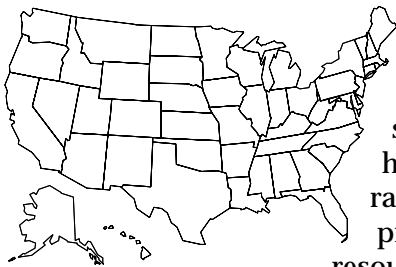


Appendix B – U.S. Best Practices for State Economic Strategy Development

This appendix summarizes the results from a series of interviews conducted with individuals from state economic development agencies and/or organizations. The consulting team has compiled a list of these states' successful economic development strategies based on what, in its experience, are common elements to a good economic strategy.



Although currently experiencing a downturn in economic performance, the United States, for the past 15 years, has seen an unprecedented period of economic growth, highlighted by strong GDP growth and low unemployment rates. A shift has occurred away from traditional production/manufacturing industries, with a basis in resource-extraction activity, to an economy specializing more in service industries and high-technology production and export. Where once industrial planning was the targeting of specific industries in areas of comparative advantage for public agency support, the nature of market liberalization, falling information costs, the spread of the Internet, and higher wages directed at technology-focused jobs, have changed the economic climate in the U.S. so that economic policy makers now stress new directions and different sector activity in their mid-and long-term planning efforts.

Those states that support and promote industries of the New Economy are seeing rising incomes, increases in population, higher rates of retention of in-state college graduates, and a host of other benefits including an improvement in nation wide notoriety, which performs the dual role of advertising a state's opportunities and expanding expectations to encourage internal competitiveness.

ECG conducted a survey of seven states regarding their overall state economic development strategies, programs and activities. States chosen were those addressing the New Economy, noted for high quality of life, increased per capita income levels, but were not all necessarily recognized for current economic leadership. Rather, these states were chosen for their strategies on how to achieve solid economic growth rates in industry sectors targeted for improvement. We identified eight basic elements of a good economic strategy with which to assess each state plan/strategy. These eight criteria elements are:

1. High Degree of Collaboration
 - Private sector involvement/leadership
2. Comprehensive State Coverage: sectors/regions/ minorities
3. Communication Campaign for Implementation
 - Widely supported by public
 - Utilization of the Internet, etc.
4. Addresses the New Economy
 - State assessment for preparedness for the New Economy
 - Telecommunications/IT infrastructure development level
5. Regional Plans Incorporated
6. Institutional Changes to reflect a state's individuality
7. Long-term Sustainability with Short-term Results

The results of individual surveys are arranged state-by-state, and include the following:

- North Carolina
- Connecticut
- Michigan
- Pennsylvania
- Arizona
- Nebraska
- Missouri

States' individual responses to questions covering the stated elements are listed in the following few pages, in tables with summary answers. Additional notes are provided after the summary tables.

The state of Missouri was chosen not only because of its consistent economic growth, but also because of its proximity and consequent relationship to the state of Kansas.



North Carolina

Making North Carolina a High-Performance State

	Strategy Element	State Response
1	High Degree of Collaboration Private sector involvement/leadership	Private Sector represented in New ED Board 36 members total – majority are private sector
2	Comprehensive coverage: sectors/regions/minorities	Plan covers entire state for “Widely-shared Prosperity” Rural issues addressed separately and jointly with urban directions
3	Communication Campaign for Implementation Widely Supported by Public Utilization of web, etc.	All New ED Board meetings public, press invited
4	Addresses the New Economy State assessment for preparedness Telecommunications/IT development level	New Economy Reflected in type of target industries, level of workforce development
5	Regional Plans Incorporated	7 ED regions – “Regional Partnerships”
6	Institutional Changes Reflect State’s Individuality	New ED Board created + 3 workforce development groups consolidated into 1 agency
7	Long-term Sustainability w/ Short-term Results	“Not as long term as it could be...”
8	High Degree of Public Support	Indication is: Public frequently requests copies of state plan

The State Economic Development Board is made up of primarily citizen participants:

- Lieutenant Governor;
- Secretary of Commerce;
- Secretary of State;
- four legislators appointed by each chamber of the General Assembly;
- representatives of nonprofit economic development organizations, higher education institutions, county economic development organizations, and large private-sector representation.

Appointment to this special board is made by the Governor. Considered an honored position in the state, appointment is sole compensation to members, with the exception of travel reimbursement. The private sector is currently represented in the following persons: banking representative, real estate developer, high-tech start-up entrepreneur, farmer (female), construction company CEO, manufacturing, retail and various others.

North Carolina's state plan, themed "Widely-Shared Prosperity," is updated on a four-year basis. Its initiatives target both rural and urban populations across the state. The rural initiative, called the "Rural Prosperity Task Force," addresses high-speed Internet access in rural areas, and needs for rural transition to new economy. There is no explicit communications campaign orchestrated statewide, but rather significant effort is made to advertise the transparency with which implementation is carried out, and the press is invited to all of the plan's board meetings.

New Economy preparedness assessment is addressed in the "Competitiveness" section of North Carolina's state plan, which targets issues of tax incentives and an R&D tax credit. In the initial stages of plan implementation, sector-wide meetings were established on a monthly basis, involving the voices of the community colleges (for workforce development needs), agriculture (for agricultural development needs), transportation/water/sewage (for infrastructure needs), etc. A portion of the plan specifically deals with workforce development for new economy skill requirements, and addresses the idea of involving community colleges to create customized programs for target industries.

Seven regions were defined in the state within which to promote economic development. Seven partnership offices were correspondingly created to coordinate programs independent to and within the regions.



Funding for the execution of the North Carolina plan comes from a combination of public and private sources.

No major institutional changes resulted with the inception of the plan. One minor change was that three workforce development programs were consolidated into one agency. At present, the scope of the plan is more short-term; long-term sustainability (What does North Carolina want to look like in 25, 50 years?) is not written in terms of timelines or date-dependent goals.

Public reaction for the plan and resulting economic development efforts has so far been positive and public interest is evident in the frequent requests for copies of it by the citizenry.



Connecticut

Partnership for Growth A Clusters Approach

	Strategy Element	State Response
1	High Degree of Collaboration Private sector involvement/leadership	Private sector present in cluster development
2	Comprehensive coverage: sectors/regions/minorities	Plan is state-wide, but not represented in rural areas
3	Communication Campaign for Implementation Widely Supported by Public Utilization of web, etc.	Communications plan for industrial community mostly
4	Addresses the New Economy State assessment for preparedness Telecommunications/IT development level	New Economy industries define CT's clusters
5	Regional Plans Incorporated	State Regions established for ED -individual offices per region
6	Institutional Changes Reflect State's Individuality	DED merged with Housing Dept of Economic.& Cmnty Dev
7	Long-term Sustainability w/ Short-term Results	Short-term: policy implementation at legislative level Long-term: further cluster development throughout state
8	High Degree of Public Support	Public support = "It was widely accepted."

Connecticut has undertaken a collection of efforts throughout the state, to make up a single state strategy (not plan) for economic development. These are reflected in the state's formal strategy for industry growth, Connecticut's Partnership for Growth Cluster Strategy, as well as in various tactical tools which address single state issues, such as business development in rural areas, etc. The Cluster Strategy decision was born of frequent interaction between the state's Office of Community and Economic Development and Michael Porter's Harvard Business School group, and is applied mainly to Connecticut's Interstate 95 corridor of urban centers. Connecticut was the Porter Group's test site for cluster development.

An initial assessment was done of the state's industrial make-up in which SIC codes were tallied throughout the state and target industries for cluster formation were determined. Although the assessment was conducted statewide, the resulting plan for cluster development incorporates geographically urban centers, as the more rural parts of the state didn't have many industries that possessed elements of natural cluster formation. The idea was to develop an economic strategy for tomorrow.

A formal state-wide communications campaign was not considered necessary as the majority of participants in the cluster process were concentrated mostly in the southeast and south central regions, and economic development had enough buy-in state-wide not to need additional solicitation of support. (“The average citizen doesn’t really care that much. They’re more like, ‘As long as my tax money’s being spent correctly...’ ” Michael Regan, Office of Community and Economic Development)

Connecticut was deemed poised just right for industries of the New Economy. Its strength is in knowledge industries, with a highly educated and a highly-skilled workforce (good universities statewide, and an abundance of displaced defense industry workers), and has the infrastructure in place for more service sector growth than traditional production and manufacturing. The Cluster Strategy implemented stressed New Economy industries in Connecticut.

Five regions were established: northwest, southwest, north central, south central, and east. Economic development strategy direction and implementation would originate from a central location (Hartford), but each region would have an individual coordinating office.

The adoption of a Cluster Strategy for the state resulted in a merging of state agencies: under a prior Department of Economic Development, an Industry Clusters Division was established, and later the entire department merged with Housing, resulting in a new Department of Economic and Community Development, containing tourism, housing, business development, clusters, and other support agencies. This provided inter-agency collaboration *ex ante*, rather than *post hoc*—smoothing and hastening implementation.

The Cluster Strategy had strong public support. Comments were made stating that it was very widely accepted. The legislature supported it, indicating that each region’s constituency was in favor. The Connecticut Legislature passed a bill for R&D tax credits (net operating loss carry-forward) immediately after the strategy was adopted to help support the newly identified biotechnology cluster.

Short-term results have been in form of policy changes to support ED actions, whereas long-term sustainability is hoped to be seen in the establishing, developing and promoting of clusters for the future.

MICHIGAN



	Strategy Element	State Response
1	High Degree of Collaboration Private sector involvement/leadership	Private/public collaborative organization: MEDC in lead Private Sector Executive Board State & Local gov'ts cooperative effort is origin
2	Comprehensive coverage: sectors/regions/minorities	Needs assessed locally, implemented state-wide
3	Communication Campaign for Implementation Widely Supported by Public Utilization of web, etc.	Communications campaigns through Local Forums (on state-wide issues, with local impact) Legislative District Round-tables, etc.
4	Addresses the New Economy State assessment for preparedness Telecommunications/IT development level	New Economy is focus of all state ED efforts. Target Industries are: Life Sciences (biotechnology) Advanced Manufacturing Information Technologies (IT)
5	Regional Plans Incorporated	5 Regions in Michigan, but not specified for ED efforts
6	Institutional Changes Reflect State's Individuality	Institutional Change reflected in Formation of MEDC
7	Long-term Sustainability w/ Short-term Results	Sustainability Issues not specifically addressed, but for long-term success one major milestone in area of out-migration (workforce problem) Long-term goal to turn OUT-migration into IN-migration Short-term goals to include increase in businesses, jobs, wages
8	High Degree of Public Support	Public Support is High, and MI receptive to dissent, complying with all FOIA regulations

Michigan's Economic Development strategy is a result of a state agency initiative in 1999 (Economic Development Council—EDC) to evaluate the state's economic strengths and weaknesses (internally, and comparatively against other states). The outcome of this study was the formation of an executive board comprised of private, public and academic leaders to assess and make recommendations for state economic performance. This board created the Michigan Economic Development Corporation (MEDC), which it now heads, and has crafted an annual state Operational Plan, updated on a yearly basis. In its first year of 2000, the Operational Plan devised several initiatives that address economic development issues in the state, one of which was the formation of the Life Sciences Corridor to promote the biotechnology industry sector in the state.

Four main categories define economic assessment and recommendation: (1) people-retention and attraction (Michigan has been number one three years in a row and wants to retain the record), (2) technical infrastructure, (3) smart community investment (funding to core committees for support), and (4) state image (Michigan has risen from seventeenth to fourth in high-tech ranking).

Target sectors for promotion are life sciences, advanced manufacturing and information technologies.

The effort of MEDC and the Operational Plan 2001 is statewide. The executive board collaboratively partners with local community EDCs in soliciting local-level needs and collectively assesses needs across the state to work them into statewide initiatives. Outreach efforts are ongoing statewide.

A communications campaign is run on a continual basis, through public forums, at the local level, and legislative district round-table meetings across the state. These are arranged collaboratively between central MEDC (state-level) and local public agencies.

The New Economy is the focus of Michigan's economic improvement. New Economy assessment was initially done on individual issues, such as infrastructure, and where weaknesses exist for new economy transition in industrial growth and development, objectives were formed to be met on a statewide basis. Telecommunications infrastructure was one such weakness, and is now an objective for improvement and transition to support for New Economy. Assessment for this was done on both an intra-state and inter-state basis.

No specific geographic regions were defined for economic development purposes, but the state does regionally define and promote its amenities and programs for attraction and growth. Five Michigan regions are identified, and populations totals are provided per region.

Further statewide development projects have evolved from the process that formed the MEDC and its board, and it is anticipated that additional institutional change may result as well, out of the activities this entity initiates for state economic development (i.e., with the life sciences corridor, a new agency may be formed regulating activities specific to this industry.)

Public support for the Michigan plan is strong, and approval of the actions of the MEDC is high statewide. As for sustainability, an indicator of long-term success is described in terms of reversing specific state problems (i.e. resolving workforce shortage due to emigration) on an on-going basis.



PENNSYLVANIA

Pennsylvania as a National and Global High-Tech Leader

	Strategy Element	State Response
1	High Degree of Collaboration Private sector involvement/leadership	State called for Partnership between Private Sector and Commonwealth Leadership to develop ED initiatives
2	Comprehensive coverage: sectors/regions/minorities	Plan is both state-wide, and sector driven. State objective is: "National and international recognition of the Commonwealth of Pennsylvania as a Hi-tech Leader"
3	Communication Campaign for Implementation Widely Supported by Public Utilization of web, etc.	State-wide communications was big media event: T.V., Internet publicized Marketing Campaign: "Come Invent the Future" to solicit public input
4	Addresses the New Economy State assessment for preparedness Telecommunications/IT development level	New Economy focused. To make commonwealth a hi-tech leader is to: Invite and promote hi-tech industries Incorporate hi-tech practices into current/traditional industries Preparedness Assessment for New Economy Transition conducted, producing the Pennsylvania Technical Atlas (a snap-shot of state technological infrastructure)
5	Regional Plans Incorporated	Team Pennsylvania (a state initiative) organized state into 10 regions (above map) for economic development efforts
6	Institutional Changes Reflect State's Individuality	State-level change is reflected in formation of initiatives to launch ED programs : ex. Team Pennsylvania
7	Long-term Sustainability w/ Short-term Results	Measurements of success through: Increase in new hi-tech driven companies in state Increase in no. of new technology jobs, etc
8	High Degree of Public Support	Strong Public Support evident across state "...because people realize that technology is the way things are going."

Pennsylvania has a focused, statewide objective: that the Commonwealth of Pennsylvania will develop into and be recognized as a high-tech leader in the U.S. and abroad. In order to achieve this, it has created several overarching ED strategies, with the twofold goal of A) promoting and developing high-tech industries within the state and B) improving the high-tech capacity of current industries—even traditional industries.

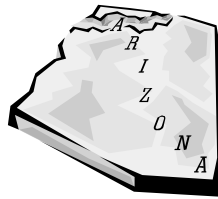
Three main strategies toward Pennsylvania's goal are showcased in its state strategy for economic development: (1) the Pittsburgh Digital Greenhouse (PDG), (2) Team Pennsylvania, and (3) the Lightning Manufacturing project. The PDG is housed in the greater Pittsburgh area but is a statewide initiative. It involves a cluster approach, building on existing cluster elements in place in Pittsburgh. Its main objective is to build an industry cluster around the application of System on Chip (SOC) technology in the digital multimedia and digital networking markets. With the support of Pennsylvania's universities, private foundations, regional development organizations, state and local government, and private industry, the Greenhouse creates an environment for economic

expansion and job creation in the 21st century. Jobs are created by attracting new companies to the region, helping local members grow and fostering start-ups.

Team Pennsylvania is a public-private partnership that brings together Pennsylvania's businesses, its government and community and economic development leaders. Guided by a board of directors chaired by the Governor, Team Pennsylvania builds a vision for the future in the commonwealth by providing the resources businesses need to launch or expand business success in the commonwealth.

New Economy, more specifically for the manufacturing sector, is the Program Lightning Manufacturing. With Lightning Manufacturing, web-based technology is applied to the entire business process—including engineering and development. The reduction in traditional business frictions means that the whole process can move at the fastest pace conceivable. Lightning Manufacturing serves manufacturing industries in finding new sources of revenue, marketing their excess capacity, or adding to their bottom lines.

Arizona



	Strategy Element	State Response
1	High Degree of Collaboration Private sector involvement/leadership	Most initiatives have been private sector driven, with strong support from state government. Five "hot teams" to focus on specific issues were utilized.
2	Comprehensive coverage: sectors/regions/minorities	Strong emphasis on looking at all sectors ("no such thing as high tech sectors...all sectors need to use new technologies") and examining the Digital Divide.
3	Communication Campaign for Implementation Widely Supported by Public Utilization of web, etc.	Strong Communication Campaign -- all materials developed in a very collaborative way (using "hot teams") and posted on a very active web site.
4	Addresses the New Economy State assessment for preparedness Telecommunications/IT development level	The project was a specific response to concerns that Arizona industries and government agencies might not be prepared for the New Economy.
5	Regional Plans Incorporated	Yes.
6	Institutional Changes Reflect State's Individuality	This methodology was developed by Arizonans, and drew heavily from the GSPED (Governor's Strategic Partnership for Economic Development), a 10-year old initiative.
7	Long-term Sustainability w/ Short-term Results	Not specifically addressed.
8	High Degree of Public Support	The effort was highly participative and appears to have widespread public support.

The Arizona Partnership for the New Economy (APNE) was formed by Governor Jane Dee Hull in November 1999 to sustain the strength of Arizona's economy and global competitiveness. This public/private partnership is comprised of 36 members and is headed by Alan Hald, co-founder of MicroAge and Ted Ferris, Deputy Chief of Staff to the Governor.

The partnership is charged with seeking broad citizen input to accomplish three goals:

1. Define the New Economy and its importance to Arizona.
2. Assess Arizona's current readiness and establish benchmarks for measuring progress.
3. Develop strategies for correcting perceived deficiencies in responding to opportunities.

The work of the partnership concluded in January 2001, designed to enable Governor Hull to present a comprehensive set of recommendations to the legislature in 2001. Further information about the State of Arizona's Partnership for the New Economy (APNE) can be found on the web at www.commerce.state.az.us/neweconomy/apne.htm.

NEBRASKA



Nebraska is in the process of developing a strategic implementation plan for the state, following a formal assessment commissioned by the state and conducted by Deloitte & Touche: the *Nebraska Target Industries Study*. In developing this section of the plan, the private sector played a large role. Nebraska has devised nine economic development partners in a collaborative effort combining public agencies and private representatives, who are mostly owners or representatives of corporations in the state. Within this framework, focus groups were formed to solicit information from the private sector about issues of concern for development.

	Strategy Element	State Response
1	High Degree of Collaboration Private sector involvement/leadership	Private sector consulted (required) in initial assessment of needs 9 Ec.Dev. Partners established: private companies and public agencies Collaborative focus-groups formed around issues
2	Comprehensive coverage: sectors/regions/minorities	Plan is state-wide (not sector driven)
3	Communication Campaign for Implementation Widely Supported by Public Utilization of web, etc.	No state-wide communications campaign
4	Addresses the New Economy State assessment for preparedness Telecommunications/IT development level	Plan stresses New Economy Trends and Industries. 2 sections evolved: Existing strong industries "New Economy" businesses (knowledge and hi-tech industries)
5	Regional Plans Incorporated	Plan is Regional in assessment and implementation Initial assessment done in 3 regions Plan currently reflects 4 resulting regions for economic development
6	Institutional Changes Reflect State's Individuality	Business Development division re-focused and re-organized – based on initial study done
7	Long-term Sustainability w/ Short-term Results	Plan is based on 10-year projection, updated every 3 years (for next 10)
8	High Degree of Public Support	Public Support is high ("We really have got great buy-in") Due to re-distribution of current budget funding; no new money for new plan

As such, a formal, statewide communications campaign was not initiated, but efforts to gather essential input in the assessment process involved a broad spectrum of citizen participants throughout all areas of the state. Al Winstrand, Nebraska Director of Economic Development said, "We gave them a plane, and they stopped at all these little towns and so on, talking to people."

New Economy transition from a traditional industry economic base was stressed during the assessment phase, and is the focus of this statewide plan. The plan's targeted industries are actually divided into two categories: (1) those industries already strong in the state's economy which shall be retained and supported, and (2) New Economy industries which Nebraska can embrace and develop to serve the state economically in the coming years.

Regions were defined within the state during the assessment portion. Three teams were formed to consult with business and community leaders, covering the four regions for collecting needs information, and individual offices in these regions will be set up in a later phase.

Institutional changes that have resulted from the initiation of the strategic plan are a re-focusing the Business Development Division, the Community and Housing Development Division and other state agencies according to six new targets identified after the assessment phase. Incentives in division programs (state tax, etc.) were redefined as well to fit and support the new objectives for the state.

Public support is high throughout the state. Winstrand commented, “We really have got great buy-in. We’re not spending more money, we’re reorganizing what we have.” (\$125K for entire program)

The Nebraska state plan for economic development is based on a 10-year projection for implementation and realization of plan targets, with re-evaluation done every three years (for the next 10). Each target (and sub-target) will be evaluated individually, according to measurable criteria: job creation, wages paid, etc. to determine success.

Missouri



Missouri's state plan for general development contains an economic development component for the state. This defines Missouri's "Strategic Plan for Economic Development," which arose from former Governor Mel Carnahan's "Show Me Results" endeavor in 1993. It is described as an across-the-state-plan, customized for the particular characteristics of a diverse state, by Missouri's Department of Community and Economic Development which revises the plan annually, and oversees its implementation. The plan's framework is designed to be adapted broadly across the state, to fit individual area needs, rural or urban, statewide.

	Strategy Element	State Response
1	High Degree of Collaboration Private sector involvement/leadership	Private sector makes up majority of Governor's Business Council, in designing Strategic Plan at its inception
2	Comprehensive coverage: sectors/regions/minorities	Plan is state-wide (not sector driven)
3	Communication Campaign for Implementation Widely Supported by Public Utilization of web, etc.	Stakeholder Meetings across State, Press Release Campaign Public Web Site, State-level Intranet developed to increase buy-in and input
4	Addresses the New Economy State assessment for preparedness Telecommunications/IT development level	Plan address New Economy Trends by addressing all current economic trends on an annual basis with its national and international "Environmental Scan"
5	Regional Plans Incorporated	Representative Regional Offices for Economic Development exist in 13 areas across state, for info gathering and plan delivery
6	Institutional Changes Reflect State's Individuality	Governor's Business Council created ...led to development of 1,600 employee ED Department
7	Long-term Sustainability w/ Short-term Results	Plan is re-evaluated annually (no long-term plan for plan) 3-year targets set for general economic condition improvements
8	High Degree of Public Support	Strong State General Assembly support indicates broad constituency support.

In its original formation stage, former Governor Carnahan emphasized strong collaboration indicating the private sector and public participate in the formation of the plan. He established a Governor's Business Council comprised of 20 private-sector members, as well as state Economic Development officials to put together a formalized process for plan development. Stakeholder meetings were organized and held around the state to discuss economic trends, changes needed, and to solicit direct input from local citizens. The political aims of this action were complimented by efforts of the Missouri Office of Minority Business Development, and to achieve a fairer participation, these two offices worked together in developing a set of priorities for issues pertaining to the state.

In addition to statewide meetings, a campaign was conducted to publicize efforts for the development of the strategic plan and keep the process transparent. It included a series of press releases, a public Web site and state-level intranet to provide updated material to involved departments and personnel.

The Plan: Missouri's Strategic Plan for Economic Development operated along the following process framework:

1. Environmental scan
 - a. A review of economic trends on a national and international basis
2. Annual objectives for Missouri
 - a. Decision on which trends apply to Missouri's economic situation, and what directions that state is positioned to take in the coming year
3. Quarterly reviews to evaluate progress
 - a. State ED department conducts review of current development activities to determine if on or off the targets set in Annual Objectives

Every year the plan is re-evaluated according to the three-step process, so that objectives are updated on an annual basis, and the plan's initiatives, programs, etc. are current with those aims. There is no projected timeline applied to the strategic plan. The three-step process updates goals on an annual basis, and progress is evaluated every three months. The exception for long-term projections is specific three-year targeting for general economic improvements such as job creation, cost-reduction, etc. These are mentioned in the state's annual goal-defining process.

Addressing the New Economy is accomplished during the strategic plan's Environmental Scan stage, conducted over a two-to three week-period, utilizing expertise in economic and industrial fields. A big-focus starting point evaluates the state of the state's industries, its manufacturing capacity relative to recent trends, and preparedness in terms of IT and telecommunications infrastructure statewide. Where standards are not being met, programs can be created or changed to accommodate new or emerging needs.

The state strategic plan is designed to address economic issues for the state as a whole, and is not developed on a regional basis. However, Missouri has drawn specific regions around the state for economic development. Missouri's regional ED offices are not intended for the creation of independent ED programs or efforts, but to act as source offices for gathering regional information, and represent state ED efforts in local regions across the state. The state does support a regional marketing program, which allows regions to submit proposals for regional promotion initiatives, to which the state will put up matching funds up to \$20K, if approved.

Note: Missouri's Department of Economic Development has noted its interest in pursuing options for further regional development and partnership with the state of Kansas, particularly the Johnson county region and the Kansas side of Kansas City.