



COUNCIL FOR COMMUNITY
AND ECONOMIC RESEARCH

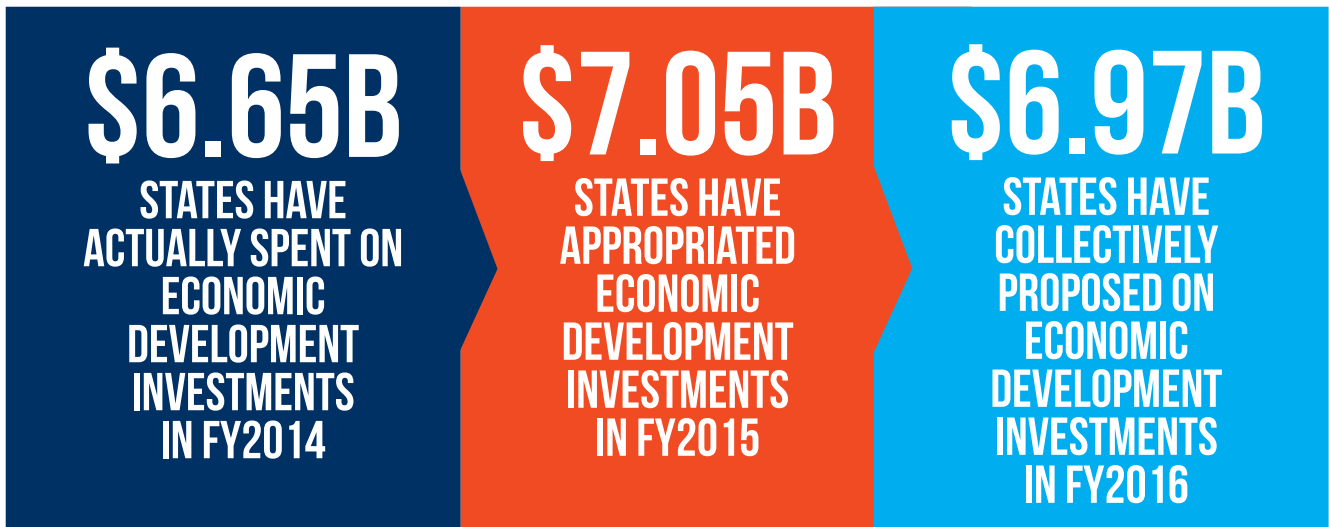
**STATE
ECONOMIC
DEVELOPMENT
PROGRAM
EXPENDITURES
TRENDS
FY2014-FY2016**

INTRODUCTION

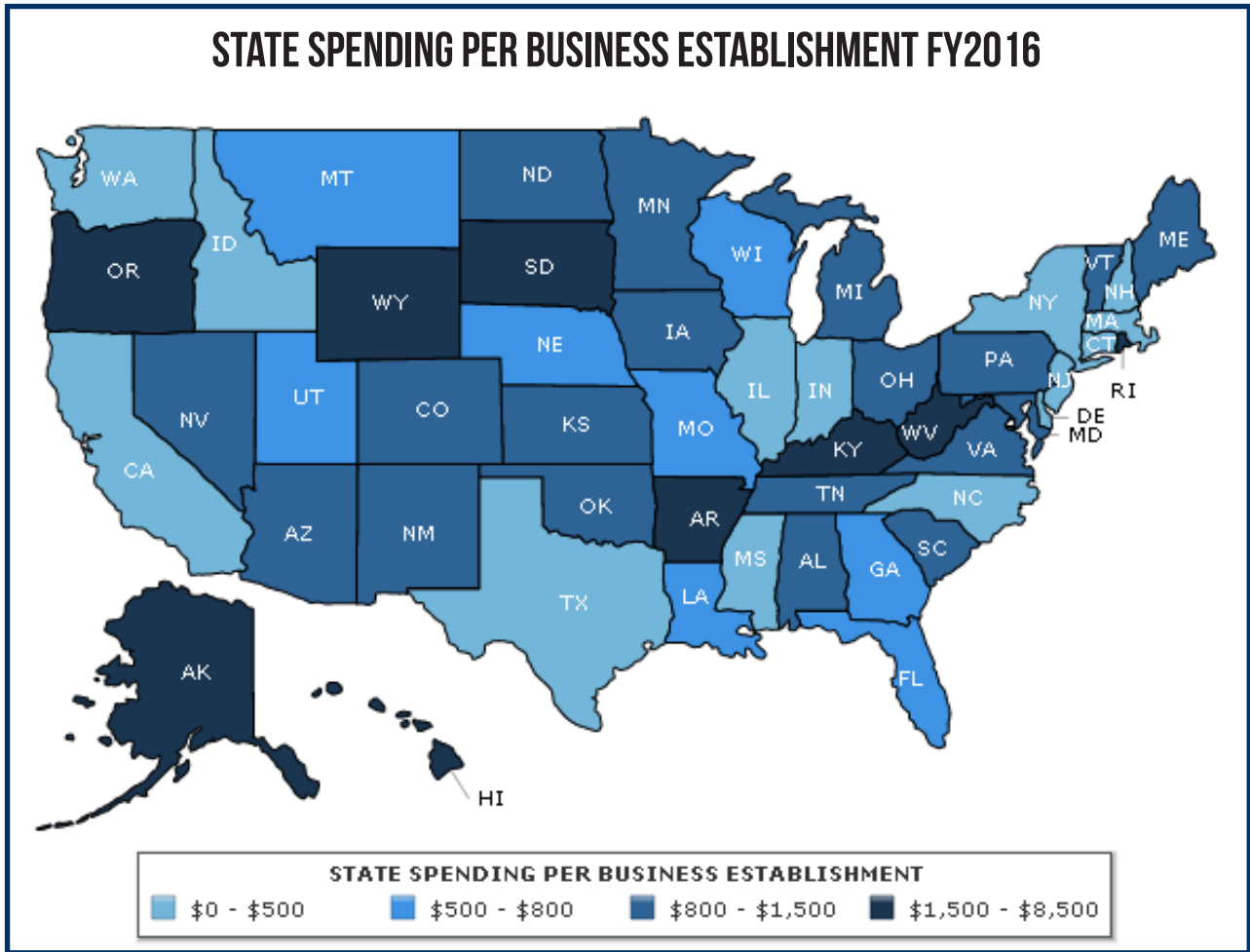
Over the past few years, U.S. state spending on economic development has followed a general upward trend. As the national economy finally shows signs of improvement following the Great Recession, this trend seems to be reversing. According to the **C2ER State Economic Development Program Expenditures Database**, in FY2016 U.S. states are collectively proposing to spend \$6.97 billion on economic development investments, representing a slight dip from FY2015 spending levels. In FY2015, states appropriated \$7.05 billion for economic development, which was a 7 percent increase over actual economic development spending of \$6.65 billion in FY14. (See Figure 1).

Looking at spending trends in individual states shows similar patterns, although spending in every state did not follow this overall trend. Between FY2014 and FY2015, 31 states increased economic development spending, while 19 state decreased spending or kept it steady. Between FY2015 and FY2016, 25 states increased economic development spending, while 25 state decreased spending or kept it steady. However, for the states that showed increases in funding between FY2014 and FY2015, the increases were significantly larger than increases between FY2015 and FY2016.¹ In addition to state revenue used for funding economic development activities, states received large infusions of federal funding for their programs, with \$3.28 billion in FY2014, \$3.65 billion in FY2015, and \$3.49 billion in FY2016.

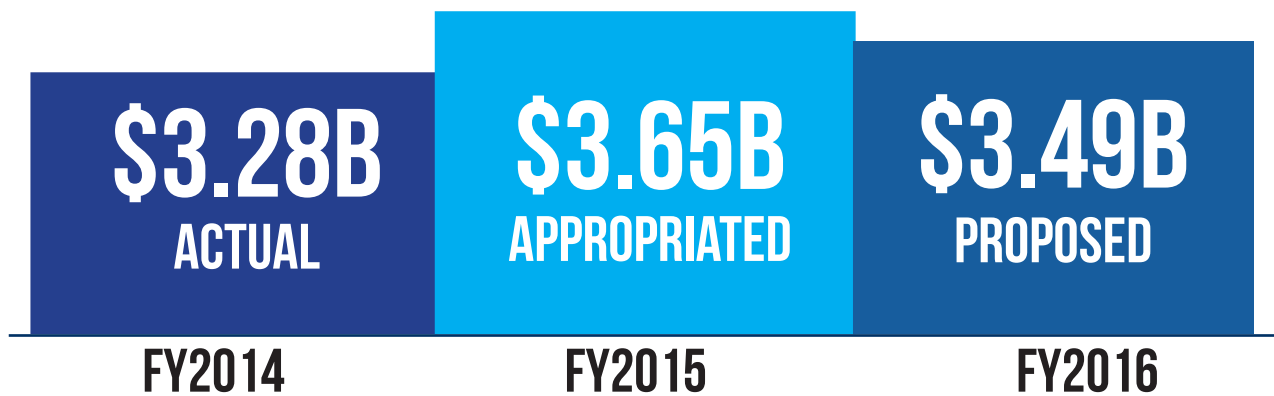
¹ For most states in the database, FY2014 represents actual spending, FY2015 represents appropriated spending, and FY2016 represents proposed spending. Actual spending is generally lower than appropriated spending, as states may appropriate more funding for programs than they are able to spend. Proposed and appropriated spending levels are generally more similar, as most state agencies request only incremental changes to the amount of funding appropriated for programs in the most recent fiscal year.



STATE SPENDING PER BUSINESS ESTABLISHMENT FY2016

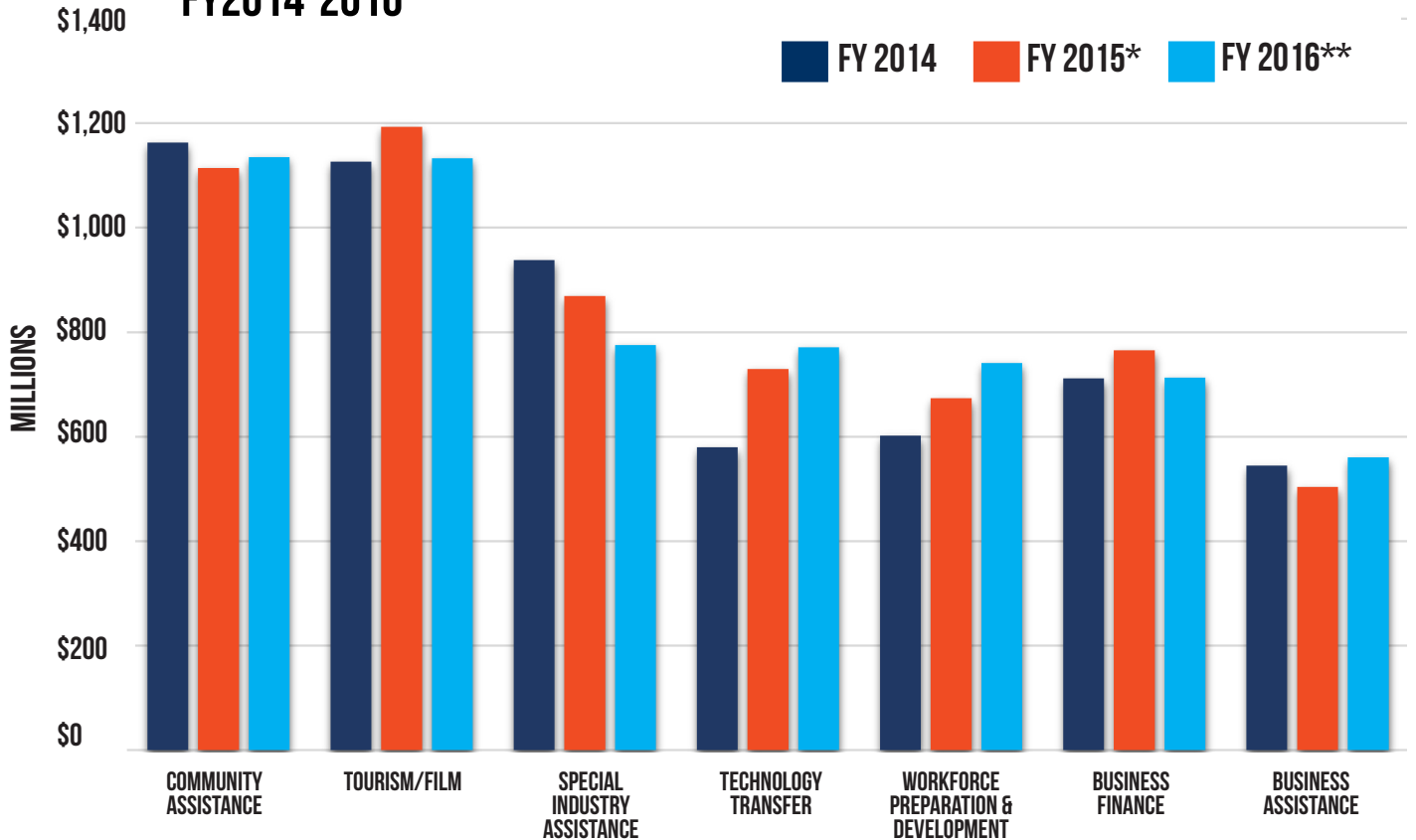


FEDERAL GOV'T TRANSFERS TO STATES FOR ECONOMIC DEVELOPMENT INVESTMENTS



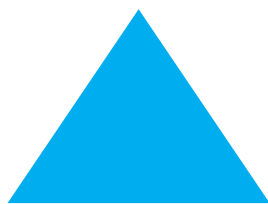
EMERGING ECONOMIC DEVELOPMENT TRENDS

FIGURE 2: STATE ECONOMIC DEVELOPMENT EXPENDITURES BY FUNCTION: FY2014-2016



* APPROPRIATED
** PROPOSED

Looking at different economic development functions reveals a wealth of information on the ways states try to encourage economic development in their regions. Between FY2014 and FY2016, there were significant overall funding increases for workforce preparation and development, business assistance, and technology transfer activities. Community assistance, tourism and film, and business finance funding levels were fairly consistent, while special industry assistance experienced an overall drop in funding. (See Figure 2). Exploring the data at the state level reveals several significant developments not captured by looking at overall funding trends.



- TECHNOLOGY TRANSFER
- WORKFORCE PREPARATION & DEVELOPMENT
- BUSINESS ASSISTANCE



- SPECIAL INDUSTRY ASSISTANCE

STRATEGIC BUSINESS ATTRACTION FUNDING

A strategic business attraction fund represents resources allocated to unique projects that may not be funded from an existing program.

- ▶ Between FY 2014 and FY 2015, Texas reduced funding for the Texas Enterprise Fund from \$120M to less than \$500K.
- ▶ In FY 2014, New Jersey eliminated the Business Employment Incentive Program – once the nation’s largest business incentive program – and replaced it with the Grow New Jersey Assistance Program, which provides tax incentives.
- ▶ Iowa proposed to reduce its Strategic Investment Fund from \$17M to \$3M in FY 2016.
- ▶ From FY2014 to FY 2015, Florida increased its Economic Development Tools funding from \$20M to \$95M.

ENCOURAGING ADVANCED MANUFACTURING

In the context of economic development, funding for Advanced Manufacturing is aimed at industries employing the principles of applied science and mathematics to manufacture new products.

- ▶ In FY 2015, Massachusetts cut \$9M from its Advanced Manufacturing Futures Program
- ▶ Iowa proposed \$3M in cuts to its Advanced Manufacturing program, nearly eliminating the program.
- ▶ In FY 2014, Indiana introduced Purdue University for Indiana’s Next Generation Manufacturing Competitiveness Center, which provides around \$2.5M in funding per fiscal year.

ENTREPRENEURSHIP & INNOVATION FUNDING

Funding for entrepreneurship and innovation includes all forms of assistance aimed at enhancing the likelihood that a new firm will survive in its first 1-3 years.

- ▶ In FY 2016, New York proposed an expansion of the Innovation Venture Capital Fund from \$50 million to \$100 million. The fund supports technology commercialization by making equity investments in high-growth technology companies.
- ▶ Between FY 2014 and FY 2016, Maryland launched the CyberMaryland Investment Tax Credit, CyberMaryland Investment Fund and Maryland E-nnovation Initiative.
- ▶ Ohio increased Third Frontier Research and Development Projects funding from \$23 million in FY2014 to \$90 million in FY2015.

AREOSPACE & DEFENSE INDUSTRY FUNDING

Funding for aerospace and defense includes a large range of industries, including military aircraft, land vehicles, naval platforms, defense contracting services, and space launch facilities.

- ▶ In FY 2016, Oregon proposed a 75% increase in funding for its unmanned aerial systems center.
- ▶ Between FY2014 and FY 2015, New Mexico more than doubled funding for its Spaceport Authority.
- ▶ Between FY2014 and FY 2015, Texas cut \$15M from its Office of Aerospace, Aviation, and Defense.
- ▶ Florida cut \$10M from its Strategic Business Development program in the area of Space, Defense, and Rural Infrastructure.

TOURISM & FILM EXPENDITURES

Funding for tourism and film includes any programs which lead to the development of recreation, amenities, and entertainment opportunities, and their supporting businesses.

- ▶ In FY16 Arizona proposed cutting its Tourism Fund by \$7M.
- ▶ Massachusetts cut \$13M between FY14 and FY16 from its tourism programs. The decrease affected the Office of Travel and Tourism as well as the Local Tourist Councils.
- ▶ Missouri increased its tourism spending by \$28M between FY14 and FY16. This is largely due to increased proposed spending in FY16 for the Missouri Film Commission.

ENERGY INDUSTRY DEVELOPMENT FUNDING

The energy industry sector includes all industries involved in the production and sale of energy, including fuel extraction, manufacturing, refining, and distribution.

- ▶ Illinois cut \$38M in state energy funding between FY14 and FY16.
- ▶ Kentucky cut its Department for Energy Development and Independence by \$3M between FY14 and FY16.
- ▶ Maryland ended its Energy Efficiency and Economic Development Loan Program in FY15.

ABOUT THE DATABASE

The **C2ER State Economic Development Program Expenditures Database** is a compilation of state budgetary data that reveals how various state agencies outlay money for economic development programs. The expenditures data can be used by policy makers for ideas on new policy recommendations, state officers and agencies for comparing and evaluating existing budget allocations, and economic development professionals for highlighting the spending in a particular state.

Expenditure data was collected by aggregating budget information from state economic development agencies to find the total resources available for economic development in each state during a given fiscal year. Expenditures data is updated on a regular basis each year, according to the publication schedule of various state budgets. Currently the comprehensive data is available for the fiscal years FY 2007 through FY 2016. For each item included in the Database, C2ER uses the funding amount that most closely reflects actual state spending for a given fiscal year. The most updated data published by the state may represent actual, appropriated or proposed spending.

The bulk of expenditures are usually by each state's primary economic and community development agencies, but data is also derived from several other state agencies that perform economic development functions. State budgets are examined for fifteen functional activity areas and four different funding sources (including state general revenues, special funds, state other funds and federal funds). The criteria used for inclusion in each functional area is further defined in the database [Glossary](#).

For more information regarding Database methodology or to learn how to gain access to the data, please see the website or contact C2ER at info@c2er.org.

STATE ECONOMIC DEVELOPMENT EXPENDITURES FUNCTION AREAS

- ▶ ADMINISTRATION
- ▶ BUSINESS ASSISTANCE
- ▶ BUSINESS FINANCE
- ▶ COMMUNITY ASSISTANCE
- ▶ DOMESTIC RECRUITMENT / OUT-OF-STATE
- ▶ ENTREPRENEURIAL DEVELOPMENT
- ▶ INTERNATIONAL TRADE & INVESTMENT
- ▶ MINORITY BUSINESS DEVELOPMENT
- ▶ OTHER PROGRAM AREAS
- ▶ PROGRAM SUPPORT
- ▶ SPECIAL INDUSTRY ASSISTANCE
- ▶ STRATEGIC BUSINESS ATTRACTION FUND
- ▶ TECHNOLOGY TRANSFER
- ▶ TOURISM/FILM
- ▶ WORKFORCE PREPARATION & DEVELOPMENT

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