Crossing the Lines

Economic Development Goes Regional

By Tom Schuman

Greek philosopher Aristotle probably did not have regional economic development on his mind when he coined this phrase: "The whole is greater than the sum of its parts." But the analogy is a strong one.

Economic development has been traditionally a county (and before that large city) function. But as is the case with so many aspects of life today, good-paying and high-skilled jobs – the goal of those in the profession – do not recognize county lines or other artificial borders. Those making the decisions about where those jobs will land are focused on a region (or state) providing a reliable workforce and a strong economic climate.

Indiana has 17 regional economic development groups, according to the Indiana Economic Development Corporation (IEDC). We asked representatives of four of those organizations to offer their insights and perspectives. The participants are:

- **Jon Bond,** president of the Switzerland County Economic Development Corporation and a member of the Southeast Indiana Growth Alliance (Dearborn, Franklin, Ohio, Ripley and Switzerland counties). www.SoutheastIndiana.org
- **E. Roy Budd,** president and CEO of Energize-ECI (East Central Indiana Regional Economic Development, which represents the following counties: Blackford, Delaware, Fayette, Grant, Henry, Jay, Madison, Randolph and Rush). www.energize-eci.org
- **Mike Heaton,** Duke Energy economic development manager and representing Accelerate West Central Indiana (Clay, Parke, Putnam, Sullivan, Vermillion and Vigo counties). www.WestCentralIndianaEDC.com
- **Jim Tidd,** executive director of the Miami County Economic Development Authority and part of the North Central Indiana Economic Development Partnership (Cass, Clinton, Fulton, Howard, Miami and Tipton counties). www.nciedp.com

Why Regional?

Former IEDC President Mitch Roob often mentioned that the back of his business card featured a map of the United States with Indiana highlighted. That was because many site selectors and international decision makers sometimes referred to Indiana as "one of those 'I' states (Illinois, Iowa included) in the middle of the country.

Tidd admits that, "When you're talking about trying to attract some type of foreign investment, nobody knows where Peru, Indiana is."

Budd quickly adds, "They barely know where Indiana is."

Then there are the practical reasons.

Heaton acknowledges that the six counties in Accelerate West Central Indiana "don't have a lot of resources," so pooling the dollars and regional workforce data together "just makes a lot of sense. When you go to Chicago (for example) and meet with the site selectors, they really prefer meeting with a regional group instead of just one individual county."

From a marketing standpoint, Tidd agrees. "It makes sense, especially when you're talking more rural communities with limited funds. You can do a lot more with your money collaboratively than you can individually."

Budd notes that it's often difficult for local economic development organizations (LEDOs) to abandon their own marketing efforts.

"That's where the glitz and glamour is," he offers. "If they would focus more on retention and expansion of businesses – and let the regional groups take care of the overall marketing concept – we'd be a lot better off than we are right now."

Count Bond in as a full supporter of that approach.

"I'm one local economic development person who would like to push all of my marketing out to the regional level. In a county like Switzerland, no matter what region you draw, we're going to be an appendage on the edge of it," he contends. "We're not going to be near the center of a region, and that's where it gets a little more complicated for us. We're going to be partnering in more than one regional organization most likely."

Tidd and Budd emphasize that regional organizations must work together and that, depending on the project, additional partners may be brought in at different times. Those alliances may also cross state lines.

Budd says Energize-ECI has worked with three western Ohio counties on occasion. Bond states that the Southeast Indiana Growth Alliance came together out of the realization of the need to market to industries looking at southwestern Ohio. Northern Kentucky was growing from a business perspective at a much faster rate than southeastern Indiana despite similar geographic distances from Cincinnati.

"Indiana has a serious issue in the rural areas of losing population."

– Mike Heaton
Accelerate West Central Indiana

Varied approaches

There is far from a one-size-fits-all model. Energize-ECI's annual budget of approximately $500,000 comes from businesses and foundations. Accelerate West Central Indiana works with approximately $30,000 a year (provided by the counties and/or local economic development groups), with three of the six counties not having a full-time person focused on economic development.

Tidd relays that the counties in the North Central partnership have worked together for nearly 25 years on marketing, and sharing leads and best practices. A formal regional planning organization is just coming into place. The Southeast alliance only goes back four years, with Bond adding that the first half of that time span was spent on discussions and planning.

Yet, there are similarities.

Budd, motioning toward Tidd, says, "He works for Miami County. His allegiance, first and foremost, is to that county. The same is true for the LEDOs that work with me. You're always going to have a little pushback from different elected officials because they want it to come to their city first. But, for example, if a company comes to Anderson, it benefits Muncie because of the cross-commuting patterns that take place."

Tidd believes that old rivalries are a little more prevalent in rural Indiana (and other states) with the regional concept better understood in metropolitan areas. "But I think we've come a long way in being able to educate on the benefits of participating regionally. We're getting better."

Another challenge is the churn of elected officials. Budd terms it a constant education process and Tidd puts it bluntly: "Elected officials change. And so this next group comes in and says, 'Well, I don't really understand. I want it all. I want the tax revenue. I want the jobs.' "

State impact

The regional groups, as well as LEDOs, must have a good working relationship with their counterparts at the state level. The IEDC has its own regional offices and representatives to help it accomplish its mission.

"At our monthly meetings, we have representation from IEDC, which is really beneficial," Heaton shares. "They generally go with us to Chicago or wherever we're going to meet with site selectors. It is important to educate the staff members of IEDC about the assets of your particular region."

Bond agrees that the IEDC regional representatives are "great to work with," but wishes they had more authority. "I think a lot of opportunity gets left on the table … because it's just hard when policy is being set at the state level … you miss a lot of the finer points at the regional level."

Budd advises, as in all situations, to be proactive and not sit around and wait for the IEDC to deliver leads. Regional branding and communicating about those strengths, including to the IEDC, is a responsibility his organization and others must embrace. He adds that the IEDC needs to do a better job of marketing all the assets in the state.

The group identifies two areas where policy changes could make a difference.

Tidd points to previous legislation that created a county economic development income tax (CEDIT), initially dedicated for a single purpose.

"Over the last several years, the Legislature has loosened the reigns a little bit on the CEDIT funds. (They) can be used for whatever the county or city wants to use it for," he notes. "A lot of our counterparts would say we need to get back to putting constraints on those taxes – that it can only be used for economic development. I think it has hurt capabilities within communities."

In addition, Budd lists the deal-closing funds available to governors in some other states: Georgia, $500 million; Louisiana, $400 million; Texas, $700 million.

"The number of folks that don't know how their local government is funded and don't understand the return on investment for economic development …"

– Jon Bond
Southeast Indiana Growth Alliance

"And how much does the governor of Indiana have in a deal-closing account? Zero."

Heaton says the onus is on communities to put up the cash currently, while Tidd adds that site selectors clearly favor Indiana as the most competitive state in the Midwest, but in a recent meeting cited the lack of a deal-closing fund as a weakness.

Bond contends there is a mixed message coming from Indianapolis.

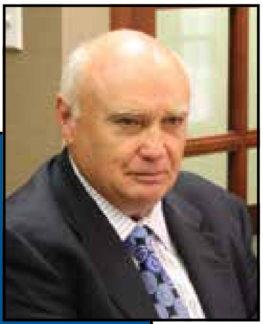
"At the same time that the executive branch is pushing the locals to put up most of the incentive, the legislative branch is shaming them for any incentive they put on the table and calling them irresponsible."

All concur that the current state tax credits often don't apply.

"They're all focused on job creation, which is important," Heaton concludes. "However, what we're seeing with the projects is larger capital investments with (less) job creation."

All about the workers

Any economic development discussion doesn't go far without a focus on the workforce. The mismatch between employee skills and job requirements is a reality.



"There's 5,850 organizations around the country competing for the same basic projects. The competition is fierce."
– E. Roy Budd
Energize-ECI

"The biggest negative," Budd professes, "is our ability to match our workforce training programs with the target industries we're trying to recruit. "The Workforce Investment Act, with each state having regional workforce boards – that federal money is so difficult to access. You have to be pink, yellow and blue on the same day of the fourth Tuesday to qualify for those funds for training.

"And it's very hard to use. So the Workforce Investment Act in my opinion is flawed legislation that needs to be revised and looked at."

Budd credits Georgia and South Carolina, among others, as having strong workforce training models that may be worthy of a closer look.

Asked about the disconnect and whether employers have done a good enough job in communicating to educators the skill sets they need in employees, Tidd says, "It depends on which side of the fence you're on." Bond offers that it seems there almost needs to be a translator to bridge the gap between educators and business.

Tidd clarifies that he has no bias against advanced education, but fears that "for a couple of years we've pushed too much that you have to go to college and get a degree. With the need for manufacturing jobs, not everybody has to go and get even a two-year degree to be able to make a good, sustainable living. They have to do continuing education; they have to get some type of certification."

Some employers and parts of the state, Budd believes, treat all jobs as equal. That's a premise that comes with danger.

"I'm not looking for cheap labor jobs. That's not going to grow wealth, grow development in your area," he submits. "They're going to put stress on the social service programs of your community, stress on the school system. So it's not just about cheap jobs and low wages."

Bond views the workforce situation as an opportunity with Indiana faring better than its neighbors. For a continuing advantage, however, he believes "there's got to be a culture in the business that drives those workers to give up their bowling night to go out and take a class and get that certification."

Tidd recalls the state's TAG (Technical Assistance Grant) program that worked well in linking workforce needs with training funds. A number of Miami County businesses participated in the Department of Workforce Development initiative.

Budd laments, "For whatever reason somebody made a decision to take some of those federal dollars and appropriate them for other programs and eliminate TAG. That was a colossal mistake."

Regionally speaking

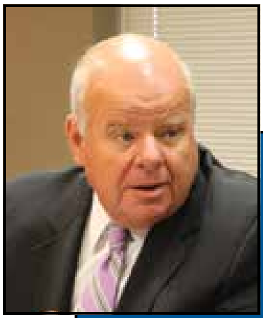
We asked each participant questions specific to their area, as well as inviting them to identify a "hidden gem" in their region.

Tidd has finally seen the long-awaited completion of the Hoosier Heartland Corridor (U.S. 24 between Lafayette and Toledo, Ohio) and is in the midst of the U.S. 31 upgrade, including a bypass around Kokomo.

"It will be tremendous for logistics, warehouse, distribution, manufacturing. You name the industry, it's all about being able to get goods from one place to another place."

Miami County and the surrounding area struggled in the past with the closure of Grissom Air Force base. "Now there's not a lot of communities that can say they've got a 12,500-foot runway and the community's invested in upgrading a hangar facility for an aircraft maintenance company. We're starting to build around that cluster and to diversify."

Budd's region is home to three communities – Anderson, Muncie and Marion – most devastated by changes in the automobile industry. He says 32,000 General Motors workers in Anderson in 1969 lifted the community to the second highest per capita income in the nation. Today, there are no GM workers.



"Always the biggest challenge is the perception that the larger communities already get everything."
– Jim Tidd
North Central Indiana EDP

Energize-ECI has received several Environmental Protection Agency grants to assist in cleaning up and repurposing former automotive facilities. The region is among 10 finalists (out of approximately 360 applicants) for one of three $20 million awards that would greatly elevate those efforts.

"In East Central Indiana, we sit on the largest corridor of underground water supply in the country," Budd states. "We have a surplus availability of water and that asset is bringing us lead opportunities, especially from the food processing industry."

Heaton indicates cooperation is at a very high level in his region. The counties with more resources do a good job of sharing best practices and communicating and the smaller counties realize they have to count on their neighbors for workforce opportunities and other needs.

"One of our big selling points is education (citing Rose-Hulman, Indiana State, DePauw, St. Mary's of the Woods and additional options). The other thing is the former Newport Chemical Depot, which is now Vermillion Rise, a 7,000-acre industrial park. It's receiving a lot of looks from heavy industrials, from the energy side."

Bond has three of the five counties in his region serving as homes to riverboats. The immediate benefits included the infrastructure upgrades that took place, along with the hotels and conference facilities that attract events and visitors. At the end of the day, though, few local funds are left to support economic development.

Access is a key selling point. "In Switzerland County, from where our industrial sites are located, you're inside of an hour from Louisville International Airport and about a half hour from Greater Cincinnati. That's one of the marketing messages we're trying to shape."

'Here to stay'

Each participant sees the regional model continuing to grow and mature. Not all joint efforts will look the same, but one common denominator is the need for a funding mechanism.

"I can see the regional organizations' influence becoming more important with tightening budgets for the LEDOs," Heaton concludes, with Budd adding, "I think regional is here to stay."