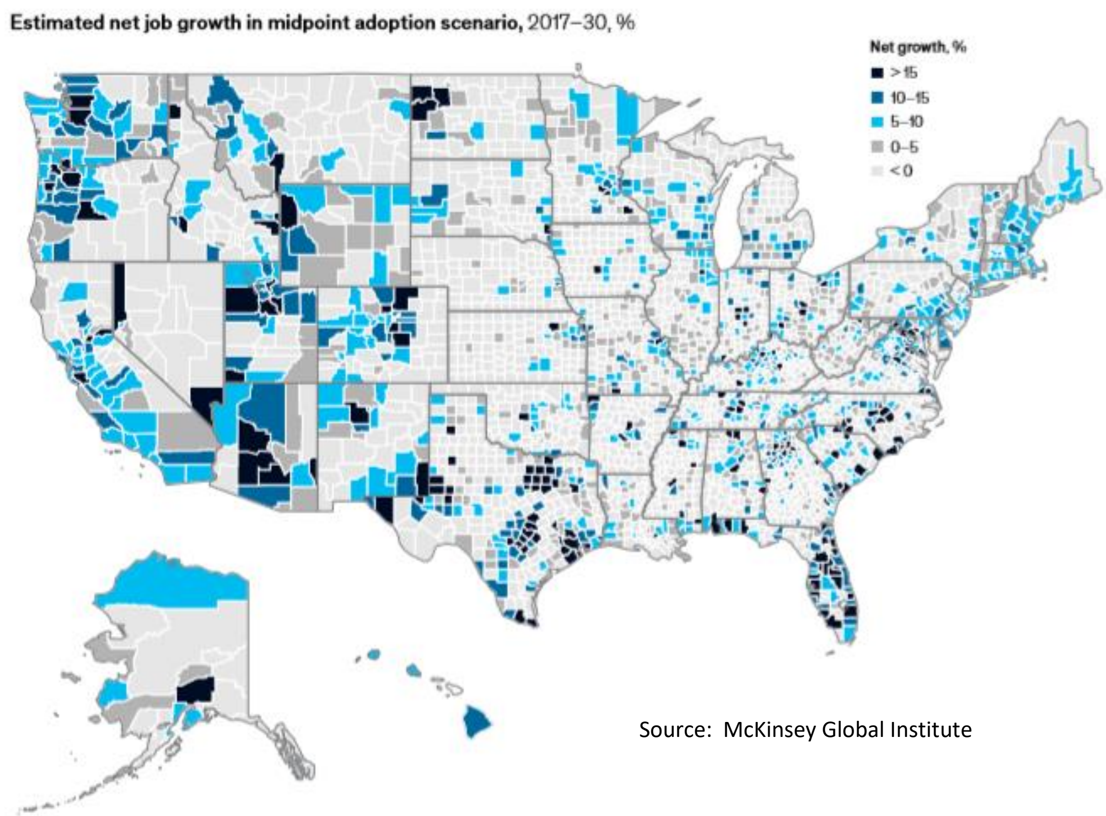
State Economic Development Executives Network
Helping State Economic Development Leaders Thrive

State Economic Development Bulletin

Latest News

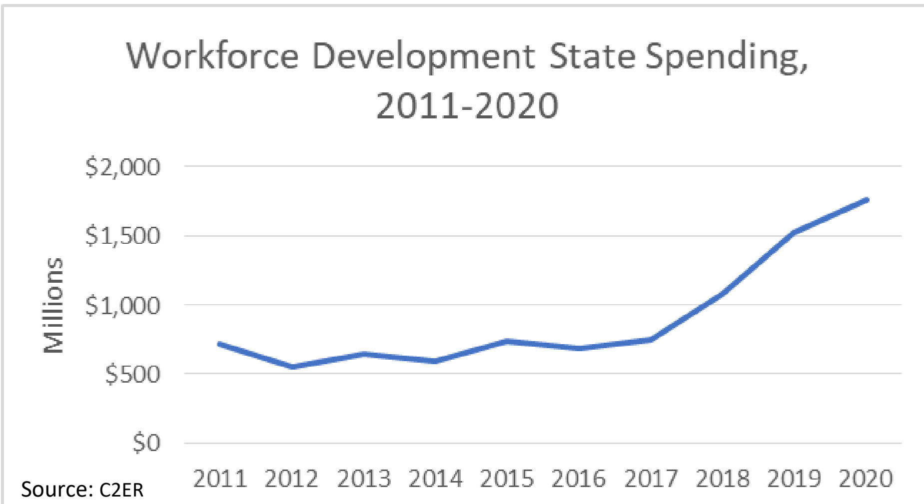
[The Future of Work in America](#) **(McKinsey Global Institute).** Much of the research on automation has focused on the potential for job displacement and has taken a national-level view. This report looks beneath the national numbers to examine the present and potential future of work for different people and places across America. Local economies have been on diverging trajectories for years, and they are entering the automation age from different starting points. This report incorporates the current state of local labor markets as well as the jobs that could be lost and gained in the decade ahead. The diverse starting points for different regions within states affect whether communities will have the momentum to offset automation-related displacement. The same 25 cities and peripheries that led the post-recession recovery could capture 60 percent of US job growth through 2030. The mixed middle and trailing cities are positioned for modest job gains, but rural counties could see a decade of flat or even negative net job growth. These shifts are occurring when geographic mobility is at historic lows.



Source: McKinsey Global Institute

State Economic Performance

State ED-Related Investment in Workforce Development on Rise **(Council for Community and Economic Research).** There has been a substantial increase in spending on workforce development activities as part of states' overall economic development expenditures over the last decade. For budget year 2020, states in aggregate have committed to spending $1.76 billion on workforce preparation and development, more than double the amount from 2011. This amount is separate from Federal funding that is provided through a variety of U.S. Department of Labor and Department of Education programs. While the increase corresponds with an overall increase in economic development spending by states, the percentage allocated to workforce development rose from 11 percent to 13 percent. In calculating the amount of state investment, the Council for Community and Economic Research (C2ER) focuses on the amount states spent on education, training and recruitment of workers with programs concentrating on improving the skills base and job placement of a state and/or community's labor base. For economic development, these programs are almost always employer- or firm-focused.



Topics and Trends

Industry Watch

Common Cybersecurity Threats to Manufacturers **(National Institute of Standards and Technology).** Manufacturers are increasingly under threat from cyberattacks. This is a real concern not just because of the typical business vulnerabilities (e.g., stolen intellectual property, ransomware) but because in today's increasingly connected world, a successful infiltration from a cybercriminal could shut down a plant's operations or start making equipment produce faulty products without the knowledge of managers, among other things. Additionally, most manufacturers are small businesses that do not have established IT security practices to combat or cope with a cyber incident. This lack of preparedness not only makes it easier for cybercriminals to attack, it also increases the likelihood that impacted companies will experience longer periods of downtime as they scramble to restore operations following a cybersecurity issue. The best way to fight back against these threats is to implement a formal cybersecurity practice.

Trade/Tariffs

How to Find the Best Export Markets **(Export.gov).** As companies develop export plans and conduct international market research, they will be looking to narrow the selections to the best potential foreign export markets. Selecting Initial Export Markets is the second of five videos in the Plan Your Market Entry Strategy set. This video helps businesses further target their research: which similar products are selling in foreign markets, language and local cultural issues, product certification, pricing, and regional approaches to exporting. Among the recommendations for export research include identifying 5 to 10 large and fast-growing markets for a company's product. Look at trends over the past 3 to 5 years. Has market growth been consistent? Then, take a look at some smaller, fast-emerging markets that may provide ground-floor opportunities. If the market is just beginning to open up, there may be fewer competitors than in established markets. Look also at groupings of countries such as those with which the United States has free trade agreements. Or look at regions within large countries such as western Canada or far eastern Russia.

Opportunity Zones

Opportunity and Revitalization Council Releases Website **(OpportunityZones.gov).** HUD Secretary Ben Carson, on behalf of the White House Opportunity and Revitalization Council, announced a new website that will serve as a hub of information for the array of audiences that work with the Opportunity Zones initiative. Opportunity Zone residents, state and local leaders, investors, and entrepreneurs can all utilize the opportunityzones.gov website to get the latest information about the initiative and the actions of the White House Opportunity and Revitalization Council. Secretary Carson chairs the Council, which is led by Executive Director Scott Turner. The Opportunity Zones website includes an interactive map of the 8,764 Opportunity Zones nationwide; links to the Opportunity Zone-focused website of each State and Territory; comprehensive Federal tools and resources that support Opportunity Zone residents and complementary Qualified Opportunity Fund investments; and the completed action items of each White House Opportunity and Revitalization Council member agency.

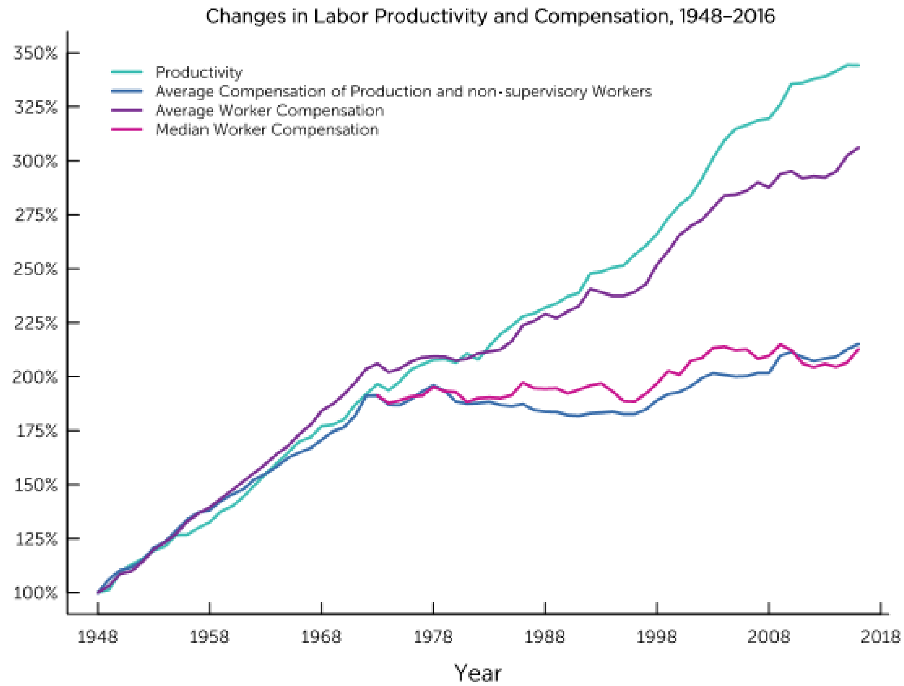
Opportunity Zones Aren't a Program—They're a Market **(Fortune).** Opportunity Zones were created to spur tax-incentivized investments that benefit underserved communities across the country. But there is a crucial distinction being lost in the current conversation. Opportunity Zones are a market, not a program. This has a significant bearing on how, why, and where OZ investment will flow next—as well as who is best positioned to influence the results—to deliver positive long-term community impact. If Opportunity Zones were structured as a program, we would expect to see a finite appropriation of funds on an annual basis and a competitive application and allocation process. This type of structuring enables more control over the activities and outcomes funded by the program. Instead, OZs are a market-based incentive designed to catalyze private sector investments in specified census tracts. Anyone meeting the qualifications for market entry can participate. The earliest OZ investments have been a land rush, mainly aimed at low-risk, shovel-ready real estate. And that should have been expected. Capital, like water, flows down the path of least resistance. The key will be ensuring it keeps flowing into communities and creates the outcomes that justified this tax incentive in the first place. For more information on Opportunity Zones, CDFA has extensive resources available, click here.

Alabama Looking at $1 billion from Opportunity Zone investments (AL.com). From an assisted living facility to a 125-room teaching hotel on an HBCU campus, Alabama has been a leader on the OZ incentive by aligning state incentives and helping to build community capacity. Alabama has 158 opportunity zones located across all 67 counties. For instance, in Cleburne County a project is taking shape to transform the old Cleburne County High School built in 1936 into a $13 million assisted living facility. Mobile-based development firm Lathan & Coleman is planning Carillon Oaks to open next year using a combination of opportunity zone credits, historic rehabilitation tax credits and new market tax credits. The facility is expected to employ 40. The zones were based on economic and poverty numbers, and were chosen by state officials in the governor's office and the Alabama Department of Economic and Community Affairs. More than half of Alabama's are anchored by a university, airport, hospital or military base, and more than half have Interstate access. Sixty percent are in downtown or neighborhood commercial areas. The average median family income in the zones is a little more than $30,000 a year, and 34 percent of those in the zones are considered poor. Unemployment in the zones is 14 percent compared with Alabama's 3.3 percent rate.

The Opportunity Zones program provides a tax incentive for investors to re-invest their unrealized capital gains into Opportunity Funds that are dedicated to investing into Opportunity Zones designated by the chief executives of every U.S. state and territory. Treasury has certified more than 8,700 census tracts as Qualified Opportunity Zones (QOZs) across all states, territories, and the District of Columbia. For a map of all designated QOZs, click here.

Inclusive Growth

The Work of the Future: Shaping Technology and Institutions (MIT Task Force on the Work of the Future). Even if technological advances deliver rising productivity, there is no guarantee that the fruits of this bounty will reach the typical worker. These facts help to explain why, despite the tightest U.S. labor market in decades, a substantial majority believe that emerging technologies will magnify inequality and make high-paying jobs harder to find. The MIT Task Force on the Work of the Future convened to understand the relationships between emerging technologies and work, and to explore strategies to enable a future of shared prosperity. The task force found new and emerging technologies will have a profound effect on the work of the future and will create new opportunities for economic growth. Whether that growth translates to higher living standards, better working conditions, greater economic security, and improved health and longevity in the United States and elsewhere, depends on institutions of governance, public investments, education, law, and public and private leadership. To do better, we must first understand that today's challenge, and likely tomorrow's, is not too few jobs. Instead, it is the quality and accessibility of the jobs that will exist and the career trajectories they will offered to workers, particularly to those with less education. Addressing this challenge means channeling technological progress and accompanying productivity growth into a strong labor market that delivers broadly distributed income growth and economic security, as occurred in the decades after World War II.



Innovation

[Startups Need Real Money, Not Just a Low Cost of Living](#) **(Inc.).** The sales pitch of nearly every American city outside of the coasts over the last few years: Start your startup here, where life is simpler, cheaper, and safer. There's one big problem with many of these sales pitches from rural, small, and mid-size cities: Money. There simply isn't enough capital available for entrepreneurs to take the chance. To overcome this issue, the Erie Innovation District--located in Erie, Pennsylvania--announced the formation of a $10M fund designed to attract cybersecurity, information technology, and Internet of Things (IoT) startups to a small city known primarily for heavy industry. The fund, created in partnership with CapZone Impact Investments, will make use of the Opportunity Zone legislation that incentivizes investment in economically challenged communities. This new fund will help provide real resources that give founders the early-stage money they need to capitalize their ideas, products, and platforms.

Infrastructure

[Data Center Market Industry Outlook 2019-2024](#) **(Benzinga). T**he US data center market is expected to reach revenues of over $69 billion by 2024. The growing popularity of Internet of Things (IoT) is a major driver for the growth of the US data center market. The country is one of the leading markets for IoT technologies, including IoT endpoints, IoT communication, IoT security, IoT data and analytics, and IoT artificial intelligence. The increasing usage of cloud computing services and applications continues to grow rapidly in the US, thereby leading to the establishment of large hyperscale cloud-based data centers. The growing demand for cloud services in the US is likely to increase the construction of cloud-based data centers. Amazon Web Services (AWS), Google, and Microsoft are increasing their investments in data center construction. In 2019, Northern Virginia, Oklahoma, Ohio, and Oregon have appeared as the major construction destinations for new cloud-based datacenters. The SaaS market in the US is expected to grow at a CAGR of over 15% through 2024.

Deal Makers

Incentives in Action

Connecticut Economic Incentives Need Accountability **(CT Post).** The idea of offering economic incentives for companies to move to or grow in Connecticut has usually been viewed as a necessary evil. If Connecticut were to exit the business of luring companies with government largess, no one would expect competitors to follow suit. That's called unilateral disarmament, and it would be a death knell for the state economy. David Lehman, Commissioner of the Connecticut Department of Economic and Community Development (DECD), says he wants to change the dynamic, introducing the "Earn As You Go" program that would require companies to create jobs first in order to receive incentives. Under the plan, companies would receive a percentage of the "net new income tax" from each job, rather than an agreed-upon lump sum in advance of job creation or retention. The idea has some support in the Legislature, and looks like it would solve one of the most persistent problems in previous incentive systems — a lack of accountability. While everyone wants a system with accountability, no one wants to see a Connecticut mainstay — say, Subway or ESPN — move to Westchester over an incentive plan. So there needs to be a balance, which state officials appear to understand.

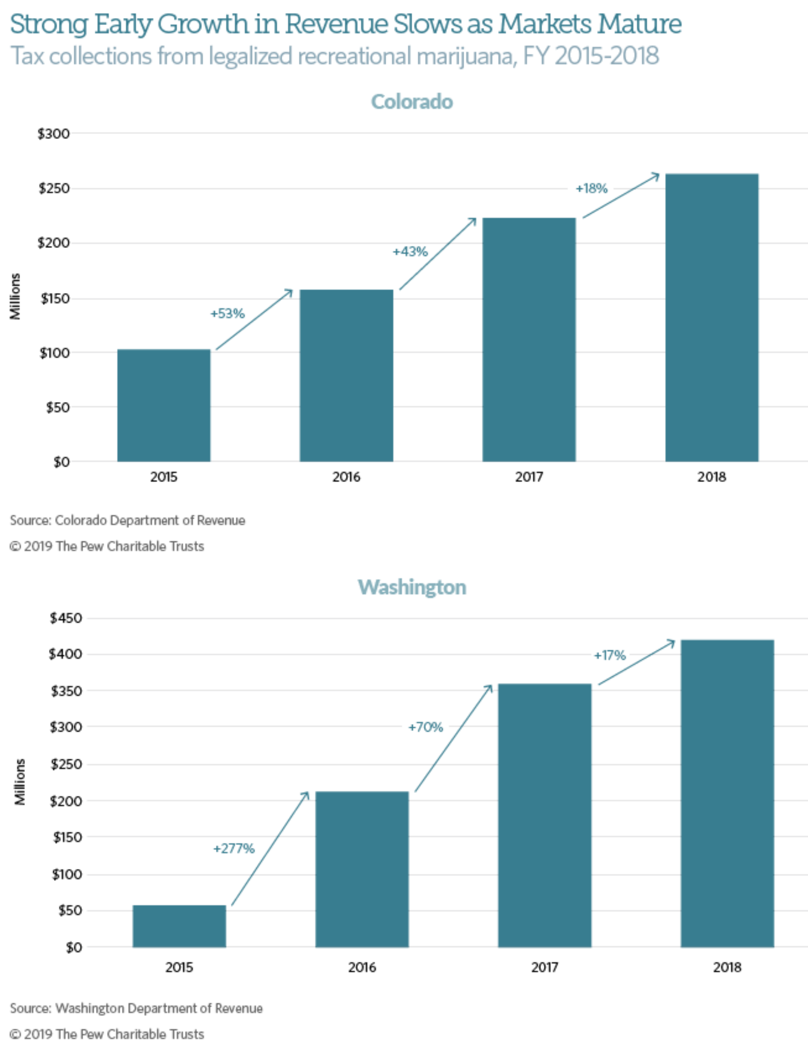
Illinois Governor Signs Tax Law to Attract New IT Investment **(Government Technology).** Illinois passed a $45 billion capital bill with tax incentives for data centers in the hopes of attracting more of the IT industry to the state. The economic development legislation makes Illinois on par with 30 other states that have enticing tax breaks targeted toward the development of data centers on the books. The law allows an exemption from sales tax for entities seeking to invest at least $250 million to build a data center and creates a 20 percent income tax credit against wages if the facility is built in an underserved area. For the construction of a data center to be exempt from building taxes, all contractors and subcontractors must comply with the responsible bidder sections of the Illinois Procurement Code. Legislators and the governor's office will be able to track the effectiveness of the incentives with an annual report on the tax credit's outcome and effectiveness.

Enterprise Florida Relaunches Online Commercial Property Search Tool to Include Opportunity Zones **(Tampa Bay Business Journal).** Enterprise Florida has relaunched its online commercial property search to include opportunity zones. Find it Florida! is a public database for both searching and uploading available commercial buildings and land across the state. The database allows users to search using dozens of criteria combinations for infrastructure, education, broadband technology and more. It also includes demographics and statistics for all 67 counties and nearly 1,000 cities, towns and communities. The relaunch includes updates to the functionality of the site and a new layer featuring opportunity zones — federally designated areas that provide tax incentives to encourage development and investment. "The Opportunity Zones Program is a great economic development tool," Jamal Sowell, Secretary of Commerce and Enterprise Florida President and CEO, said. "We are ready to start marketing Opportunity Zones to potential businesses and investors to encourage additional investment and job opportunities for Floridians."

The State Business Incentives Database is a national database maintained by the Council for Community and Economic Research (C2ER) with almost 2,000 programs listed and described from all U.S. states and territories. The Database gives economic developers, business development finance professionals, and economic researchers a one-stop resource for searching and comparing state incentive programs. To view the information available in the database, click here.

New Growth Opportunities

Forecasts Hazy for State Marijuana Revenue (Pew Charitable Trusts). Supporters of legalizing recreational marijuana expected a new revenue source for states, but market uncertainties continue to challenge revenue forecasters and policymakers. The difficulty in forecasting revenue is compounded by the fact that states have only recently begun to understand the recreational marijuana market: the level of consumer demand for recreational marijuana products, the types of users and how much they might pay for the drug, and competition with the black market. States have learned some lessons but continue to grapple with unknowns. State officials can avoid budget shortfalls and keep program funding stable by being prudent in how they use these new collections. States should be careful to distinguish between marijuana revenue's short-term growth and long-term sustainability. While these new dollars can fill immediate budget needs, they may prove unreliable for ongoing spending demands.

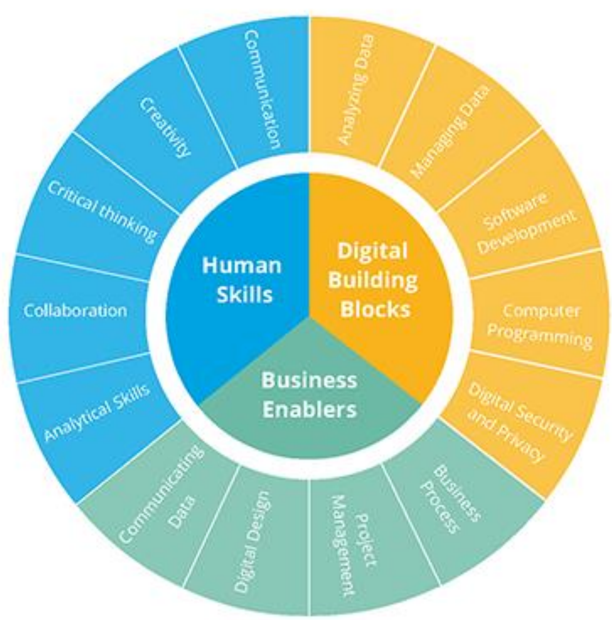


Talent Development/Attraction

Resources to Support Work-Based Learning **(WorkforceGPS).** The "premiere" version of Work-Based Learning (WBL) is apprenticeships that include a rigorous program of academic instruction and paid work experience. But WBL can also include internships, on-the-job training and mentorships. It all depends on the interests and abilities of the individual as well as the needs and commitment of the employer, coupled with the access to good educational resources. WorkforceGPS is full of reports, successful practices, tools and webinars that highlight the various WBL strategies gathered in one location from Apprenticeship, Career Pathways, Innovation and Opportunity Network, Youth Connections, and other communities. Additional resources are constantly being added as this strategy to learning becomes more and more recognized as a win-win for the individual and the employer.

Foundational Skills of the Digital Economy (**Business-Higher Education Forum).** Which skills are in demand in both digitally intensive jobs, and more broadly? To find out, the Business-Higher Education Forum (BHEF) commissioned Burning Glass Technologies to examine skills in the job market by drawing from a set of more than 150 million unique U.S. job postings, dating back over a decade. The research identified 14 skills that have become foundational in the new economy, which converge in three interrelated groups: Human Skills, Business Skills, and Digital Skills. The foundational skills that make up these three groups are in high demand in both digitally intensive sectors and in the wider economy. In recent years, one or more of the foundational skill areas were requested in 53 percent of the 22.4 million total openings. In addition, two skill areas already have over one million annual openings and nine others have more than two million annual openings. All skills have seen a steady increase in demand, and those who develop foundational skills earn significantly more in wages.

The New Foundational Skills of the Digital Economy



These 14 skills, already in wide demand by employers, command salary premiums and are crucial for workers who want to keep pace with a changing job market.

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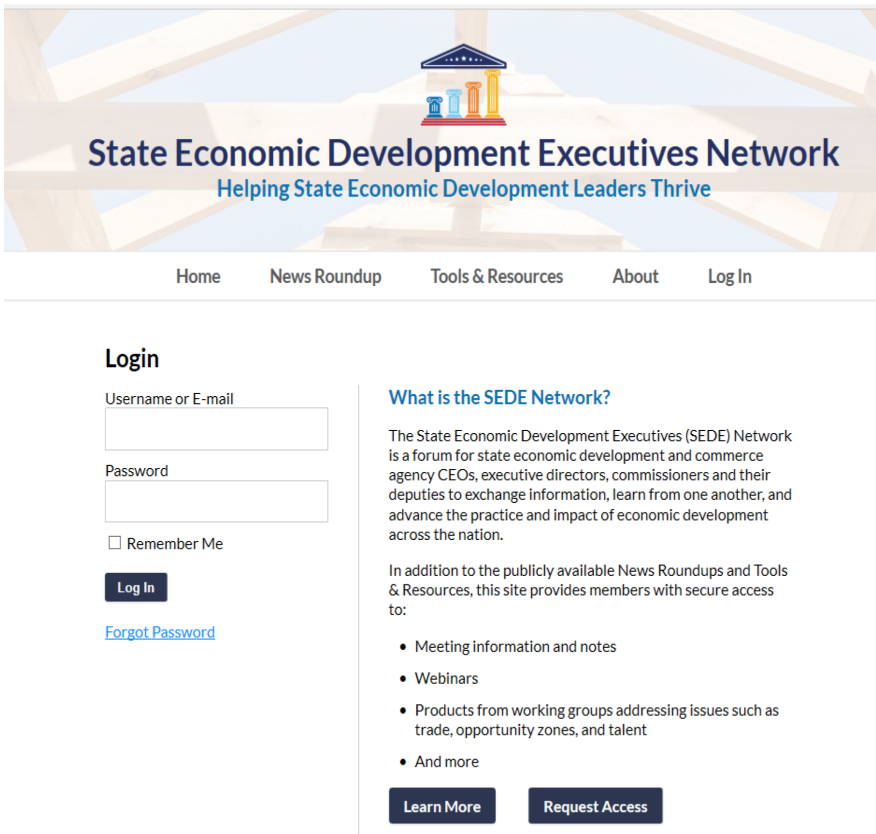
* Check out the SEDE Website *



stateeconomicdevelopment.org

The SEDE Network engages in regular activities and events throughout the year to include: In-person meetings twice per year; Periodic webinars; Producing white papers on relevant topics; Commenting as a group on federal regulatory or other policy proposals; Tracking the impact on states of federal policies; Other activities determined to be of interest to network members. You can stay up to date on all these activities via the SEDE Network website. Visit stateeconomicdevelopment.org and check it out!

The SEDE Network Steering Committee includes: Stefan Pryor (RI), Chair; Val Hale (UT), Vice Chair; Julie Anderson (AK); Dennis Davin (PA); Jennifer Fletcher (SC); Kurt Foreman (DE); Joan Goldstein (VT); Manuel Laboy Rivera (PR); Jeff Mason (MI); Kevin McKinnon (MN); Don Pierson (LA); Mike Preston (AR); Sandra Watson (AZ).

For further questions on the content in this Bulletin or for information on the SEDE Network contact Marty Romitti, CREC Senior Vice President, at mromitti@crec.net