



Pete Carlson | August 20, 2015

# Funding for regional growth



Mounting evidence suggests that it takes a sustained, comprehensive effort over many years to make lasting improvements in a regional economy. Yet, most of the innovative economic development work in the United States is grant funded, typically in small chunks, for a limited duration, restricted to particular programs, and often focused on short-term results.

That is a key finding of a [study of 10 regions participating in the Brookings-Rockefeller Project on State and Metropolitan Innovation](#), an effort designed to advance a new model of economic development that achieves better results for more people and communities.

In those 10 regions, the disconnect between short-term, programmatic funding and the need for long-term, systemic change is creating a predicament for regional partnerships, forcing them to cobble together enough short-term grants to keep their innovative efforts going long enough to make a lasting difference. Their heavy reliance on grant funding is also making it difficult to retain core staff, who are critical to holding the pieces together and keeping the work moving in the right direction.

The United Kingdom encountered this same problem several years ago with their Local Enterprise Partnerships (LEPs), which are responsible for providing strategic leadership to their regional economic development

efforts. Initially, the LEPs were told that they would have to raise money locally from the private sector to fund their operations. However, their efforts to raise money from the private sector were largely unsuccessful, and most LEPs ended up living from government grant to government grant, with wide variation in funding and capacity across regions.

Last year, an [independent review by the Smith Institute](#) found that, after being in existence for several years, the LEPs still had limited effectiveness due to insufficient funding, too broad a focus (from chasing too many grants), and too much reliance on volunteers to carry out the work. Very similar to what's happening in the United States.

In response to this and other reports, the government in the U.K. ultimately decided to make £250,000 in core funding available to each LEP annually by pooling funds across federal departments.

Doing something similar in the United States could greatly strengthen, sustain, and expand the innovative economic development efforts currently under way. However, new federal funding for regional partnerships is unlikely, given the current political environment in Washington, so regional partnerships are largely left to fend for themselves.

The regions participating in the Brookings project are taking or considering a number of different approaches to securing core funding.

The most common approach is to house their core functions and staff in a chamber of commerce or economic development organization that has strong, stable support from private sector members, along with a willingness to redirect some of that revenue stream to innovative approaches.

However, those efforts often come up short of what's needed, particularly when trying to expand the work. So, another approach is to pool funds across several organizations to support core staff. For example, in Des Moines, the Greater Des Moines Partnership, the Community Foundation of Greater Des Moines, the United Way of Central Iowa, and the Des Moines Area Metropolitan Planning Organization are collectively funding core staff to implement the region's growth strategy, [Capital Crossroads](#). That has the benefit of sharing the cost, while simultaneously building broader ownership of the work.

A third approach is to pool funds from local foundations, similar to what the [Fund for Our Economic Future](#) does in Northeast Ohio. Formed in 2004, the fund has raised more than \$100 million in patient capital from local foundations, most of which has gone to support the operations of regional intermediaries focused on promoting economic growth and opportunity. A number of other regions are looking at doing something similar.

Ultimately, however, it will be necessary to tap into larger streams of existing funding to take the current work to scale. A good place to start would be with the [estimated \\$80 billion](#) that state and local governments spend annually on incentives to attract and retain businesses, despite questionable short-term benefit and possible long-term harm to the communities involved.

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