were allocated towards assisting Georgia companies, 26% went towards growing new companies, and 12% was used to attract companies and prepare communities. EDI has a total of 145 staff members that include support and administration, Georgia Tech faculty, and students.

Since 1961, EDI has operated from 18 regional offices throughout the State, all located outside Atlanta. Regional offices help companies with plant layout, inventory control, automation, and other technical and managerial assistance. In FY01, EDI reorganized its regional structure to add seven new regional managers to provide a more comprehensive approach to serving the State's business, industry, communities, and economic developers. It realigned its statewide service regions to correspond with those used by other state agencies and organizations. The new structure is designed to "increase teamwork, communications, and the scope of services offered by specialists in regional offices and branches." Over the past two years, EDI has assisted more than 2,600 manufacturers, 125 new enterprises, and 100 communities around the State.

Business and Industry Services (BIS) is one of three operating units within EDI, and offers an array of services with a common objective: to promote the growth of business and industry in Georgia. This unit had a FY01 budget of $12 million, which is nearly 90% of EDI's total budget. BIS provides training, technical assistance, and assessments to manufacturers, service companies, educational organizations, and other industry groups. Staff includes over 125 engineers, business strategists, researchers, quality and energy auditors, lean manufacturing practitioners, information technology and environmental professionals, and training and documentation specialists.

BIS staff members supply services in seven primary areas:

- *Energy Management* – The efficient use of energy and raw materials can greatly reduce a plant's operating costs, make it globally competitive, and lower the local environmental impact of manufacturing processes. Manufacturers can receive training, auditing, detailed assessments, and issue-specific technical assistance as a means of managing their energy programs. The Industry Assessment Center (IAC), which is part of BIS, provides free assessments to small- and mid-sized manufacturers to help them maximize their productivity. An IAC team conducts a one or two day site visit, compiles a detailed report including

recommendations, and assesses implementation. Companies who have utilized these recommendations have experienced an average utility cost savings of 10%.

- *Environmental Management* – Environmental staff provide assistance and training to industries to help minimize waste, improve the work environment, and implement programs such as ISO14000. They conduct assessments including: ISO 14000 or IMS Gap Analyses; ISO 14000 or IMS Baseline Audits; ISO 14001 or IMS Pre-assessment Audits; and Waste Minimization Audits. Technical assistance is also offered by The Georgia Environmental Partnership (GEP), which is made up of EDI, the Georgia Department of Natural Resource's Pollution Prevention Assistance Division, and the University of Georgia Department of Agriculture, and Biological Engineering. GEP sponsors quarterly meetings around the State to offer technical information to businesses regarding relevant environmental regulations and issues.

- *Information Technology* – Information Technology (IT) expertise is offered through the Center for Manufacturing Information Technology (CMIT), which is a unit of EDI. Manufacturers can be trained to apply computer-based solutions to specific problems and learn of issues associated with technology implementation. CMIT and Georgia Power's Technology Application Center have partnered to provide a facility demonstrating state-of-the-art manufacturing technology and are striving to become a "virtual teaching factory." IT engineering staff assists businesses through software demonstrations, e-commerce applications, and seminars and workshops.

- *Lean Enterprise* – More commonly referred to as "lean manufacturing," the Lean Enterprise concept focuses on optimizing performance through the reduction of human effort, capital investment, floor space, materials, and time in all aspects of operations. A complete lean curriculum utilizes classroom training, hands-on applications, plant floor exercises, and live simulations. Lean Enterprise Assessments identify areas where lean practices can improve operations and determine the best approach for implementation.

- *Marketing and Strategic Planning* – Business strategists and market planners assist companies in identifying their strengths and weaknesses, recognize funding sources, and help them plan and implement their growth strategies. Through EDI's Procurement Assistance Center, businesses receive marketing and government procurement technical assistance. EDI staff provides information on marketing products and services, offers the necessary forms for government/contractor bidders lists, and conducts seminars to assist contractor personnel in better understanding the procurement process.

  In addition, the BIS unit is affiliated with two NASA programs that help small businesses through grant funding and licensing of NASA-developed technologies. Financial assistance is offered through Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) funding. Applicants can receive up to $670,000 in capital to develop innovative concepts or joint research and development projects.

- *Process Productivity* – A recent survey conducted by EDI determined that 55% of manufacturers identified human resources issues as their top concern. Human Resource Development Training is available through public and on-site workshops. Other services include the development of full company assessments, employee opinion surveys, and training needs assessments. Technical assistance is provided in the areas of operations improvement, product modification, and manufacturing technology.

- *Quality and International Standards* – This program offers technical expertise to help businesses meet global quality standards as a means of remaining competitive in the global market. Through the Georgia Tech Center for International Standards and Quality (CISQ), businesses can participate in comprehensive training programs that focus on ISO 9000, ISO 14000, and CE Marking (the "European conformity" mark required for certain types of exporters). Businesses can also receive gap analyses, baseline audits, and pre-assessment audits regarding their quality systems and readiness for registration. In the State of Georgia, more than half of the companies registered for ISO 9000 had utilized these services. Since 1991, EDI and CISQ have assisted more than 10,000 individuals and 2,500 companies worldwide.

EDI's Business Services also offers specialized assistance including plant layout and equipment design. Other EDI service units are:

The Center for Economic Development Services provides services in the areas of research, professional development, and community economic development. Professional development courses and workshops help economic and community development professionals expand their skills and keep current with new trends and technologies.

The Advanced Technology Development Center (ATDC) works to accelerate the formation and growth of technology-based businesses in the State. The center provides start-up support for early-stage advanced technology companies. They offer business consulting, contacts with potential investors, and quality office space with flexible lease terms.

The Economic Development Institute maintains a strong working relationship with the manufacturing community as well as local, regional, and statewide economic developers and organizations. Coordination also occurs with the Departments of Community Affairs, Technical and Adult Education, Natural Resources, Environmental Facilities Authority, and Forestry Commission. EDI collaborates at the federal level with the Departments of Commerce, Defense, and Interior; U.S. Army; and NASA.

The Institute also hosts the Southeastern Trade Adjustment Assistance Center (SETAAC) at Georgia Tech that is a non-profit that serves an eight-state region. Center staff assists companies with productivity and competition improvement.

Georgia companies that received assistance through EDI's business services programs in FY2001 reported the following results:

- Customers served through projects, technical assists, counseling sessions, and information assists totaled 1,220;
- Of these customers, 91% took action on EDI recommendations, 32% reported jobs created or retained, and 44% experienced increased sales or cost savings;
- Companies helped by procurement assistance services received more than $197 million in new government contracts;
- Over 8,000 participants attended 200 training events, workshops, and network meetings; and
- Helped attract more than $41.8 million in new capital investment and helped create or save 662 jobs statewide.

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MarylandB2B.com:

MarylandB2B.com is an online B2B (business-to-business) marketplace for Maryland businesses to help them expand their global market share. MarylandB2B.com's mission is "to be an online community promoting business and economic development throughout the State of Maryland." It was established in 1998 by the Maryland Information Technology Center (MITC), a 501 (c)(3) organization that furthers technology incentives and development in the State of Maryland. MarylandB2B.com is an e-commerce network that provides Maryland companies with access to business contacts (buyers, suppliers, partners), market and industry information, discussion forums on emerging technologies, auctions, a career center, and buyer guides.

The following are the goals of MarylandB2B.com.:

- Promote existing Maryland companies within the global marketplace;
- Support online transactions with Maryland-based companies;
- Promote employment opportunities to help Maryland-based companies find qualified employees;
- Build e-commerce communities through discussion lists, chats, and promotion of events;
- Attract new companies to move to the State;
- Inform the business community about state, county and local resources; and
- Promote educational, medical, and research institutions.

The site includes a comprehensive, searchable business directory of more than 6,000 Maryland companies sorted by category and keyword. It also contains continuously updated business and financial news about Maryland-based companies. The website offers services beyond the matching or partnering service provided through the extensive database. Other services include major news stories, trends in e-commerce and in Maryland industries, and tips on how to get involved in e-commerce. There are also reports that center on the following:

- The best Maryland companies and resources, particularly highlighting specialties of the State, including world class companies, specially certified companies and individuals, minority businesses, preferred vendors of the State, international initiatives, research facilities, tax and legal issues/advantages and procurement requests;
- How every industry in the Maryland economy is being affected by the Internet and e-commerce;
- Updates on the Maryland Internet Strategy Roundtable including business leaders, scientists, engineers, procurement managers, operation managers, healthcare professionals, and others in a dialogue about ways to make Maryland stronger in the global digital economy; and
- A calendar of networking and educational sessions.

MarylandB2B.com was originally formed as a partnership between MITC and VerticalNet, Inc. The mission of the MITC is "to help bring the benefits of new technologies such as the Internet

and e-commerce to all of Maryland's constituents." MITC's role is as facilitator and expeditor to provide "fast track" access to new technology. It works on issue-oriented efforts with various State departments, technical councils, and chambers of commerce. Funding to support MITC's activities, including MarylandB2B.com, is provided through revenues generated by the annual Maryland Technology Showcase and contracting with specific technology-based projects.

The President of MITC has stated, "With the addition of this state orientation to the vertical business-to-business marketplace, Maryland business will be better able to compete in the emerging global business community." While many might indicate that e-commerce lessens the importance of geographical or a statewide focus, MarylandB2B.com cites several reasons for the program's success within State boundaries:

- people look for local or neighboring jobs;
- professional service providers are licensed on a statewide basis;
- the State supports universities, research labs, and other community infrastructure; and
- shipping times and charges are dictated by physical distances.

MIT is currently assisting the State in developing a high level, technological framework for citizens throughout Maryland. This will include the integration of three existing online services: MarylandB2B.com, E-Maryland Marketplace, and onemaryland.com.

- *Maryland B2B.com* serves as the commercial component of this system as it continues to support access to resources for statewide businesses.
- *e-Maryland Marketplace* allows suppliers to trade more efficiently with State agencies, resulting in reduced maintenance costs and paperwork reduction. Companies interested in State procurement pay $150-$225 for inclusion in a product catalogue issued to the State.
- *Onemaryland.com* is a new State website that uses "virtual agencies" to assist citizens and businesses in finding information ranging from health issues to opening a business.

This integrated system should be in place by the end of 2002. According to a recent report from Harvard University, B2B e-commerce in the United States is expected to exceed $3 trillion by the end of 2003.[8] Karen Jagoda, President and COO of Turtlesnap, Inc., in Baltimore runs Maryland B2B. Ms. Jagoda was the principle creator and architect on Maryland B2B.

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[8] Harvard University, "*The Global Information Technology Report 2001-2002: Readiness for the Networked World.*"

Kentucky Cabinet for Economic Development
Existing Business Services:

The Kentucky Cabinet for Economic Development (KCED) is one of 14 different cabinets under the authority of the Secretary of the Executive Cabinet. In 1992, Kentucky reorganized its strategic approach to economic development when the General Assembly created the Kentucky Economic Development Partnership Board to direct the State's economic development efforts. The Partnership adopted the Kentucky Strategic Plan for Economic Development in 1994. This was later revised in 1997, and in 2001, the Partnership again began to revise the plan's economic development goals for 2002-2006. Programs administered by the Cabinet are designed to support economic development efforts within the State primarily through supporting the development of existing industries, assisting communities in preparing for economic opportunities, and attracting new industries to Kentucky. The KCED currently has 166 staff members with an annual budget of $18.6 million.

The Cabinet's programs are offered through seven offices and departments: Office of the New Economy; Department of Administration and Support; Department for Business Development; Department for Coal County Development; Department of Community Development; and Department of Financial Incentives. Services directed towards existing businesses include site location; business expansion; business technology; education and training; and incentives and financial programs. Although the State's economic regional offices are primarily responsible for business retention efforts, they are supported by other programs that foster the success of existing business within Kentucky.

Regional Offices

One of the results of the Economic Development strategic plan was the creation of three regional offices that are a part of the first Department of Community Development. Established in 1992, regional offices are located in Prestonsburg, Frankfort, and Madisonville, and each is responsible for about a third of the State's 120 counties. Existing businesses are the primary client of the regional offices, and representatives regularly interact with them through industry calls and specific expansion or retention projects. This regional approach allows staff to become familiar with the economic development needs of area businesses, communities, and local leaders.

The major retention and expansion responsibilities of the regional offices are:

- Traveling throughout the State to coordinate projects requiring State assistance;
- Conducting industry visits to major employers;
- Managing industry expansion projects; and
- Providing access to financial and loan incentive programs for job creation and expansion activities.

All three regions have a director who reports to the Deputy Commissioner of Community Development plus five professional staff members. The staff is trained as economic development generalists and must have a command of the Cabinet's various programs.

The regional economic offices are funded entirely by State appropriations. About $1.1 million was allocated in FY01, and these funds cover the administrative and operating expenses of the offices. The economic development programs and activities of the regional offices are financed through individual programs offered by KCED and funding mechanisms like the Kentucky Economic Development Finance Authority. One of the distinguishing elements of the regional economic development offices is the clarity of the roles and responsibilities between offices and other KCED departments.

The Industry Call Program is a primary function of the regional offices, and in 2000, more than 1,800 industry calls were conducted. Each office is tracked on the number of industry calls, local government visits, and expansion projects that are handled by regional staff. This information is part of the reporting required by the KCED and Kentucky Partnership for Economic Development in the Statewide Strategic Plan. Aside from the retention efforts offered by the regional offices, KCED staff manages other services that benefit existing businesses in the State. These programs include procurement, technology and workforce development initiatives.

The Kentucky Procurement Assistance Program (KPAP)

KPAP is a business assistance program of KCED that helps Kentucky businesses sell their products and services to federal, State, and local governments. It is primarily targeted towards the manufacturing, construction, commercial service, and wholesale sectors. Assistance is provided in the areas of marketing, proposal development, specifications and standards, and training. KPAP will also match companies with the federal government buying offices that typically purchase their types of products and services. The Central Service Center is located in Frankfort, with additional centers in Hopkinsville and Louisville. The program is funded by KCED and the Defense Logistics Agency in the U.S. Department of Defense.

The Business and Technology Branch

The Business and Technology Branch educates Kentucky businesses on ways they can integrate new technology into their operations. For example, the Kentucky Networking Initiative is a "virtual corporation" that builds flexible manufacturing networks that allow businesses to access information, expertise, other networks, financial assistance, and training. These networks emphasize knowledge sharing and relationship building to increase their competitiveness.

The Kentucky Manufacturing Assistance Center is a private, not-for-profit corporation that provides a wide variety of best business practices and technical services designed to help increase the competitiveness of Kentucky's small and medium-sized manufacturers. By working in public/private partnerships, this branch increases the technological proficiency of state businesses.

Bluegrass State Skills Corporation (BSSC)

The BSSC was established in 1984 by the General Assembly as an independent corporation to stimulate economic development through customized business and industry specific skills training programs. It is attached to the Cabinet for Economic Development's Department of Financial Incentives for administrative purposes and is governed by an 18-member Board of Directors. A total of seven full-time staff members operate under an annual budget of $5.1

million. In cooperation and coordination with other state employment and training organizations, the BSSC customizes a comprehensive program of skills training services for new, expanding, and existing industries. The BSSC's four main functions are to:

- Administer and fund Kentucky's customized business and industry specific training efforts through training agreements for Grant-in-Aid and Skills Training Investment Credit projects that are approved by the BSSC Board of Directors;
- Act as a broker by coordinating the resources of providers of skills training and employment services;
- Facilitate the creation of public/private partnerships through education and training programs designed to meet unfilled training needs of individual and multiple (training consortia) company training projects; and
- Administer any special State appropriation for customized business and industry specific training.

Skills Investment Training Credit: an economic development initiative that helps existing companies in developing a skilled workforce. Companies can recover half of their approved training costs through an income tax credit of $500 per employee.

Grant in Aid Program: industry specific training efforts through grants approved by the Board of the BSSC. The BSSC facilitates and funds new training programs and administers special State appropriations for training. Eligible training includes pre-employment skills training, entry-level skills training, skills upgrade training, and occupational upgrade training. Companies must commit to place successful program graduates into higher paying jobs that include at least a five percent wage increase. In February 2001, the BSSC approved about $1.1 million in worker training grants. Through 39 projects, nearly 7,000 workers received entry level, skills upgrade, or related skills training.

Between 1998 and 2001, the State's retention efforts resulted in more than 457 firm expansions that created over 17,000 new jobs and more than $2 billion in new investment. The latest efforts are currently underway to update the existing Economic Development Strategic Plan. One of the objectives being considered for the updated plan is a review of all State incentive programs with a focus on increasing wages. In addition, the strategic planning activities of other State agencies will be included as part of the plan.

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Mississippi Development Authority
Existing Industry and Business Division:

The Mississippi Development Authority (MDA), formerly called the Mississippi Department of Economic and Community Development, received its new name as a result of the Advantage Mississippi Initiative of 2000. The MDA is the State's primary agency for economic development activities and is funded through State appropriations and federal funds. The MDA total budget for FY01 was over $130 million with a State appropriation of about $28.7 million. Currently the Authority has 340 staff members.

The Advantage Mississippi Initiative was introduced into legislation by Governor Ronnie Musgrove in August 2000 as the State's vision for economic growth and prosperity. The purpose of the initiative is to restructure the State's economic strategy to make Mississippi competitive in the New Economy. Key elements of the initiative include:

- Mississippi Advantage Jobs Act – allows qualifying businesses to receive up to 4% of their employees' wages back at the end of each quarter as a rebate from the Mississippi Tax Commission.
- Growth and Prosperity Act – provides 10-year tax exemptions (excluding school taxes) to qualifying companies locating in designated counties.
- Tax Credit Amendments – offers a variety of tax credit incentives targeting high-tech, research, and higher-paying jobs.
- Workforce Training and Retraining – allows flexibility for the State to make multi-year commitments for workforce training and retention support.

The Initiative places a priority on access to technology, the support of community and rural development, and programs for existing business and industry. It capitalizes on the State's university-based research in polymer science, engineering, acoustics, and other areas to assist related business development. The MDA is responsible for implementing the Initiative by incorporating its components into their existing programs and creating new programs.

The Authority's programs are delivered through the following divisions:

Economic Development
Existing Industry and Business
Financial Resources
International Development
National Development
Minority Business Enterprise
Tourism

Community Development
Community Services
Employment Training
Energy
Administration

The MDA not only strives to attract new industry to Mississippi, but also fosters the growth of businesses already operating within the State. The Existing Industry and Business Division works with companies through three primary programs: Industry Liaison Bureau, Industry Assistance Bureau, and Industry Resources Bureau.

The Industry Liaison Bureau

The regional framework of the MDA was adopted in 1989 with five regional offices serving the State's 81 counties. During the past six years, the regional boundaries have become conterminous with the State's 10 Planning and Development Districts. Staff located at the agency's eight field offices markets the State's resources to manufacturers and major commercial businesses throughout the State. Offices are located in Jackson, Meridian, Greenwood, Tupelo, Senatobia, Summit, Hattiesburg, and Biloxi. A statewide visitation program coordinated with the economic development community ensures regular contact and dialogue with industry, and enables state and local developers to identify and meet the needs of business in a timely manner. A representative from the Community Services Division, Existing Industry and Business Division, and an administrative assistant are housed in the seven regional offices, and the central office services the capital region in Jackson.

The four primary functions of the regional offices are to assist existing businesses, promote new business attraction, provide community development and local capacity building, and offer leadership development. Existing Industry representatives serve as the direct liaison to existing businesses in the region and provide assistance for expansion and retention efforts. The primary activities entail calling on these businesses and responding to problems such as a potential downsizing or closure. During 2000, approximately 4,800 industry calls were made across Mississippi.

The Industry Assistance Bureau

This Bureau promotes growth in the State's business sector by providing management and technical services to new and expanding businesses in the State. It assists companies in improving their profitability, increasing jobs and payroll, and works to foster investment in Mississippi businesses and industry.

One-on-one counseling and information services are offered free of charge for existing firms or individuals interested in starting a business. Manufacturing and commercial firms are the primary clients of the Bureau. Services provided include:

Finance and Accounting – analyze financial statements; recommend financing sources; assist with loan applications; advise on capital budgeting; help with financial projects; and provide input on accounting systems.

Marketing – assist in identifying markets; counsel on forecasting sales; advise on marketing strategies; identify potential customers; assist with market surveys; and provide input on new product ideas.

General – assist in business plan development; counsel on business strategies; analyze management strengths and weaknesses; and identify critical factors.

Industry Resources Bureau

The Industry Resources Bureau provides resource and marketing information and materials to MDA divisions as well as economic and community development practitioners at the local level. This bureau maintains extensive resource materials such as demographic data, industry reports, census statistics, business management guides, franchising information, market statistics and an assortment of manufacturing and association directories. One of the Bureau's major projects is the annual Manufacturers Cross-Match database that identifies potential markets and suppliers within the State, and monitors the products produced and purchased by 3,200 manufacturers statewide. The Bureau also sustains a complete inventory of available buildings and industrial sites. Companies can search for qualified job applicants through the Resume Cross-Match Service Program.

The Developers Resource Library has various publications targeted towards economic development professionals that are available in printed and electronic form. Some information is now being purchased on CD-ROM and a stand-alone terminal is available in the Library for developers to use. The library is open daily from 8:00 a.m. to 5:00 p.m. and is located on the 17th floor of the Walter Sillers Building in Jackson.

In addition, the Industry Resources Bureau organizes and hosts the Mississippi Market wholesale show each year for Mississippi businesses. Started in 1996, The Mississippi Market provides an opportunity for Mississippi companies to exhibit their products and services before hundreds of buyers. Held each June in Jackson, this wholesale show is open to exhibition by Mississippi companies exclusively. The Market offers sales opportunities for Mississippi manufacturers, professional craftsmen, wholesalers, and service providers. Professional buyers representing more than 30,000 retail stores throughout the State and the Southeast are invited to attend the Market. There were approximately 150 exhibitors at the Fifth Annual Mississippi Market in August 2001. Attendance is open to retail and corporate buyers only, and about 1,200 buyers passed through the Market in 2001.

The division currently has 26 staff members and an annual operating budget of about $2 million. Approximately 40% of the total budget is designated towards the regional field office operations.

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Business Recruitment

Market Street Services, Inc.
change management for communities

March 11, 2002

BUSINESS RECRUITMENT

Why is business recruitment important?

The free market economy is always in transition: industries grow and decline, firms go through a life cycle, and the pace of change keeps accelerating. A comprehensive economic development strategy addresses the need for new businesses through entrepreneurial support programs – which are discussed earlier in this report, and recruiting efforts. Recruitment is a highly competitive activity as states and localities try to attract major investments and job creation.

To support recruitment efforts and remain competitive, most states offer a package of incentives that are in line with those packages in competing states. Incentives are viewed as investments in the future and, like any investment, should be assessed on their likely return to the investor. There have been a few highly publicized instances of incentives proving to be poor investments and as a result, performance contracts that require businesses to uphold their end of the bargain in order to receive promised incentives are gaining in popularity. Similarly, state recruiters assure prospects that they will put the promised state incentive package "in writing."

Financial incentives encompass provisions that reduce a firm's tax burden and assistance with initial investment in land acquisition, site preparation, and building. The emphasis on workforce skills in the new economy has raised the profile of training incentives, and states are defraying or totally reducing costs of training workers for newly created jobs both pre- and post-employment.

A recent report from the Institute on Taxation and Economic Policy found that the use of incentives expanded greatly between 1980 and 2000, and large employers have become aggressive in seeking them. A parallel trend is that governments providing incentives are demanding more for their investment and tying at least some incentives to job quality as indicated by wages paid.

While incentives get the most publicity, they are just a small part of a total recruitment program. The first responsibility of a recruitment program is to ensure that accurate and complete information about doing business in the state is quickly and easily available to prospects and site consultants.

- Marketing efforts put information about the state's competitive strengths as a business location in front of as large an audience as possible.
- Increasingly, businesses looking for locations and site consultants start their research with the state's website, where they get not only information, but also the very important first impression.
- The most effective marketing media is word-of-mouth from credible sources. Executives from businesses already in the state have proven to be excellent ambassadors for recruiting other firms – particularly in their industry.

What are the key characteristics of successful recruitment efforts?

- ✓ Public-private partnership structure
- ✓ Strategic vision and target industries
- ✓ Frequent evaluation and re-evaluation of business climate policy and objectives
- ✓ Wage and employment sensitive incentives tied to performance
- ✓ A parallel commitment to support existing business
- ✓ Closely coordinated with other economic and workforce development efforts
- ✓ Collaborative with regional and local economic development entities
- ✓ Cost Benefit Analysis and strategic decisions
- ✓ Priority given to website development and innovation
- ✓ Customer-focused and customized assistance to business
- ✓ A commitment to improve and market "the product"

Why were these highlighted programs selected?

1. ***Team South Carolina*** – a successful industry recruitment program built upon strong state staff capacity, strategic decisions, and culture of collaboration.

2. ***Michigan Economic Development Corporation*** – uses information technology effectively to deliver efficient, customized services to prospects and existing business.

3. ***Kentucky Cabinet for Economic Development*** – an organizational structure that shields the Cabinet from politics, and has a strongly focused recruiting effort driven by a public-private strategic planning process.

4. ***Illinois Department of Commerce and Community Affairs*** – as one of the nation's top economic development recruiters, Illinois is an aggressive competitor and marketing organization.

5. ***Kansas Department of Commerce and Housing*** – utilizes a teamwork approach and a network of national and international field offices to recruit and assist clients.

Team South Carolina:

South Carolina has built its industry recruitment program on strong staff capacity with state level expertise bolstered by local economic development professionals and a network of allies. The strategy has been successful. In the last decade South Carolina has lost 100,000 jobs due to modernization of the textile and apparel industries and closure or cutback at government facilities. Those job losses have been countered with 110,000 new jobs, and $28 billion in business investment created since 1995 through the State's recruitment efforts.

Team South Carolina is an acknowledgement of the State's commitment to an economic development process that is inclusive, professional, and well coordinated. South Carolina recognizes that a successful state economic development recruitment program requires the planned efforts of both the State Department of Commerce and an extensive network of allies that includes local economic developers, utility representatives, real estate professionals, and other state agencies. Team South Carolina is not an organization but rather a concept that unites the State's economic development community behind the Department of Commerce in an effort to service clients in an effective and timely manner.

Organization

The Department of Commerce is South Carolina's lead agency for the growth and development of business and industry. The South Carolina Department of Commerce's mission is "...in partnership with our communities, will be the nation's most effective organization for locating new, quality investments and expanding existing investments to create wealth and help achieve the highest quality of life for all South Carolinians." It is one of 13 state agencies that make up the Governor's Cabinet, and has the direct responsibility to shape the State's economic vision. Under the leadership of a Secretary of Commerce the agency enjoys a reputation as one of the nation's most successful economic development organizations.

Management and Staff

The Department of Commerce's Chief of Staff who serves as the agency's Chief Operating Officer handles the day-to-day management of Team South Carolina. The organization has 10 divisions, and also maintains the State's Public Railways and Aeronautics Offices, the South Carolina Film Office, and the South Carolina Coordinating Council. The main office of the Department of Commerce is located in Columbia, South Carolina. There are branch offices in Aiken, South Carolina; Munich, Germany; and Tokyo, Japan. The organization has approximately 170 employees, and of these, 18 are directly in the recruitment of business. They are part of the Global Business Development Division that includes International Business Development, National Business Development, Existing Industry Expansion, and Technology Intensive Industry. Team South Carolina is supported by a 13 person research staff that assists in the recruitment of industry through the completion of research and development of presentations.

Budget

Team South Carolina has a budget of $13 million and is funded by State appropriations. The Department's business recruitment, research, and marketing efforts account for just over 25% of the total budget. In addition to this funding, the Palmetto Foundation, a private, nonprofit,

independent group that was founded by the State's business community, is utilized to support certain special events and activities on behalf of the Department of Commerce.

Recruitment Services and Programs

Prospects are assigned to a Project Manager who acts as a single point of contact for the client. A team is assembled of State and local resources based on the specific requirements of each project. South Carolina's continued success in business development can be contributed in large part to this team approach that the State has adopted. Each prospect is courted in a customized process that pulls together the relevant staff expertise: specialists in energy, financing, transportation and distribution, and engineering. There is close cooperation between State and local economic development professionals as well as with the private sector members of Team South Carolina.

Another cornerstone of the Team South Carolina process is the commitment to provide relevant information as quickly as possible. In addition to personal interaction with project staff, prospects have access to detailed information through the Department of Commerce and Team South Carolina websites. To help firms assess the availability of suppliers and support services in potential locations, South Carolina has compiled a database that gives the company name, location, and products for metalworking, computer software and services firms. Information about firms and their products and services in other industries is available through an on-line product query as well as in directories and industry-specific publications. Another database allows prospective companies to search online for facilities that are available in the State. The sites are designed to provide easily accessible information for prospects to use in the selection process in addition, to the research staff mentioned previously. The Department of Commerce utilizes a staff of 14 Information Technology, database management, and research personnel to maintain and update the websites. The following is a partial list of the information available through the websites:

- Available Properties;
- Industry Directories and Industry-Specific Publications;
- Metalworking Industry Search;
- Computer Software/Services Search;
- Search for South Carolina Products;
- Transportation and Infrastructure;
- Economic and Demographic Data, including labor force statistics;
- Links to the South Carolina Research Authority;
- New and Existing Firm Announcements;
- International Performance - Exporting and Foreign-based Investment;
- Regional and Community Information Maps;
- Worker Training;
- Technical Schools and Special Schools Worker Training;
- Information on tax incentives and exemptions; and
- Enterprise Zone Job Development Program.

The State is also enhancing teamwork by helping communities develop their economic capacity, from strategic planning to construction of speculative buildings. Through its Community and

Rural Development Division, the Coordinating Council for Economic Development, and the Office of Community Grant Programs, the Department of Commerce assists communities across the State in developing the capacity to needed to attract quality economic development.

Another example of the Team South Carolina concept is the South Carolina Economic Developer's School (SCEDS). SCEDS is a unique partnership of the Governor's Office, the South Carolina Department of Commerce, the South Carolina Economic Developers' Association, and the University of Charleston. The purpose of SCEDS is to educate those who support the economic development professionals in their communities. These supporters come from a wide variety of organizations including city and county councils, school boards, utility companies, local government, banks and others. Practitioners and academicians make up the faculty. They focus on the knowledge and tools that will help South Carolina compete in today's tough economic development environment. SCEDS consists of four sessions each year, which cover different aspects of economic development. Graduates receive a certificate for attending all four sessions. This collaborative has recently been expanded to include an Advanced Economic Development Symposium. This course is designed for the State's economic development practioners and focuses on issues that will help them, and by extension, South Carolina remain, competitive.

All of these factors contribute to a culture of teamwork that starts with the Department of Commerce and ends with the State's local developers. Companies considering South Carolina will find a similar level of knowledge and professionalism with every part of the team: Department of Commerce, State agency personnel, local developers, elected officials, or other allies.

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Michigan Economic Development Corporation:

Michigan's economic development efforts in the recruitment arena are among the most aggressive in the country. The State led the United States for five consecutive years in the amount of major new business expansions. The State has worked hard to create a system that values on-going customer service, commitment to attract a diversity of businesses, and access to information and resources that will help businesses stay competitive.

Michigan's community and economic development delivery system has changed substantially during the past eight years. In April 1999, Governor John Engler dismantled the Michigan Jobs Commission, a superagency that he had created by consolidating previous state development agencies in 1994. The reorganization transferred the Jobs Commission's workforce development functions to the new Michigan Department of Career Development and economic development functions to the pre-existing Michigan Strategic Fund (MSF). A private entity, the Michigan Economic Development Corporation, was then established to administer the programs and funding of the newly expanded Michigan Strategic Fund.

Organization

The State of Michigan's primary economic development agency is the Michigan Economic Development Corporation (MEDC), a 501(c)3 non-profit organization created in 1999 to take over the economic development functions of the Michigan Jobs Commission. MEDC's primary mission is to partner with businesses, local governments, economic development agencies, and state colleges to attract, retain, and grow more high skill, high wage jobs in Michigan. MEDC is responsible for all of the State's business and economic development roles, from client handling and existing business support to administering Community Development Block Grant (CDBG) funds for infrastructure development. MEDC also contains Travel Michigan, the State's official tourism promotion agency. This private corporation is characterized by its business-like customer-service, focus on technology, emerging business sectors, and innovative programs.

For both existing and potential businesses, MEDC is the single point of contact for assistance. MEDC has final decision-making authority for nearly all Michigan incentives for new business location and existing business expansion. It is also the channel for continuous improvement of the State's business climate, and the commitment to continuous improvement is applied to its own activities.

Michigan formally created MEDC when the State established a 10-year partnership agreement with local economic development corporations. Under this charter agreement, MEDC became a separate legal entity charged with coordinating and advancing economic development statewide. MEDC is governed by a 17-member Board of Directors appointed by the Governor, who serves as the General Chair of the Board. Subsequently, the State has entered into separate agreements with over 70 interlocal and corporate partners.[9] These agreements formally state each party's interest in collaborating to meet shared economic development goals. There are not any

[9] "Interlocal" partners are public economic development agencies while "corporate" partners are non-profit economic development organizations or private businesses. As of February 2002, there were 51 Interlocal partners and 23 corporate partners (2 of which were companies).

mandatory funding contributions or service commitments for either party under the agreement. MEDC's unique structure is designed to enhance the long-term continuity, flexibility, and effectiveness of state economic development efforts by linking local communities, responsive statewide programming and services, and state resources.

Management and Staff

MEDC has 240 total staff at present. The organizational structure resembles a private enterprise with a President & CEO as the executive-in-charge, a Chief Operating Officer (COO), and Vice Presidents managing the four operating divisions. The President and CEO also serves an additional fiduciary role as the President of the Michigan Strategic Fund. The operating divisions are Business Development, Business and Community Services, Administration, Corporate & Legal Affairs, and Strategic Initiatives. Each division reports to the COO. The COO and the Public Affairs Office (including tourism promotions) report directly to the President and CEO. The staff is almost entirely located in the headquarters office in Lansing. MEDC maintains three international offices in Mexico, Japan, and China, and has shared offices in Canada and South Africa through the Council of Great Lakes Governors.

Budget

The Michigan Strategic Fund (MSF) is the designated funding entity for statewide economic development programs. MEDC administers and coordinates these economic development programs as the State's lead economic development agency. In 2001, MSF had a total budget of $169.1 million. A review of the funding sources shows that they are well balanced. State appropriations accounted for 39% of the budget; corporate contributions to MEDC accounted for 20% at $34.4 million; and federal funding represented 41% of the total budget.

Recruitment Services and Programs

The core of MEDC's operations are its business development activities conducted in cooperation with local communities. MEDC serves as the one-stop resource for expanding businesses and local communities seeking new investment and development. In terms of business services, Michigan's service delivery system is based upon effective account management. MEDC has a staff of 30 account managers who operate out of their homes throughout the State in assigned regions. MEDC views the account managers as service providers, consultants, and the frontline sales force. An account manager serves as the single point of contact for each business inquiry and coordinates the delivery of State and local services to that account. Account managers work closely with local governments, utilities, consultants, local economic developers, and other state agencies to meet the specific needs of each business. The account manager is also responsible for advising businesses regarding MEDC's full portfolio of business services. MEDC account managers are supported by a team of specialists that provide expert assistance as needed. The account managers are accessible all day, every day via phone and e-mail. Like the rest of the MEDC staff, account managers also operate under the MEDC customer service guarantee.

Annually the MEDC account management system serves between 4,000 and 5,000 businesses and reports a 99% customer satisfaction rating. Michigan's account management system makes it stand apart from other states when competing for new business expansions. Some of the

programs that have contributed to the State's improved results regarding business retention and attraction are:

- *Michigan's Renaissance Zones* Program offers businesses locating in any urban, rural, or military enterprise zones nearly tax-free status from state and local taxes.

- Created by MEDC, the Michigan Economic Developers Association, and a major utility, the *Michigan Site Network (MISITENET)* is a 501(c)3 corporation established to maintain an online industrial site database. In addition to detailed graphics and information on individual sites, industrial parks, and communities, the network provides GIS mapping and utility maps.

- The MEDC website is a highly navigable site with useful information and online services. Beyond the site location databases, MEDC has continued to invest in more advanced website functionality allowing real-time online assessments or customer service. Examples of other these online innovations include:
    - *Renaissance Zone Tax Calculator* – automatically calculates tax savings;
    - *Online Business Incentive Profiler* – identifies applicable incentives based upon business/company inputs and calculates a potential incentives package;
    - *MiGuide* – personalization feature allowing users to save web pages in an account, update their settings, and share the Guide with others;
    - *MiAccount* – personalization feature for subscriptions, preferences, and opt-in updates regarding particular MEDC programs or web pages; and
    - Live online chat capability for real-time assistance from an MEDC representative.
- Business and industrial parks that offer requisite features and are ready for occupancy can be designated *Certified Business Parks.* This voluntary program originated in 1969 and has been updated through State legislation to speed up the site selection process, upgrade the quality of available properties, and increase the marketability of Michigan business locations. MEDC jointly administers the program with the Michigan Economic Developers Association.
- Under the *Michigan SmartZones Program*, MEDC has identified 10 areas around the State to stimulate the growth of technology-based clusters in nearby universities, private R&D institutes, and core businesses. The objective of the program is to increase the commercialization of research and develop recognizable clusters comparable to other technology centers (e.g., Research Triangle Park). The enabling act allows the use of local Tax Increment Financing to fund the development of incubators, labs, training facilities, infrastructure, property acquisition, and other relevant costs like marketing.

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Kentucky Cabinet for Economic Development:

The current national economic conditions are affecting states in more ways than just revenue shortfalls. Kentucky has lost more than 20,000 manufacturing jobs in the past two years. Even so, its economic development efforts continue to reap rewards for the State and help to minimize the impact of the job losses. According to Conway Data, the State created a total of 15,000 new jobs in new and expanded facilities in 2001. These positions were created by approximately 280 companies, which invested in excess of $2.5 billion in the State.

Organization

Kentucky's community and economic development delivery system is implemented by the Kentucky Cabinet for Economic Development (KCED). Kentucky's unusual Cabinet system consists of 14 different cabinets and several quasi-autonomous departments and commissions, all part of the Governor's Office. Many of these cabinets, departments, and commissions deal with issues directly or indirectly related to community and economic development. The Kentucky Cabinet for Economic Development is the primary agency responsible for creating new jobs and new investment in the State. Programs administered by KCED are designed to promote economic development within the State through the attraction of new industries to Kentucky, further development of existing industries, and assisting communities prepare for economic development opportunities.

KCED's structure differs from Kentucky's other cabinets because its main goals and objectives originate from and are prioritized by a public-private partnership. In 1992, the Kentucky General Assembly created the Kentucky Economic Development Partnership with the intention of establishing a culture of long-range strategic economic development planning. In 2000, the State passed additional legislation that directed its agencies to refocus their objectives and budgets to prepare for increased global competition and the knowledge-based economy.

The Kentucky Economic Development Partnership has 13 members, with the Governor as chairman. Other members of the Partnership are the Secretaries of the Cabinets of Economic Development, Finance and Administration, Natural Resources, and Tourism Development; and one private sector representative from each of the State's eight congressional districts. The Governor appoints the private sector representatives who are nominated by various business and economic development organizations. The secretaries of Economic Development and Tourism Development do not vote within the Partnership.

Management and Staff

Since 1992, KCED has reported to a board of directors appointed by the governor. This structure removes economic development one step from political issues and has promoted greater continuity. One of four departments under the Kentucky Economic Development Cabinet, the Department of Business Development (DBD) is responsible for recruiting firms for Kentucky. The DBD is a unique program because of an organizational structure that shields it from politics, and a strongly focused recruiting effort that has produced several years of notable success. Within DBD, the Industrial Development Division promotes the State as a location for new facilities. The DBD Site Evaluation Division maintains data on available industrial sites and buildings and evaluates them. In addition, DBD has overseas offices in Tokyo and Brussels.

Staffing

The Deputy Commissioner for Business Development handles the day-to-day management of the Department. The Department has 21 employees, five project managers, eight research staff and four staff in international offices who are directly involved in the State's recruitment effort as project management staff.

Budget

The Fiscal Year 2001 budget for KCED was $18.6 million. The budget for the Department of Business Development accounted for approximately 7% of the total, or $2.4 million.

Recruitment Services and Programs

Kentucky makes it as easy as possible for a firm to get information for its site decision. A prospect is assigned to one of five senior project managers, who have the ability to work with the firm on all issues, including incentives. This allows firms considering a Kentucky location to make just one phone call to get answers to all their questions. This provides confidentiality for the company, while affording a degree of comfort to the local communities being evaluated. Services provided include:

1. Site evaluation services, including detailed physical characteristics of sites and available buildings;
2. Detailed community data on utilities services, business costs, local government services, labor availability, and other local resources;
3. Accompany officials to Kentucky communities for confidential community/site evaluations;
4. Liaison with state and local government agencies, utility companies, transportation carriers, etc., including arranging for confidential meetings where appropriate;
5. Preparation of a package of financial, training, and tax incentives; industrial access roads (where appropriate); and other project inducements;
6. Assistance in obtaining required State permits; and
7. Coordination of public announcements of location decisions, groundbreaking ceremonies, and facility grand openings.

The project managers also work closely with the other departments in the Cabinet to ensure that clients receive the highest quality customer service. Examples of this interagency cooperation include the Department of Financial Incentives, which coordinates all financial assistance, tax credit, and related programs available to businesses. Also, the Blue Grass Skills Corporation, an independent corporation within the Economic Development Cabinet, works with employers, training resources, and other incentive programs to arrange for needed training, and then provides grants for customized skill training for workers at new and expanding Kentucky businesses. Within this division, the Business Information Clearinghouse Branch serves as a single information resource for new businesses on topics such as business regulations, licenses, and permits.

These services differ from typical research services offered by the Division of Research, which focus more on providing businesses with statistical, economic, and demographic information. Utilizing the network of resources available within the State government, business recruitment personnel are able to effectively provide current and relevant information to prospects.

KCED also operates an extensive website that provide companies with information about the types of assistance they can receive and utilize. Using KCED's marketing slogan "Think Kentucky" as the website address (www.thinkkentucky.com), the site is user-friendly for companies seeking information about communities across Kentucky. The Economic Development Information System provides information on available buildings and sites, demographics, the workforce, companies, taxes, regulations, and the quality of life in all of Kentucky's cities and counties.

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Illinois Department of Commerce and Community Affairs:

The State of Illinois is well positioned to grow. It is one of the nation's primary transportation hubs, a major manufacturing center and the fourth largest technology economy in the nation. These attributes make it a compelling location from which to conduct business. Last year, the State led the nation in new and expanded capital investments and the number of new jobs created.

Organization

As the State's lead economic development agency, the Department of Commerce and Community Affairs (DCCA) reports to the Governor. The Director of the Department is a member of the Governor's Cabinet and oversees both the State's economic and community development activities. The Department actively promotes and nurtures the State's business climate, highly productive workforce, and entrepreneurial spirit. DCCA provides a wide array of programs and services designed to help Illinois businesses thrive in the global economy. Illinois offers a competitive array of expansion incentives, technology support services, access to capital, and job training and education services. DCCA is also committed to forging partnerships with the private sector in an effort to build upon Illinois' reputation as a center for business and industry.

Management and Staff

DCCA is the lead agency for economic development in Illinois and has a broad mission which goes well beyond the focus of this report. The agency has five bureaus that employ more than 500 staff. A Chief Operating Officer who reports to the Director manages DCCA on a daily basis. A Deputy Director supervises each Bureau. The five primary areas are:

- **Bureau of Business Development –** The Bureau of Business Development is committed to helping existing Illinois businesses prosper while fostering the development of new businesses in the State.
- **Bureau of Community Development** – The Bureau of Community Development works to enhance the quality of life for Illinois citizens. The Bureau administers a wide range of programs designed to assist local governments with their management and infrastructure needs and create economic opportunity for low-income citizens.
- **Bureau of Tourism** – The Bureau of Tourism is charged with marketing Illinois as a tourism destination for the purpose of increasing domestic visitation to the State. The Bureau does this by leading, unifying, mobilizing, and leveraging public and private sector resources for the benefit of Illinois citizens and the travel industry.
- **Bureau of Energy and Recycling** – The Bureau of Energy and Recycling provides Illinois citizens and businesses with technical advice, financial assistance, and research support to develop and demonstrate promising technologies in energy conservation, alternative energy, recycling, and waste reduction.
- **Bureau of Technology and Industrial Competitiveness** – The Bureau of Technology and Industrial Competitiveness was recently created within DCCA to emphasize the importance of preparing Illinois' workforce and businesses for the new economy. This new Bureau

allows job training and development programs to be more fully coordinated and integrated into Illinois' economic development activities.

DCCA's Bureau of Business Development is the primary business recruitment office in Illinois. Within the Bureau, the Market Development Division is the agency's "sales force," providing economic development information to businesses, local governments, locally based organizations and site selection consultants. The Division assists companies wishing to expand or locate in Illinois by explaining what State resources are available and how to use them. The Division also provides direct representation through its network of geographically assigned Area Development Coordinators. The Bureau has approximately 40 employees.

Recruitment Services and Programs

The Market Development Division is DCCA's front line marketing and field support group. The Market Development Division's three operational units are focused on meeting the needs of DCCA's business and local government constituents. The division's activities range from providing community planning and preparedness assistance to supplying economic development information and technical support to businesses and site location consultants seeking facility expansion, retention, and attraction assistance.

- **Area Development Representatives** are regional contacts which support the State's recruitment and retention efforts in their respective region. There are 13 Area Development Representatives located across the State. This group is organized to provide Illinois communities with economic and community development expertise and technical assistance. The representatives coordinate state economic development efforts with local developers, elected officials, and other economic development allies in the regions.

- The **Project Management Unit** is responsible for working with businesses, site selection consultants, and corporate and industrial real estate brokers to facilitate business expansion, retention, and relocation projects in Illinois. Projects are managed by Market Development Specialists who work statewide to help prospects with the site selection process. They can provide prospects with information ranging from general demographics to detailed tax comparisons. In addition, they provide a single point of contact to work through development issues associated with other State agencies and units of local government such as the Illinois Department of Transportation and the Illinois Environmental Protection Agency. There are nine Market Development Specialists who operate out of three offices in Springfield, Chicago, and Collinsville (outside of St. Louis).

- The five staff that make up the **Marketing Support Unit** are responsible for providing accurate and up to date information on over 600 Illinois communities and maintaining a statewide database of over 3,000 available industrial sites and buildings. This information can be sorted and provided according to a prospect's specific criteria. The Unit also has installed a Geographic Information System (GIS) to generate geo-coded site information. Marketing Support has the capability of generating point, line, or polygon

data using GIS technology and has recently added the capability to generate a variety of map products integrating aerial photos, images from the Internet, and existing geo-based data such as railroads, roadways, streams and rivers, utilities, and topography. Further enhancements using Global Positioning Satellite (GPS) is also available.

With its state of the art computer systems, the unit can produce customized presentations that address each client's specific needs and project criteria. The three primary areas of expertise and focus of this unit are business location sites and information; existing building information; and demographic and economic data on Illinois communities.

In addition to the Bureau of Business Development, DCCA works to attract new investment and jobs to the State through the efforts of the **Illinois Trade Office.** The Illinois Trade Office is the lead advocate for Illinois firms overseas. The Office plays a crucial role in keeping Illinois companies competitive in the global marketplace by aggressively promoting state exports through trade and catalog shows and trade missions. The office is also the prime contact for foreign firms seeking investment opportunities in Illinois. Headquartered in Chicago, the office maintains regional foreign offices in Brussels, Belgium; Tokyo, Japan; Hong Kong, China; Mexico City, Mexico; Budapest, Hungary; and Warsaw, Poland. The same level of support and access to services provided by Marketing Development Specialists are available to international clients through the trade office.

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Kansas Department of Commerce and Housing:

The Kansas Department of Commerce and Housing (KDOCH) was recently honored as one of the nation's best economic development organizations by *Site Selection Magazine*. In 2001, Conway Data ranked the State as being in the Top 10 nationally in both total new jobs created and total new capital investment. KDOCH prides itself on having a team of dedicated professionals working hard every day to deliver the programs and services necessary to keep the Kansas economy robust.

As a result of business recruitment efforts in 2001, the State has secured $1.66 billion in new capital investments and seen the creation of more than 8,300 new jobs with approximately $200 million in annual payroll when fully operational. Additionally, the efforts of KDOCH's Trade Development Division to recruit foreign-owned companies resulted in the investment of at least $35 million.

Organization

KDOCH is a cabinet level department led by the State's Lieutenant Governor. It is the lead agency for economic development in Kansas and has the responsibility to foster economic development through the promotion of business, commerce, and industry. This is accomplished through the Department's six divisions, along with a network of business assistance providers throughout the state. KDOCH has a broad mission which goes well beyond the focus of this report.

Management and Staff

The agency has 136 employees and is managed by a Deputy Secretary who reports to the Secretary of Commerce. Each division has its own unique set of skilled and experienced program managers, support staff, and Director and work as a team to meet the challenge of keeping the Kansas economy going strong. These six areas are agricultural development, business development, community development, housing development, trade development, and travel and tourism.

KDOCH's business recruitment efforts are divided between two divisions: Business Development and Trade Development. The Business Development Division has primary responsibility for the State's recruitment efforts, while the Trade Development Division is only responsible for international marketing and recruitment. The Business Development Division is managed by a Director who oversees a staff of 31 employees. The Trade Development Division has a staff of eight with four international offices in Australia, Hong Kong, the United Kingdom, and Japan.

Budget

KDOCH is funded by a combination of funds from the Economic Development Initiatives Fund derived from Kansas Lottery proceeds (28%), federal funds (59%), and special revenue funds (13%). In 2001, the State allocated 32% ($26.9 million) of the agency's $83 million budget towards its business development efforts.

Recruitment Services and Programs

The Business Development Division's mission is to maximize positive impacts on the Kansas economy through the creation and retention of jobs and increased capital investment. Along with promoting the growth, diversification, and retention of existing business and industry in Kansas, the Division is responsible for the recruitment of new business to the State and the creation of new job opportunities for Kansans. The Division is comprised of six different sections: Business Assistance, Business Finance, National Marketing, School to Careers, Workforce Training, and the Office of Minority and Women Business Development.

The National Marketing Section provides assistance to out-of-state companies or their consultants who are considering Kansas for new manufacturing, distribution, or office facilities. The National Marketing staff is prepared to assist all companies, ranging in size from Fortune 500 firms to smaller companies. Assistance includes recommending the best Kansas communities based on the company's criteria for available buildings and sites, labor, utilities, and other factors; developing incentive proposals including tax exemptions and workforce training grants; coordinating in-state site visits; serving as a liaison with other state agencies, including the Departments of Revenue, Human Resources, and Health and Environment; and serving as a single Kansas contact point to ensure confidentiality and a seamless process.

The National Marketing Section works closely with local economic development efforts and will assist with projects generated by local economic development organizations. KDOCH works with local development groups on a confidential basis and treats those projects as "exclusives" for the organizations that generated the projects. This process ensures a strong level of trust and cooperation between the State and local economic development communities and adds to the feeling of a seamless process from the viewpoint of the prospect.

The National Marketing Section assigns a project manager to work on a site location project from start to finish to ensure continuity. National Marketing project managers represent the entire State of Kansas and are dedicated to finding their clients the best possible locations. Project managers cover assigned geographic territories of the United States. This regional approach allows each representative to learn the unique challenges and opportunities facing businesses in different sections of the country. A unique feature of Kansas' efforts in recruitment is the fact that Project Managers are located outside of the State in the four national regions: West, Great Lakes/Mid-Atlantic, East Coast, and Central/South. Specifically, the offices are located in Los Angeles, Chicago, Albany, NY, and Kansas City. The field office staffs consist solely of a single project manager and are used to network, develop leads and have a proximity to prospects that gives the State a competitive edge in the recruitment of new businesses.

Inside the Trade Development Division, the International Investment Section provides assistance to international companies or their consultants who are considering Kansas for new manufacturing, distribution or office facilities. The State of Kansas has field offices and representatives located in United Kingdom, Japan, Australia, and Hong Kong to work directly with companies in those regions with site location projects. In addition, KDOCH staff can assist any company, which contacts the main office in Kansas directly.

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Technology

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March 11, 2002

TECHNOLOGY

Why is technology important?

Technology, along with e-commerce, lifelong education, and greater international trade, comprise the underlying factors shaping today's and tomorrow's economy. The impacts of technological advances cross the boundaries of the traditional sectors to impact all businesses, not just those firms producing technology. Most firms are technology *users*. Technology users are re-organizing work around new technologies and being impacted by telecommunications advances. The "new economy" is about more than high technology and the Internet, and no economic development strategy can ignore the changes being wrought by technological innovation. Based on a recent study at Harvard University,[10] the U.S. is currently ranked first internationally in overall readiness for the networked world.

Few technologies have spread as quickly or become so commonly used as computers and the Internet. The growth rate of Internet use in the U.S. is currently two million new users per month. In September 2001, more than half (54%) the nation was utilizing the Internet, and 66% of the population used computers.[11]

The *Progressive Policy Institute's New Economy Task Force* has identified some of the key ways that technology is affecting our world:

- Increasing knowledge-based jobs;
- Higher levels of entrepreneurial dynamism and competition;
- Reduced delays between design and production;
- Faster times to market;
- Increased product and service diversity;
- Constant technological innovation;
- The advent of the Internet and the information technology revolution;
- Globalization;
- The replacement of hierarchical organizational structures with networked learning organizations; and
- Relentless economic churning.

Many communities compete for the same business prospects, regardless of their location or current business mix. A recent article in *Site Selection Magazine* referred to a survey of state and local economic development agencies, which revealed that the top priority of 97% of respondents was to attract technology employers. The survey also found that 78% of state

[10] Harvard University, *"The Global Information Technology Report 2001-2002: Readiness for the Networked World."*

[11] National Telecommunications and Information Association, *"A Nation Online: How Americans Are Expanding Their Use of the Internet."*

respondents and 52% of local respondents have modified their incentive packages in their attempts to land technology-based inward investment.[12]

Economic development efforts focus on building technology infrastructure, capacity and support. Technology-focused initiatives are taking three distinct approaches:

- *Targeting advanced technology industries* – promotion of targeted technologies, usually focused on emerging technologies, through business development, expansion, retention, and attraction.

- *Promoting advanced technology businesses* – providing access to necessary resources – capital, R&D, technical assistance, labor, land, buildings, technology transfer, and commercialization – to promote business development and expansion.

- *Developing telecommunications infrastructure* – recognition that any future economic development efforts, both urban, and particularly, rural, are highly dependent on telecommunications infrastructure.

What are the key characteristics of successful technology efforts?

- ✓ Public/Private partnership structure
- ✓ Service-orientation
- ✓ Strategic vision
- ✓ Establishment of trade associations to serve industry sectors
- ✓ Advocacy
- ✓ Frequent evaluation and re-evaluation of policy and objectives
- ✓ Pro-active market intelligence collection and dissemination
- ✓ Close integration with economic and workforce development efforts
- ✓ Programs and services addressing market failures
- ✓ Wholesaler mentality – not retailer

Why were these highlighted programs selected?

1. ***The Kentucky Science and Technology Corporation*** – represents a set of initiatives produced by a strategic planning process that began with in-depth analysis of assets and liabilities that Kentucky brings to the high technology economy.

2. ***State Smart: Michigan*** – demonstrates coordinated, comprehensive state level high tech recruitment strategy integrated with workforce development efforts.

[12] *Site Selection Magazine*, November 2001.

3. ***Oklahoma Center for the Advancement of Science and Technology*** – illustrates state level agency legislatively mandated to focus only on technology, covering all aspects of technology development.

4. ***Ohio's Edison Centers*** – strengthen industrial competitiveness through technology transfer, basic and applied research. Each of the eight centers was designed to serve the particular needs of its region.

5. ***New York State Office of Science, Technology and Academic Research (NYSTAR)*** – portrays a new structure in state level technology efforts following a 30-year history that is closely tied to state economic development efforts.

Kentucky Science and Technology Corporation:

Established in 1987, the Kentucky Science and Technology Corporation (KSTC) is a private, non-profit corporation committed to innovative economic development practices in the State. KSTC's mission is "to enhance the capacity of people, companies, and organizations that use science and technology and effectively compete in the global marketplace."

KSTC is governed by a 36-member Board of Directors with representatives from business, education, and government. A total of 16 employees are responsible for delivering the organization's programs. KSTC is funded through a variety of sources, including state and federal funds and grants, and contracts with private foundations. KSTC's total budget is approximately $3.4 million. Membership dues are also collected from businesses, colleges and universities, and individuals. Annual dues range from $250 to $10,000. Registration fees and program fees are also charged for certain initiatives.

The Kentucky Innovation Initiative (Kii), also known as the Kentucky Innovation Act of 2000, was enacted as a means of "developing a strong, entrepreneurial economy characterized by innovation, knowledge, and speed to promote research, innovation, and high-technology enterprises that utilize the higher order skills of an educated workforce." Kii was founded, in large measure, on Kentucky's Science and Technology Strategy, the State's premiere foundation for investing in ideas and innovation. At the request of current Governor Paul Patton, KSTC completed the Strategy in 1999, which became part of the Kentucky Innovation Initiative. The strategy development was funded through State, federal, and private sector funds in collaboration with the Kentucky Chamber of Commerce, Council on Postsecondary Education, Kentucky EPSCoR, National Science Foundation, LG&E Energy Corporation, and the Tennessee Valley Authority.

The goal of the strategy is "the preferred position such a statewide vision would promote for securing future research and development investments from many sources." The final strategy represents a set of technology, capital, education, research and development, and entrepreneurship initiatives. It contains 10 recommendations in four strategic areas: enterprise development, manufacturing modernization, technological infrastructure, and people. Under contract with the State, KSTC is helping to implement a variety of Kii programs.

The primary goals of KSTC are to:

- Develop a comprehensive innovation strategy that brings together business, government, and education as full partners to leverage the best opportunities for Kentucky's future;
- Contribute to the creation of jobs and the international competitiveness of Kentucky's economy;
- Promote technology development and transfer as well as an innovative mind-set conducive to entrepreneurial development; and
- Develop a more systematic approach by which all levels of education (primarily through universities) contribute to Kentucky innovations.

Initiatives of KSTC fall into three categories: Innovation and Economic Competitiveness, Research and Development, and Education.

1. Innovation and Economic Competitiveness

The Innovation Group (TIG): TIG is focused on the development of early stage business and technology, and its activities include business plan creation, early seed capital funding, team creation, technology planning, and proof of concept development. It manages the Commercialization Investment Funds, a series of venture capital funds from the Kentucky Council on Postsecondary Education that are applied toward the early stage of technology commercialization. The Innovation and Commercialization Centers (ICC) are a network of six regional centers that are creating a process for building new companies and licensing technology. They are sponsored by the Office of the New Economy and managed by KSTC. TIG will be involved in defining the process, offering a range of centralized services, building a statewide network, and providing the needed infrastructure to the system.

Kentucky Clusters: Industrial Interdependence and Economic Competitiveness: The Kii calls for a study to produce a comprehensive profile of the State's key existing and potential business clusters. This study was completed in June 2001 by the Center for Urban and Regional Studies at the University of North Carolina at Chapel Hill. The study's findings concluded that the State's major challenges over the next 10 years are to develop its research and development and an innovation capacity and entrepreneurial climate that will support existing and emerging clusters. Emerging and potential clusters were identified as: hospitals, labs, and specialized medical; construction materials; chemicals and plastics; packaged food products; wood products and furniture; boat building; and information processing and instruments.

Entrepreneurial Policy Audit: SRI International conducted the audit of Kentucky's policy framework for developing an entrepreneurial economy in late 2001. The audit focused on three key policy areas:

- Risk Capital Policies;
- Taxation and Location Incentives; and
- Technology Commercialization Policies.

The resulting report made over 30 specific recommendations to move Kentucky to a nationally competitive position. Those recommendations include:

- Use of State pension funds in private venture funds;
- Creating State sponsored seed funds;
- Tax credits for research and development expenditures;
- Tax incentives for "new economy" firms;
- Expansion of research bases at research universities;
- Expansion of Small Business Innovation Research (SBIR) programs; and
- Create a sharply targeted state research fund.

All of these recommendations are under consideration at this time.

Kentucky Entrepreneurship and Commercialization Institutes: Annual workshops are held for university faculty and entrepreneurs interested in technology transfer and implementing new enterprises.

Gorilla Group: Gorilla Tactics for Student Entrepreneurs was formed in 2000 to encourage college students in Kentucky to develop the entrepreneurial spirit by providing early support to become drivers in the knowledge economy. This involves a website and other resources to lead young entrepreneurs through the process of starting a business.

Phase 0 Research and Technology Transfer Initiative: This program provides seed funding to create and assist emerging technology-driven enterprises associated with the state's universities. Assistance is offered by obtaining federal SBIR and Small Business Technology Transfer (STTR) Phase I funds.

2. Research and Development

Kentucky Science and Engineering Foundation: The KSEF was created through the Kii in 2000. Operating as a function of KSTC, its purpose is to build research and development excellence. KSEF will make investments in purpose-driven applied research and in developing emerging technologies and ideas. Eligible applicants include universities and colleges, non-profits, small businesses, minority businesses, and women-owned businesses. About $2 million in funding was available in FY01 to support these programs.

Kentucky Experimental Program to Stimulate Competitive Research (ESPCoR): Since its inception in 1986, this program has attained research and development activity investments of over $72 million in the State. Kentucky ranks among the top of the 19 EPSCoR states in the receipt of federal EPSCoR awards. EPSCoR programs are supported by the National Science Foundation, the U.S. Department of Energy, the National Aeronautics and Space Administration (NASA), the Environmental Protection Agency (EPA) and the Department of Defense. A statewide conference is held each spring to highlight the program's efforts.

SBIR/STTR Workshops: Workshops to educate companies on SBIR/STTR opportunities, discuss requirements, and provide guidance on how to write credible technical proposals were held in December 2000 at the University of Louisville and the University of Kentucky. More workshops are being organized.

3. Education

Appalachian Rural Systematic Initiative (ARSI): This five-year project, coordinated by the Kentucky Science and Technology Corporation, is supported by over $12 million ($10 million from the National Science Foundation). It is geared to reform science and mathematics education through the use of technology in counties in the Central Appalachian Region of six states (Kentucky, North Carolina, Ohio, Tennessee, Virginia and West Virginia) with 30% or greater of school children living in poverty.

*Entre*Schools: The purpose of this initiative is to develop a strategy to incorporate entrepreneurial behavior skills and learning into the school environment. The effort is supported by grants from the Appalachian Regional Commission, BellSouth Foundation, and Cralle Foundation.

Schools Online: A non-profit organization that distributes multimedia TV sets to disadvantaged schools. At the request of the Appalachian Regional Commission (ARC), ARSI has handled the distribution of the sets to 35 counties in Eastern Kentucky and trained teachers in the utilization of them and integration into the curriculum.

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State Smart: Michigan:

State Smart: Michigan is part of an ongoing effort by the State to "prepare Michigan for creating, attracting, and retaining high tech, Gold Collar jobs that will define our economy into the next century." The impetus for State Smart: Michigan was based on observing other states successfully courting these jobs, and the need for a "coherent, coordinated strategy for growing these jobs in our state." With more than 531,000 people engaged in high-tech occupations, Michigan is the nation's fourth ranking high-tech state.[13]

In 1999, Governor John Engler announced the State Smart: Michigan initiative during a session of the Governor's Innovation Forum. At the same time, a marketing campaign was unveiled that pitched, "Today it's not enough to be street smart…you've got to be state smart." The State appropriated approximately $5 million for its year-long campaign designed to attract out-of-state businesses and their expansion to Michigan. Funding for the ad campaign came from the Michigan Strategic Fund, which is made up of revenue from the State's casinos.

All programs will be administered by the Michigan Economic Development Corporation (MEDC) with oversight by a 14-member steering committee appointed by the Governor. The role of the MEDC and its predecessor, the Michigan Jobs Commission, has been to act as "quarterback for this initiative." MEDC is a 501(c)(3) organization created in 1999 to act as the State's lead economic development agency. It has a total staff of 500 people and a FY01 budget of $658 million.

MEDC's comprehensive strategy for State Smart contains three clear focus areas: Smart Ideas, Smart People, and Smart Capital. These were identified as critical site location factors for advanced technology businesses that Michigan must improve upon in order to encourage the growth of their targeted sectors and the jobs that come with them.

The three industry sectors that Michigan has targeted include advanced manufacturing, information technologies, and life sciences. MEDC has been charged with the task of concentrating on these industries and market more effectively to them. The changes experienced by the service sector now include many "Gold Collar" jobs: high skill, high wage, and high demand. These targeted industries are deemed important for their opportunities to increase Gold Collar jobs for the State.

- ***Smart Ideas*** – having a strong base of university research to commercialize, while simultaneously developing the image and culture of Michigan as a high tech environment. The concept of Smart Ideas will be obtained by:
  - Increasing the number of research grants from both the federal government and private sector to launch more smart ideas in the State;
  - Assigning MEDC staff to foster the growth of these ideas by concentrating on these industries and marketing more effectively to them; and

[13] MEDC, *Catalyst for Economic Growth*, Fiscal Year 2002.

- Implementing a multi-year, statewide campaign designed to improve the perception of Michigan's business and technology climate.

In July 1999, Governor Engler signed a bill funding a **"Life Sciences Corridor,"** which is an effort to make four Michigan research universities – University of Michigan, Michigan State University, Wayne State University, and the Van Andel Institute – among the nation's most important for biotechnology applications. In FY01, the Life Sciences Steering Committee awarded nearly $100 million in funds to assist 63 life sciences projects in state universities. Approximately $45 million has been appropriated the life sciences target for fiscal year 2002. These funds are derived from Michigan's tobacco settlement. This funding brings the State closer to achieving their plan to spend $1 billion over the next 20 years in life sciences research, development, and commercialization.

The annual allotment of this appropriation will be focused on three programs:

1. ***Basic Research Fund*** – to be distributed to projects from the four institutions on a competitive basis (40% of funding allocation);
2. ***Collaborative Research and Development Fund*** – emphasis on testing or developing emerging discoveries in partnership with biotech firms (50% of funding allocation); and
3. ***Commercialization Development Fund*** – to invest in start-up biotechnology related companies in Michigan (10% of funding allocation).

In 2000, Governor Engler enacted the Michigan ***SmartZone Program***, which allows the MEDC to designate SmartZones throughout the State. These zones are intended to stimulate the growth of technology-based businesses and jobs through the creation of business clusters that focus on technology commercialization, patents, and other research and development efforts. The MEDC designated SmartZones in 11 locations throughout the State that are eligible to capture all property tax growth within the zone. These zones include:

- Battle Creek Aviation SmartZone;
- Michigan Tech Enterprise SmartZone;
- Lansing Regional SmartZone;
- Mount Pleasant SmartZone;
- Kalamazoo SmartZone;
- Grand Rapids SmartZone;
- Muskegon Lakeshore SmartZone;
- Oakland Automation Alley SmartZone;
- Washtenaw SmartZone;
- Pinnacle SmartZone; and
- Woodward Technology Corridor SmartZone.

In addition, up to half of school operating taxes may be captured for up to 15 years. These revenues can be used for a variety of activities such as construction of infrastructure, purchase of property, creation of incubators, and developing publicly owned high-tech support facilities. SmartZone communities may also receive funding from MEDC's Core Communities Fund to

begin their projects until tax revenues are generated. Since their creation, SmartZones have attracted nine new companies and six new incubator facilities that are either under construction or operational.

The Corporation continues to make significant investments in the ***e-MEDC Initiative*** to improve the MEDC website, which has advanced beyond an information clearinghouse. First, e-MEDC is web-enabling as many services and external functions of the organization as possible. Secondly, e-MEDC is evaluating industry use of the Internet to plan more advanced projects that accelerate the adoption of e-commerce in Michigan. MEDC is an integral part of the Governor's coalition advocating ***LinkMichigan***, a new initiative to provide statewide access to broadband telecom service.

- ***Smart People*** – offering a ready supply of technically trained workers to fill the Gold Collar jobs being created. This will be achieved by:
  - Ensuring that Michigan's workforce has access to cutting-edge training centers;
  - Modernizing the way job training is delivered;
  - Retaining the best and brightest Michigan graduates; and
  - Establishing a center to help provide management advice to Michigan-based technology firms.

In December 2001, MEDC announced a request for proposals for the construction of the State's new **Michigan Technology Center** in Ann Arbor. The center will focus on "Internet2," a public-private partnership whose goal is to create a faster electronic network than what is currently available. The center will have more than 100,000 square feet of space, including 10,000 square feet of high-tech incubator and lab space. The new center is expected to be operational by fall 2003.

A recent study has shown that the majority of Michigan's university students now remain in the State after graduation. The State retains nearly 80% of graduates in the life sciences, information technology, and engineering sectors who have entered the workforce in high-tech positions.

- ***Smart Capital*** – A business climate that encourages investments in technology coupled with a supply of real estate complete with the infrastructure to support technology facilities. Developing such a business climate involves:
  - Modernizing the State's code so as not to penalize the companies of the future;
  - Establish a network of "Smart Parks" that will be similar to high tech industrial parks around the State;
  - Designating the State Commercialization Advisory Committee to oversee the distribution of funding to help move the most promising ideas into commercial viability; and
  - Increasing venture capital funding from the private sector.

A total of $2.5 billion in venture capital funds are currently under management in Michigan. In November 2001, Pfizer Inc. announced that it would invest $600 to $800 million in expanding its

Ann Arbor labs. They based this decision largely on a 20-year Single Business Tax credit ($25.8 million) awarded by the State.

The Michigan Economic Development Corporation will continue to coordinate these initiatives set out in the strategy to ensure continued success. The efforts in building this plan and its implementation have been described as "not just a moment, but a momentum."

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Oklahoma Center for the Advancement of Science and Technology:

The Oklahoma Center for the Advancement of Science and Technology (OCAST) is the "state's only agency focusing solely on technology – its development, transfer, commercialization and impact on our State's economy." Created in 1987, OCAST is legislatively mandated to:

- Support basic and applied research and development (R&D);
- Facilitate technology transfer and commercialization;
- Stimulate seed-capital investment in firms commercializing new technologies; and
- Encourage manufacturing competitiveness through modernization.

In pursuit of that mission, OCAST has strategically implemented programs to the degree that it now impacts the entire "technology development pipeline" from basic research through commercialization and application. Since its inception, OCAST has administered approximately $118 million in state funds and has leveraged $5.68 for every dollar spent.

OCAST is governed by a 14-member board of directors that includes representation from State elected officials, State universities, the Oklahoma Department of Commerce, and the private sector. "Oklahoma Futures" is a statutorily created commission of both public and private leaders charged with coordinating and overseeing the State's economic development efforts. Oklahoma Futures must approve OCAST's five-year strategic plan and annual business plan.

OCAST supplements its in-house capabilities with volunteer assistance. Three advisory committees assist the staff and board of directors of OCAST – the Oklahoma Health Research (OHR) Committee, the Oklahoma Applied Research Support (OARS) Committee, and the Small Business Research Assistance (SBRA) Committee. Each of the advisory committees is mandated to have representatives from business, higher education and communities, and at least one-third of the members of each committee must be researchers. The board of directors appoints the various committees annually.

The staff of OCAST is divided into five functional areas: Executive; Administration and Finance; Technology Information Services; Research and Development Programs; and Technology Development Programs. Decision-making authority is dispersed, so staff is enabled to respond quickly to opportunities and needs. The structure is based on a team format, with a total of 25 staff.

Specific programs and services administered by each department are described below:

I. Executive

This department is responsible for directing, implementing, evaluating, and modifying OCAST programs, services, and financial systems. In addition, it serves as the agency's representative before local, state, and national groups.

II. Administration and Finance

Staff within this area manages the administrative and financial systems necessary for the operation of OCAST programs and services.

III. Research and Development Programs

Activities within this area are designed to provide support for R&D projects and facilitate technology transfer and commercialization efforts. This is accomplished through the following programs:

- The **Oklahoma Applied Research Support Program (OARS)** was started to stimulate technology development that has the potential for producing a commercially successful product, process, or service that will benefit the State's economy. Through the OARS program, OCAST provides incentive funding to help recipients leverage the necessary capital to develop and market a technology. OCAST competitively awards funds for one to three year projects based on technical merit, potential market success, and commitment of resources.

  Phase I projects improve technology transfer efforts and create the R&D capability needed for technological innovation. Phase II projects have a high probability of resulting in commercialization and significant potential for stimulating economic growth. Both types of projects are funded for a maximum of $300,000 for up to three years.

  Reimbursement contracts are awarded to Oklahoma businesses, universities, and non-profit research groups for one-to-three year R&D projects. A minimum of a $1 match is required for each State dollar awarded.

  In 2001, for every tax dollar invested in the OARS program, another $13 from private and other sources was attributed by recipients to their awards and contributed to Oklahoma's economy. Total awards in 2001 were $3.5 million, which resulted in $48.2 million leveraged from other sources. Since its inception in 1998, it has funded 38 projects.

- The **Oklahoma Health Research (OHR)** program contributes to critical health research in the area of human disease and development of health care products. It provides the expertise, facilities, and equipment necessary for Oklahoma to secure federal health research funding and to compete in world–class health care markets. With OCAST seed funding, OHR competitively awards seed funds for one to three year research projects related to human health. In 2001, OCAST received $22.4 million in federal health research funding, and awarded $2.3 million for research projects. This indicates that $9 of federal and private research dollars were leveraged for every tax dollar OCAST invested in the OHR program.

IV. Technology Development Programs

The Technology Development Programs are designed to encourage small Oklahoma businesses in the development, application, and commercialization of technology. Currently, this effort is supported by the following:

- **Small Business Research Assistance** – OCAST also helps small technologies compete for research funding under the federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR) programs. STTR addresses the private sector capital market gap through the provision of limited, pre-seed financing to enable new technology firms to start-up and move to the next stage of development. In conjunction with 11 federal agencies, OCAST provides seed support for product feasibility studies and prototype development. The SBIR and STTR Incentive Funding Programs defray a portion of the company's proposal development costs. The SBIR Matching Program offers "bridge" funding to businesses between the first two phases of their winning federal research projects.

  Since its inception in 1989, Oklahoma companies have received over $6.8 million in SBIR- and STTR-related funding. In 2001, OCAST awarded nearly $190,000 to qualifying companies, who in turn acquired federal SBIR and STTR funds valued at more than $2.3 million. This equates to $43 of federal and private funding entering the economy for every $1 awarded by OCAST. In addition, these firms reported $3.6 million in private and non-SBIR federal contracts as a direct result of OCAST assistance, and added or retained a total of 442 jobs.

- **Oklahoma Alliance for Manufacturing Excellence, Inc.** – A private, not-for-profit corporation, the Alliance uses State, federal and local funding to provide hands-on assistance to help small- and medium-sized Oklahoma manufacturers become progressively more successful in their marketplace. The Alliance establishes a valuable partnership among small and large manufacturers, business leaders, education, and government to share ideas, explore resources, and work together to advance manufacturing in the State. A valuable benefit of the alliance is its statewide network of Manufacturing Extension Agents who help manufacturers in their region become more productive and competitive. The Alliance's efforts focus on five core areas: Technology; Marketing; Human Resources; Finances; and Inter-firm Collaboration.

  In 2001, the services provided to 588 clients resulted in the creation/retention of 975 jobs, more than doubling last year's total. Total cost savings were $12.1 million, capital investment totaled $34.2 million, and the program's total economic impact was $82 million. The Alliance is an affiliate of the nationwide Manufacturing Extension Partnership (MEP), and has been cited by the National Institute of Standards and Technology (NIST) as a "best practice" among Manufaucturing Extension Partnership organizations.

- **Oklahoma Technology Commercialization Center** – OCAST sponsors the center through a contract with the Oklahoma Technology Development Corporation. It is funded through State appropriations administered by OCAST and overseen by a 26-member Board of Directors. Referred to as the "Tech Center," it assists entrepreneurs, early-stage technology companies, and companies seeking to commercialize new technologies by providing a "one-stop shop" that assesses their needs, guides them through the commercialization process, and links them to a comprehensive network of

technology sources and commercialization assistance services. Four field offices in Norman, Tulsa, Stillwater, and Lawton facilitate the development of statewide access to services. These offices are focal points for the continuing development of the Tech Center's statewide affiliates, Oklahoma Capital Network and Technology Resource Group. Each office is staffed by a Director of Commercial Development and is hosted by a strategic partner in that community.

The Center manages the *Technology Business Finance Program* which provides high-tech startup companies with pre-seed financing and early risk capital that is provded by the Oklahoma Technology Development Corporation. More than $1.7 million in venture capital was awarded to to 17 companies in FY01. In turn, these companies attracted about $13 million in private sector funding.

Since operations began in 1998, the Tech Center has worked with more than 500 advanced technology clients. At the same time, it developed the Oklahoma Capital Network, the investor services division of the Tech Center, with 44 angel groups. These were comprised of over 300 private sector investors representing more than $3 billion in net worth. A total of 26 new advanced technology companies were launched in the last 12 months alone. Accomplishments during fiscal year 2000 include:

- Number of clients: 103 (a 13% increase from fiscal year 1999)
- Financing obtained: $8.5 million
- Number of new investor networks: 6
- New jobs created: 79 with an average wage of $37,689

V. Technology Information Services (TIS)

This area is responsible for increasing public awareness of research and technology developments and impacts. It maintains contacts with professional, civic, and governmental organizations to promote OCAST programs, and issues news releases, brochures, annual reports, fact sheets, and newsletters. TIS produces a weekly radio show, **Oklahoma Innovations**, that focuses on the latest science and technology innovations in Oklahoma. It is currently broadcasted via eight stations across the State.

Another program worth noting is the **Oklahoma Inventors Assistance Service (IAS)** that is under contract with OCAST and funded by the State. It supports independent inventors in navigating the process from the idea to the marketplace. The IAS offers assistance and training to inventors to enable the manufacturing, marketing, and distribution of their products. Located on the Oklahoma State University campus in Stillwater, the IAS provides information, education, and referrals to service providers who have expertise in the specific steps of the invention process. The IAS regularly conducts workshops and seminars on topics of direct concern to inventors, and the IAS Website provides "A Showcase of Oklahoma Inventors" featuring a variety of products from Oklahoma individuals and firms. This program has resulted in 11 successful projects to date.

In fiscal year 2000, IAS initiated the Selected Inventions Program, which provides special technical assistance to inventors whose projects are identified as ready to move onto the next

stage of development. The selection committee reviewed 51 inventions and selected 15 for assistance in its first year stage. IAS helped 416 inventors in fiscal year 2000, and more than 100 people participated in the educational workshops and clinics conducted by the program.

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Ohio's Edison Centers:

Ohio's Thomas Edison Program is housed within the Ohio Department of Development's (ODOD) Technology Division. A partnership between the State, industry, and universities, it brings together technology providers and users to create commercial opportunities. It also promotes technology-based economic development through technological innovation, technology transfer from Ohio's federal laboratories, and entrepreneurship in high-tech industries.

A six-person staff at ODOD oversees the Thomas Edison Program in the role of grants management. The State allocated $25 million to the Edison Program last year. The program serves 10,000 businesses annually. ODOD provides matching grants to the various technology centers at a minimum ratio of $3 non-State (industry, academia, nonprofit, or federal) per $1 of State support.

The Edison Centers Program, which was initiated in 1983 as a legislative line item, is the largest component of Ohio's Thomas Edison Program. In 1984 and 1986, the ODOD issued requests for proposals for center development. Each Edison Center is a non-profit corporation and offers capabilities in specific technologies that reflect the predominant needs of the region's industries. Some centers serve only their region, while others assist a wider market.

The founding principle of the Edison Centers is government's role in bridging the gap between university research and industry to facilitate technology transfer. Each of the Centers offers its own unique capabilities in specific technologies. Depending upon the needs of the area served, this could include advanced manufacturing; polymers; materials and processes; welding and materials joining; biotechnology; and environment. Over time, the Centers have maintained relationships with universities but have shifted from funding specific university research to educating university researchers about the benefits of commercialization.

The Edison Program's technology transfer intervention has shifted downstream to funding commercialization of existing research results. To improve responsiveness to industry needs, the centers have developed internal research capabilities rather than relying solely upon the universities. Several centers have become National Institute of Standards and Technology (NIST) centers and part of the manufacturing extension service. All seven centers, which are listed below, continue to promote technology transfer and solve process problems relating to technology.

- ***CAMP, Inc. (Cleveland)*** – An Edison Center since 1984, CAMP is a non-profit, professional organization that provides manufacturing, engineering, technical management, and related services to manufacturers and other technology-based partners. Its mission is to "help manufacturing and emerging technology-based companies excel and grow through understanding, adopting, and implementing innovative methods and technologies." A staff of 125 employees consults with manufacturers in a 22-county region, providing solutions for every area of manufacturing. The Center receives funding from ODOD, the National Institute of Standards and Technology (NIST), and private industry. It is governed by a council of 18 business leaders from the manufacturing, business, and academic sectors who

direct the organization's overall strategy and vision. Over the past 15 years, CAMP has assisted more than 1,400 regional companies in hands-on manufacturing improvement projects, resulting in an economic impact of more than $250 million.

- ***Edison BioTechnology Center (EBTC) (Cleveland)*** – Founded in 1987, EBTC focuses on the biomedical/biotechnology industries by providing business development services, building collaborations between industry and research institutions, and funding research and development. Ohio is home to nearly 400 companies directly engaged in producing biomedical products, and these businesses employ 14,000 people with $10 billion in annual sales. EBTC provides programs and services targeted to this industry sector's needs that focus on:

  - Business Formation;
  - Technology and Business Analysis;
  - Pre-seed Investment Funds; and
  - Regional Business Development Assistance.

  The Center's primary office is in Cleveland with additional offices in Cincinnati and Columbus, and is affiliated with the Edison Biotechnology Institute at Ohio University-Athens. These offices combined employ about 15 full-time staff members. Its membership includes research and teaching hospital members, public and private university members, core industry members, and professional service members. EBTC works closely with several State and regional economic development organizations in attracting health care technology businesses and creating a positive business climate in Ohio.

- ***Edison Industrial Systems Center (EISC) (Toledo)*** – EISC is an industry-driven coalition of manufacturers, technology-related businesses, and academic institutions. Over the past 14 years, it has served the following industries: automotive; glass; plastics; tool and die; food processing; and metal fabrication. EISC's services focus on:

  - Lean Manufacturing;
  - Quality and Environmental Management;
  - Product and Process Development;
  - Technology Commerialization;
  - E-Business Strategies;
  - Workforce Development; and
  - Food Technology.

  Areas of expertise include advanced imaging, applied coating technologies, food manufacturing technologies, CAD/CAM, rapid prototyping, environment, and waste minimization. Formed in 1987, its 24 staff members serve the 26 counties of northwest Ohio.

  Early in 2000, it adopted the name "EISC, Inc." to reflect the merger of EISC and the Center for Manufacturing Excellence into one organization. In FY00, they assisted nearly 600 companies in advancing their technical and market strengths. Between 1995 and 2000, EISC

businesses experienced about $22.5 million in cost savings with increased sales of more than $51 million. During that same time, EISC's programs helped create or retain more than 800 jobs in northwest Ohio.

- ***Edison Materials Technology Center (EMTEC) (Dayton)*** – Established in 1987, EMTEC is a consortium of industry members, academic institutions, federal laboratories, and civic organizations. Its programs are focused on assisting the materials and manufacturing technology industry which includes metals, ceramics, composites, polymers, casting, machining, coating, and finishing. A total of 13 staff members work with member organizations in specific program areas including:
  - Casting Technology Application Program;
  - Collaborative Technology Clusters Program;
  - Core Technology Program;
  - Request for Help and Special Projects;
  - The Heat Treating Network; and
  - Cooperative Research Agreement.

  These one- to three-year projects focus on results that can be applied to targeted industries, and EMTEC members are able to commercialize the technology or apply the results to their individual needs. Emphasis is on advanced development, transfer, and commercialization of the technology, and EMTEC provides its members with access to over $2 billion of technology resources. It has funded more than $40 million in cooperative research and development projects to date.

- ***Edison Welding Institute (EWI) (Columbus)*** – EWI is the largest nonprofit, industrially driven engineering organization in the U.S. dedicated to the application and advancement of materials joining technology. It provides materials joining and engineering expertise to manufacturers throughout the United States and internationally. These technologies include: arc welding and automation; nondestructive evaluation; plastics and composites; microjoining; brazing and soldering; engineering and materials; laser processing; and resistance and solid state. Its 160-member staff provides materials joining assistance, contract research, consulting services, and training to more than 3,300 plant locations nationwide.

  EWI has operated the Navy Joining Center (NJC) for the Navy's Manufacturing Technology Program since 1993. In January 2002, it received a U.S. Navy contract to continue operation of the NJC, which extends the operation through 2007 and is valued at $46 million.

- ***TechSolve, Inc. (Cincinnati)*** – Formerly the Institute of Advanced Manufacturing Sciences, TechSolve focuses its efforts on waste and energy reduction for manufacturers through consulting and training programs. Its services are delivered through 11 staff members within three divisions:

  - <u>Manufacturing Extension Center</u>: provides productivity and quality improvement services through Lean Manufacturing and other waste-reduction practices. Businesses can receive

IT assessments, IT/e-commerce business strategy development, implementation assistance, and networking opportunities.

- Machining Xcellence: offers machining resources through its *Machining Data Handbook*, machining seminars, and advanced machining software (CUTDATA). To date, the handbook has sold more than 70,000 copies worldwide and more than 20,000 individuals have attended the seminars. The M. Eugene Merchant Lab is equipped for the testing, application, and demonstration of various real machining processes. This division's core services include machining tests, evaluations, consultation, products, and education and training.

- Center for Emerging Enterprises: provides comprehensive management assistance to small businesses on a one-on-one basis. Services include free, individual counseling and government contract assistance, international trade assistance, referrals, business evaluations through High Impact Assessments, identifying financial resources, and education and training.

TechSolve has helped 95 Ohio companies develop waste and energy reduction options over the past four years. The assessments have averaged annual projected savings of $90,000 per company.

TechSolve also owns the TechSolve Business Park, which is a 143-acre site located directly off of I-75. The 65,000 square foot facility offers laboratories and training facilities for its residents. Currently, the Business Park houses seven tenants.

- ***Ohio's Information Technologies Alliance (Dayton)*** – Incorporated in 2000, Ohio's IT Alliance is a statewide network of six regional organizations whose purpose is to grow and improve the competitiveness of the state's IT industry. In addition to its headquarters in Dayton, partner organizations include: the Information Technology Alliance of Appalachian Ohio (Athens); The Circuit (Cincinnati); Northeast Ohio Software Association (Cleveland); Industry and Technology Council of Central Ohio (Columbus); and Information Technology Alliance of Northwest Ohio (Toledo). With over 1,200 members, the Alliance works with Ohio's 9,200 IT companies and ensures that resources are shared and optimized for the benefit of the entire industry.

  Key focus areas include:

  - Promoting Ohio and its IT Industry;
  - Integrating Workforce Development;
  - Business Formation and Development; and
  - Strengthening the Network.

  The President and Director of Programs are located in the Dayton office. Each regional partner has a Chief Executive who develops and implements their regional programming. The IT Alliance is governed by a 13-member Board of Governors representing the State, education, and private industry. Total funding in FY01 was more than $2.8 million. Funding

sources include ODOD, a grant from the Edison Center, program and service support, and other resources.

FY01 accomplishments included:

- Membership nearly doubled to over 1,200 it organizations;
- Two new regional angel network groups were created;
- Nearly 6,500 people were helped through the alliance's business and entrepreneurial assistance programs; and
- Over 8,800 people participated in educational programs.

Companies that are involved in the Edison Centers' programs benefit from a variety of technical services including testing, technology analysis and assessment, training, pilot plant and micro-factory assistance, and computer modeling. Centers also will assist with information database retrieval and business and economic studies. Outside the one-on-one context, the Edison Centers promote networking and offer frequent seminars, forums and conferences.

The Edison Program also operates a system of 10 technology incubators for small and new manufacturing and technology firms, some of which are linked to Edison Centers. In addition, it offers transfer technology from federal labs through the great Lakes Industrial Training Center and the Wright Technology Network.

The Edison Program has been recognized as a model for State-industry-university partnerships by The Carnegie Commission on Science, Technology and Government; the Corporation for Enterprise Development with the Third Wave Impact Award; and the Advanced Research Projects Agency. Most importantly, many Ohio companies have seen significant increases in sales, profits, and market share due to the Edison Program.

An analysis of the impact of the Edison Centers conducted for the Ohio Legislature found that from FY94 through FY98, every dollar of state investment in the Edison Centers yielded $21.65 in direct economic benefits in the form of the following:

- $2.36 in private investment;
- $3.15 in cost savings, $7.50 in sales increases, and $6.33 in salary increases at assisted firms;
- $2.31 in federal funds invested in Ohio; and
- The total direct job increase during that time was 3,356.

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New York State Office of Science, Technology and Academic Research (NYSTAR):

Established in 1999 as part of the Jobs 2000 Act, NYSTAR is an executive agency that replaced the long-standing New York State Science and Technology Foundation. The Foundation was a state-based public corporation that was formed in 1963. Its mission was to "create and administer programs that promote scientific and technical education, industrially relevant research and development, manufacturing modernization, and the capitalization of high-tech companies." The Foundation was integrated into the Empire State Development in 1996, and NYSTAR continues this same organizational structure. The Empire State Development is New York State's economic development agency.

NYSTAR assumed responsibility for directing the State's university-based, high technology, economic development programs after the Foundation was eliminated and replaced by NYSTAR under legislation. NYSTAR is led by an Executive Director appointed by the Governor and governed by an 11-member Advisory Council. It has 34 full-time staff members and a FY01 budget of more than $120 million. Since 1995, the State has supported the investment of more than $755 million in the business technology sector, research labs, and academic centers. Last year, venture capitalists invested nearly $2 billion in the State, and a total of 8,633 patents were issued to New York inventors

NYSTAR's mission is accomplished through five goals and benchmarks:

1. Encourage and expand high-tech academic research and economic development in New York State;
2. Coordinate and organize New York's wide array of science and technology informational resources and provide our academic, business, and research communities access to these resources;
3. Reform and improve New York's policies regarding royalties and licensing fees, enabling the State to realize a greater amount of revenue in its high-tech investments and reinvest that revenue in new technology development programs;
4. Substantially increase the amount of federal research dollars New York and its researchers obtain; and
5. Develop and recommend policies to the Governor and Legislature that will allow the State to take greater advantage of the tremendous economic power of it inherent science, technology, and academic research assets.

NYSTAR is responsible for the following programs:

Capital Facility Program – This program is supported by the Strategically Targeted Academic Research (STAR) Centers and Advanced Research Centers (ARCs) at the State's public and private research universities. Program funds are utilized to construct new facilities and modernize existing facilities and equipment. A total of $95 million was allocated towards this program in FY01.

Faculty Development Program – This program works to attract and retain top academic talents in the fields of science and technology by providing grants to assist colleges and universities with this effort. It strives to avert "brain drain" and provide the necessary resources to secure the best scientific talent. In FY01, a total of $7.5 million was allocated to this program.

Center for Advanced Technology (CAT) Development Program – This was started as a program of the New York State Science, and Technology Foundation in 1983. Since its inception, it has supported university-industry collaborations in research, education, and technology transfer. Its efforts strongly focus on helping New York businesses to gain a technological edge on competition. NYSTAR provided five existing centers with additional funds to expand their research activities. About $10 million was appropriated to this program in FY01.

Technology Transfer Incentive Program (TTIP) – The TTIP supports the efforts of the State's higher education institutions in the commercialization of high-tech innovations. NYSTAR provides grants to accelerate technology transfer activities and strengthen technology transfer capabilities. TTIP funding promotes new job creation in high-tech sectors and grants are leveraged dollar-for-dollar by the combined investment of the educational institution and industry. A total of $5 million was allocated towards this program in FY01.

Research and Technology Centers – NYSTAR supports 24 existing and emerging research and technology centers across the State. They include eight STAR Centers, five Advanced Research Centers (ARCs), 10 Regional Technology Development Centers, and the Science and Technology Law Center. The Strategically Targeted Academic Research Centers and ARCs are the centerpiece initiative of NYSTAR. These centers are being designed or are under construction. NYSTAR has awarded Capital Facilities Funds of more than $86 million to the STAR Centers and $11.8 million to the ARCs. These funds can be used to construct new facilities, rehabilitate existing facilities, or acquire technology and research equipment.

The eight emerging STAR Centers include:

- Rochester Institute of Technology STAR;
- SUNY Buffalo STAR;
- Syracuse University STAR;
- Cornell University STAR;
- University at Albany and Rensselaer Polytechnic Institute STAR;
- Columbia University STAR;
- City University of New York STAR; and
- SUNY Stony Brook STAR.

Once completed, the STAR Centers will serve as world-class academic research facilities that offer a combination of state-of-the-art facilities, cutting-edge technology and the world's most sought after academic and scientific talent. The focus of each STAR Center's activity will be unique and include: environmental quality, bimolecular diagnostics, disease molding and therapy discovery, structural biology, information technology, imaging, genomic technologies, and nanoelectronics and optoelectronics.

NYSTAR also supports five emerging **Advanced Research Centers** across the state. These include:

- The Center for Pharmacogenomics at Albany Medical College;
- The Center for Workforce Training at Alfred University;
- The Plant Proteomics-Metabolomics Facility at Cornell University;
- The Center for Integrated Multilevel Analysis of Neuronal Plasticity at Mount Sanai School of Medicine; and
- The Environmental Engineering Laboratories at Manhattan College.

ARCs will serve as vital research centers that will conduct world-class research in a concentrated and specifically focused area.

The ***Regional Technology Development Center (RTDC) Program*** cultivates the regional growth of high-tech industry and assists smaller manufacturers in competing effectively in the global market. The network of 10 organizations includes:

- Central New York Technology Development Organization;
- Council for International Trade, Technology, Education, and Communication;
- High Technology of Rochester;
- Hudson Valley Technology Development Center;
- Industrial and Technology Assistance Corporation;
- Long Island Forum for Technology;
- Mohawk Valley Applied Technology Corporation; and
- Western New York Technology Development Center.

Through three programs – the Technology Development Organization (TDO) Program, the Manufacturing Partnership (MEP) Program, and the Industrial Technology Extension Service (ITES) Program – the Centers provide entrepreneurial and business assistance, financing and venture capital information, and federal research grant information and assistance to employers across the state. The Centers also play a key role in technology transfer and provide business planning and quality control guidance.

Science and Technology Law Center (Albany Law School) – As one of five programs created by the J2K Legislation[14], the Center provides low-cost legal consultation and services to small and start-up companies with business formation and development processes. It also conducts research on legal and policy issues and offers affordable legal consultation to academic institutions. The Center also examines legal issues affecting science and technology transfer and the issues associated with pursuing various types of cutting-edge research.

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[14] The Jobs 2000, or "J2K" program, is a comprehensive $522 million economic development program designed to significantly increase state support for high-technology academic research and the State's capital investment in high-tech business growth. The funds will be invested in high tech academic research, venture capital, workforce training, and infrastructure improvements.

In addition, NYSTAR continues to administer other programs of the former Foundation:

- The Sensing, Analyzing, Interpreting and Deciding Center at Syracuse University;
- Focus Center-New York Semiconductor Research Center; and
- Cornell University Nanobiotechnology Center.

The organization's Strategic Plan directs the creation of a ***Technology Information Unit (TIU)*** within NYSTAR. This will serve as a resource for researchers and industry by identifying collaborative partners. The TIU has created and hosts a comprehensive database that allows researchers and businesses to find the right people and facilities to pursue high-tech efforts. The TIU is made up of the following:

- CV Database: free, online database of researchers and products.
- HyperTech Links: offers hyperlinks to scientific content press releases or reports issued by universities, research institutions and high technology companies in New York.
- Inventions: database of patents recently awarded to New York inventors, researchers, universities, and private sector companies.
- Major Research Instrumentation Acquisitions: information about equipment recently purchased by New York universities with financial assistance from the National Science Foundation.

This enables researchers and businesses to focus on their research and development efforts while NYSTAR provides them with access to the right people, facilities, and resources.

Through each of its programs, NYSTAR supports public-private partnerships leading to the discovery of new technologies that lead to the formation of new companies and new jobs for New Yorkers, as well as expansions and enhancements for existing companies. The American Electronics Association ranks New York second in the country in the total number of high-tech establishments and third in high-tech employment and venture capital invested.

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International Development

Market Street Services, Inc.
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March 11, 2002

INTERNATIONAL DEVELOPMENT

Why is international development important?

> **"Globalization is not a phenomenon. It is not just some passing trend. Today it is the overarching international system shaping the domestic politics and foreign relations of virtually every country, and we need to understand it as such."**
>
> **Thomas L. Friedman**
> **Author of *The Lexus and the Olive Tree***

As observed above, globalization is transforming the economy, making international trade an engine of growth for economic development in today's global economy. National markets are opening up to foreign investment and trade barriers have been eliminated by bi-lateral and multi-lateral trade agreements such as NAFTA, actions of the World Trade Organization, the European Union, and other regional agreements.

Increasing export opportunities for companies leads to increasing personal wealth for workers. Export-related jobs pay between 13% and 18% more than jobs oriented to domestic markets. Foreign direct investment (FDI) is also part of a state's international plan. Pursuing FDI opportunities is a natural complement to promoting exporting and benefits communities throughout the state by expanding the pool of prospects beyond domestic companies. In addition to creating jobs and tax revenue for a community, foreign investors can also help introduce advanced technologies and operating innovations to the host community. Clearly, increased trade can make a significant contribution to economic development.

The most effective way of strengthening international trade efforts is to develop a *system*, rather than approaching the different elements of a trade program ad hoc. A key element of a successful state international development system is operating from a foundation of facilitation, working to broker relationships, and making connections between all the players – buyers, suppliers, importers, exporters, government, education, and chambers of commerce. Much of trade development focuses on providing information to the players, and more importantly, to potential players. "Until we begin to collect better information about trade-related issues, public and private trade services providers are, if not actually playing in the dark, then at least working on a very dimly lit stage."[15]

One important state role is to develop strategic plans for trade development, and plans should link to performance indicators so that progress toward strategic goals can be assessed. There is also a distinct role for regions. A regional approach can help provide the resources and specialized expertise that are beyond the capacity of local programs. One of the most important aspects at the regional and local level is pre-export readiness, involving education and capacity

[15] *The International Trade State: Crafting a Statewide Trade Development System,* SGPB 2001.

building. States can help increase companies' access to information about potential trade partners, overseas markets, foreign business practices, and other trade statistics and research by maximizing resources such as the Internet, distance learning tools that bridge geographic boundaries, and de-centralizing operations through the use of field offices and periodic outreach visits to communities. States must ensure that access to services and programs is maximized for all businesses, not just large companies in urban centers. Another key in developing a strong international development system is fostering a "globalization ethic." State-led programs developed in partnership with regional and local communities can help promote an international perspective among residents.

What are the key characteristics of successful international development efforts?

- ✓ State level trade development strategy
- ✓ A focus on both exporting and foreign direct investment
- ✓ Inclusive coordination – as many players as possible
- ✓ Positive culture for trade development
- ✓ Strong trade development team with cross-disciplinary and cross-agency representation
- ✓ Public/private partnership structure
- ✓ Promotion of services – exports, projects, and non-export global activities
- ✓ Durability and continuity of mission and focus
- ✓ Non-competitive view of trade, especially inter-state cooperation
- ✓ Statewide network of information services, technical services and educational outreach
- ✓ Broker role in state system

Why were these highlighted programs selected?

1. ***South Carolina Export Consortium*** – demonstrates strong linkages throughout the State system and is dedicating to fostering a positive culture for international trade efforts. Focuses on removing barriers to information and services for smaller firms.

2. ***Rhode Island Export Assistance Center*** – a privatized state trade office, operated by the John H. Chafee Center for International Business at Bryant College. The Export Assistance Center has built a network of partnerships that enables it to provide a comprehensive and seamless array of trade support services.

3. ***Georgia Department of Industry, Trade, and Tourism, International Trade Division*** – provides a profile of a successful state program that has dedicated significant resources to both foreign direct investment recruitment efforts and export assistance programs.

4. ***Enterprise Florida, Inc., International Trade and Business Development Unit, Export Services*** – examines a program that has created a network of field offices throughout the State to assist small businesses with exporting products and services.

5. ***Oklahoma Office of International Trade and Investment*** – has refocused international efforts based on the results of a two-year strategic planning process, which has received notable praise from professionals in the field for its comprehensive approach to international trade.

South Carolina Export Consortium:

In an effort to assist small firms in navigating the various resources available for international trade assistance, the South Carolina Export Consortium was established to "train companies to be international traders." Established in 1997, the Consortium is a non-profit public, private, and academic partnership that operates like a unified client intake system. The Consortium's efforts are currently supported by more than 60 entities throughout the State and is primarily housed at the University of South Carolina's (USC) Moore School of Business. There are three primary elements that distinguish the Consortium's work:

- Partnerships;
- Consulting Services; and
- Trade Education.

At the onset, half the funding came from three state government agencies, and private sector companies provided the balance of the funding. The Consortium's funding is now appropriated by the General Assembly each year. In addition, private sector support has been steady, which has helped the Consortium budget more effectively. The annual budget is approximately $400,000, which supports a staff of five. Three staff members work out of the Moore School of Business, the President is located in the South Carolina Chamber of Commerce, and one staff member works throughout upstate South Carolina. In addition, 15 graduate students at USC and Clemson work with the Consortium on research and consulting projects. A board of 35 community and business leaders (and the Lieutenant Governor as honorary chair) govern the Consortium.

Partnerships: The Consortium initially faced difficulties in working with trade service partners, who many times saw them as competitors rather than partners. The Consortium now works very closely with the South Carolina Department of Commerce's (DOC) International Trade Division by preparing companies to be able to use the DOC's services. The Consortium sends all of its clients to the DOC after they have successfully completed the "export readiness" process.

Through partnerships with the University of South Carolina and Clemson University, the Consortium is able to offer export market studies, business plans, and consulting services to companies throughout the State. Local economic development organizations are natural partners for the Consortium, due to strong connections with existing industries. Other partners have emerged for the Consortium, including the South Carolina Manufacturing Extension Partnership (SCMEP). SCMEP is one of a network of MEPs around the country that are funded by the National Institute for Standards and Technology. SCMEP works with manufacturers to increase their productivity and, as a result, increase their global competitiveness.

Consulting Services: The Consortium is focused on serving companies that are not ready to export and might not even know that they have the potential to do so. The Consortium also assists companies that are trying to expand their export capacity in new markets around the world or need help in understanding how to do business in new markets. Companies are encouraged to meet with a client manager to develop a "plan of action" tailored to the company's needs. Depending on the resources the client company already has, the export readiness process

can take from 18 months to two years and will vary in level of services that the Consortium provides.

Approximately one quarter of the Consortium's clients are "repeat customers" who have been through the readiness process, have moved on to benefit from the DOC's programs and services, and then returned to the Consortium for additional assistance. The Consortium helps these clients by taking them to the "next level" – helping identify new markets or ways to expand their exporting potential.

Other services include referrals to other resource providers or help with a technical aspect of trade. The Consortium identifies clients through trade associations, trade seminars, talking with civic groups, getting the word out through economic development publications, and in general, relies heavily on the "word of mouth" method.

Trade Education: The Consortium offers basic exporting seminars throughout the State, and helps promote events sponsored by its partners. A partnership with South Carolina ETV and chambers of commerce around the State has resulted in opportunities for the delivery of trade programs and education via distance education. Satellite downlink partners help the Consortium reach companies that otherwise might not be able to access Consortium programs and services.

Since its inception, the Consortium has worked with more than 600 companies (including repeat customers) in the state, and has generated almost $100 million in direct or projected exports. The performance measures used by the Consortium have changed over time as lessons have been learned and applied. Since the focus is on small and medium-sized businesses with less than $10 million in sales and less than 100 employees, these clients most likely will not generate large export sales, and certainly not immediately. The performance measurement emphasis is on the numbers of companies assisted, rather than the value of export sales. Once a month a report is sent to board members, investors, and partners about its activities. The Consortium also surveys its clients in an effort to determine the impact of its programs and services.

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Rhode Island Export Assistance Center:

Since 1988, the Rhode Island Export Assistance Center (RIEAC) has provided Rhode Island firms with expert international consultants to help in a range of trade issues including market research, manufacturing adaptation for overseas sales, financial planning, legal guidance, trade negotiations, currency exchange, and cultural issues. RIEAC is located at the John H. Chafee Center for International Business (CIB) at Bryant College, in Smithfield, Rhode Island and is funded by Bryant College and the Rhode Island Economic Development Corporation. Through this partnership, the Chafee Center is considered as the manager of Rhode Island's International Trade Directorate. RIEAC has 10 primary programs:

- Country and Industry Program;
- Export Management Training;
- Export Trade Missions;
- International Trade Data Network;
- Internet Services;
- Videoconferencing;
- Workshops and Training Programs;
- World Trade Center Rhode Island;
- Linking International Trade Education; and
- Global Managers of the Future.

RIEAC has 20 full-time staff, all of whom are Bryant College employees. The Center's work is partly fulfilled by students from Bryant College and other institutions. Over the course of a year, approximately 75 students work at the Center. RIEAC's annual budget is approximately $2 million, 40% of which is funded by the Rhode Island Economic Development Corporation. The remaining 60% of the budget is funded by a combination of federal grants, corporate grants and sponsorships (including funding from Bryant College).

The ***Country & Industry Program***, which is specifically funded by the U.S. Economic Development Administration and the Rhode Island Human Resource Investment Council (the State's workforce development agency), provides focused research to help local businesses increase or begin exporting. RIEAC's consultants and student researchers help Rhode Island companies in specific areas of market research such as: country, region, or industry. This research is tailored to meet a company's specific product and/or other needs. The Program's goal is to double Rhode Island exports from $1 billion to $2 billion by the year 2005.

The ***Export Management Training Grant Program***, another initiative funded by the Rhode Island Human Resources Investment Council, provides up to $5,000 in matching funds to companies to develop customized training. Requirements for eligibility include being a Rhode Island manufacturer with two years of business experience, financial stability, a product or product line that is competitive in the U.S. market, and products that have at least 51% U.S. content. Training programs cover five areas:

- International Business Plan Development;
- Market Entry Strategies;
- Export Logistics;
- International Trade Mission/Show Development; and
- Language Training.

Export Trade Missions are coordinated in collaboration with the Rhode Island Economic Development Corporation (RIEDC). RIEAC provides market research and logistical support to companies that the RIEDC has recruited as participants, and provides post-show follow-up. Logistical support includes:

- In-country market research and telemarketing;
- In-country promotional campaigns;
- Business briefings highlighting economic issues, cultural practices, and export logistics;
- Interpreter services;
- Receptions for business partners; and
- Ground transportation.

The ***International Trade Data Network (ITDN)*** is a collection of interactive databases in a user friendly system that provides timely detailed market intelligence and information on trade opportunities, export contacts, and travel advisories. ITDN was initially created in Rhode Island and its central facility remains at Bryant College, although the Network serves businesses throughout the United States. The Bryant College facility is the lead site, with satellite sites in all member states. These sites can be in Small Business Development Centers (SBDCs), federal or state government offices, libraries, universities, or private corporations. The full range of data services and information are available at every site. The scope of counseling, training programs, financing, trade shows, and other consulting services varies from site to site. A grant from the U.S. Small Business Administration allows the ITDN to provide services free of charge to 171 SBDCs. These services include:

- Access to the International Trade Data Network;
- ITDN Training for SBDC Trade Specialists and businesses nationwide;
- 57 Customized Market Research Reports; and
- 12 International Business Development Forums to be conducted via interactive videoconferencing.

RIEAC also provides Internet Services to Rhode Island companies. Services include Dial-up Internet Services, Global Web Site Development Training, Web Site Development, and Web Site Hosting. These services help provide a range of options for businesses to choose from, depending on their existing technological capabilities and resources.

In addition, a ***Videoconferencing*** facility is available to connect companies across the country or around the world. The facility is located at Bryant College, and for a fee (consisting of a flat room rental rate plus call transmission costs), can be used by businesses, government agencies,

or educational partners. This facility enables users the ability to interact with other businesses, co-workers, or potential export partners worldwide.

Each month, a variety of ***Workshops and Training Programs*** are offered by RIEAC. These programs include the website development instruction noted previously, as well as country-specific seminars, international business roundtables, a "Global Advantage Series" of programs geared toward regional companies, and international business development forums. In addition, RIEAC hosts a World Trade Day once each year to focus on different aspects of international trade.

In order to make all training programs even more accessible, RIEAC is in the process of developing 90 web-based training modules. These modules will be targeted to Rhode Island companies that otherwise might not be able to access training because of time and/or travel constraints. To date, RIEAC has developed over 20 modules. The modules will eventually be made available to companies outside of Rhode Island as well.

Bryant College also owns a ***World Trade Center*** (WTC) charter and manages this program in partnership with the Rhode Island Convention Center Authority. Members pay a $250 annual membership fee to receive a variety of services, including:

- Access to the World Trade Center web site;
- A WTC Network Card – offering meeting facilities, discount hotel and airfares at over 300 member WTCs worldwide;
- A "Trade Card" which helps companies participate in electronic commerce;
- Access to some RIEAC services;
- One free training seminar;
- A 25% discount on the International Trade Data Network;
- Discounts on the videoconferencing facility;
- Access to international country and industry specialists; and
- Access to the full range of RIEAC services through the Rhode Island City & Town Program.

Finally, RIEAC has two programs with an education focus that are designed to increase awareness of international development and provide instruction in the field. The Rhode Island Department of Elementary and Secondary Education has an initiative called Linking International Trade Education (LITE). This program gives K-12 students and their teachers access to the ITDN through a curriculum about the world economy. Special LITE projects for high school students have included market research projects and a videoconferencing project that enabled Rhode Island students to work on collaborative projects with students in other countries. Project topics have included "Teenage Consumer Price Index" and "Spanish-American Commerce," among others.

The ***Global Managers of the Future*** program is a classroom/lab course for students wishing to gain more "hands on" experience in the global marketplace. Students have an opportunity to

conduct relevant international market research and experience direct client contact in preparation for working in international trade.

RIEAC is a recipient of the President's "E" Award, which affords recognition to persons, firms, or organizations that contribute significantly in the effort to increase United States exports.

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Georgia Department of Industry, Trade, and Tourism, International Trade Division:

Located within the Georgia Department of Industry, Trade, and Tourism, the International Trade Division seeks to increase Georgia's exports and the number of Georgia manufacturing and service firms successfully involved in international commerce. The Division has 13 full-time staff and 8 contract employees. All contract employees and three full-time staff are Trade Representatives at the international business offices overseas. The annual budget for the Division is approximately $3.5 million. The Division is led by the Deputy Commissioner, who reports to the Commissioner of Industry, Trade, and Tourism. A 20-member Board of business and community leaders throughout the State advises the entire Department.

As the main inroad to foreign markets, the ***International Trade Representatives*** serve a variety of purposes to not only the International Trade Division, but to the entire Department of Industry, Trade, and Tourism as well. In helping businesses either export or import in a particular country or region, the representatives provide market assessments and entry strategies to Georgia companies, help with locating and pre-qualifying appropriate partners and customers, offer advice on current issues, local business practices and solutions, and arrange appointments for Georgia companies visiting their countries/regions. Located in 9 countries and regions around the world, they promote Georgia as a source for quality products and services, an excellent location for manufacturing investments, a strategic gateway for the U.S. market, and a great tourist destination. Representatives are located in:

- Sao Paulo, Brazil
- Munich, Germany
- Toronto, Canada
- Brussels, Belgium
- Jerusalem, Israel
- Tokyo, Japan
- Seoul, Korea
- Mexico City, Mexico
- Johannesburg, South Africa

Like other state level trade departments, the Division uses ***Trade Shows and Missions*** to help Georgia companies promote products and services to overseas markets, and continue to make contacts with potential buyers for new exports. In 2001, the Division attributed approximately 50% of export sales back to trade shows in the carpet industry alone.

The Federal Export Enhancement Act of 1992 created the ***U.S. Export Assistance Center*** (USEAC) in efforts to streamline the U.S. Government's export marketing and trade finance assistance to domestic businesses wanting to export their products and services. Staff members from the International Trade Division work with the USEAC Resource Center in Atlanta to provide exposure to Georgia firms on an international setting, connect them with potential international clients, and help with financing, in order for them to market and export their products to the global marketplace. International Trade and its USEAC partners also offer a number of trade finance and insurance programs for Georgia exporters, including Export Working Capital Guarantees, Buyer Financing programs, and Plant Expansion Financing.

The International Trade Division also serves Georgia businesses needs by providing them with access to the ***Georgia International Trade Data Network*** (GITDN), an online trade information database that features trade leads, market research reports, statistics, and other export-related resources. Georgia's ITDN is the same system that was developed by the Rhode Island Export Assistance Center, and like many other states, Georgia uses ITDN extensively and markets the network as a primary research tool for its companies throughout the State.

Division staff works with Economic Development project staff as part of the Department's ***International Business Recruitment*** (foreign direct investment) efforts. Program managers in Economic Development are essentially "internal clients" to the International Trade Division, and are provided with leads for recruitment from International Trade Representatives. All of the representatives from Georgia's foreign offices come to Georgia annually to meet with local business and community leaders throughout the State to provide additional training on attracting investment in Georgia.

As part of the Department's recent redesign of its website, the International Trade Division has a new page that targets international companies seeking to invest in Georgia products and companies. The new page is designed to provide prospective investors with a website that connects to Georgia's international business offices, consulates, and trade offices. Ultimately, this portion of the Department's website will offer five pages in Japanese, French, German, Italian and Spanish.

Also hosted on the Department's website is the ***Georgia InfoSource*** resource. Georgia InfoSource provides detailed information on Georgia locations, industries, and communities. Infosource provides the following:

- A *Building Search* database with more than 700 buildings and facilities located throughout Georgia;
- A *Manufacturing Directory* that can be searched by SIC code, city, county, or company name;
- *Community Information* about nine counties and more than 200 cities throughout Georgia;
- A connection to the Georgia Department of Labor's *Labor Market Data* with statistics, data, and analysis on the labor climate for each county in the State; and
- *Fiber Atlases* that show fiber optic lines throughout 12 defined regions of Georgia by county.

In terms of performance measurement, the Division tracks its accomplishments by dollars of exports, project leads generated for program managers to work on, and businesses locating in Georgia. More than 1,600 internationally owned facilities representing 39 nations are located throughout the State, including the North American headquarters for Pirelli Tire, Daewoo, Porsche, and Triumph Motorcycles. Conservative estimates for 2001 sales resulting from the

International Trade Division's efforts are placed at $80 million. The Division's efforts also resulted in 188 business deals for Georgia companies.

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Enterprise Florida, Inc., International Trade and Business Development Unit, Export Services:

Enterprise Florida, Inc. (EFI), the State's economic development arm, has an International Trade and Business Development (ITBD) unit that provides export assistance to small businesses throughout Florida. Florida has committed considerable resources to providing this export assistance through the establishment of a network of field offices throughout the State. Unlike many state international development or trade offices that are centrally located in the capital city, Florida has made state assistance readily accessible to companies in all parts of the State. In addition to the ITBD unit's main office in Miami, there are also Field Office personnel in Tallahassee, Tampa, Boca Raton, Jacksonville, and Pensacola.

The ITBD unit has a staff of 21, in addition to contract employees in 12 countries around the world. The unit is led by the Senior Vice President of International Trade and Business Development, who reports to the President of Enterprise Florida. The annual budget is $4.55 million of which $2 million are for foreign offices.

Field Office staff provides one-on-one counseling to export-ready companies that need additional assistance to increase promotion activities. The first meeting with a client company often involves partners from the U.S. Department of Commerce, Florida's World Trade Center, Small Business Development Center personnel, and a representative from the Florida District Export Council. The purpose of bringing these partners into initial discussions is to clarify the different programs and providers that are available to the client. Field staff also have expertise in different areas and can be a resource for client companies outside their respective region, as well as inside their area. Currently, staff have expertise in aviation, information technology, international banking, shipping, small business development, and Asian markets based on their previous experience in these areas.

By working closely with local economic development organizations (EDOs) at the county level, the ITBD can provide additional assistance when needed. For example, staff often serve as guest speakers, and seminar instructors, or can be helpful in identifying and recruiting participants for international trade-related events hosted by the local chambers of commerce.

One of the services that ITBD provides to Florida companies is ***Export Counseling***. Counselors provide advice to manufacturing and service companies on-site, at EFI offices, or via telephone. ITBD staff provide a variety of information to Florida businesses on market information, trade leads, supplier "matchmaking" programs, outbound and inbound trade missions, and other trade events. In addition, the ***Florida Export Finance Corporation*** provides financial assistance for export transactions to small and medium-sized companies who have problems getting assistance from traditional lending institutions.

Several of EFI and the ITBD unit's programs are built around strengthening connections between and among Florida businesses and trade/export service providers and increasing access to valuable export-related information. One such program is the ***Trade Lead*** program. Through this program, Florida manufacturers are able use TRADE LINK, a service that connects Florida suppliers to "qualified leads" throughout the world. The ***Florida Services Network*** is a

partnership between EFI/ITBD and the Greater Miami Chamber of Commerce that has developed an online database designed to exclusively serve Florida's service industry businesses. Finally, the ***Florida Trade Network*** is marketed as a "strategic cooperative alliance" between EFI and its trade development partners. The Network provides businesses with information about programs of the U.S. Export Assistance Center, Florida District Export Council, Florida World Trade Centers, and Small Business Development Centers.

EFI also hosts the ***Team Florida*** missions that help promote Florida to the international community. Led by the Governor and business and political leaders, the missions are designed to promote Florida to international markets, enhance the state's image, help Florida companies gain market share, and foster international linkages and joint ventures. For communities that have businesses with the ability to export to markets that are not in line with the State's markets, Field Office staff will help the local EDO organize a trade mission for a minimum of seven Florida companies. Communities can apply for a grant of up to $7,500 from ITBD to be reimbursed for some of the mission's costs.

In measuring its accomplishments in export and trade assistance, EFI tracks "the success of Florida companies involved in international trade." As prescribed by Florida's Office of Tourism, Trade, and Economic Development, success is measured in both actual and anticipated export sales. In fiscal year 2000-20001, EFI documented $643 million in export sales, which was 43% above stated performance for the year. Field office staff served a total of 4,250 clients in 2001. EFI also received the President's "E" Award from the U.S. Department of Commerce for its efforts to increase U.S. exports.

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Oklahoma Office of International Trade and Investment:

Housed within the Oklahoma Department of Commerce (ODOC), the Office of International Trade and Investment (OITI), is a state level international program that has recently received accolades for its commitment to strategic planning and a comprehensive array of programs and services offered by OITI.[16] In 1998, OITI began a strategic planning process in partnership with the non-profit, non-partisan Governor's International Team (GIT) and Oklahoma State University (OSU), and with the participation of more than 50 other organizations throughout the State. Ultimately, the focus of the plan is two-fold – export development and foreign direct investment. Five key goals were identified in the international strategic plan, completed in 2000:

1. To promote and expand Oklahoma's international trade;
2. To expand foreign direct investment (FDI) in Oklahoma;
3. To increase Oklahoma's public awareness of, and active support for, globalization;
4. To ensure a workforce prepared for global competition; and
5. To build advocacy for international trade in the federal, state, and local governments.

In keeping with the five goals of the strategic plan, OITI provides a variety of services and programs to Oklahoma companies seeking to expand and increase exports and foreign companies that are targeted as potential investors. Additional partnerships and programs offered by OITI help the Office accomplish its many strategic objectives focused on creating an international trade/globalization "ethic" throughout Oklahoma. These services and programs are fulfilled by a staff of 15, plus contractors operating overseas branch offices. The Office is headed by a director who reports to the Executive Director of the Department of Commerce. Programs and activities are developed by the Office in consultation with allies throughout the state. The 2000-2001 budget for the Office was just over $2 million.

OITI staff help direct Oklahoma businesses to a variety of ***Business and Commercial Services*** available from international and national sources, including the National Trade Data Bank, Country Commercial Guides, the Trade Opportunities Program, and the Gold Key Service, among others. OITI helps companies assess which services will be most beneficial, and ultimately access those that are needed. The goal of connecting companies to these services is to help Oklahoma companies strengthen their export capabilities.

Oklahoma has ***International Marketing Offices*** on four continents, each of which provide a variety of services to Oklahoma companies. International trade offices are currently in:

- The Hague, The Netherlands;
- Jerusalem, Israel;
- Mexico City, Mexico;
- Seoul, Korea;
- Hanoi, Vietnam;
- Beijing, China; and
- Lagos, Nigeria.

[16] *Southern Growth Policies Board Clearinghouse*, March 2001 and January 2002.

Through the ***Sister State and Cities Program***, Oklahoma has established official state relationships with Kyoto, Japan; Gansu, China; and Taiwan; while 12 Oklahoma cities have been paired with cities in Australia, Canada, China, the Czech Republic, England, France, Israel, Mexico, Russia, and Taiwan. These connections are designed to promote international cooperation and understanding through youth exchange programs and various other outreach efforts.

Through the Oklahoma Department of Commerce's City/State partnership with the Export/Import Bank (Ex-Im) of the United States, OITI can provide ***Export Financing Assistance*** to small and medium-sized companies throughout the state. This service improves companies' access to working capital, direct loans, guarantees, and a variety of insurance policies.

OITI staff seek to recruit Foreign Direct Investment to Oklahoma by providing confidential site location services to foreign companies considering location or expansion in North America. Both FDI specialists on staff and in the overseas branch offices target foreign companies for recruitment to Oklahoma.

OITI staff hold regular seminars on a wide variety of export-related topics, including specific country markets and industry sectors. In addition, trade specialists provide individual counseling to companies during visits to business sites or at the OITI offices. Assistance with capital funding resources and potential joint venture partners is also provided to Oklahoma companies. OITI produces industry-specific *Made in Oklahoma* export catalogs and distributes the catalogs to potential buyers worldwide.

The ***Global Oklahoman*** on-line newsletter is an effort that was started in 2001 by OITI staff to help promote communication among and between members of the newly created Oklahoma International Congress (a byproduct of the international strategic plan) and the public. The newsletter is maintained on the OITI's page of ODOC's website and is updated daily.

In an effort to provide one-on-one counseling to businesses around the state, the entire OITI staff and its overseas office directors spent 10 days traveling throughout Oklahoma in February 2002 as part of the ***Global Oklahoma Road Show***. OITI staff offered the meetings as a free service to businesses and community leaders to share information about international events and trade shows. The Road Show also featured discussions with overseas office directors from Europe, Africa, Israel, China, Vietnam, Mexico, and South Korea.

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Access
To Capital

Market Street Services, Inc.
change management for communities

March 11, 2002

ACCESS TO CAPITAL

Why is access to capital important?

In an article in the *Venture Capital Journal* a few years ago, William E. Wetzel, Jr. commented that, "In an entrepreneurial economy, access to equity capital is the major financial obstacle to job creation. The problem is particularly acute for early-stage ventures that need high-risk, patience, value added capital, i.e., venture capital." This comment is as true today as it was when it was written in the late 1990s, inadequate access to capital remains a primary impediment to the growth of new and small businesses of all types. But these are precisely the types of companies that are creating all of the net new jobs in the U.S. economy. The number of jobs created by Fortune 500 companies has decreased steadily over the past 30 years: dropping from 26% to 10% of all non-farm employment. America is becoming more and more entrepreneurial, and a key to Indiana's success in developing a healthy entrepreneurial economy is adequate access to capital for growing Indiana companies.

During the economic boom of the 1990s access to capital investments for small and medium firms was relatively simple. Venture capitalists and "Angel Investors" were flush with cash and looking for good investments. And though they preferred investments close to home, they were willing to look beyond the established "hot spots" such as Silicon Valley or Route 128 for companies with potential. The current economic uncertainties have made access to this capital much more difficult. Investors are much more selective and are more unwilling to invest far from where they are located. Additionally, the primary sources of capital to new and growing companies: friends, family, and angel investors, has all but dried up over the past two years. Unfortunately, the demand for this resource has not abated. Rapidly growing companies still need equity capital investments to maintain their employment growth and to market their products. Technology companies need equity capital to pay for research and development. States that hope to remain competitive in the global economy must look for ways to foster these companies and encourage their location in their state.

How can the public sector impact the availability of capital? What can a government do to encourage investment in growing businesses? In general terms, there are several broad methods that states are using to assist growing companies and entrepreneurs with access to capital. First, some are making direct investments in the form of loans or equity to companies with growth potential. Still other states have developed mechanisms to encourage the private sector to invest in promising new and growing companies through the use of matching funds and tax inducements. Last, there are statewide networks that link entrepreneurs with needed business resources and provide these growing companies access to potential investors. Each of these methods furthers the chances for quality new companies to be successful and creates a statewide business environment that supports entrepreneurs.

What are the key characteristics of successful efforts to improve access to capital?

- ✓ Meet the needs of business while protecting investors – public and private
- ✓ Leverage public sector resources
- ✓ Minimize transaction costs – time and money
- ✓ Collaboration and cooperation with other business service providers
- ✓ Include technical assistance outreach efforts
- ✓ Clearly delineate goals and performance measures
- ✓ Widely disseminate information to the business and investor communities
- ✓ Leveraging small amounts of money to large investment

Why were these highlighted programs selected?

Effective public policy to support rapidly growing companies and job creation means improving access to all types of capital – loan programs and access to equity capital markets. Because of this, there was an additional criteria for selecting model programs; that is, to illustrate how the public sector can enhance access to a broad variety of funds to support business development.

1. ***BusinessCarolina (State of South Carolina)* –** provides direct loans, bonds and guarantees to support the growth of small and medium-sized businesses**.**

2. ***Connecticut Innovations*** – is a state sponsored venture capital organization that provides matching funds from $50,000 to $1,000,000 to leverage matching funds raised privately.

3. ***Oklahoma Capital Investment Board*** – is a public trust that supports the funding of venture capital partnerships that meet the investment and strategic objectives of the State.

4. ***Minnesota Investment Network Corporation*** – provides early stage equity investments and builds local investment capacity through the establishment of regional investment funds across the State.

5. ***Alaska InvestNet*** – a statewide capital matching network that provides investors with a convenient, confidential mechanism for examining opportunities to invest in the State and provides entrepreneurs with access to qualified investors and business services.

BusinessCarolina (State of South Carolina):

The State of South Carolina has been actively involved in providing alternate sources of capital and financing to businesses in the State since the inception of the South Carolina Jobs-Economic Development Authority (JEDA) nearly 20 years ago. Originally JEDA was used to provide financing tools such as Industrial Revenue Bonds and access to federally capitalized revolving loan funds for businesses in the State. It has grown to include a not-for-profit sister organization (Carolina Capital Investment Corporation) that provides micro-enterprise financing, SBA loan guarantees and an assortment of other financing tools for growing South Carolina companies. In July of 2001, the organization became a community development financial institution and was renamed BusinessCarolina.

BusinessCarolina is a state sponsored umbrella organization that provides financial support for growing South Carolina businesses in an effort to improve the State's economy and increase the number of job opportunities available to its residents. It contains BusinessCarolina, a community development financial institution (CDFI), JEDA, and the Carolina Capital Investment Corporation (CCIC). Together, these entities provide businesses in South Carolina access to a wide range of finance programs and work closely with state and local economic developers to ensure that businesses have the financial tools they need to be successful. The organization sees its key customers as: existing South Carolina basic industries, potential high growth firms, rural and community-based firms, and regional and local economic development organizations. A brief description of the organization's three components follows:

BusinessCarolina – in addition to being the "umbrella" name for the entire organization, BusinessCarolina is a CDFI. CDFI Fund is a program of the United States Department of Treasury and was created to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. The CDFI Fund provides small investments of capital to institutions that serve distressed communities and low-income individuals. The Fund's activities leverage private-sector investments from banks, foundations, and other funding sources.

South Carolina Jobs-Economic Development Authority (JEDA) – was established in 1983 by the State General Assembly as a quasi-public instrument of the State. The purpose of the Authority is to develop the business and economic welfare of the State of South Carolina through loans, investments, and the financial promotion of export of goods and services produced within the State. Such efforts are aimed at providing maximum opportunities for the creation and retention of jobs by the small and middle market business sector, thereby allowing the State and its citizens to prosper and enjoy a quality of life unsurpassed. Most of its loan activity has involved the use of federal community development block grant (CDBG) funds and state funds appropriated to capitalize a revolving loan fund.

Carolina Capital Investment Corporation (CCIC) – is a private 501(c)(4) non-profit corporation activated in 1996 to serve as a development finance institution for the promotion of private investment in South Carolina businesses. The purpose of CCIC is to promote the growth of productive private investment and to assist businesses that will contribute to the growth of the State's economy. Its activities are governed by a Board of Directors and must

contribute to the State's overall economic development efforts. Additionally, CCIC administers JEDA's programs through a Memorandum of Understanding.

The combined organization currently has a staff of 17 employees and an annual operating budget of approximately $3 million. Though federal and state funds are used for the loan programs, the organization is self-sustaining, using fees and loan margins to fund annual operations. In program year 2000-01 it operated a total of 14 major programs and had a total of $32 million in loans outstanding.

Following is a brief description of the financing tools available to BusinessCarolina. Through a mixture of federal, state and private funding sources, BusinessCarolina strives to meet the needs of the State's business community with special emphasis on rural areas and the State's underserved minority and low income populations. It administers more than a dozen different financial programs for businesses in the State of South Carolina. The average loan size for these programs is $323,000 and the majority of these loans have been made in the non-urbanized areas of the State. In addition to the program descriptions, the following sections provide an example of the typical client for each program.

Community Development Block Grant Loan Program. The CDBG loan program is available to all of for-profit manufacturing, industrial and service firms, and can be used for any business purpose. This loan program is available in all areas of the State except the entitlement areas. Entitlement areas are political areas within the State that because of their population have the opportunity to receive direct CDBG funding. In South Carolina this includes the principal urban areas such as Charleston, Columbia and Greenville. The maximum loan is based on a formula that includes the percentage of the total project costs, the county the business is located and a limit of $25,000 per job created, up to $500,000. Furthermore, federal regulations require that 51% of the jobs must be filled by low to moderate-income individuals. This is also the source of funds for the Commercial Loan Program for Rural Communities (see below).

Commercial Loan Program for Rural Communities. This loan program is also available to all for-profit manufacturing, industrial, service and retail firms, and can be used for any business purpose. To be eligible, the project must be located in a town or city that is a member of the South Carolina Downtown Development Association and the project cannot be located in a CDBG-restricted area of the state (see program 1 description above). Again, 51% of the jobs must be filled by low to moderate-income individuals. The maximum loan is 85% of project costs or $25,000 per job created, up to $500,000. There is a 10-year maximum term for fixed assets and a 5-year term for working capital.

Intermediary Relending Program. The Intermediary Relending Program is designed for all business purposes of for-profit manufacturing, industrial and service firms. This loan program is limited to projects in rural areas and in cities with a population of 25,000 or less. Maximum loan amount is 75% of project costs, or $250,000. This program was initially capitalized with a $1.25 million line of credit from the Rural Business – Cooperative Development Service (formerly known as the Farmers Home Administration) within the U.S. Department of Agriculture.

Carolina Capital Investment Corporation Revolving Loan Fund. The CCIC RLF provides funds for all business purposes of for-profit manufacturing, industrial and service firms and non-profit entities. The maximum loan amount is $25,000 per job created, up to $200,000. This program was capitalized initially with $1 million from a consortium of banks and currently has access to a $15 million line of credit provided by a single financial institution.

EX-IM Bank Working Capital Guarantee Program. This program is designed for South Carolina businesses involved in international trade, regardless of industry. This program provides a guarantee for short-term working capital loans. The maximum guaranteed amount is $1 million, and the maximum term is 180 days.

Job Development Loan Fund. This program is targeted to finance the acquisition or renovation of fixed assets by for-profit or not-for-profit firms located in a SCANA service territory. SCANA is the State's largest electric utility. The maximum loan amount is $5,000 per job created, up to $50,000. The program was initially funded with $540,000 from SCANA. CCIC markets the program, originates loans, and services the accounts, but SCANA retains ownership of the fund.

Business and Industry Guarantee Loan Program (B&I). The B&I program is designed to provide funds for all business purposes: purchase of land and buildings, equipment and machinery, and working capital. This program is available to all for-profit and non-profit businesses that are located in non-urbanized areas of South Carolina. Although the maximum loan amount is $10 million, CCIC prefers to make loans under this program in amounts between $500,000 and $1 million. Funding for this program comes from the USDA.

Carolina Business Resources (CBR). CCIC started the Carolina Business Resources (CBR) program to target small businesses with less than $1 million in sales and in areas traditionally under-served by financial institutions. CBR offers commercial loans to fund short-term or long-term needs. These loans can be used for working capital, purchasing inventory, equipment, or real estate. The loan amount is a minimum of $10,000 and a maximum of $250,000. This program was intentionally designed to also meet the critical technical assistance needs of the small rural and community-based businesses. The CBR program provides a Community Business Development Specialist who can assist the client with business and financial planning and understanding of the financial services marketplace. In addition, the specialist will provide ongoing services to its clients. These services include: bookkeeping, sales and marketing, personnel and human resources, administration, operational procedures and policies

Palmetto Basic Building Loan Fund. This program is funded through the U.S. Department of Commerce, Economic Development Administration, and the Department of Housing and Urban Development. The Palmetto Basic Building Loan Fund may be used to purchase fixed assets such as land, building, leasehold improvements, machinery, equipment, furnishings and fixtures. The program provides funds between $30,000 and $350,000. The types of firms that this program targets are small to mid-sized manufacturing firms that ideally support existing industry in the State.

The USDA Guaranteed Community Facility Loan Program. This program is a loan guarantee program sponsored by the U.S. Department of Agriculture, and is designed to finance community facility projects, such as hospitals, nursing homes, police and fire stations, child care centers, etc. Loans are limited to unincorporated rural areas, and incorporated towns of 50,000 people or fewer. The USDA will guarantee up to 80 percent of the loan amount.

Building Dreams Revolving Loan Fund. Building Dreams is BusinessCarolina's Community Development Finance Institution (CDFI) program that assists low-income individuals, Community Development Corporations and rural communities throughout South Carolina in building businesses, affordable housing, and community facilities. The program will offer a wide range of services to meet the needs of each community by providing loan and investment products, technical support, education, and training.

Tax-Exempt Industrial Revenue Bond Program. This program provides up to $10 million in low-interest loans for manufacturing and 501(c)(3) non-profit firms for the purchase of land, buildings, machinery or equipment. Recipients are required to pay a $500 application fee, the bond issuance cost, and annual fixed fees associated with the bond.

Taxable Industrial Revenue Bond Program. This program provides a minimum of $3 million in low-interest loans to for-profit manufacturing, industrial, and service firms for the purchase of land, buildings, machinery, equipment, or for working capital. There is no maximum loan limit. Recipients are required to pay a $500 application fee, the bond issuance cost, and annual fixed fees associated with the bond.

Export Working Capital Guarantee Loan Program. This loan program provides a guarantee for up to $200,000 per export transaction to for-profit firms to use in obtaining working capital loans. The maximum term length is 360 days. Participants must pay a $250 application fee and a 1% commitment fee.

Small Business Administration Programs. These programs provide loans and loan guarantees through three programs – the Microenterprise Loan Program for Small Industry, the Low Documentation Loan Program, and the SBA 7(a) Loan Guaranty Program. The *Microenterprise Loan Program for Small Industry* provides loans for up to 85% of project costs - not to exceed $25,000 – to for-profit retail, service, and manufacturing firms that have been in operation for at least two years. The loan can be used for the purchase of land, buildings, machinery, equipment, and for working capital, and the maximum term length is six years. Loans cannot fund projects located in the ineligible counties and cities as listed under the CDBG program above.

SBA Micro-enterprise Revolving Loan Fund. CCIC utilizes a micro-enterprise loan fund for businesses seeking less than $35,000 in capital. It has also become increasingly evident that micro-loans in the under $10,000 category are being demanded by individuals who are seeking self-employment opportunities. The target customers for this product are low-income individuals with little or no credit, assets, or capital, but with the desire and potential skills to be self-employed. A six-week business-training workshop is a mandatory requirement of the program.

The *Low Documentation Loan Program* provides up to $150,000 loans for small for-profit businesses to use for facility construction, expansion, or renovation costs; the purchase of real estate, machinery, or fixtures; leasehold improvements or working capital; a seasonal line of credit; inventory acquisition; or to refinance debt. Recipient pays 2% of the loan and the term length is five to ten years when used for working capital, and up to 25 years for all other uses.

SBA 7(a) Loan Guarantee Program. CCIC offers an SBA 7(a) Loan Guarantee Program to meet the needs of small businesses. Under this program, the SBA guarantees up to 80 percent of the loans of $100,000 or less, and 75 percent of loans from $100,000 to $1 million. The financing can be used by start-ups or existing firms for a variety of business purposes that include: expansion or renovation of facilities, the purchase of machinery, equipment, fixtures, and leasehold improvements, to finance receivables and augment working capital, refinance existing commercial debt, provide seasonal lines of credit, construct commercial buildings, and/or purchase land or buildings.

Welfare-to-Work Revolving Loan Fund. The Welfare-to-work program provides loans from $1,000 to $5,000 to small for-profit businesses to finance fixed assets and provide working capital. Applicants must meet pre-eligibility requirements, and if approved, may be required to make a 10% equity contribution. The loan term length is five years.

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Connecticut Innovations, Inc.:

Connecticut Innovations, Inc. was created in 1972 as the Connecticut Product Development Corporation (CPDC). It became Connecticut Innovations in 1989 by an act of the Connecticut legislature, and the exclusive focus became the State's high technology community in that same year. The ultimate goal of Connecticut Innovations is "the creation and sustainable growth of a community of high technology companies vital to Connecticut's future." Connecticut Innovations makes investments in entrepreneurial, high technology companies. Since 1995 Connecticut Innovations has invested more than $56 million in 51 companies in the State.

Operating as the State's venture capital organization, Connecticut Innovations is organized as a not-for-profit whose Board is appointed by the Governor and State Legislature. The 15-member board of directors has representatives from both the public and private sectors. The current Chairman of the Board is the Chairman of Development for the Office of the Governor of the State of Connecticut, and is responsible for coordinating economic development activities for the State.

Connecticut Innovations is currently focusing their investment in the following critical high technology areas: bioscience technology, information technology, energy and environmental systems, and, photonics (applied optics). The focus of Connecticut Innovations is periodically reviewed to ensure that the targeted areas remains current with technology trends and is consistent with the types of deal structures found in Connecticut. The organization has an operating budget of $6.2 million and is funded by a combination of interest income, program income and interest on investments. There are currently 39 investment and administrative employees at Connecticut Innovations.

Connecticut Innovations offers a spectrum of support for companies, from equity funding, research assistance, financing for product development, and marketing. While the primary focus is on providing risk capital, Connecticut Innovations also offers programs to encourage university-industry collaboration, technology transfer, and workforce development through academic scholarships and mobile science laboratories. Through the provision of providing access to capital for targeted technology companies, Connecticut Innovations is working to create an entrepreneurial foundation in the State.

The main capital investment initiatives of Connecticut Innovations include the following:

The Eli Whitney Fund – The Eli Whitney Fund is Connecticut Innovations' primary investment fund, aimed at strengthening the state's high-technology environment by providing entrepreneurs with the capital and strategic guidance they need to start and build successful Connecticut businesses.

The Eli Whitney Fund focuses primarily on technology sectors that present the greatest potential for economic growth – information technology, bioscience, photonics (applied optics), and energy and environmental systems. Investments, which typically range from $500,000 to $2 million on the initial round, are made in early-stage Connecticut companies that meet established criteria. In fiscal year 2001 the fund approved investments in 23 companies totaling $25 million.

Connecticut Clean Energy Fund – capitalization of fund begins January 2000 through a surcharge on consumer's electricity bill as enacted by the Connecticut General Assembly, and is expected to produce $125 million over the next five years. The goal is to make Connecticut the international leader in the development of clean power generation and technologies by taking equity positions in projects that will produce green power, projects or companies that will build the demand for green power, or companies that are marketing clean energy technology. In FY 2001 the fund approved investments in seven companies totaling $9.25 million.

NextGen Fund – is a joint venture between the Phoenix Companies and Connecticut Innovations that was launched in 2000. Next Generation Ventures (NextGen) supports start-up, high-tech businesses in Connecticut. The initial capitalization for the fund is $10 million and it focuses on seed investments of $100,000 to $500,000 – amounts smaller than the typical venture capital firm will consider. The new fund offers seed-stage venture capital to companies planning to locate in Connecticut. In FY 2001 the fund made investments in five companies totaling $2.4 million.

The NextGen fund addresses the widely acknowledged gap between new ideas and later-stage venture financing. It also goes beyond capital investments by providing experienced management counsel to the start-up companies it wants to attract, guide and support. The intent of the fund is to act as a catalyst to encourage investment in Connecticut and further develop an environment that encourages entrepreneurs to locate in the State.

BioScience Facilities Fund – this fund promotes the growth of Connecticut's bioscience industry. The $60 million fund provides financing to qualified biotechnology companies for the construction of wet laboratory and related space. The financing can take a variety of forms, and terms are consistent with the level of risk associated with the transaction and the specialized needs of the companies. Companies already in Connecticut, or those wishing to move to the State, may apply for this funding.

Biotech companies must have access to adequate lab space in order to grow, and demand for it is increasing rapidly. The Legislature created the fund in 1998, with $30 million of state monies, and Connecticut Innovation's contributed an additional $10 million using proceeds from its equity investments. Since the fund's inception, it has financed the construction of more than 225,000 square feet of laboratory and related space.

Connecticut Technology Partnership Program (CTP) – invests matching funds in companies performing R&D under federal programs, such as the Advanced Technology Program and the Small Business Innovation Research (SBIR). Funds are available up to $500,000 for cost-share funding for CTP and up to $50,000 in SBIR commercialization funding.

Yankee Ingenuity Technology Competition – the Yankee Ingenuity program offers awards of up to $300,000 each to Connecticut universities that collaborate with Connecticut businesses on applied research and development projects leading to marketable products or processes. In FY 2001 the program awarded over $3 million and leveraged private resources in excess of $2 million to fund 13 projects.

Technology Test Bed Program – the Technology Test Bed Program, created by legislation in 1999, helps selected high-technology companies demonstrate their products effectiveness in the field. Under this program, a state agency or facility can serve as a demonstration site for a company's product or service. Connecticut Innovations may assist the state facility with funding to defray costs related to acquiring and implementing the demonstration. This funding represents a further investment by Connecticut Innovations in the and further equity is usually the consideration for the investment. In FY 2001 one company was selected to participate in the program that included an investment of $295,000 to set-up the demonstration project.

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Oklahoma Capital Investment Board:

The Oklahoma Capital Investment Board (OCIB) is a state beneficiary public trust established to encourage investments in Oklahoma companies that have the potential to create jobs and strengthen the State's economy. The methods that the OCIB utilizes to achieve this objective are the Venture Investment Program – which invests in private venture capital partnerships as a method to develop the State's investment capital resources – and the Oklahoma Capital Access Program – which encourages commercial lenders to make a higher volume of loans to deserving small businesses through an instrument similar to credit insurance. The OCIB uses indirect methods to provide capital resources to entrepreneurs rather than making direct investments in companies.

The board was established by an act of the State Legislature in 1992 and has five trustees who are appointed by the Governor. The trustees must have investment experience, and understand both the risk-reward relationship of potential investments and the State's strategic objectives. The board is managed by a staff of three full time employees and has an annual operating budget of approximately $500,000. Operational funding comes from investments, consulting and guarantee fees, not from state appropriations.

The models used by OCIB to bring adequate capital resources to deserving Oklahoma companies benefit the State in many ways, including:

- If the venture funds are successful the State will realize significant economic gains at little or no cost
- No state appropriations or future tax streams are used to fund or operate the programs
- The programs will eventually be self-sustaining and financially independent through incomes from earlier investments
- The process is driven by professional venture capitalists and commercial lenders whose compensation is directly related to the success of the investments
- The programs strengthen the State's capital community and provide greater access to capital for entrepreneurs and growing businesses

Venture Investment Program **–** the model that OCIB uses is that of "*funding* venture funds." It makes investments in private, limited partnership venture funds that meet the State's strategic objective, i.e. the development of capital formation for the economic sectors that are viewed as critical to the growth of Oklahoma's economy. OCIB's funding comes primarily from institutional lenders and investors who have made investments in the Oklahoma Capital Formation Corporation (OCFC). The State of Oklahoma has passed legislation to create tax credits that guarantee the principal and interest on these borrowed funds to encourage institutions to invest in the program. The tax credits have been "contractually" purchased by a consortium of public utilities and will be utilized if needed to cover the program's obligations. Proceeds from the OCFC are in turn invested by the OCIB in venture capital firms. However, it is anticipated that income from these investments will be sufficient to meet the guarantee obligations and make future venture fund investments, and that the credits will not have to be used.

Through June 2001, over $84 million has been invested in promising Oklahoma businesses through the activities of OCIB supported private venture funds. These firms all have a history of building and growing companies. The OCIB estimates a 2 to 1 debt to equity capitalization ratio; this means that the program has mobilized $252 million for the growth of these businesses. This has been accomplished at no cost to the State other than $600,000 in appropriations spent to initially design the program.

OCIB is currently invested in eight venture funds whose size ranges from $14 million to $120 million. In total, OCIB has $26 million invested in the funds. The investment performance of OCIB's portfolio of funds in total, as of the fiscal year end, is an annual internal rate of return of 18% since inception. Interestingly, OCIB does not require the funds to be located in Oklahoma. Only two of the eight funds are headquartered in the State. Its goal is to find the best venture funds that meet the State's objectives and will provide Oklahoma companies with the greatest chance of success. Therefore, OCIB has considered hundreds of venture firms from across the nation as potential investments. The only restriction placed on a fund's management is that once an investment is made by the OCIB into the fund that the venture capital firm must open an office in Oklahoma. The average amount invested in each fund is between $1 million and $5 million, an amount that was determined to be of sufficient size to encourage the funds to seek Oklahoma based deals. This investment usually represents a 10% - 20% interest in the venture fund which ensures that there are a majority of other investors who will complete due diligence and cannot be influenced by elected officials.

Oklahoma Capital Access Program – the Oklahoma Capital Access Program (OCAP) is designed to provide banks with the additional reassurance that is required for them to make commercial loans to small businesses. It is designed to be a flexible and non-bureaucratic program. OCAP is an easy-to-use tool which helps banks profitably expand and better serve small businesses. It provides a "credit insurance" reserve for Oklahoma banks through a fee-matching arrangement for loans enrolled in the program. It is an additional resource to finance economic development and community reinvestment activities in Oklahoma.

The OCAP is simple to use. To enroll a loan, the lender submits a one page loan filing form to OCIB within 10 days of making the loan. There are only a few restrictions placed on the types of loans that are eligible for the OCAP. OCAP loans must be for an Oklahoma business purpose, cannot be for the refinance of existing debt or be for speculative real estate or oil and gas production purposes. The lender performs the underwriting and is responsible for the monitoring of the loan until it is paid off or reaches its maturity date. Should a charge-off occur, the lender simply submits a one page claim form to OCIB. Claim payment will be issued, subject to the lender's reserve account balance, within two business days after the receipt of the claim form. OCIB staff is available to provide training or simply answer questions upon request.

The first OCAP loan was enrolled in July 1992. By June 2001, the program had enrolled 70 financial institutions and supported over 1,080 loans totaling in excess of $30 million. OCAP has continued to have a large number of loans enrolled and dollars lent with a program growth rate of 14% comparing loan dollar volume for fiscal year end 2000 to fiscal year end 2001 activity. Loans have varied in size from $1,100 to $728,000, and have primarily been used for

working capital and equipment purchases. Borrowers have ranged from farmers and ranchers to foundries, roofers, machine shops, manufacturers, and day care operators.

The Board intends for OCAP to remain an active part of OCIB's efforts to support the growth and diversification of Oklahoma's economy. This can be achieved by broadening OCAP's borrower base through increased participation in the program. OCIB staff will continue the marketing of OCAP in order to encourage new and existing lenders to increase their participation in the program.

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Minnesota Investment Network:

In 1992, the Minnesota State Legislature authorized the Minnesota Investment Network Corporation (MIN-Corp) to invest in small and medium sized companies through equity or equity-type investments. Its mission is to support the start-up and development of technology-based small and medium-sized manufacturers through equity or equity-like investments, with a focus on rural Minnesota.

MIN-Corp severed direct ties with the State in 1998 and organized as a private not-for-profit to assist Minnesota companies become more competitive. However, the effort is a part of the State's overall economic development strategy to strengthen its economy and preserve and increase jobs in Minnesota. It is now a Community Development Financial Institution (CDFI) and is organized as a community development venture capital fund to provide equity capital and expertise to companies located in Minnesota. The primary goals of MIN-Corp are to:

- Provide a market rate of return on investment appropriate to the risk
- Create new sources, and leverage existing sources, of capital
- Monitor operations and provide expertise to businesses
- Cultivate successful businesses

MIN-Corp seeks to impact the State's economy by investing its entire Equity Fund in growth companies located in Minnesota and to build local equity capacity by establishing RAIN℠ funds throughout the State. All of the activities of MIN-Corp require that the investment be capable of providing returns to investors and creating quality jobs in the State.

Initial operational funding was supplied by Minnesota Technology, Inc. and the organization does not receive any state appropriations or funding. It has an annual operating budget of $1 million and has three full time staff.

The Equity Fund – is the only statewide equity fund in Minnesota that focuses on rural business opportunities. MIN-Corp seeks to invest its entire Equity Fund in growth companies located in Minnesota. The fund was initially capitalized with $7 million for investments in start-up, small and expanding businesses that are technology-intensive or manufacturing-related. Eligible Minnesota businesses include 1) small, technology-related manufacturers or operations, 2) manufacturing-related companies or operations, and 3) value-added processors of natural resources or agricultural products. A company does not need to be "high tech," but it must be developing a new product or process that will improve its competitive position by the acquisition, application or development of new or existing technology.

The fund encourages the growth of new sources of local and state capital by requiring a 1:1 equity match for rural companies and a 2:1 match for urban companies. Eligible uses of funds include working capital, technology commercialization, marketing, inventory, accounts receivable, facility expansion, equipment and international joint ventures. Investments range from $50,000-$700,000 in any single company. A major fund objective is to maintain a balanced portfolio of successful companies. Therefore, the Equity Fund seeks deals that span a range of eligible industries and include the entire spectrum of development phases.

As of 2001, Minnesota Investment Network Corporation's Equity Fund had investments and commitments in excess of $12 million to 15 companies.

The RAIN Fund[SM] – MIN-Corp works to build local venture capital capacity through the organization of RAIN funds in communities throughout Minnesota. RAIN[SM] funds are a series of formal investment funds that pool the intellectual and financial resources of accredited individuals and institutional investors in specific targeted areas of the State. They provide seed and growth equity capital for emerging companies in their communities.

RAIN[SM] funds are structured as limited liability companies (LLC) and function like mini-quasi venture funds. The local fund must be at least $500,000 in size to be eligible for participation in the program. MIN-Corp will work with local investors to organize the fund and provides the following services to the local community:

- Provides all the proprietary templates, worksheets and legal documentation;
- Provides 10% of capital investment up to $100,000 per RAIN fund;
- Provides on-going professional equity financing expertise;
- Access to deal flow and other capital resources statewide; and
- Offers on-going business expertise.

There are currently two RAIN funds in existence. They are:

- **Prairie Capital, LLC** (PC) – a venture fund formed by accredited investors in and around the Worthington, Minnesota area. The fund was organized in 2001 and has a capitalization of $700,000. MIN-Corp contributed 10% of the original equity to the fund. The fund has made 4 investments of approximately $50,000 per company.

- **Lakes Venture Group, LLC** (LVG) is a venture fund formed by accredited investors in and around the Alexandria, Minnesota area. The fund was organized in 1998 and has a capitalization in excess of $700,000. MIN-Corp contributed 10% of the original equity to the fund. The fund has made 5 investments totaling more than $250,000.

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Alaska InvestNet:

Alaska InvestNet is a statewide capital matching network, providing investors with a convenient, confidential mechanism for examining opportunities to invest in business ventures in Alaska. Additionally, InvestNet provides entrepreneurs and new or growing businesses with a cost-effective process for reaching private investors interested in early-stage and/or high-growth companies. Started in 1999 with seed funds from the Alaska Science and Technology Foundation, InvestNet is a not-for-profit corporation that has an annual operating budget of approximately $300,000. The organization's has two staff members and utilizes a network of volunteers across the State to manage the network. InvestNet's three primary areas of concentration are:

- Matchmaking
- Education
- Coaching

Matchmaking – InvestNet works with entrepreneurs to develop business applications that meet network standards. These applications are compared with investor preferences in InvestNet's investor database. Selection criteria include: geographic preference, business stage of development, industry sector, level of investment, annual sales potential and investment structure. If a "match" is found, the investor is sent a two-page business plan summary and financial projections. If the investor then decides to proceed, an introduction between the parties is made and negotiations are conducted independently of Alaska InvestNet.

In 2001 Alaska InvestNet met its matching and placement goals. The organization initiated 10 matches, five of which resulted in placements. The entrepreneurs assisted through InvestNet have created in excess of 40 new jobs and have annual revenues of $3.3 million. This is a significant contribution in a state of less than 650,000 inhabitants and that has a workforce of fewer than 400,000.

In addition, InvestNet offers informal networking opportunities for the State's entrepreneurs and investors to interact. These events are held throughout the State and encourage closer ties between the two groups. In 2001 InvestNet held nine investor dinners and breakfasts where entrepreneurs and investors were able to network.

Education – Another function of InvestNet is to educate entrepreneurs about starting and growing a business, obtaining equity investments and understanding how to work with investors. To achieve this goal the organization offers a series of workshops known as the "Know How Network Seminar Series." The seminars are held throughout the State and average five per year. Topics in this series have included workforce development, capital formation, start-up techniques, and understanding the types of financial resources available to small businesses. InvestNet also holds a series of Human Resources Workshops for new and growing businesses across the State. In 2001 it held three of these workshops.

The largest event held by the Alaska InvestNet is its annual Capital Investment Conference that includes workshops, seminars and entrepreneur presentations. The conference was attended by

over 135 people and included more than 17 individual workshops and seminars of interest to entrepreneurs.

Coaching – InvestNet offers entrepreneurs the opportunity to work with qualified business mentors in the development of their business plans. In addition, through its venture advisory panels it provides entrepreneurs with access to mock funding presentations where they can hone their skills prior to meeting with actual investors. These panels provide real world feedback and presentation advice to the participants.

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Tourism

Market Street Services, Inc.
change management for communities

March 11, 2002

TOURISM

Why is tourism important?

Travel and tourism has played a significant part in the growth of the U.S. services and retail sectors. In 2000, according to the U.S. Travel Data Center, travel-related expenditures in the U.S. exceeded $580 billion (a 32% increase between 1995-2000) and supported 7.8 million direct jobs while generating $100 billion in tax revenue.[17] In the contemporary economy, tourism contributes to a diversified economic base. An economic development strategy that ignores the importance of tourism in today's economy is overlooking real opportunities to supplement related industries and create various business clusters. The State of Indiana, from the world famous Indianapolis 500 to the State's 22 parks and other outdoor recreational resources, creates significant economic development opportunities through tourism. Brown County State Park is the most visited state park in the United States, and Indiana travelers spend $947 million each year on outdoor recreation.[18]

Tourism opportunities are international as well as domestic. The United States holds the position as the number one travel and tourism destination for total receipts generated worldwide and the second or third destination for number of visitor arrivals over the last decade. Travel and tourism was the second largest service export category in 2000, accounting for 37% of all service exports. Tourism's export contribution to the national economy was expected to generate 16.5% of total exports ($196 billion) in 2001, and forecasted to grow to $394 billion by 2011.[19] In 1998, tourism expenditures by international tourists in Indiana totaled $215.7 million.[20]

The full impacts of the tragic events that occurred on September 11, 2001 are still yet to be measured, but their influence on the nation's economy, particularly travel and tourism, have been significant. Forecasts indicate that while domestic and international travel expenditures in the U.S. increased by nearly 3% in 2000, the growth in U.S. travel was expected to slow over the next two years, with a 2.2% increase in 2001 and a 1.8% increase in 2002. This equates to losses of $43 billion in expenditures and more than 450,000 jobs.[21] On a positive note, the World Tourism Industry and Tourism Industry of America predicts that the industry will pick up its rhythm of growth by 2003 as business and consumer travel confidence returns.

In 2000, Indianapolis captured 0.3% of the inbound international market share coming into the U.S. with a visitation volume increase of 6.3% from 1999. However, consumers are now apprehensive about the safety of airline travel, and in September 2001, consumption expenditures on airline travel fell by 28.3%, a decline of $12.5 billion.[22] International arrivals

[17] Travel Industry Association of America, *Tourism Works for America*, 10th Edition 2001.
[18] Indiana Tourism Council, 2000 Annual Report.
[19] World Travel & Tourism Council, Year 2001 Tourism Satellite Accounting Research, United States.
[20] Statistical Abstract of the United States, 2000.
[21] Travel Industry Association of America, *Travel Forecast for 2000-2003*.
[22] Milken Institute, *Metropolitan Economies in the Wake of 9/11*, January 2002.

also slipped by 1.3% due to the terrorist attacks of September 11. As a result, travelers are visiting destinations that are closer to home rather than long-haul destinations, and they are opting for more familiar places that they perceive as being "safe."[23] Although these statistics may appear to be intimidating, they provide an opportunity for Indiana to shift its tourism marketing strategy towards a regional travel market. By identifying visitors who prefer automobile travel to other transportation modes, Indiana can target its travel incentives towards potential visitors who can reach their destination in a reasonable amount of time. Indiana has already developed one marketing strategy that targets four primary local and regional markets: Indiana in-state, Chicago, Cincinnati, and Louisville.

Despite its economic power, tourism is not always recognized as an economic engine. Too often, tourists and visitors are not seen as a client or customer, or as playing a key role in the economy. In some states, tourism has been marginalized as involving only events and marketing campaigns. This attitude persists in part because the economic impact of travel and tourism can be hard to measure. Many of the economic impact measuring tools – as well as the attitudes of economic development professionals – are geared for the old, traditional manufacturing-based economy, rather than the new service-oriented one. It is also important to note that more than 90% of the U.S. travel industry is made up of small- and medium-sized businesses.

Like other aspects of economic development, tourism requires both promotion and product development. The promotion side of tourism programs has been greatly impacted by advances in information technology. More than 59 million online travelers used the Internet last year to obtain information on destinations and to check prices or schedules.[24] Therefore, no state can expect to compete for visitors without a high quality web site that allows potential visitors to explore options in terms of attractions to visit and overnight accommodations, restaurants, and other facilities. EnjoyIndiana.com was launched in 2000 and hosted nearly one million users in its first year.[25] It is important that travel and tourism serve as a gateway for states and communities to attract a wide variety of investments in a diversity of business sectors.

What are the key characteristics of successful tourism efforts?

- ✓ Balance between marketing and product development
- ✓ Priority given to web site development and innovation
- ✓ State-local partnership
- ✓ Public-private partnership structure
- ✓ Businesses have a voice in state policy
- ✓ Strong link to community development efforts
- ✓ System that involves all stakeholders
- ✓ Link to other state agencies – Transportation, Trade, etc.

[23] World Tourism Organization, *World Tourism Stalls in 2001*.
[24] Travel Industry Association of America, *Tourism Works for America, 10th Annual Edition*, 2001.
[25] Indiana Tourism Council, *2000 Annual Report*.

- ✓ International marketing strategy
- ✓ Cooperative efforts with surrounding states
- ✓ Strong research division with connection to research divisions within other state agencies

Why were these highlighted programs selected?

1. ***Florida Commission on Tourism*** – demonstrates state level public-private partnership with a strategic approach to expanding the industry within the State.

2. ***Texas Department of Economic Development's Tourism Division*** – illustrates two-tiered technical assistance program at state-level for tourism development throughout the State.

3. ***Travel Montana*** **–** uses a dependable revenue source for programs supporting regional tourism development: planning, training, and product development.

4. ***Illinois Bureau of Tourism Grant Programs*** – demonstrates how the state government can leverage its tourism spending and collaborate with public and private sector organizations at the local and regional level.

5. ***Virginia Tourism Corporation*** – provides example of state leveraging of resources through seed grants to assist rural communities in tourism development.

Florida Commission on Tourism:

Created in 1991, the Florida Commission on Tourism is in charge of making policy decisions on promoting and developing tourism throughout the State. In 1999, the State of Florida ranked third in the nation in per capita tourism spending. The Commission on Tourism contracts with the Florida Tourism Industry Marketing Corporation, which operates under the name VISIT FLORIDA,[26] to carry out tourism promotion activities under the FLA USA™ brand. The Office of Tourism, Trade and Economic Development contracts with the Commission to perform tourism-related activities and monitor the performance standards of VISIT FLORIDA. The Commission has 31 members, including the Governor as chair, and a member of both the House of Representatives and the Senate. The remaining 28 members are made up tourism industry representatives from various geographic regions in the State. The Corporation (hereinafter referred to as VISIT FLORIDA) is a public-private partnership and serves as an umbrella organization for the State's tourism promotional campaigns.

VISIT FLORIDA's website (www.flausa.com) is a primary focus of the organization's tourism efforts and is a responsibility of the Florida Tourism Marketing Corporation. The website generated more than 1.3 million visitor inquiries between 1999-2000. A main focus of the website is to offer potential visitors various resources in terms of travel planning. The website includes information about activities, accommodations, events, visitor services, weather, natural history, cultural history, sports, meeting planners, and general information about getting to and around Florida. A new section of the site focuses on Florida's Multicultural Heritage and highlights the heritage and history of Florida's African, Cuban, and Native American residents. The website is updated twice a month. In addition to the comprehensive website, VISIT FLORIDA publishes *The Florida Vacation Guide.* All of the listings and editorial descriptions from the Guide appear on the FLA USA website. Other publications include the *Florida Meeting Planner Guide*, *International Travel Planner*, and *Florida Official Travel Industry Guide*.

VISIT FLORIDA's primary responsibilities include:

- Administering domestic and international advertising campaigns;
- Conducting domestic and international promotional activities;
- Managing the State's welcome centers; and
- Conducting research on tourism and travel trends.

VISIT FLORIDA is also responsible for increasing private sector financial support of tourism marketing activities and must match State funding dollar for dollar. VISIT FLORIDA surpassed the private match of funds requirement before the end of its fourth year of existence and has continued to do so.

For fiscal year 2001-2002, the Legislature appropriated $21.6 million from the Tourism Promotion Trust Fund for these tourism promotion activities. The trust fund receives 15.75% of

[26] The Florida Tourism Industry Marketing Corporation (VISIT FLORIDA) was created as a non-profit corporation by the Legislature in 1996. It replaces the Department of Commerce's Division of Tourism that was abolished by the Legislature in 1996.

the proceeds from a $2.00 per day rental car surcharge. No general revenue is used to fund the program. The State mandated that VISIT FLORIDA must match public funding, dollar-for-dollar, with private funds by June 30, 2001. Private funds can include in-kind services, fees for services, and cooperative advertising in addition to cash. VISIT FLORIDA actually accomplished this match in early 1999. Various approaches are used to generate private dollars including a Partner Development program and entering into strategic alliances with private companies. (This is described further in the Partner Development Department description below.) VISIT FLORIDA has 119 full-time staff and is comprised of nine departments.

The ***Partner Development Department*** generates the private side of the revenue equation and runs the Partners Programs for the voluntary partnership investments. This program recruits tourism industry members who pay annual membership fees for special access to VISIT FLORIDA. In exchange, members receive preference in advertising and promotional opportunities. The number of private sector partners currently totals more than 2,300. At the end of June 2000, the program had achieved $2.06 million in investment revenues. Field offices in Orlando, Tampa, Miami, and Tallahassee make direct contact with potential Partners. The largest industry represented in the Partnership is the Hotels/Motels/Resorts/Bed and Breakfasts sector. Major strategic alliances with the Florida Hotel and Motel Association, American Express Travel Related Services, Dollar Rent a Car, Alamo Rent A Car, and Delta Express have resulted in increased marketing capabilities for the organization.

The ***Research Department*** issues the State's official air and auto visitor numbers along with visitor profile information and coordinated studies of traditional and non-traditional visitor segments to help maximize marketing effectiveness. The Department also tracks and monitors domestic and international travel trends, conducts surveys and assesses the effectiveness of advertising and marketing efforts. These efforts supply the rest of the Corporation, its advertising agency, state officials, Partners, and other members of the industry with important information needed to support and grow Florida's tourism industry.

In FY99, the ***Advertising Department*** increased their budget by $1 million to total $10.5 million. The Department creates media that appeals to target audiences that Florida wishes to attract. They also develop cooperative advertising programs that allow the State's small tourism businesses to reach the largest possible number of potential visitors.

The ***Promotions Department*** seeks to create cooperative promotions that generate widespread awareness of Florida and the FLA USA™ brand, involving market-specific broadcast and print media, retail outlets, and packaged goods companies. Major emphasis is placed on promotions targeting Florida's top domestic origin markets, based on market share, existing visitation to Florida, and the potential of expanding that visitation and the opportunity to extend brand awareness. Any promotion must meet a seven-to-one ratio between the resulting media equivalency and the value of the contributed products before it can be finalized. Each promotion is crafted to meet specific marketing objectives in terms of demographics, psychographics, media equivalency value, and total consumer impressions. The Department generated $18.2 million in advertising equivalency and 93 million consumer impressions through 27 programs in 1999-2000.

The ***Public Relations Department*** works closely with other departments at maintaining a positive public perception of Florida as a desirable pleasure or business destination by providing the media with story angles, constant updates of what's new in Florida, and tourism industry contacts. The Department also coordinates familiarization tours for domestic and international media.

The ***New Product Development Department*** helps to identify, inventory, and promote many of the State's little-known assets to increase the attractiveness of Florida to new and repeat visitors and to extend their stay while in Florida. The Department works in conjunction with the Eco/Heritage Tourism Advisory Committee to coordinate and facilitate the collaborative efforts of the tourism and travel industry, private businesses, non-profit interest groups, and public agencies. By administering a grant program, the Department assists counties and regions that do not have organized, funded, or staffed promotional efforts, particularly in the rural areas and those communities with limited public relations activities. A total of $69,000 in grant funds was awarded in 1999-2000.

The ***National Sales Team*** of VISIT FLORIDA maintains on-site sales offices in New York; Washington, DC; Chicago; and Dallas to serve the Northeastern, North Central, Mid-Atlantic, and South Central markets of the United States. Team staff in Tallahassee promotes Florida to the Southeastern market. Full-time sales representatives in these offices maintain contact with key travel agents, tour operators, and meeting professionals to keep Florida in the "destination forefront." VISIT FLORIDA Partners and Florida tourism industry representatives stay involved in promoting their State through sales calls, educational roundtables, and trade and consumer shows. Team members in the Tallahassee office also work to promote Florida's meetings and convention business.

The ***International Sales Department*** maintains offices in London, Frankfurt, Tokyo, and Sao Paulo that are responsible for tourism promotion activities in Europe, the Far East, and Brazil. The Toronto and Montreal offices are operated by The RMR Group, Inc., and serve the Canadian market. South American sales are contracted to Marketing Communications Worldwide with offices in Argentina, Mexico, and Venezuela.

The ***Visitor Services Department*** operates five official Florida Welcome Centers, located at four major points of auto entry into the State (I-10 in Pensacola, U.S. 231, I-75, and I-95) and one in the State Capitol Building in Tallahassee. The Centers host approximately 7,000 visitors per day (over 2.5 million per year).

The Florida Commission on Tourism participates in a strategic planning process on an annual basis. The Commission undertakes an annual evaluation of its overall goals, as well as updating performance measures for the individual departments. Growth is measured in areas such as out-of-state and in-state visitors, rental car surcharges, tourist-related employment, taxable sales, local option tourist taxes, and private sector contributions. These yearly goals are analyzed and evaluated in order to set new levels of performance for the next year or amend existing ones. If the Commission fails to meet any of its performance standards, it must provide a detailed

explanation to the Office of Tourism, Trade and Economic Development (OTTED). If OTTED is not satisfied with the explanation, it may reduce the Commission's quarterly funding by 1%.

In response to the downturn in tourism due to the events of September 11, 2001, VISIT FLORIDA is placing special emphasis on the recovery of Florida's tourism industry. A special $20 million tourism advertising allocation from the State Legislature made this possible. The organization has redirected its marketing campaign and teamed with over 50 industry organizations and businesses to advertise that now is the best time to visit Florida. This effort will continue through June 2002.

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Texas Department of Economic Development's Tourism Division:

The Texas Tourism Division is responsible for promoting Texas as a premier travel destination. Central to the Division's success is a strong public-private partnership that includes convention and visitors bureaus, local chambers of commerce, and private travel-related organizations and associations. Under a Memorandum of Understanding, the Tourism Division works closely with other Texas state agencies to improve the coordination of tourism marketing efforts including the Texas Department of Transportation, Texas Historical Commission, Texas Parks and Wildlife, and Texas Commission on the Arts. The main goal of the Division is to promote economic opportunity and prosperity for Texas in both the domestic and international tourism marketing areas, focusing on targeted areas with high travel propensities that yield the greatest return on marketing investment. To support this, the Division has been allocated a budget of $19.2 million (FY02) and a staff of 30 full-time employees.

The Tourism Division's website (www.traveltex.com) is the primary tourist stop on the Internet for the State's tourism efforts. Vacation planning information, attractions, events, tour information, and regional and local profiles are contained here. The Texas Department of Transportation is a partner in this initiative to promote and recruit tourists to the State. In addition to providing, maintaining, and monitoring the website, the Division is split into four primary concentration areas, each with its own tasks and programs.

The ***Advertising Department's*** domestic marketing efforts center around the marketing theme "Texas, It's Like A Whole Other Country®," designed to change stereotypical images of Texas. In Mexico, which is Texas' largest international market (72%), and other parts of Latin America, the positioning theme is "Texas. De Todo Un Poco. Y Mas®" (loosely translated: Texas. A little of everything. And more). Service areas covered by the Department include the production and placement of national and regional television commercials; domestic and international print ads; radio ads; in-state public service announcements; cooperative advertising for both public and private sector organizations; a Winter Texan/Seniors campaign for cold weather markets; and the development of an improved multicultural marketing plan.

A major component of the FY02 State Marketing Plan is the debut of a new Texas tourism advertising campaign, which will premier in-state public service announcements to motivate Texans to explore the State's many vacation offerings. New advertising campaigns will appear on 20-30 national cable networks and in more than 50 national and international magazines. The Internet will continue to play an integral role in the advertising campaign, and the website has been enhanced with new features and a more powerful search engine. The Internet advertising campaign will target general consumers, niche markets, and international travelers. Spanish language context has been added to the website with plans underway to include German language context in 2002. In addition, the Advertising Department will advertise and partner with a selection of premier web sites to promote Texas through contests and sponsorships.

The ***Sales and Marketing Department*** works with major air carriers, hotels, tour operators, wholesalers, travel agents, and travel media organizations in both the domestic and foreign markets to encourage them to sell Texas to their clients. Top international markets include Mexico, Latin America, Canada, Japan, the United Kingdom, and Germany. To support the

efforts of this Department, public relations/trade representation firms are located in the U.S., Canada, United Kingdom, and Germany. Tourism staff is also located in the Mexico office. Program emphasis includes:

- The coordination of tour development through contacts at domestic and international trade shows, sales missions and educational seminars that promote the State;
- Creation of cooperative opportunities for Texas travel industry partners to participate in travel trade and media promotions;
- Coordination of buyer tours throughout the State to educate travel intermediaries and encourage tour packaging;
- Coordinating promotional events on the State's events and attractions;
- Support of the advertising campaign; and
- Distribution by request of videotapes about Texas' tourism opportunities.

The ***Travel Research Department*** provides and analyzes information about domestic and international travel behavior and trends that direct the programs and services of the Tourism Division. They produce a variety of travel market research reports that supply information for advertising planning and the evaluation of advertising programs. Research reports can be accessed on the Internet at http://research.travel.state.tx.us.

The ***Tourism Development Department*** works with local Texas communities and businesses to better assist them with tourism development by recognizing, developing, packaging, and marketing local tourism products. The Department communicates this information to local communities through workshops, the Internet, and providing training and assistance to communities, non-profit organizations, and businesses to develop and attract new tourism business. Specific programs include regional tourism development workshops; community presentations and speeches; community tourism assessments; and a tourism certification program.

Additionally, the Tourism Development Department offers consultation and technical assistance to communities and businesses for tourism projects. The two levels of this service include a basic level of phone counseling, standardized information, and referrals, while a more intensive level goes a step further and includes customized grant searches and business assistance. Annual industry wide reports include domestic and international travel, hotel reports, economic impact, and community profiles, as well as custom reports categorized by county, place, or MSA, including hotel performance data and economic impact trends. Other reports issued by this department have focused on the effects of academic calendars on the State's tourism industry and studies to attract major sporting events to Texas.

The Tourism Division will continue its community outreach programs, which include an assessment of a community's tourism assets and community presentations on tourism topics. The newest outreach program under development is the Community Certification Program, a 12-month plan performed by local communities to help them become "tourism ready." Communities must complete five major program standards, each with several tasks and steps, to

be designated as a "Texas Branded Community for Tourism Development." Program standards include:

1. Creating a tourism promotion organization;
2. Conducting a tourism assessment and improvement plan;
3. Collecting and communicating community information;
4. Creating an Existing Tourism Industry program; and
5. Successfully completing a mock Familiarization Tour.

In FY02, the division will expand its presence in more international markets through participation in trade shows and Visit USA programs. These target markets include France, Sweden, Scotland, Peru, and Venezuela. Marketing efforts have recently been intensified in Mexico and Latin America by adding office space and two full-time marketing staff members. Marketing staff will participate in a variety of activities such as partner cooperatives, familiarization tours, conferences, and contracted trade shows.

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Travel Montana:

Travel Montana's mission is "to strengthen Montana's economy through the promotion of the State as a vacation destination and film location." As the State's lead tourism agency, Travel Montana coordinates and facilitates partnership projects of the Montana Tourism and Recreation Initiative, an interagency coalition of 18 state and federal agencies, commissions, and councils involved in tourism. Travel Montana has been selected as a model due to its funding mechanism and programs supporting regional tourism development.

Although Travel Montana is located within the Montana Department of Commerce, it is funded solely through a 4% statewide Lodging Facility Use Tax (commonly referred to as the bed tax) enacted in 1987. This tax is assessed on the room price of all accommodations statewide (including campgrounds, resorts, guest ranches, hotels, motels, and inns), and currently raises nearly $11 million a year. The State Legislature determines the use of these tax funds, and allocated 67.5% ($6.9 million) for Travel Montana programs in FY01. These resources are used for marketing and product development, including: consumer marketing; telemarketing and fulfillment, publications; tourism development; group conventions and overseas marketing; information services; film industry promotion; publicity; and visitor information centers. It is estimated that programs resulting from the use of the bed tax helped generate more than $1.5 billion in nonresident spending in 2001.

The same legislation that established the tax provided for the establishment of the Montana Tourism Advisory Council (TAC). TAC members are appointed by the governor and include at least 12 members from Montana's private sector travel industry, with representation from each of the State's six tourism regions and a representative from the Indian tribal governments. The Council advises the governor on travel and tourism issues; makes recommendations to and serves as the Board of Directors for Travel Montana; supervises distribution and expenditure of funds and sets regulations for all of Montana's non-profit tourism regions and Convention and Visitors Bureaus (CVBs); and oversees the university system's travel research through approval of all projects before initiation.

Travel Montana activities are guided by a five-year strategic plan (currently 1998-2003), plus annual plans that set forth the budget for expenditure of Travel Montana funds. The strategic planning process addresses issues relevant to tourism promotion, such as the growing use of the Internet by people planning trips and the challenge of helping ranchers and farmers take advantage of tourism to supplement their primary incomes.

Currently, approximately 20% of tax collections go toward tourism-related infrastructure needs around the State. This includes items such as historic preservation funds for Virginia City/Nevada City, maintenance of state parks, funding for the Lewis & Clark bicentennial program, and historic signage. About 23% of Montana's tourism budget is legislatively allocated to 15 certified organizations – private, nonprofit corporations that market specific regions and cities within the State. Marketing plans for each of these tourism-marketing organizations are on file at Travel Montana. The Montana University System receives 2.5% of tax proceeds for tourism and recreation research. Research projects for FY02 include Community Tourism Assessment and Quality of Life Monitoring; Monitoring Economic, Social,

and Environmental Issues in Montana; Pilot Study – Montana Travel Region Visitor Study; Nonresident Travel Study; and Economic Impact of American Bowling Congress.

Since the enactment of the accommodations tax, tourism has become one of Montana's leading business sectors. In 2000, nonresident visitors to the State spent $1.66 billion that supported 32,400 jobs and resulted in more than $525 million in personal income. Montana's leadership attributes the dramatic tourism growth to the impact of the marketing and tourism infrastructure development programs funded with the accommodations tax proceeds. Travel Montana services are delivered through the following departments and programs:

- ***Advertising and Technology:*** An important part of Travel Montana's mission is building the capacity of local tourism promotion efforts and promoting development of tourism attractions. Technology plays a vast role in these efforts, with Travel Montana maintaining not only their own website but nine others as well. The website is now generating more than 80% of inquiries since its inception five years ago. Currently, Travel Montana sends quarterly newsletters to web users that highlight current activities and new web offerings for the season. This year's advertising efforts include ad campaigns that target RV travelers, women, Western history and culture, and outdoor enthusiasts. Travel Montana develops and distributes more than 1.5 million pieces of travel literature each year. About 2,300 businesses receive complimentary listings in these documents and more than 400 businesses take advantage of advertising opportunities.

- ***Overseas Marketing Department:*** Aggressive marketing strategies target international travel and trade, emphasizing the United Kingdom, Germany, France, Belgium, The Netherlands, Italy, Japan, and Taiwan. The Department also works with Rocky Mountain International to reach western European markets, and trade office representatives in the Pacific Rim market the State's products and services to their respective countries.

- ***Tourism Development and Education Programs:*** These programs are designed to enhance the tourist experience for visitors to Montana so that they will stay longer and return. This is accomplished through focusing on cooperation and helping various travel-related organizations and industries work together. In partnership with the Missoula Cultural Council and the Billings-based Western Heritage Center, this program is assisting with the development of cultural corridor routes throughout the State. In addition, they are hosting the national "Share Your Heritage Pilot Project Workshop" in March 2002. The Montana Tribal Tourism Alliance works with Travel Montana to update the Montana Indian Reservation brochure. Major projects in 2002 include the creation of the new five-year strategic plan for Montana's tourism and recreation industry; the 2002 Montana Governor's Conference on Tourism and Recreation; and the development of an improved state-supported Visitor Information Center program.

Travel Montana also creates partnerships with the State's towns and cities, and helps them develop the resources they need to benefit through tourism. These efforts involve specific

projects such as community-based tourism development, statewide infrastructure improvements, and customer service/tourism education training.

- The ***Community Tourism Assessment Program (CTAP)*** is an eight month, community self-help program offered by Travel Montana in partnership with the State's institutions of higher education. Each year, the CTAP provides a facilitator and intensive technical assistance to help three rural communities assess their tourism potential and develop a long-range community vision. Each community then identifies priority tourism projects and reviews studies about each project's social, economic, and environmental impacts. At the end of the process, communities can use $10,000 in bed tax grants to develop priority infrastructure projects. Since its inception in 1991, 27 communities have participated in the CTAP.

- ***Superhost*** is a training program for front-line employees and a certification program for tourism related businesses and organizations. Trainers provided by Flathead Valley Community College in Kalispell conduct Superhost training workshops at locations throughout Montana, under contract to Travel Montana. Travel Montana coordinates these workshops with the small Business Development Centers and the Montana State University Extension program. Workshops have a common core that addresses the importance of tourism in the Montana economy. However, the workshops are also interactive and customized to the needs of participating businesses and host communities. Each trainer is responsible for marketing within his or her region. Communities are designated as Superhost communities when they provide on-going Superhost customer service training, develop a community brochure, and staff a local visitor center. Firms where at least half of employees have participated in a Superhost workshop within the last year are designated Superhost businesses and can display the Superhost decal.

- Since 1995, a portion of Travel Montana's bed tax revenues have been allocated to the ***Tourism Infrastructure Investment Program (TIIP)***, which provides grants to non-profit sponsors for tourism-related projects and the preservation of historical and cultural assets. Over $1.5 million has been allocated to 31 projects in 26 communities across the State, and those funds were matched in part by project sponsors. Still, applications greatly exceed resources, and priority is given to projects where there is a demonstrated local financial commitment and the TIIP funds will enable project completion.

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Illinois Bureau Of Tourism Grants Program:

The Illinois Bureau of Tourism, a function of The Illinois Department of Commerce and Community Affairs, is charged with marketing the State as a tourism destination by increasing domestic visitation to Illinois. Through its grant programs, the Bureau demonstrates how state government can effectively leverage its tourism spending while collaborating with public and private sector organizations at the local and regional level. The State has adopted a strategy that decentralizes a portion of tourism promotion activities that are supported by grants and loans to build capacity at the local and regional level. The objective of these programs is "to increase hotel/motel occupancy and travel into and throughout the State of Illinois impacting the economic growth of the travel industry." The Bureau currently has 26 full-time staff members.

The Illinois Bureau of Tourism has developed a comprehensive system of financial support to help offset local costs associated with travel and tourism promotion. Local governments are eligible for grants to compensate marketing costs, and both local governments and non-profits are eligible for grants to help defray costs of enhancing or developing tourist attractions. The private sector is also eligible for loans to improve tourism attractions and grants to attract or develop major events. In addition, the State supports its certified tourism and convention bureaus through grant allocations for promotional efforts. None of the grant or loan programs cover the entire cost of programs, and all grants require a local contribution. The individual programs are described below.

In fiscal year 2001, more than $8 million in grants and loans were awarded towards tourism programs. In June 2001, Governor Ryan announced more than $2.4 million in grants to support 22 organizations with the development, implementation, and improvement of tourist attractions and events. This grant money was issued through four Bureau of Tourism programs:

- The ***Tourism Attraction Development (TAD) Grant and Loan Program*** provides grants to local governments and not-for-profit local promotion groups for development or expansion of tourism attractions. Loans are also available to for-profit tourism related businesses. The maximum grant award is $100,000 and must be leveraged with at least half of the project expenditures from other sources. In FY01, a total of $2,218,039 was allocated to 19 applicants. Monies can be used to improve an existing attraction, develop a new attraction that has the potential to draw visitors to the State, develop feasibility studies, and fund programs within cultural and historic sites. Project examples include development and improvement of fishing and hunting areas, historical sites, vacation regions, areas of historical or scenic interest, museums, and recreation areas; land acquisition; construction or renovation of buildings; purchase of machinery or equipment; and creation and implementation of interpretive programs. Funding is allocated in May and October of each year.

- The intent of the ***Tourism Private Sector Grant Program*** is to attract and host new regional, national, or international events that significantly impact the State's economy. Eligible projects are defined as a convention, trade show, or major sporting event. Applicants can be a for-profit entity, non-profit organization, county, or municipality. The grant provides up to half of eligible expenses related to the attraction and/or hosting

of events and the remaining balance must be financed by private sector funds. Total project costs must be at least $50,000. A total of $223,283 in grant money was allocated in FY01. Since its inception in 1994, the Program has funded such major events as World Cup Soccer and the 2000 National High School Rodeo Finals. The grants are awarded twice a year.

The Bureau of Tourism also administers two additional grant programs that focus on cooperative marketing and promotional efforts by local governments, volunteers, and local tourism and convention bureaus. The State allocated $16 million towards these projects for fiscal year 2001.

- The ***Tourism Marketing Partnership Program*** provides a grant for up to 60% of costs associated with promoting tourism attractions and events, with the remaining cost of the project financed by local funds. The intent is to generate increased hotel/motel occupancy and travel into and throughout the State of Illinois. Awards are made on July 1, November 1, and April 1 of each fiscal year. Eligible recipients are local governments and promotion groups, and grantees range from large, sophisticated organizations to volunteer groups. Qualified projects include placement of radio, television, newspaper, and magazine advertising; printing of brochures; development of Internet web sites to promote tourism events or destinations; and marketing research. The total project cost must be at least $3,000. Although available funding has increased, there are more applications than can be fully funded, and multi-community, countywide and/or regional projects are given priority. In 2000, the State provided more than $1 million in grant assistance to 75 local organizations.

- Through the ***Local Tourism and Convention Bureau (LTCB) Program***, the Bureau of Tourism is authorized to provide grants to certified local tourism and convention bureaus to conduct promotional activities that recruit businesses and tourism visitors. Grants are awarded annually and must be matched by local funds. A total of $13.6 million was distributed to the State's 36 certified LTCBs in 2000. One-third of the funds are allocated to TCBs in cities with more than 500,000 residents, and the remaining two-thirds is dispersed to smaller cities. The funding formula for smaller city allocations is based on the following weighted factors: population of the bureau service area (5%); food and beverage tax collected in the bureau service area (30%); and state hotel/motel tax collected in the bureau service area (65%). LTCBs founded after January 1, 1985 are not eligible for this program.

Other tourism promotion activities include the website, www.enjoyillionois.com. This site offers information for consumers regarding travel and vacation opportunities within the State, as well an overview of the 19 visitors centers located throughout Illinois. Travel professionals have access to research, training and grant program information.

The success of the Illinois strategy is indicated by the growing contribution of tourism and related activities to the State's economy. In 2000, the State of Illinois was ranked among the top 10 U.S. travel destination states. Tourism played a large role in the Illinois economy, with an

economic impact of $23.6 billion, and domestic and international traveler spending generated more than $1 billion in tax revenues. The travel and tourism sector also directly employs 314,700 state residents.

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Virginia Tourism Corporation:

Created in 1999, the Virginia Tourism Authority, doing business as the Virginia Tourism Corporation (VTC), is an agency of the Office of Commerce and Trade. The Authority was part of the Virginia Economic Development Partnership prior to that time. Its purpose is to strengthen the State's economy through support, maintenance, and expansion of the State's domestic and international travel market and motion picture production, as well as the development and implementation of programs that benefit these industries. Virginia currently ranks among the top 10 U.S. states in visitor spending, and tourism related expenditures contributed $13.5 billion to the State's economy in 2001.

More than 1.1 million consumer inquiries are generated annually through advertising and marketing programs including the *"Virginia Is For Lovers Travel Guide"* and the website, www.virginia.org. The website currently contains more than 8,000 pages of information and serves about 500,000 users each year. A 15-member Board of Directors and a 55-member staff work to promote and expand Virginia's tourism industry. The State appropriated over $20 million to the Authority from its General Funds for fiscal year 2002. Currently, the VTC is responsible for nine functions, including Administration and Finance. Its other operations are as follows:

- The ***Consumer and Visitors Services Division*** operates and staffs the 10 Virginia Welcome Centers located at various entrances to the State that serve approximately 1.3 million visitors each year. The Welcome Centers are self-sufficient due to a fee-based brochure and are owned and maintained by the Virginia Department of Transportation. This division is responsible for providing information and assistance to walk-in visitors and the oversight of call center services. Staff supervises all visitor information requests and distributes more than 650,000 travel guides and other publications each year.

- The ***Electronic Marketing Division's*** primary responsibility is the production and maintenance of the VISIT Virginia consumer website and the VTA's industry-related website. It also provides comprehensive electronic imaging and graphics support to the VTC. The Division markets and distributes Virginia photography and video to travel media (print and broadcast), tour operators, travel agents, the Virginia travel industry, and other travel related organizations. The Division is responsible for in-house graphic design and production of VTC marketing publications and other marketing materials.

- The ***Virginia Film Office*** serves as a marketing function with the goal of promoting Virginia as an exceptional location for film and video production. Its activities are geared towards attracting out-of-state businesses while expanding the existing in-state industry. Staff members assist producers in finding locations and crew members for their projects and continue to provide support throughout production, ensuring that their experience in Virginia is a positive one. Film liaisons throughout the State assist in this process, and an office recently opened in Los Angeles. Virginia offers a broad sales and use tax exemption for filmmakers and a hotel tax rebate for occupancies of more than 90 days. The State owns several locations that are available for filming at no cost. The national film and TV industry is growing at a rate of approximately 20% each year.

- The ***Media Productions and Corporation Partnerships Division*** is responsible for leveraging the VTC advertising and promotions budget by entering into cooperative advertising agreements with corporate sponsors. VTC identifies corporate sponsors willing to enter into State/private sector partnerships in which the travel attributes of both the State and sponsor are presented in one advertisement. These ventures allow the VTC to leverage available private sector dollars with the available VTC advertising budget provided by State funds.

- The ***Marketing and Promotions Division*** is responsible for planning, implementing, and evaluating direct sales and marketing activities related to tourism activities. All promotions are based on research provided by the VTC's Research Division, and are planned with the involvement of the State's travel industry partners. This division directs sales activities that target tour operators, travel agents, airline sales managers, meeting planners, and consumers. These groups are reached through trade shows, sales calls, telemarketing, and site inspection tours of Virginia.

  The Advertising Section operates within the Marketing and Promotions Division, and its goals are to increase awareness of Virginia as a year-round destination, expand the number of inquiries that VTC receives, support private sector packaging initiatives, and emphasize overnight visitation. It serves as the umbrella under which Virginia is promoted and marketed to potential visitors, and utilizes print, broadcast, and cable TV ads, and Internet banner advertising. Current efforts include the "See Virginia First" campaign, which features public service announcements through a partnership with the Virginia Association of Broadcasters. In addition, the Outdoor Advertising Association sponsors the placement of 20 billboard ads located throughout the State.

- The ***Public Relations Division*** promotes and markets Virginia as a premier travel destination and supplies tourism-related news and information to the media and the Virginia tourism industry. This division manages the editorial content of all VTC publications.

- The ***Research Division*** assists with a wide range of tourism-related data analysis and gathering, including visitor profiles, market share, the economic impact of tourism on the State and localities, and the VTC's advertising and marketing campaigns. The goal of the Division is to provide detailed and timely information for those interested in the area of tourism development.

- The ***Tourism Development Division*** provides contemporary tourism marketing and development strategies to Virginia localities, destination marketing organizations, businesses, and affiliated organizations. Programs are centered on tourism marketing, alliance creation, and consulting services. They assist all communities and regions in the assessment, planning, development, and enhancement or expansion of tourism development programs and projects. Acting as a liaison between VTC and tourism entities, they provide education and awareness programs, administer cooperative marketing programs, promote sports marketing and cultural heritage tourism, and produce the "Soul of Virginia" TV series.

Virginia creates tourism-marketing initiatives throughout the State via its ***Matching Grants Program***, which was created by the Virginia General Assembly in 1997. It is designated to stimulate start-up tourism opportunities through local, area, and regional tourism partnerships to combine resources for a common marketing strategy. At least three jurisdictions (cities, towns, chambers of commerce, museums, private businesses, etc.) must form a partnership in order to apply for grant consideration, and all promotions must include the "Virginia is for Lovers" logo. Each grantee is encouraged to include a link to the consumer home page, and applicants must provide a description of program performance measurements. About $200,000 in grant monies is available each year, and grants are awarded twice a year. In FY02, $100,000 was awarded to first-round grant applicants.

Following the terrorism events on September 11, 2001, the remaining $100,000 was applied towards a $500,000 emergency relief fund set up by the Governor. A total of 20 applicants each received $25,000 to compensate for travel-related business losses. The FY03 program will match grants at a maximum $10,000, and the funding match may include cash or in-kind services. The exact amount of available funds for awards will be determined upon adoption of the final budget by the General Assembly.

The *Vision Plan for Virginia's Tourism Industry (January 2002)* references the following strategies to achieve success in the State's tourism efforts:

1. Strengthen the Virginia brand;
2. Develop and execute collaborative statewide marketing programs;
3. Educate elected officials and key opinion leaders on the economic importance of tourism and encourage investment in the industry;
4. Advance the use of technology in marketing and tourism products;
5. Expand hospitality workforce training;
6. Improve infrastructure that supports tourism;
7. Support existing tourism products of all sizes, including high revenue generating destinations, and support the development of new tourism products;
8. Promote Virginia's existing and expanding meeting and convention facilities; and
9. Market Virginia's tourism assets to the film and video industry through the Virginia Film Office.

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Regional Development

Market Street Services, Inc.
change management for communities

March 11, 2002

Regional Development

Why is regional development important?

In the United States, the origins of regionalism can be found in the initial federal programs of the Tennessee Valley Authority in 1934, and later programs by the Appalachian Regional Commission. At the state level, regional "field" offices have existed in states such as New York since the 1950s. However, it was not until the 1980s that state approaches to regional economic development became more common and more sophisticated. The competitive economic environment of the 1990s has commenced a new wave of regionalism at the state level due to several major factors. Bruce Katz, in his book *Reflections on Regionalism*, states, "The rebirth of interest in regionalism comes at a time of enormous change in American society. The aging of the population is changing the products and services that the marketplace provides and the patterns of life people pursue. The revolution in technology is altering the imperatives of businesses and the options of consumers. Devolution in governance is changing how we organize public investments in transportation, workforce and housing and how we respond to challenges from environmental pollution to concentrated poverty to continued economic competitiveness." These realities, coupled with the need to support economic development efforts in an efficient and economical manner, have compelled many states to evaluate how economic development programming is deployed.

Across the nation, states are evaluating how best to deliver the services and products associated with a successful economic and community development program. In a time of increasing competition from other states and foreign countries, many states are finding that only in regional systems is there a level of assets necessary to obtain an overall strength that can compensate for the less attractive attributes of an individual county or town. What has been the basis for regional boundaries? In the past, regions have often been developed for specific purposes (highway maintenance, marketing, or tourism for example) and not considered in a comprehensive manner. They were more often than not grouped for political reasons rather than by naturally occurring economic, demographic, and geographic similarities. Regions built on these foundations have often resulted in limited interaction among local officials, economic developers, and the multiple state agencies attempting to deliver services in an area. Therefore, in the context of encouraging quality economic development, states are examining the use of regions on their ability to foster quality economic development in an effort to raise every citizen's standard of living. Regional development is becoming an overarching principle for economic development because regions are the competitive economic units in the global economy.

As with most serious economic development efforts, regional organizations and strategies evolve in form and function in response to changing realities. Beginning in the 1980s, state implementation of regional development has become more common and more sophisticated. Political boundaries, particularly on the local level, have little relevance to global business and economic forces. These boundaries created long ago are now part of the problem. A regional

approach enables economic development professionals to address issues and opportunities that previously were larger in scope than any individual jurisdiction or governmental unit.

The trend has been to decentralize economic development efforts further as the regional offices and organizations become more established. While traditional regional field offices are still in use, authentic regional development calls for regional boundaries shaped by economic realities and not by service delivery structures and political boundaries. *Regional boundaries should make economic sense.* In almost all economic development areas, a regional approach strengthens programming. For example, the market for a job-training program is the labor market area, not the county.

Successful regional programs have a clear mission and role in the economic development process, one that recognizes opportunities and avoids pitfalls. For example, regional offices have proven especially valuable in business retention and expansion, workforce development, and local capacity building efforts. However, problems associated with inter-regional competition have led several states to reduce or eliminate the role of regional offices in business recruitment.

What are the key characteristics of successful regional efforts?

Both regional organizations and traditional field offices emphasize the importance of working closely with the local business community and government officials. The following are characteristics of an effective regional approach.

- ✓ Close connection between local and state partners
- ✓ Significant public and private sector involvement
- ✓ Clearly defined roles in the system
- ✓ Coordination of regional structure at state level
- ✓ Networks
- ✓ Flexibility in delivery of services
- ✓ Consistency in quality

Why were these highlighted programs selected?

Effective public policy to support quality economic development on a statewide basis is needed for states to remain competitive. Regional systems offer states an effective means to deliver services, bundle assets, and promote collaboration among stakeholders. Because of this, *Market Street* has selected examples of successful state regional structures.

In this section, successful state economic development programs that are using regions to achieve their objectives are profiled. Every state has a broad economic development initiative, but these examples highlight a particular feature or element of a state initiative that is unique. Within each best practice, the regional economic development approaches that have been established to improve state-level economic development programs are featured.

1. ***State of Ohio*** – an example of regional field offices headed by the Governor's representative as the key contact. A significant commitment from the existing state agency.

2. ***State of North Carolina*** – an example of legislatively created public/private partnerships not connected to the State's primary economic development agency.

3. ***State of New York*** – the nation's first effort at regionalism at the state level, which has evolved as part of an aggressive state reorganization.

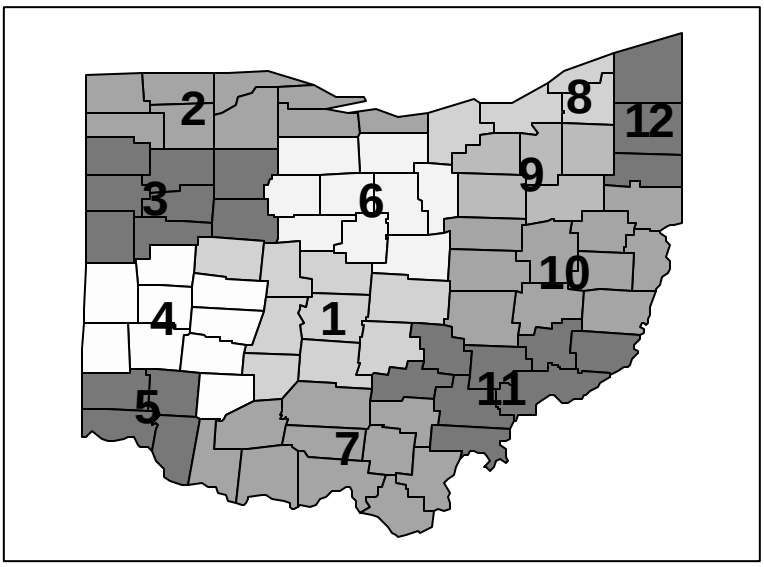
4. ***State of Georgia*** – the only example that highlights a legislatively enacted mandate for the extensive delivery of state services at a regional level.

5. ***State of West Virginia*** – the most recent creation of economic regions designed to implement the State's new economic development strategy through the State Development Office.

State of Ohio – Governor's Regional Economic Development Offices:

In 1991, Ohio established 12 Governor's Regional Economic Development Offices as part of the State's overall economic development strategy. The offices are part of the Ohio Department of Development (ODOD). The purpose of this regional approach is to accommodate the diversity of the state, to empower local leadership in the economic development process, and to improve the effectiveness of the department's service delivery systems.

The Governor's Regional Economic Development Representatives and staff serving in the regional offices are considered executive staff of ODOD. The regional offices report to the Deputy Director of the Governor's Regional Economic Development Offices who is directly responsible to the Director of ODOD. This organizational structure allows the regional offices ready access the Director of the Department and the Governor regarding regional issues and initiatives. Additionally, each region has an advisory committee to assist in the coordination of community and economic development activity with the region. The advisory committees have representation from local elected officials, economic development organizations, and the area business community. This system creates an effective partnership among the private sector, State, and local governments for economic development.



State of Ohio
Governor's Economic Development Field Offices, 2001

Staffing

- The Governor appoints the 12 Regional Economic Development Representatives. These representatives are generally seasoned economic development professionals or accomplished local leaders that have existing relationships within the region.

- Most of the regional offices have three staff members: the appointed regional representative responsible for managing the office, a regional industrial training coordinator, and an administrative assistant. Because of the volume of activity, the regional office in Cleveland has six staff members. The regional offices work extensively with the existing network of economic development organizations in the region to capitalize on local initiatives already in place.

- The Ohio Investment in Training Program (OITP) has a regional training coordinator co-located in each of the 12 regional offices. The OITP provides financial assistance and

technical resources for customized training involving employees of new and expanding Ohio businesses. They do not report directly to the regional representative, but are part of the economic development team in each region.

Budget

- The regional offices receive funds to cover staff and operating expenses, but actual programming and services of the regional offices are funded on a statewide basis. For the current fiscal year, the budget for the regional office system is $3.5 million. Approximately $2.5 million is for personnel expenses and the remaining $1 million covers overhead expenses. It is important to note that the budget allocation for the individual regional offices is not uniform. Instead, each office's budget varies depending upon its operational details, such as whether the office is co-located in another State office facility.

Programs and Services

- The regional representatives and regional staff perform the following primary functions:
  - Assisting in relocating and expanding companies by participating in prospect visits and providing program information and referrals;
  - Direct service delivery of department programs to the business community;
  - Marketing other department programs and services;
  - Collaborating with other ODOD divisions to deliver services to regional economic development organizations;
  - Coordinating local and regional initiatives throughout the region; and,
  - Serving as the Governor's representative in the region and as a liaison between the ODOD and local communities.

The regional offices are directly involved in numerous program areas including business development, small business assistance, industrial training, strategic planning and program implementation for local development organizations and communities, and international trade counseling throughout the region.

The regional offices serve as an information resource for many other programs offered by ODOD. Most of these programs are in the areas of labor relations, financial incentives, minority contracting and business assistance, technology and small business innovation, and housing and community development. The degree of regional program activity in these areas depends on the needs of each region. The following descriptions summarize roles of the regional offices in respect to these specific areas of assistance.

- Labor Relations. The regional offices collaborate with area labor committees and five Centers for Advancement of Labor-Management Cooperation located around the state to coordinate the Ohio Labor-Management Cooperation Program.

- Financial Incentives. The regional offices are responsible for marketing and explaining the tax credits and loans available from ODOD to businesses.

- The Minority Contractors and Business Assistance Program and the Ohio Procurement Technical Assistance Program are two state programs administered through a regional delivery system. Although the boundaries of the regions differ from the Governor's Economic Development Regions, the regional economic development offices cooperate with these programs to provide local businesses access to these programs.

- Technology and Small Business Innovation. The regional economic development offices market the resources of Ohio's seven Edison Technology Centers and the funds available through a Small Business Innovation Research Program to existing businesses and prospects.

- Housing and Community Development. The regional offices direct communities in need of specific housing and community development assistance to the appropriate staff in the Community Development Division. This division administers numerous programs through the Governor's regional economic development framework.

- Ohio has generally decentralized the delivery of services and programs. In terms of client handling, the Governor's Regional Economic Development Offices and the local leadership serve as the lead contacts for expansion projects and region-specific relocation prospects. Business Development staff from the central office of ODOD are assigned to each region as the primary agent for the region. ODOD business development staff is actively involved in these relocation projects and provides comprehensive support to the regions and local leaders. These specialists have also been assigned target industries that are vital to the state's economy for the same purpose of supporting recruitment and expansion activities.

- When a prospect has expressed general interest in Ohio, ODOD notifies all of the regional offices about such statewide leads via the Internet. This transparent lead notification is part of the Department's effort to empower the regions and allow them to play a leading role in business development projects. Overall, the Department aims to have a decentralized approach in both practice and perception.

Performance Measures

- By design, the State does not measure the performance of the 12 regions individually. Carrying out the mission of the Department throughout the State while minimizing regional conflicts have been the underlying premises of this policy. On a statewide basis, ODOD evaluates the performance of projects that received direct state assistance in the form of tax credits, loans, or bond funding.

- All direct assistance programs require a commitment from the companies regarding minimum levels of employment or capital investment. After three years, ODOD prepares a performance evaluation to determine whether projects achieved full attainment (over 90%), partial attainment (less than 90%), or non-attainment. Certain projects are eligible for a time extension because of extenuating circumstances.

- Companies receiving job tax credits must enter a legally binding agreement with the Ohio Tax Credit Authority. The agreement specifies a minimum job creation or retention commitment to be achieved within three years. The Authority monitors progress annually and certifies the eligibility of a company to receive agreed upon amounts. Adverse market conditions and the extent of the company's presence in the State are incorporated into the Authority's annual evaluations.

Ohio has operated the Governor's Regional Economic Development Offices for nearly 11 years. Prior to forming this regional framework, ODOD conducted a detailed review of other state-level economic development agencies with regional operations. Building on several attributes of Empire State Development, which was considered a strong model, the organizational structure was customized to perform the roles identified by the Governor and ODOD.

Given this foundation, the basic regional structure is expected to remain an integral part of Ohio's economic development program for several reasons: 1) the regional offices are well established within the regions; 2) the offices perform important functions for the Governor and Cabinet; and, 3) the offices have maintained funding levels and support of the legislature. Factors that have contributed to the success and effectiveness of the regional operations in Ohio are summarized in the following key points.

- The regional representatives have a direct fiduciary relationship with the Governor. Both the regional representatives and the Director of ODOD are appointed by the Governor and have direct access to him. This allows both the representatives and the Governor to better address local and regional issues.

- As a byproduct of this organizational structure, the regional representatives serve an important intelligence function for both the Governor and Cabinet. Regional representatives provide information to the cabinet on a regular basis (weekly and monthly memos) and Cabinet officials contact representatives prior to any local visits to remain current on all issues.

- The selection of qualified regional representatives by the Governor is crucial to the overall effectiveness of the regional operations. Each representative is a seasoned economic development professional or an accomplished local leader with established ties in the regional community.

- The mission of the regional offices is to retain and create jobs, and to strengthen the regions by availing local communities of the state's resources. The mission is clear, but each office has the autonomy to operate in ways that capitalize on existing local efforts and available State resources.

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North Carolina Partnership for Economic Development:

The creation of the North Carolina Partnership for Economic Development (NCPED) was an outgrowth of the statewide expansion of regional economic development operations. North Carolina's program is unusual because the seven regional partnerships are autonomous units, not part of the State Department of Commerce and were created by the North Carolina legislature. Each partnership has its own board of directors, and all but one are principally led by the private sector. The seven partnerships were united into the NCPED in late 1994 to serve as the liaison between the seven regions created by the legislature and the North Carolina Department of Commerce. The stated mission of the NCPED is:

1. To improve the economic well being of residents by expanding the tax base and creating well-paying jobs;
2. To have a seamless process of promoting North Carolina for investment and job creation;
3. To foster better communication with the Department of Commerce and Economic Development Allies;
4. To maintain a funding source to perpetuate regional economic development;
5. To encourage the involvement of the private sector in regional economic development;
6. To promote information sharing among regional partnerships of best practices among the regions; and,
7. To help promote job growth and increase the tax base of all counties in North Carolina.

The North Carolina Department of Commerce (NCDOC) also utilizes regions to implement its economic development programming through the location of teams in each the seven NCPED regions. These two-person teams consist of a client services representative and a business/retention specialist. The NCDOC staff is co-located in four of the seven regions with the regional partnership staff. However, in all locations the partnership staff and NCDOC team share resources and work together to achieve common economic development goals. In addition to assisting local and regional agencies with retention, expansion, and recruiting efforts, the regional staff are responsible for helping to prepare local communities to support economic development.

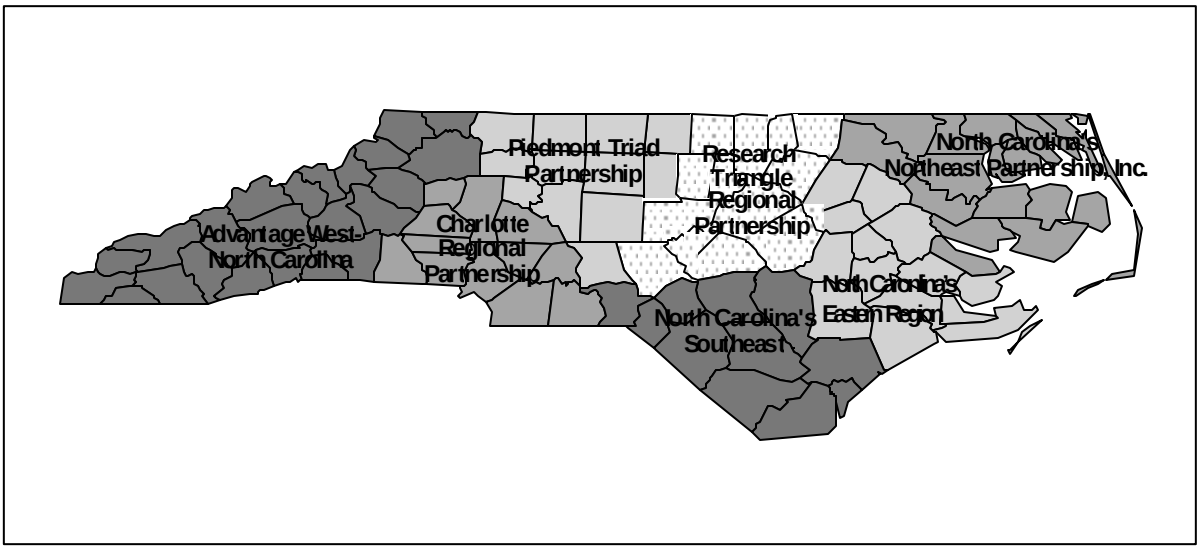
Staffing

The staff at each of the regional partnerships averages seven employees. Although not part of the regional partnerships, it is important to note that the NCDOC uses the same regional boundaries and has regional offices in each of the NCPED regions that are staffed by two full-time employees.

Budget

The Partnership adopted By-Laws in 1997 and was approved as a 501(c)(3) non-profit corporation in 1998. The State's investment in the NCPED was in excess of $7 million in FY

2000. The funding for each of the regional partnerships is allocated on a formula based on local unemployment rates, per capita income, and poverty rates to ensure that poorer regions have the resources necessary to affect change. On average, each region's budget is approximately $1 million annually. The sources of funding include State appropriations, local contributions, and private funds. The three largest spending priorities of the regional partnerships are marketing and promotions, administrative costs, and tourism and film development activities.



State of North Carolina. North Carolina Partnership for Economic Development Regions, 2001

Programs and Services

The first step taken by each of the NCPED partnerships on its formation was to complete a strategic plan for the region. Much of the programming by the regional partnership organizations is focused on marketing activity and information sharing. Trade missions, trade shows for targeted industries, preparation of print advertisements and brochures, and regular meetings with site selection consultants are the primary marketing and outreach activities of the regions. All of the regions have identified target industries to maximize available marketing resources. All of the regions participate in the "Team North Carolina" initiative together with the NCDOC to develop unified promotional efforts, encourage joint trade show attendance, and avoid a duplication of efforts.

A second major function of several partnerships is the provision of loans, grants, and other funding mechanisms. The four public commissions, including AdvantageWest, North Carolina's Northeast Partnership, North Carolina's Southeast and North Carolina's Eastern Region offer significant levels of funding for economic development projects. Several have certified site development programs.

The third major concentration of programming and resources has been in the area of technology resources. Most of the regions have provided basic hardware and software to county economic development offices, and often training support. The development of computer networks to participate in North Carolina's Economic Development Information Network (EDIN) has also

been a major initiative in all of the regions. All of the regions have established websites for promotional purposes that link to the State economic development website.

In most cases, the regional partnerships' role in client handling is supportive. In the urban areas, good relationships with the major chambers of commerce and development agencies ensure a complementary role. In the more rural areas, there may be an active participation in working with the Department of Commerce and local developers.

Due to the geography and natural resources present in certain areas of the State, three of the regional partnerships have developed substantial tourism development efforts. Six of the regional partnerships also operate film commissions as a business development resource in their respective regions. In addition, AdvantageWest, the western North Carolina regional partnership, has created a certified sites program, which has now been duplicated statewide by the remaining partnerships.

The regional NCDOC offices complement the activities of the seven regional organizations. They offer direct assistance to expanding industries and industrial prospects as part of the State's overall economic development effort. The regional staff report to their respective NCDOC divisions responsible for business development or existing industry expansion and retention.

Performance Measures

By legislation, NCPED measures performance by a variety of benchmarks. Those benchmarks were widely expanded in 1999 to reflect the diverse programs of the seven regions. The Partnership measures in terms of the following factors: investment in new industries, investment in existing industries, jobs created in new industries, and jobs created in existing industries. Some of the recently added performance measures include:

Advertising, Promotion and Marketing:

- Number of new "suspects" generated
- Increase in net new jobs created
- Increase in business investment

Community/Product Development:

- Increase in infrastructure development dollars
- Dollar increase in small business loans
- Percentage of communities with increased telecommunication services

Technology Enhancement and Information Dissemination:

- All seven regions fully connected via Internet
- Statewide data sharing system in place
- Regional Data Book provided

The regions are required to report the number of leads, direct jobs, and investment resulting from the marketing activities of the regions. The reporting requirements also make a request for a report of all accomplishments during a quarter, and generate a variety of format and content in the reports from the regions. Most of the regions report accomplishments as a comprehensive

listing of activities. Two of the regional partnerships (Piedmont Triad and Charlotte Regional Partnership) have developed additional internal performance measures beyond the required NCPED reporting to monitor the success of other operational programs in the regions.

Although created by North Carolina's legislature, the regional system is designed to be local in scope. Local governments and the business community play important roles in determining programming and services. The NCDOC system of regional offices uses the same boundaries as the NCPED. This provides a seamless system of economic development resources for the State's existing industry and a linear system to manage new business recruitment and relocation. The regional partnerships offer economic development programming based on the needs of their respective regions. Several areas include tourism programming and most manage film commissions. This flexibility allows the partnership to be responsive to the region's changing needs.

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State of New York – Empire State Development Regional Offices:

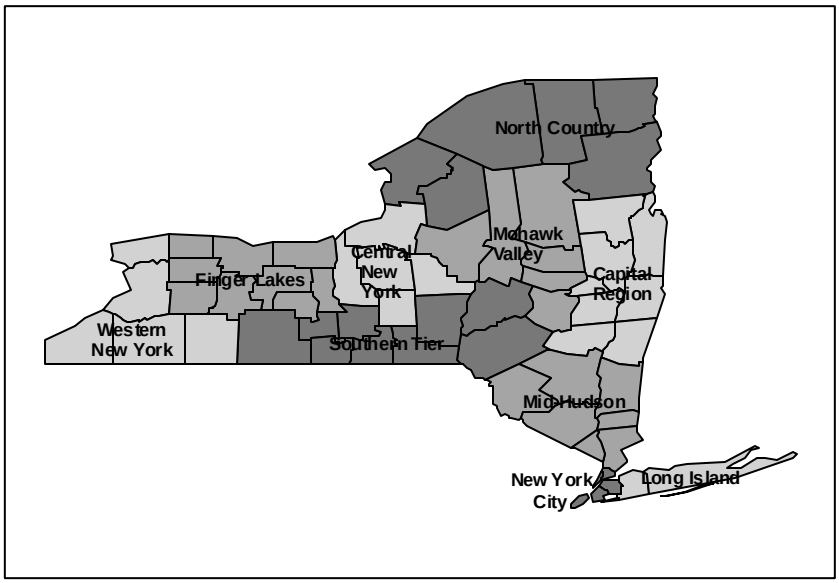
In 1997, Empire State Development (ESD) successfully assembled four agencies that were previously separate entities into a single, large economic development agency for New York. These individual agencies were previously the Department of Economic Development, the Urban Development Corporation, the Job Development Authority, and the Science and Technology Foundation. This reorganization concentrated all of the related economic development functions under the direction of one State department.

Regional offices were originally established in New York around 1950. Over the years, the role of the offices has changed with the evolution of economic development practice and the changing needs of the State. In 1994, ESD began to decentralize its operations by placing greater responsibility and decision-making power in the regional offices. Now the 10 regional offices serve as "one-stop" service centers for existing and prospective businesses. The regional offices promote the various programs and services of ESD throughout the State and work directly with local economic developers and businesses to create and retain jobs in New York.

Staffing

- Each regional office has a Director that manages the office and reports directly to the Vice President of Regional Operations. The 10 regional offices range in size from four staff members to 21 staff members in the largest regional office.

- The regional staffs are generalists that are responsible for providing businesses and communities' access to the programs and services of ESD. Specialists, such as the business development staff in the Strategic Business Division and the International Division, are housed centrally in the Albany and New York City offices. These professionals travel frequently throughout the State to support the regional offices and to participate on specific projects.



State of New York. Empire State Development Regions, 2001

- Some of the regional offices are co-located with related state and federal agencies such as the State Department of Labor or U.S. Department of Commerce. The regional operations of ESD are not, however, functionally integrated with any of the other agencies housed in a regional office. Also, in several cases the regional offices are co-located with State Manufacturing Extension Partnership offices or local economic development initiatives.

Budget

- State funds for the programming and services of the regional offices are appropriated according to the allocation requirements of individual programs and special purpose funds. The state does not appropriate funds through a funding formula. Instead, the funding process in New York is "deal-driven" with each regional office drawing down funds from the available programs on a project-by-project basis.

- The regional offices are fully funded by the State and do not receive private funds or local government matches.

Programs and Services

- The mission and focus of New York's regional offices are very clear: 1) job retention, 2) existing business expansions, and 3) job creation through relocations. Staffs in the regional offices devote the majority of their time to meeting with existing businesses. Collaboration with local economic developers is emphasized, and most meetings with client businesses or communities are conducted with the local developers.

- While typically described as "one stop" centers, in practice the regional offices of ESD operate as the "first stop" for businesses and communities throughout the state. Regional staffs are empowered to offer as much programming and direct assistance as possible through the regional offices. They provide advisory assistance and referrals to the appropriate departments of ESD in service areas beyond the capability of a regional office.

- Because of the array of financial services offered by ESD, the regional office staffs concentrate a substantial portion of their time assisting businesses through various financial programs and incentives. Most of the financial programs assist companies with capital finance needs, infrastructure improvements associated with expansions and new construction, and funding to reduce training costs.

- Beyond financial services, the regional offices provide services or referrals in the areas of workforce development, strategic planning, technical assistance, and economic revitalization programs. Brief descriptions of these program areas follow:

    - Workforce Development. ESD can provide employee training funds, matching and recruiting, coordination of expert instruction and training programs.

    - Strategic Planning. Assists small and mid-size manufacturers with business planning, reorganization, modernization and productivity improvement.

- Government Contract Assistance. ESD provides technical assistance to businesses competing for State and Federal government contracts.

- Economic Development Zones. The regional offices assist business and communities in 52 state economic development zones. In these designated zones, businesses may be eligible for investment tax credits, new investor tax breaks, payroll tax credits for new jobs, sales tax refunds, zone tax capital credit, low interest loans, and discounted utility rates. Local governments within economic development zones may offer property tax abatement for improvements to real property.

- The regional offices are not responsible for marketing the individual regions. Since New York has embraced a cluster development approach, the State now has a marketing initiative that group sites and facilities from throughout the regions into a target industry portfolio to attract companies in targeted industries.

- The responsibility for client handling of relocation prospects is placed with the central office. Regardless of what division generates a relocation lead, the roles of the regional offices and ESD departments are determined by the needs of the relocation prospects. If a relocating business is undertaking a multi-region search, then the business development staff in ESD's central office manages the project. This principle also applies in cases where the lead was initially generated by one of the regional offices. Regional offices are only actively participants in the process after the client has identified specific areas of the State for consideration; then the regional office collaborates with the other engaged ESD divisions and local economic developers to complete the project. From that point, the regional offices are the lead for recruitment and expansion projects of companies that have fewer than 1,000 employees. Larger projects are handled centrally by ESD and are assisted by the regional offices.

- The 10 regional offices were designed to serve as the primary resource for existing businesses throughout New York. The recruiters in the Strategic Business and International Divisions of ESD serve as the main resource for out-of-state businesses interested in New York.

Performance Measures

- The Policy Division of ESD evaluates programmatic output per region by monitoring the State's financial commitment to businesses and the capital investment and job growth by businesses. This information is monitored regionally and on a project-by-project basis. ESD also monitors macroeconomic data for the regions and the State's target industry clusters.

- Since 1997, ESD has used a benefit-cost model to assess a project's suitability for financial assistance and to evaluate the actual performance of assisted projects. The model examines several factors including cost per job, fiscal costs and benefits, and regional economic impacts. This is a dynamic model with different inputs and outputs for each region of the state, for example, a region with lower taxes and a low wage structure will have a different cost per job threshold and economic impact than other, more expensive parts of the State.

The State also enforces performance contracts for businesses receiving financial assistance from ESD. Typically, the participating businesses have a three-year time frame to achieve minimum job levels.

- The Policy Division of ESD evaluates the effectiveness of the individual regions and the overall agency through a cost-benefit analysis covering projects assisted during the prior three years. The assessed variables regarding these relocations and expansions include:
  - Direct and indirect jobs created or retained;
  - Total increase in resident disposable income;
  - Opportunity-cost adjusted change in disposable income;
  - Total economic benefits (with and without opportunity cost adjustment);
  - State fiscal cost per direct job and total jobs;
  - Fiscal cost/benefit ratios for all governments;
  - Economic cost/benefit ratios;
  - Internal rate of return for a project (net benefits relative to public cost); and
  - Payback periods assuming fiscal and economic flows.

ESD has continued to decentralize certain decision-making responsibilities to the State's 10 regional offices. This has resulted in the development of strong relationships between the regional offices, local economic development organizations and existing businesses. In the current economic environment, ESD considers having a strong local presence necessary to meet the short timeframes of both relocation prospects and existing businesses. At the same time, ESD has attempted to increase customer service as a "one-stop" resource by collecting all related State agencies within ESD. Some of the key aspects of ESD's regional offices are highlighted in the following summary.

- Regional offices report directly to an executive manager responsible solely for the State's regional economic development operations.

- ESD offers "one-stop" service for all forms of business assistance. The regional offices are the "first-stop" for existing businesses and communities throughout the State.

- The policy for handling relocation clients minimizes the competition between the regions and clarifies the roles of the related divisions of ESD and the regional offices.

- ESD employs a comprehensive collection of cost-benefit analyses as the primary performance measures for business development efforts.

- ESD regularly performs internal reviews of operations and client service. These efforts have resulted in streamlined work processes and the reorganization of regional operations to emphasize customer service.

- As with all of the reviewed states, New York's regional offices receive program funding through individual programs and special purpose funds rather than a regional funding formula.

- Where possible, ESD has established regions in part to incorporate the State's Metropolitan Statistical Areas.

- The Regional Economic Development Offices are one of four outreach and "origination" divisions of ESD that can generate leads and manage services for relocation, expansion, and retention prospects.

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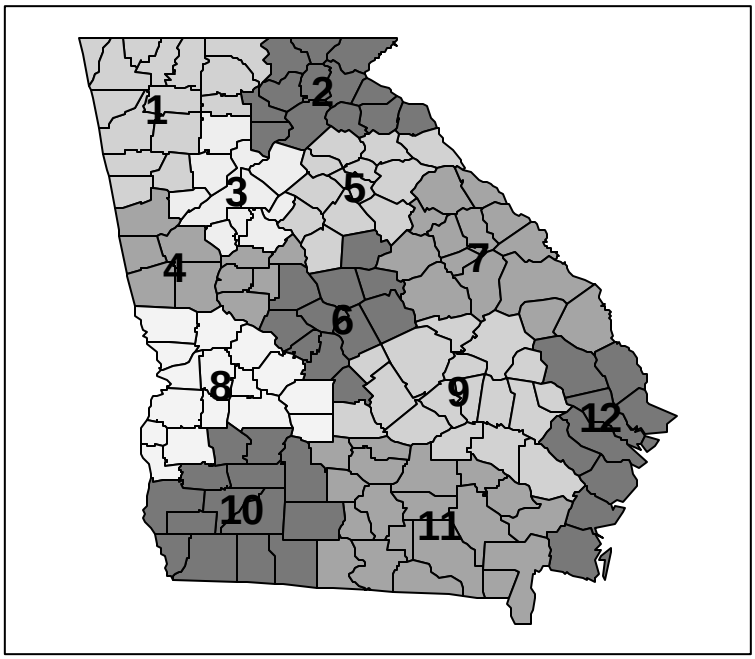
State of Georgia – Total Service Delivery Regions:

The State of Georgia has 159 counties, second only to Texas in the total number of counties. The transition to regional operations began in 1993 with the creation of 11 "economic development regions" by former Governor Zell Miller. A series of regional meetings were held that resulted in the creation of regional strategic plans for each of the 11 economic development regions. This process was followed by the State's first comprehensive strategic planning process and the adoption of a State strategy, *Building a New Economic Engine for the 21st Century: Strength From Diversity.* The strategy had four primary goals:

- Create a comprehensive, state of the art economic development program to insure Georgia's competitive position with other states in business recruitment. It is necessary to increase support for existing business and industry; to provide a vibrant environment for entrepreneurship; and to broaden participation in economic development policy with special attention to minorities.
- The State must focus all statewide resources that affect development as well as maintain and strengthen regional framework and build on regional strengths. We should focus resources on tourism and take advantage of special targets of opportunity for Georgia.
- We need to streamline state government development efforts; encourage Georgia's local governments to think and act regionally; and train elected officials and public employees to understand the development process and positive business climate requirements.
- The State should clarify Georgia's education governance structure and increase the formal role of postsecondary education in the development process. We must continue to improve early childhood, elementary and secondary education and expand linkages between the business community and the educational system.



The Governor's Development Council was created in 1993 to provide policy and legislative direction to the State's economic development efforts. One of its initial responsibilities was the creation of regional steering committees. The Council awarded grant funds in excess of $4 million annually from 1993 to 1997 to support implementation of the 11 regional strategies.

In 1998, Georgia amended the earlier work to commit to 12 new regional development offices staffed by representatives of the Georgia Department of Industry, Trade and Tourism (GDITT) and the Department of Community Affairs

(DCA). Staff located in the central offices of both agencies serves the region covering metropolitan Atlanta. These new offices represent a new and substantial commitment of state resources to regionalism. During the 1990's several existing field offices of the University of Georgia and Georgia Tech had been co-located. This process continued that commitment to leveraging state resources.

An interesting feature of the regional structure is the 21-member Regional Advisory Councils convened in each region. These councils replaced the earlier steering committees. The purpose of these public-private advisory councils is to provide direction and input from the regions to the GDITT and DCA about regional development issues. The Councils guide the development of regional economic development strategies by advising GDITT about the needs, priorities, and resources of each region. The councils also advise DCA about community development issues, regional collaboration, and rural development strategies.

Also in the 1998 legislative session, the legislature passed the State Service Delivery Regions Act. It simply states, "For the purpose of delivering State services to local units of government and citizens and for the purpose of establishing State agency regional boundaries, there are created 12 state service delivery regions." The code section does not apply to or affect health districts or mental health districts. Georgia now operates virtually all of its State level programs through this regional framework. The agencies affected include those with constitutional offices (i.e., Department of Labor), those with Boards of Directors (i.e., GDITT), and those where the commissioner is a gubernatorial appointment (i.e., Department of Natural Resources). The State has already realized the effectiveness and potential savings of operating within consistent regional boundaries. A good example is having the State's regional Workforce Investment Boards required by the Workforce Investment Act (DOL), align with the Regional Advisory Councils that serve the two primary community and economic development agencies (DCA and GDITT).

The State's Regional Development Centers (Planning Districts) exist separately but are now in support of the system. The 16 Regional Development Center regions coincide with the boundaries of the State's 12 economic development regions. Four of the economic development regions contain two Regional Development Centers within their boundaries.

- A primary contributing factor to the creation of the regional economic development system was Georgia's extraordinary number of counties.

- Personal relationships between State and local leaders, co-location of multiple State agencies and the sharing of vendors are some of the most valuable benefits of Georgia's regional system.

- The agencies staffing the regional offices have formalized clear roles and relationships for the regional representatives, related State departments, and the advisory councils in policies and departmental agreements.

- Regional boundaries were realigned to improve the efficiency of service delivery by State agencies related to economic and community development.

- Initial results indicate that regional representatives have strengthened business recruitment efforts by updating databases, assisting project managers with prospect visits, and advising communities on competitive improvements that can be readily accomplished.

- The regions are already witnessing results in terms of new initiatives, regional cooperation, and the development of regional economic development strategies within the fiscal year.

- The regional representatives have filled gaps in the State economic development framework such as existing business assistance, local economic and business intelligence, and generating direct feedback on State policies.

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State of West Virginia – Economic Development Regions:

Defining and creating regions for the State of West Virginia has been an important step in the process of implementing the State's Strategic Plan, *West Virginia: A Vision Shared!* The State completed its strategic plan in 2000 and is currently undergoing an implementation process. *Market Street* worked with the State of West Virginia for over two years in creating the strategy and analyzing how the State could deliver economic programming through a regional system. This process included the following steps:

- A review of all currently utilized regions;
- An analysis of potential economic regions;
- A best practices report on regionalism;
- A state and regional cooperation plan; and
- The completion of a strategy and implementation plan.

This process was created to provide the West Virginia Development Office (WVDO) with a functional method to deliver products and services to clients, customers and partners on a statewide basis in West Virginia.

Analysis of Potential Economic Regions

The process to determine the naturally occurring economic areas of the State focused on four primary areas: economic factors, demographic factors, geographic factors, and the existence of pre-existing regional systems and relationships. This combination of factors, when taken as a whole, have helped the State's leaders define an appropriate regional structure for the State's economic development program. Additionally, the composition of the regional system was affected by the identification of 10 economic hubs across the State. These markets anchor each region economically, culturally, and geographically. Additionally, access to and the location of primary transportation arteries were considered, as were regions of potential economic growth in areas such as tourism and high technology. Finally, wherever possible, *Market Street* organized regional boundaries to minimize conflict with existing regional systems and alliances.

Key Regional Factors

Economic	Demographic	Geographic
Value of Manufacturing Shipments	Colleges & Universities	Metropolitan Statistical Areas
Value of Professional, Scientific & Technical Services	Major Hospitals (200+ beds)	U.S. Interstate Highways
Retail Sales Per Capita [27]	Local TV Markets	Primary Commercial Airports
Retail Center Locations	Daily Newspapers	Public Port Facilities
	Commuting Patterns	Active Mining Sites
		Active Oil or Gas Sites
		Power Generation Facilities
		Natural or Recreational Sites

[27] The State of West Virginia does not collect sales tax revenue by county

The WVDO currently uses four types of regional formats to deliver economic development programming. None of these systems are comprehensive. They have little interaction and almost no connectivity. Existing industry services are primarily supplied using the Industrial Representative Areas in the Business and Industrial Development Division, and the Small Business Development Centers (a division of the WVDO). The Community Development Division utilizes the existing system of Planning and Development Districts to provide limited community development and civic capacity services. Additionally, other offices within the WVDO come into regular contact with local economic developers, although they do not do so in an organized, regional format. An example of this is the National Account Representatives housed within the Business and Development Division, who as the State's lead industrial recruiters, regularly work with local developers and elected officials.

The State of West Virginia is creating a system of regional field offices to deliver State economic development programming, encourage regional collaboration, and streamline access to resources needed for economic development. The development of these regions (and regional field offices) is under the direction of the WVDO. A primary benefit to this arrangement is the speed with which the WVDO can act in the implementation of this recommendation. There is no new legislation needed to create the regions, but will require a reorganization of the WVDO structure. The State anticipates that this can be accomplished with a minimum of additional funding and staff, and that regions can be established within 24 months.

Primary Duties and Responsibilities

The intent of the proposed regions is to organize the State's functions under the same structure, thereby streamlining their delivery to local developers and other partners across the State. This will increase collaboration, both within the WVDO and between the State and local developers, provide for a more efficient method to deliver economic development programming, and promote greater communications within West Virginia between all of the organizations involved in community and economic development. The purpose of the proposed regions is to provide for the efficient and effective delivery of economic development programming for the benefit of both the State and local governments. To accomplish this objective, *Market Street* has recommended that the regions initially be given the following responsibilities:

- Development and implementation of a comprehensive regional economic development strategy;
- Assessment of the region's labor market capacity and development of a workforce development plan to meet current and future labor force needs;
- Assist relocating and expanding companies by participating in prospect visits;
- Coordinate recruitment and referral efforts between state and local economic developers;
- Manage a comprehensive existing industry visitation and assistance program, including a distinct job retention function;
- Provide technical assistance to local economic developers;
- Help identify new opportunities and potential business clusters within the region;

- Act as the primary point of contact and coordinator of WVDO programming within the regions;
- Assist the West Virginia Development Authority with service delivery of its programs to the business community;
- Coordinate regional and statewide marketing opportunities within the region;
- Collaborate with other WVDO divisions and state agencies to deliver services to local economic development organizations within the region;
- Coordinate local and regional initiatives throughout the region; and
- Serve as the Governor's economic development representative in the region and as a liaison between the WVDO and local communities.

Staffing

Staffing for statewide economic development regions is most often housed in a State's existing industry and community development programs. These are the programs that usually have the responsibility to help build community capacity and to assist local industry. West Virginia is no different and already has staff in the Industrial Development and Community Development Divisions who perform these functions. However, to fully implement regions and provide for the greatest possibility of success, staff must be resident in the regions. Additionally, it is important that each field office be organized in a manner so that it can respond to the unique needs of each region it represents. Staffing for a typical region should include the following:

- Business Retention and Expansion Representative. This function, currently known as Industry Development Representative, is located in the Industrial Development Division of the WVDO. Business Retention and Expansion Representatives would be responsible for the execution of an existing industry call program to assist businesses, interact with state government, and seek out expansion possibilities.

- Small Business Development Representative. Each regional office will have a Small Business Development Representative to oversee the small business activities of the State in the region. The WVDO currently operates 12 Small Business Development Center (SBDC) sub-centers around the State. The sub-centers will be reorganized so that the SBDC contacts are co-located in the WVDO Regional Field Offices. If this is not possible, their activities will be coordinated with those of the field office. The regions with multiple offices need to be networked together and with the WVDO Regional Field Office.

- Recruitment Representative. Each region will have a WVDO Recruitment Specialist to handle prospects. The representative will provide technical assistance and other help as needed to the local developers and provide direct contact to other state agencies. In addition, the representative will coordinate with the remaining recruiting staff at the WVDO headquarters in Charleston.

- Other staff to meet the needs of individual regions. Additional staff could include a tourism representative, or a technology-led economic development representative in regions with a

higher than average potential for growth in these areas. Additionally, the WVDO and its regional field offices should work closely with other state agencies that impact economic development. Specifically, Division of Tourism, Department of Agriculture, and Workforce Investment Office staff should be co-located with WVDO staff in the regional field offices.

Management

WVDO will handle operational oversight and management of the regional field offices through the new position of Director of Regional Affairs and Strategic Assessment. This position is responsible for initiating programs to develop local capacity, providing oversight of local and regional state programming, and acting as the primary liaison between the regions and State government. Programmatically, regional staff will still report to the manager of their program area at the WVDO offices in Charleston.

Placement of Field Offices

There are several things that need to be considered when determining the most efficient physical location for regional field offices. They should be conveniently located within the region and in a setting that offers the greatest opportunity for interaction with other economic development and community development resources. Although a stand-alone office is acceptable, ideally the regional field offices will be co-located with a key stakeholder, another state agency, or an economic development organization. This approach has several advantages, including:

- Accelerating the time needed to organize and begin regional operations;
- Helping to create a "one-stop shop" for economic development programming;
- Minimizing the possibility of duplicating community and economic programming within the region;
- Building on existing regional networks and organizations;
- Promoting a spirit of collaboration within the region; and
- Lowering the cost of operating regional offices.

Further, *Market Street* has suggested that the Regional Field Offices be located in the already defined Economic Hubs to take advantage of other state resources and promote collaboration.

Encouraging Regional Cooperation and Collaboration

The establishment of regional field offices is an important step in the implementation of the State's strategic plan. The creation of regions provides an effective way for West Virginia to deliver economic development programming. An auxiliary benefit to the creation of economic development regions is the emphasis regions will place on regional cooperation and collaboration.

West Virginia does not have a great number of existing multi-county economic development organizations. Therefore, the resulting experience and expertise that comes from regional operations is lacking in the State. To compensate for this lack of expertise, the State of West Virginia is considering ways to provide direct and indirect incentives to counties to encourage them to take advantage of and participate in these regions. Direct incentives include monetary incentives to assist in the fulfillment of economic development activities, while indirect

incentives include providing services such as technical or marketing assistance to further economic development goals.

Specifically, *Market Street* has made the following recommendations to encourage participation in regions:

- West Virginia provides every county an annual grant for local economic development programming. These existing county Local Economic Development (LED) grants should be bundled into a single regional grant. Each county should still receive a percentage of the current grant towards assistance for operations, but counties that partner could get additional dollars for programming activities.

- Creation of a new pool of funds that could only be accessed through regional applications and after the approval of the initial regional strategic plan by the WVDO. These funds would be used for region-wide activities: such as cooperative marketing programs, leadership training, capacity building, or other economic development activities.

- The creation of regional loan funds.

- Coordinate state lead activity from state recruiters through the regional offices.

- Provide specialized marketing of the regions in conjunction with the WVDO.

- Organize and maintain an effective "state to local" Internet presence to create a seamless economic development information resource. This could include contact information, lead dissemination, site inventorying, demographic information, and other economic development resources in a GIS format.

- Provide operational technical assistance or contract assistance via the regions (finance, marketing, strategic planning).

- Act as liaison between county developers and other state agencies.

While the process of creating regions in the State of West Virginia is still a work in progress, it provides an excellent example of the process that a state must go through to effectively understand how to initiate regionalism.

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