





Reorienting State and Regional Economic Development: Challenges and Opportunities for Metropolitan Chicago

DRAFT Summary

Summary of lessons learned from national examples

CHALLENGES			OPPORTUNITIES		
COMMON PRACTICES	WHAT THIS MEANS		BEST PRACTICES	WHAT THIS MEANS	CASE STUDY EXAMPLES
Reactive use of incentives to attract or retain specific businesses	Incentives are deployed to respond to a specific short-term challenge or threat		Strategic planning to establish investment priorities	Investments align with strategic plans that help guide state and regional priorities and incorporate local input	<ul style="list-style-type: none"> • New York State regions have developed five-year strategic plans to guide economic development investments • Metropolitan Denver analyzes and targets key industry clusters for growth and investments
	Investment decisions are made without a plan that establishes priorities and targets public resources			Data-driven plans are informed by up-to-date information on assets, economic specializations, and other challenges and opportunities	
	Incentives are used to compensate for weak spots in the overall tax or business climate				
Uncoordinated and duplicative programs and services	Related services and programs for businesses and workers are administered without coordination across agencies		Coordinated and streamlined programs to improve the experience for business and workers	Programming and program evaluation is coordinated across state agencies	<ul style="list-style-type: none"> • A consolidated application in New York coordinates all State agency funding requests • Metropolitan Denver Economic Development Corporation serves as a single point of contact for businesses interested in locating in the region
	Duplicative programs and investments are costly and cannot be sustained in light of constrained public budgets			Streamlined applications and reporting tools are used across economic development programs	
Limited monitoring and evaluation to measure what works	Agencies collect rudimentary data, that provides little insight on outcomes or impact of the investment		Accessible information and evaluation of programs to inform public policy	All incentives are budgeted for and closely monitored	<ul style="list-style-type: none"> • New York annual strategic plans, progress reports, and funding application results are made available to the public. • Non-partisan legislative staff in Washington review incentives and, together with a citizen's commission, provide recommendations to the state legislature • Renewal of tax credits in Oregon is completed as part of the appropriations process
	Without ongoing monitoring and analysis of outcomes, it is difficult to make informed policy decisions on whether to continue, reform, or terminate an incentive or program			Processes to create, reform, or eliminate economic development programs and policies are clearly established and open to public input	
Intraregional competition over finite financial resources	State tax policies often encourage local competition over limited financial resources		Outward facing metropolitan strategy to compete nationally and globally	Metropolitan-wide priorities and procedures help to guide strategies for attracting and retaining businesses and workforce	<ul style="list-style-type: none"> • Metropolitan Denver studies its region's clusters, develops strategies, and deploys national and international marketing plans based on those findings • Metropolitan Denver developed a "region first" Code of Ethics that promotes the metro area before individual communities
	Intense intrastate and intraregional competition distracts from developing strategies to gain competitiveness in the global marketplace			Multi-jurisdictional and collaborative efforts facilitate development of plans to grow regional industry clusters	

Source: Chicago Metropolitan Agency for Planning analysis.



Challenges and opportunities in the state and region

Research on national practices indicated that diffuse and uncoordinated economic development practices present many challenges for local, state, and federal entities engaged in economic development. The findings focused on four strategies that would help states and regions use scarce resources more effectively to compete in the global economy: engaging in regular strategic planning, collaborating on a regional level, monitoring and evaluating data, and fostering outward-facing regional strategies.

The State of Illinois and metropolitan Chicago face challenges similar to other U.S. states and regions seeking to compete in the global economy. Like many other states and regions, Illinois and metropolitan Chicago have begun to reorient their economic development practices for greater efficiency and results. Informed by challenges and opportunities in other parts of the country, this report uses case studies to explore how the State of Illinois and Chicago region are moving forward. This report looks specifically at:

- Strategic and prioritized investment of resources
- Coordinated workforce development initiatives
- Monitoring and evaluation of policies
- Competing in a global marketplace

Strategic and prioritized investment of resources

It is imperative that state and local governments engage in regular strategic planning to identify areas where public investments should be focused. At the state level, the Illinois Department of Commerce and Economic Opportunity (DCEO) released its first strategic economic development plan in July 2014. However, there is no indication that tax incentives will be reoriented toward achieving goals such as encouraging growth in high potential or emerging industry clusters.

Opportunities to reorient current practices: DCEO's plan provides a foundation upon which the state could further develop a cluster-oriented economic development approach. The plan also presents additional opportunities to plan for a way forward that ensures the strategic use of economic development tools such as tax incentives.

Coordinated workforce development initiatives

Ensuring that the region's workforce has the necessary skills for existing and future jobs is a critical component of ensuring regional competitiveness. The region's Workforce Investment Boards (WIBs) often work together as a consortium. Local workforce agencies are working to implement innovative workforce development strategies through coordination with businesses. In July, the Workforce Investment Act was reauthorized as the Workforce Innovation and Opportunity Act.

Opportunities to reorient current practices: The passage of the federal Workforce Investment and Opportunity Act will place increased emphasis on strategic planning for the region's WIBs,



which already work collaboratively. Opportunities also exist to scale-up and expand employer-needs driven workforce development efforts across the region.

Monitoring and evaluation of policies

Public entities can ensure the effective use of economic development resources by regularly monitoring and evaluating program performance through data analysis. While current state economic development programs collect significant amounts of data, the data are often not presented in a comprehensive format that makes program analysis and evaluation possible. Furthermore, some economic development investments, such as tax incentives, are made outside of the appropriations process, and thus are not evaluated on a regular basis.

Opportunities to reorient current practices: Improving data systems that allow for evaluation and analysis would increase the state and the region's capacity to make data-driven economic development decisions. Moreover, existing efforts to evaluate state spending could be expanded to tax credit programs as well.

Competing in a global marketplace

Local economic development efforts in northeastern Illinois are often fragmented. Moreover, they tend to focus on intraregional competition to drive the specific location of economic activity that would take place in the region with or without local incentives. The region lacks an outward-facing strategy to support metropolitan Chicago's global competitiveness by growing industries and attracting businesses and investment from around the world.

Opportunities to reorient current practices: Economic development efforts could move toward a regional approach by developing outward-facing and multi-jurisdictional strategies that focus on shared goals, such as supporting the region's freight networks, engaging in regional marketing, leveraging additional resources and funding through collaboration, and developing a regionwide export initiative.

