Alliance for Regional Stewardship
National Forum on Regional Stewardship
Federal Policy Towards Regions
Friday, May 6th
8:00 – 9:30 a.m.

Traditionally, Federal policy has not focused on the region as a geographic or economic entity. Certain Federal policies, however, have encouraged multi-jurisdiction collaboration to address a variety of issues. This moderated plenary will discuss the Federal policy and practices that enhance or discourage regionalism.

Moderator: Randall Kempner, Vice President, Regional Innovation, Council on Competitiveness, Washington, D.C.

US not predicated on a "regionalism" focus, but a federal perspective.
A number of MSAs cross state lines…

Geoff Anderson, Acting Chief of Staff to Associate Administrator for Policy, Environmental Protection Agency

Interactions and relationships of environmental policies at the regional level

State Implementation Plans for air quality are based on regional air sheds; similarly water quality planning and water sheds.

Implementation of EPA regulations positively affect site specific issues, but not necessarily regional issues…water shed regulations may have positive impacts on specific sites, but may adversely affect the water shed at the regional level…Challenges of scale.

Just doing regional visioning is not enough…need to consider the implementation challenges and their impacts on the region.

Sandy Baruah, Chief of Staff, Economic Development Administration, U.S. Department of Commerce

On behalf of Assistant Secretary David Sampson, I would like to thank the Alliance for Regional Stewardship for the invitation to be with you today. The Assistant Secretary sends his regrets, but, between the confirmation proceedings related to his nomination by President Bush to become the Deputy Secretary of Commerce and his commitments related to the Strengthening America's Communities initiative, I am sure you can understand that his schedule is very much strained.

Because the Strengthening America's Communities initiative, as proposed, would fundamentally update and improve the federal role in regional economic and community development activities, I would like to begin by providing an overview on the initiative.

Then, I would like to offer some thoughts on why an how the United States needs to rethink its strategies for regional economic growth and opportunity as the 21st century emerges.

When the President submitted his proposed 2006 Budget to Congress in February, he outlined an ambitious agenda to ensure America's economy remains the most prosperous in the world. His agenda is the foundation for economic success in <u>all</u> of America's communities.

Although the national economy is strong and getting stronger, there are many communities throughout America that are struggling—communities where traditional industries do not employ as many workers as they did a generation ago.

There are areas experiencing high levels of unemployment and poverty that deserve – that <u>need</u> – development assistance, and the President is committed to providing that assistance.

The President and the Administration believe that, while the federal government has a significant role in supporting economic and community development initiatives, there is no reason why the federal delivery system of these important resources should be disjointed, duplicative, and overly complex.

There has got to be a better way – and that's why we believe that the Strengthening America's Communities initiative is critical to the economic health and well-being of those communities that need assistance the most.

As the 21st Century economy emerges, we can't expect to meet its challenges with yesterday's tools for economic growth. Over the last 40 years, the federal government has spent over $100 billion on anti-poverty programs. Certainly, these programs have played an important role in providing individuals in need necessary services, not to mention a sense of dignity.

But the federal government's record regarding community-based anti-poverty programs is mixed. The Progressive Policy Institute, the Government Accountability Office (GAO), the Organization for Economic Cooperation and Development (OECD), Federal Reserve Chairman Alan Greenspan, and the Council on Competitiveness in its December 2004 "Innovate America" report, have all called for some form of consolidation of duplicative development programs. Clearly, the Administration is not the only group who thinks we can and should do better.

The President's Strengthening America's Communities Initiative would take 18 of the 35 federal economic and community development programs – principally the direct grant programs – and consolidate their funding into a single, new grant program called Strengthening America's Communities Grant Program.

The goal of this consolidation is to greatly ease access to the federal system. For distressed communities with limited resources and expertise, the President's plan reduces the number of federal bureaucracies they need to deal with from 18 to 1. I think that's important. The federal government should not require communities already short on resources to devote a large proportion of those resources to negotiate a maze of federal bureaucracies.

Furthermore, the challenge in building growing, vibrant economies is that reliance on government and philanthropic resources to get the job done is an inadequate approach. The real opportunity is to engage the much larger resources of the private sector to change economic opportunities for our most distressed communities and citizens.

The fundamental issues and opportunities in distressed communities demand a strategy that optimizes innovation, competitiveness, and private sector engagement.

We want more resources to flow to the most distressed communities, so the challenge is to target and focus government resources to attract and leverage the power of private markets to renew communities.

The communities that have made the most progress over the past decade have had leaders who have made it their priority to remove barriers to economic growth and attract new private sector investment which creates jobs and produces new tax revenue. They have promoted a culture of enterprise to foster innovation, new business formations and attract new investment, bringing once abandoned property back into productive use as employment centers and revenue generators.

The next generation of community and economic development and revitalization must embrace the lessons learned from communities and regions that are succeeding. That is what the Strengthening America's Communities Initiative does.

I am pleased to report that the Strengthening America's Communities Advisory Committee—a group of national, regional and local economic and community development leaders—held its first meeting on April 15 in Fresno, California to begin their deliberations for providing advice and recommendations to Secretary Gutierrez on the implementation of this innovative initiative.

The Advisory Committee's recommendations will play an important role in developing the enabling legislation for the initiative, which will be submitted to Congress later this spring.

Two more meetings will take place by early June—one next week on May 12 and 13 in Kansas City, Missouri, and one soon thereafter at a yet-to-be-determined location on the East Coast.

- We will keep you posted on the activities of the Committee through the initiative's website at www.doc.gov.

Rethinking Economic Development in the 21 Century

- The President's proposal to update the federal economic and community development portfolio is but one example of rethinking economic development in the 21st century.
- I find it helpful to frame discussions on the rethinking of economic development strategies into a context of "**4 pillars**" for 21st century economic development—1) why we need to do some rethinking; 2) where, geographically, new strategies should focus; 3) what the new drivers of economic development are; and, finally, 4) how we can implement these new strategies for economic growth and opportunity.
- So, why is there a critical need to rethink mid-20th century economic growth strategies?
- The emergence of a worldwide economy is transforming the economic landscape. Intensified global competition is forcing U.S. businesses to find ways to reduce their costs while continuing to produce high quality products and services.
- These challenges are significant, tempting many to favor a retreat from participation in a worldwide economy. But economic retreat would put our nation at risk. We would miss the enormous economic opportunities offered by active engagement with the other 95% of the world's population. Instead of retreating, we must find new sources of competitive advantage by reshaping our strategies for economic growth.
- Second—in terms of "where"—we need to rethink the spatial context of economic development. The geography of the 21st century economy and the geography of our political boundaries are fundamentally misaligned. Economic development policy is mostly the province of state and local governments, with the goals of these policies focused entirely within their own jurisdictional lines. But the regions of the 21st century economy do not respect these political boundaries. In fact, regions that share common ground in the new economy invariably spill across the borders of cities, counties and sometimes states.
- Third, the drivers of economic growth in the 21st century center on the vigorous pursuit of a competitive edge in a global market. The critical path for success will be in seeking "Regional Competitive Advantage," which requires the identification of:
  - regional assets of physical, scientific and intellectual infrastructure;
  - market opportunities; and
  - a strategy for exploiting those market opportunities.
- The development of Regional Competitive Advantage is driven by the private sector, but the public sector does play a major role in a successful strategy. Regions will require:
  - Effective governance by key players in higher education, government, business, and non-profits.
  - Innovative capacity that looks beyond the "economy that is" to the "economy that can be." This is a new frontier, as many regions must take an economic journey from sole reliance on a commodities-based economy to a knowledge-driven economy. And innovation, the fuel for that journey, is scarce in far too many regions.
  - The third component of a Regional Competitive Advantage is the development of a world-class entrepreneurial climate. "If innovation is the fuel of 21st century economic growth, then entrepreneurs are the engine of 21st century economic growth. Building regional competitive advantage probably means focusing less on recruiting companies from other communities and more on growing your own entrepreneurs. Current research indicates that entrepreneurs can be "made," given the right education, tax policy and capital.
- The fourth and final pillar for 21st century competitiveness and economic development strategies involves enlightened and aligned public policy that creates an environment that helps regions develop Regional Competitive Advantages. This involves three key ingredients:

- First, the need for "soft infrastructure," ---knowledge. If knowledge drives the 21st century economy, we have a lot of thinking to do. For example, how do we integrate higher education and primary education into our policies for economic growth?
- Second, growing leadership capacity and developing "social capital" to inspire and drive transformation into a new economy;
- And third, a re-ordering of priorities in economic development strategies to focus on a new "pyramid of economic development" involving governance, innovation and entrepreneurship.

In closing, it will be regional innovation—and the creation of Regional Competitive Advantage—that drive the American economy to new levels in the 21st century. And that effort takes leadership.

The Department of Commerce is grateful for the leadership of the Alliance for Regional Stewardship to help foster regional collaboration for successful economic development throughout the nation. We look forward to the new insights that will result from this event, and to working with you in the future.

Thank you very much for the opportunity to be with you today, and I would be happy to take your questions.

George Schoener, Deputy Assistant Secretary for Transportation Policy, Department of Transportation

Hx of transportation – regional comprehensive planning dating from 1950s and maturing during the 1970s in the MPO era.

Federal transportation policy supports multi-state collaboration and allows local governments and the governor to define the planning area geography and the planning organization membership.

MPO viewed as a forum for decision-making—bringing the LEOs together to make decisions on transportation investments in a region.

Dedicated funding for metropolitan transportation planning and capital investments has served as an impetus for regional transportation decision-making…

Federal transportation legislation does not require land use planning; the linkage between transportation and land use has been approached through best practices and education…

Q&A/Comments

- Carrots and sticks from feds for regional decision-making…
  - EPA—SIP process
  - DOT—"Nuclear option" of withdrawal of fed. funding…
  - Commerce—Linking "hub" cities...for regional economic strategies…
- Attitude among regions and states of donors' contributions to fed. coffers and the entitlement to get a comparative amount back needs to change to provide greatest benefit throughout the country.
- Will require shift in federal role…
- GV—Should the federal gov't have a special relationship with DC as it's the nation's capitol and home to the federal workforce?
  - Question for Congress, not Exec. branch…
- Consistency among federally designated regions…
  - Up to regions to decide what works for them; fed. agencies are trying to work more closely, but up to regions to decide how best define the appropriate geographic unit.