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California Association for Local Economic Development

August 27, 2009

Little Hoover Commission
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Members of the Commission:

My name is Wayne Schell and I am the President & CEO of the California Association for Local Economic Development. We want to thank you for deciding to take a look at how the state can play a role in the business of local economic development. As you know all economic development is local!

CALED is a professional association made up of over 1,500 local economic developers in cities, counties and economic development corporations across California who are the stewards of their local economy.

The word economic and the word development taken together means better households! Community development is capacity building, while economic development is purely and simply the creation of wealth in which, community benefits are created.

Business and government both have roles to play in economic development. Businesses role is to marshal resources to create marketable goods and services. The business motive is profit.

Government's role is to influence business investment and location decisions with infrastructure, incentives, services, investment, regulation and marketing. Governments motive is revenue and jobs.

Local and State economic development efforts should be viewed as an investment program designed to leverage private sector capital to induce actions that.

1) Improve business activity
2) Increase employment
3) Increase wages and
4) Pay for community services

Economic development programs are revenue solution not just another government program. Economic development is not an expense or cost to government it is an investment by government.

There are 3 fundamental forms of economic development.

1) Retention & expansion of existing business
2) Creation of new business
3) Attraction of new business

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Unfortunately in California the economic developers mantra is that we are faced with great opportunities brilliantly disguised as impossible situations.

The State constantly ranks low in virtually all pro-business factors examined, which reflects the general perception by businesses that California has an anti-business environment.

The point of this brief reflection on business climate research is that there are a lot of these studies. And that no matter how great our assets or if the research is true or not, or even fair or not...perception is reality!

In California when dealing with government it is sometimes easier to get forgiveness than to get permission. So, if we have to accept the reality that California is what it is then maybe the better solution for California is to make government work better...which is a lot of what local and state economic development should be about.

So what do the California economic developers think the State can do?

Does the state have a role? It already does whether we like it or not! So, before we create anything new lets better organize what we have based upon an economic development strategy!

What's the strategy? If you don't know where you are going you are sure to end up somewhere else! A strategy means the art of the general. An economic strategy must be top down to be effective. The governor is the general and California needs to have a "jobs strategy." Economic development in bits and pieces does not work.

The state needs an "internal" job development strategy that looks at where it has been? Where it is now? Where to go in the future? And who will do what? Resources ($) need to be invested in this jobs strategy and it must be a top down commitment from the governor and legislative leadership. Local governments need economic development strategies, business needs strategies, armies need strategies so why not states? Without a commitment from the governor it won't work!

Why a strategy

- ✓ Provides direction- which exports do we target?
- ✓ Sets framework- how will we target them?
- ✓ Links future to present- how will we recognize success?
- ✓ Builds consensus- getting everyone with the program
- ✓ Foundation for change- what are our first steps?
- ✓ Action vs. Reaction- we are in charge of our fate
- ✓ Focus on the right things- spend resources wisely
- ✓ Harnesses creativity- "you want me to do what?? Ok!"

Who is responsible for the states role? Not only do we not have a strategy we are the only state in the union that does not have a state policy that designates who is responsible for economic development. Ask yourself does this make us smarter than other states that have formal economic development programs and strategies!

Business retention should be the number one strategic objective. Anticipate tomorrow's technology and let's focus on key business clusters. We must keep and grow the businesses we have.

Support and invest in the network of local economic developers. Give them the resources and tools to do their jobs better and more efficiently. They are the stewards of the economy...help them!

Leverage $ leverage $ leverage $ we don't need more resources we need to better tweak existing resources and expand the role of the state economic development infrastructure bank. Lets be more creative in leveraging existing State funds to enhance business opportunity... invest in the bank...they are a very under utilized tool for economic development!

Red carpet not red tape! The word is "permit" not "prohibit" while, public and private stakeholders have differing missions and at times competing objectives, most have shared values and common interests on which consensus agreements can be built! Time to market is critical so let's make a big statement and let's become the #1 customer service state in the union or the world for that matter. One way to re-establish the State office of permit assistance.

Ready to go land is essential to compete. Support a statewide shovel ready sites and ready communities program. Site readiness is an imperative (90 days to start work...to turn dirt) so let's provide incentives to communities who develop sites and are certified as economic development ready communities.

Expand workforce programs at community colleges. Build skills tied to needs. Be demand driven! The state role could be to:

1) Articulate vision
2) Explain the importance of economic development
3) Understand the obstacles and needs of business
4) Identify and leverage existing state programs and resources to address the obstacles and needs of business... be creative
5) Invest long-term in economic development
6) Insure a "customer service" government

Remember government can only be as healthy as the economy.

In closing, it is important to know that as compared to years gone by local economic development in California today is well established in most communities and that any state strategy and or state programs must be designed to support and enhance the local economic development network. As we said earlier all economic development is local. We no longer need state local agencies or programs that work outside their established network.

Sincerely,

Wayne Schell
President & CEO