

2012 EDC Study

September 25, 2012

Rhode Island Public Expenditure Council



RIPEC

Request by Governor Lincoln D. Chafee

- In May 2012, RIPEC was asked by the Governor to conduct an independent analysis of the current structure and operations of the EDC.
- We undertook the analysis in the context of the state's overall economic outlook, and addressed the following questions:
 - What is the broad economic strategy for the state and what activities should the EDC engage in to actualize this agenda?
 - How should the EDC be structured to best perform these functions?
 - How should people and finances be allocated in order to achieve these objectives, and how can policy support these actions?

RIPEC's Approach

- As RIPEC conducted its research, a consistent theme was that the EDC was established as an entity separate and distinct from state government, despite its charge to be the state's lead organization on economic development.
- The challenges created by this bifurcated relationship indicated that our analysis should not be confined to the internal structure of the EDC.
- As such, RIPEC took a broader, systemic approach to the study, examining the issues of:
 - How should state government be organized in relation to economic development;
 - How does EDC best fit in the overall structure of the state;
 - How could changes to the current structures foster economic growth; and
 - What other activities are needed to support these changes?

Process

- As part of this process, RIPEC specifically examined the following questions:
 - Where are decisions affecting economic development policy made?
 - Where does responsibility and authority rest?
 - What type of economic research is conducted in Rhode Island and how is this research incorporated into economic development planning?
 - Where is the coordination of state activities that support the development of Rhode Island's economy?
 - Who should implement economic development services?
 - How should the state organize itself to provide specific services that enhance Rhode Island's economy?



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Methods

- Over the course of the past three and a half months, RIPEC's research process included:
 - A study of industry best practices and comparative structures in other states;
 - Interviews with various state chief economic development officers, as well as national economic development research organizations;
 - Data collection and analysis of information provided by the EDC and associated entities;
 - A survey of academic organizational and management theories; and
 - An analysis of local conditions in Rhode Island, which included 75 interviews with more than 100 individuals in the public and private sectors.



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Agency Overview

- The EDC is a quasi-public agency intended to serve as Rhode Island's lead economic development organization.
- Its mission is to “create jobs, help companies expand and develop their workforce, and identify opportunities to bring new companies into Rhode Island.”
- Although the agency's mission appears to be relatively narrow, its focus is quite broad given its charge as the state's lead economic development agency. Activities in which the agency engages include:
 - Business development, tourism, procurement and technical assistance, international trade, the commercialization of research, marketing, and policy research.



Findings

- Broadly, Rhode Island lacks:
 - A systematic, regular, data-driven approach for evaluating our economy;
 - Coordination of existing economic plans; and
 - Alignment of responsibility and authority.

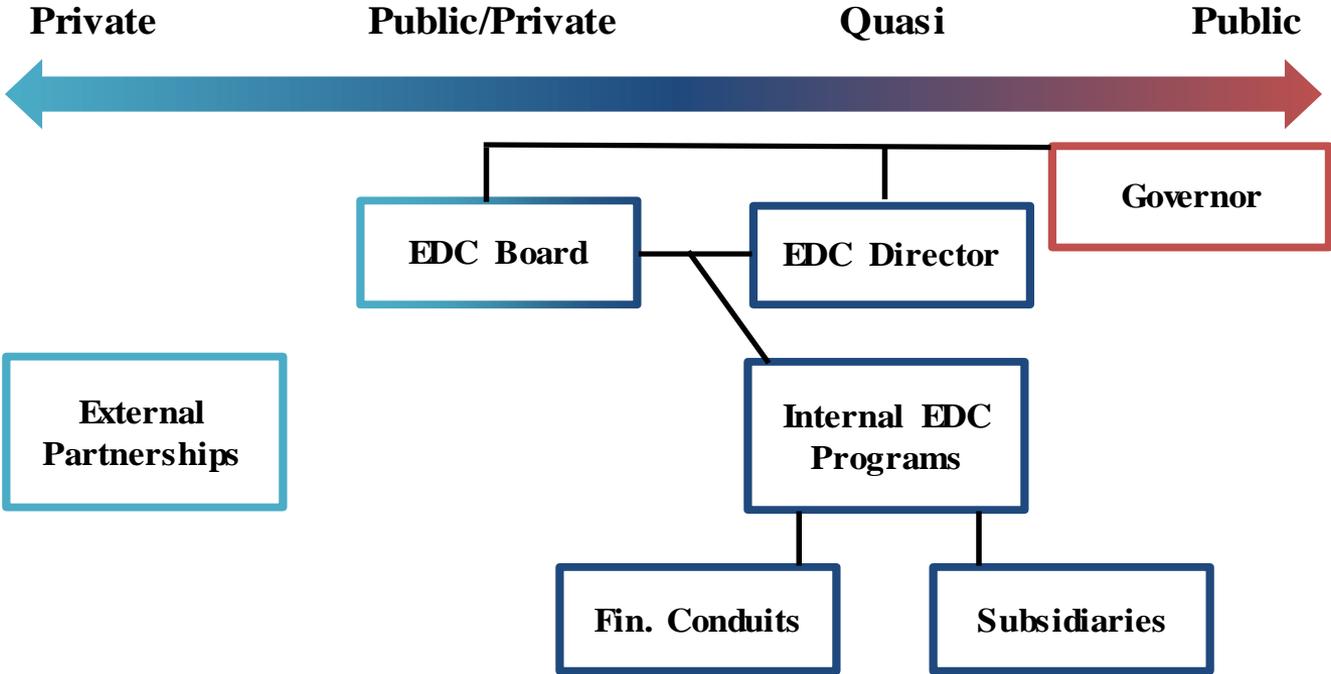
These limitations result in the duplication of effort and missed opportunities, making it functionally difficult to be efficient.
- At a more specific level, RIPEC found that the EDC:
 - Needs considerable rebranding;
 - Lacks established metrics to measure outcomes;
 - Needs greater internal resource alignment and efficiency; and
 - Is challenged by decreasing or under-funding, understaffing, and insufficient technology.

There is an opportunity to redesign the agency's form and focus, in and across functions, so the agency is more customer-centered so it operates more effectively and consistently.



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Governance Continuum: Status Quo



Recommendations

- The following section contains a number of recommendations with regard to the restructuring of the EDC and its functions. The recommendations are divided into three main sections:
 - Systemic restructuring: Reorganization of the economic development system in the state, designed to clarify the state's role in economic development, as well as to coordinate these functions, and delineate responsibility for outcomes.
 - Internal restructuring: Modifications to the current structure and focus of the EDC, in order to create a more responsive, focused and effective organization; and
 - Additional activities: Actions to enhance both internal and external economic development activities by providing focus and direction, in order to better position the state and agency as they develop and implement economic development policy.



Systemic Restructuring

Concentrates authority and responsibility at the highest level of government.

**Office of the Governor
Secretary of Commerce**

The creation of a secretariat that includes DLT, DEM and DBR, as well as incorporates the Office of Regulatory Reform, increases coordination across these agencies.

Executive Office of Commerce

**Office of
Regulatory
Reform**

Existing quasi-public's focus is reoriented towards the customer. It will operationalize policy created in state government.

Moving this office into the secretariat would allow it to best achieve its mission by increasing coordination.

DLT

DEM

DBR

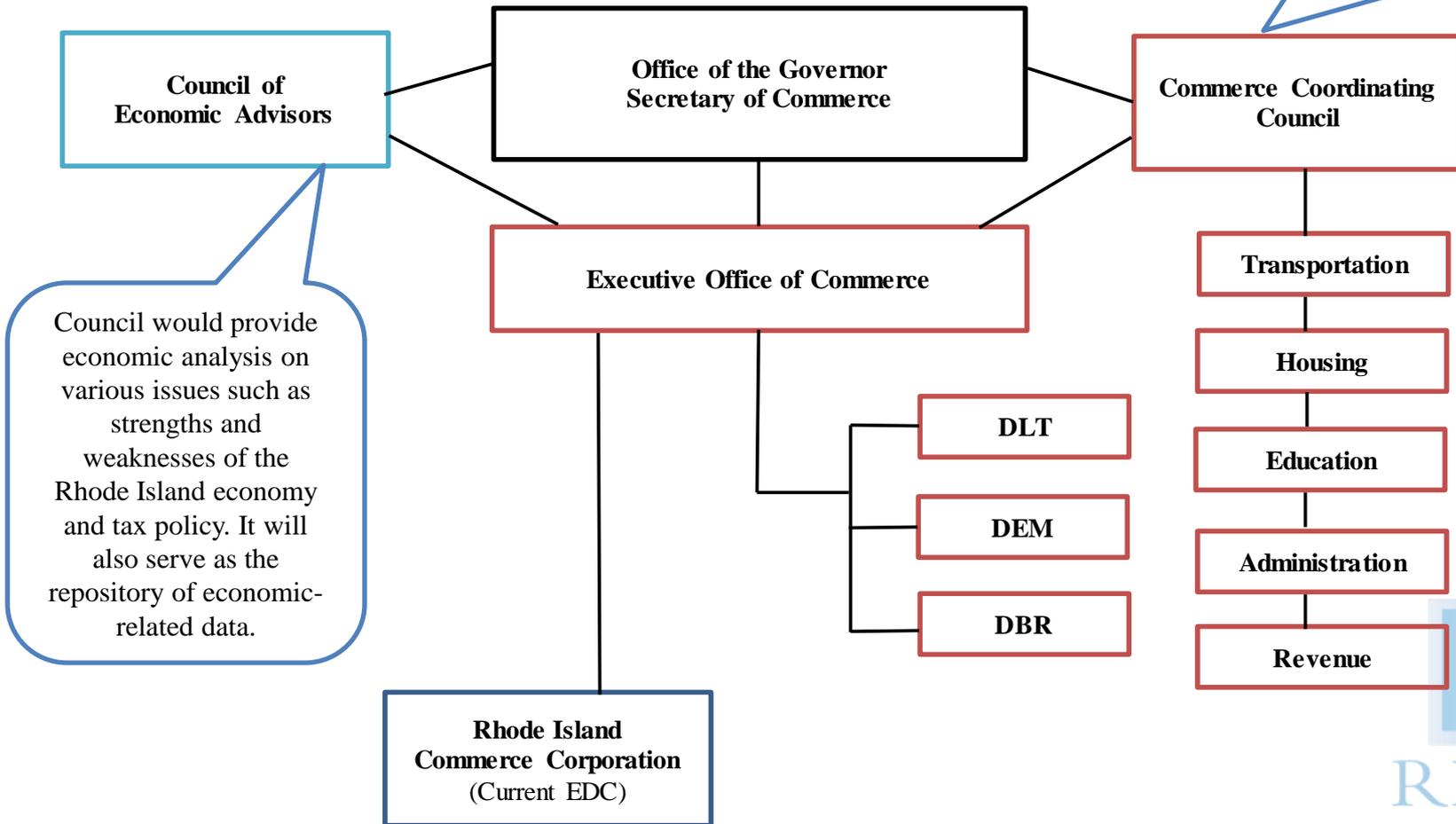
**Rhode Island
Commerce Corporation**
(Current EDC)



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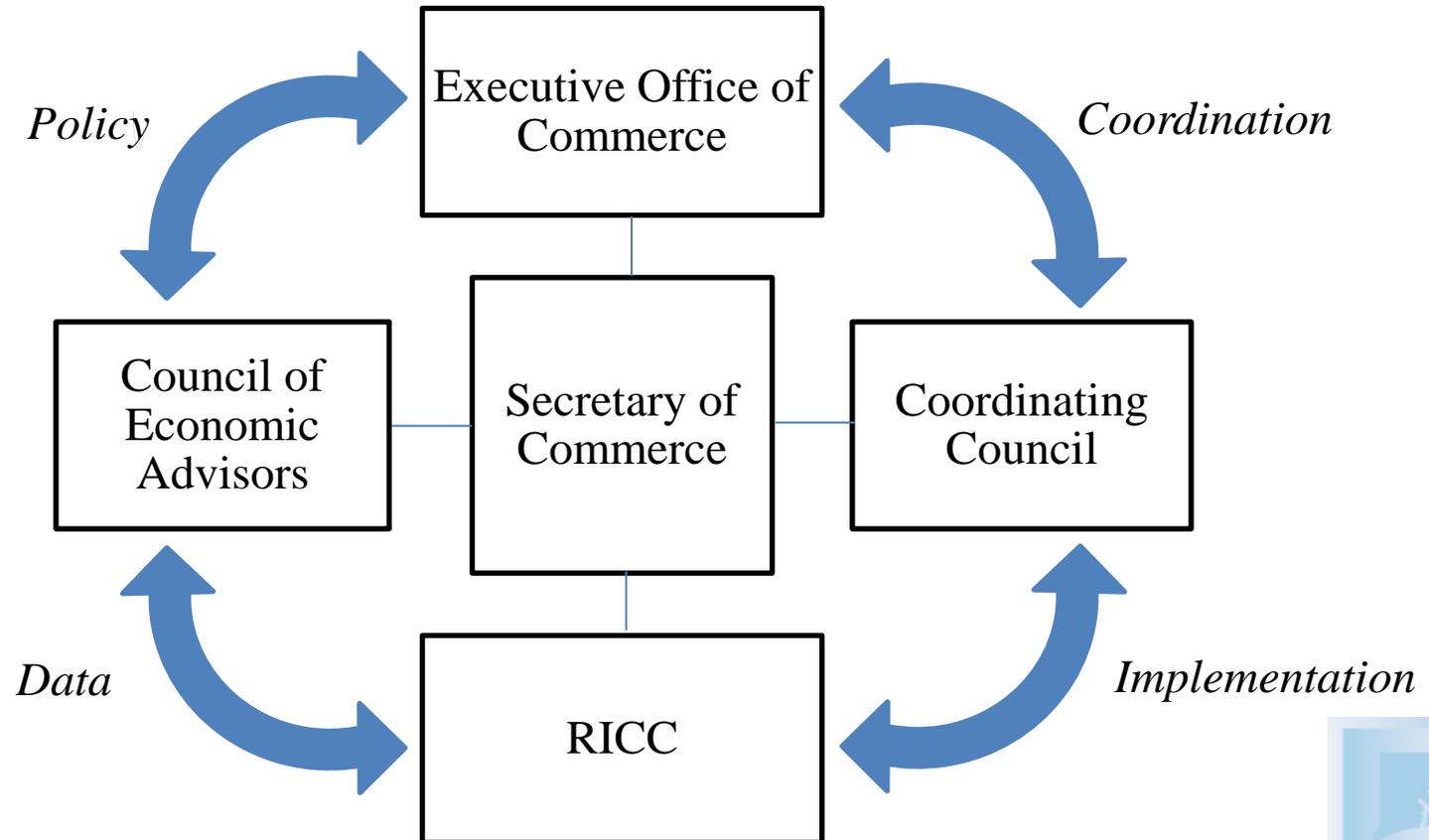
Systemic Restructuring

The Secretary would chair the Council and representatives of the state agencies would work with the Executive Office, Statewide Planning and the Governor's office to coordinate, focus RI's economic development efforts across agencies.



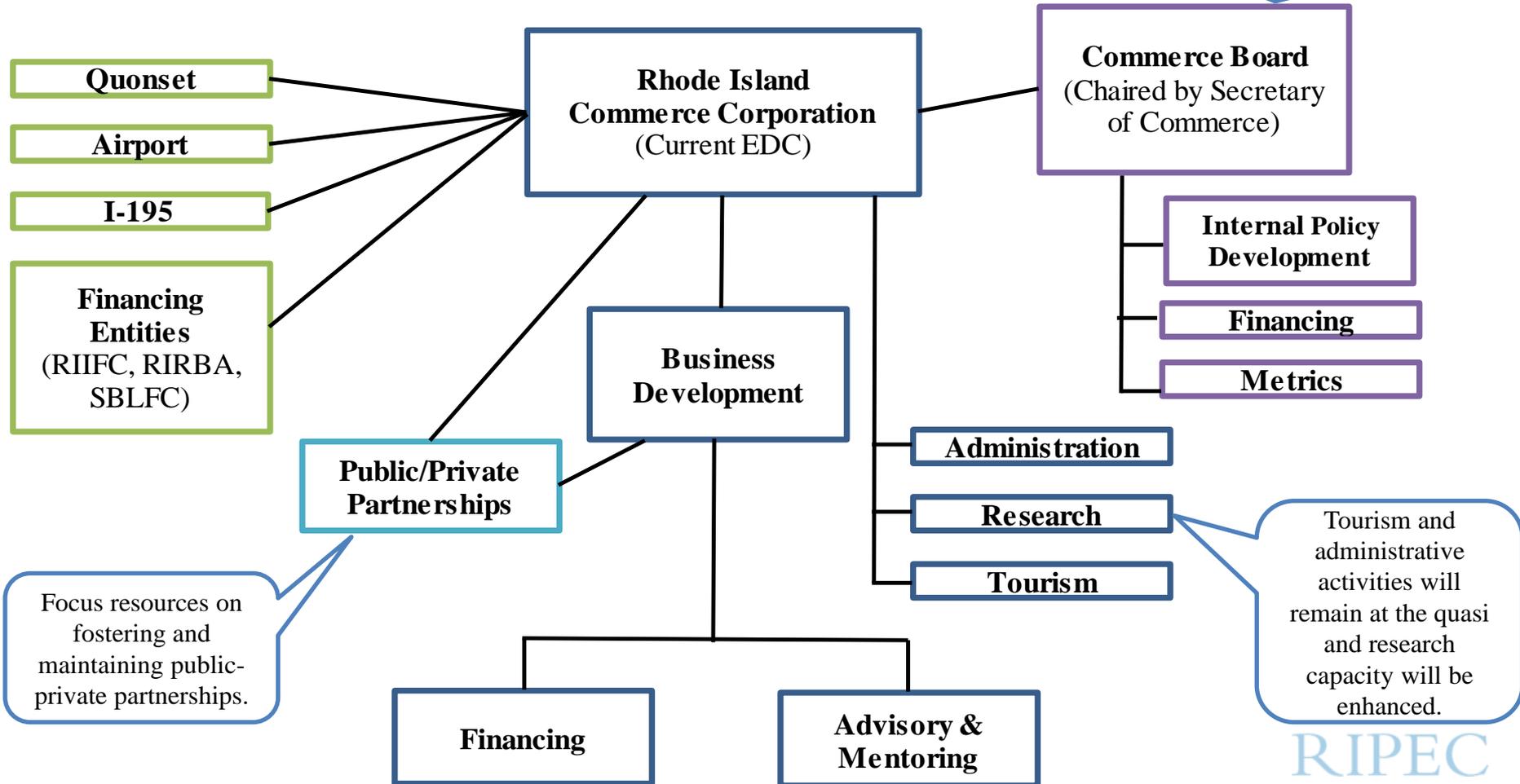
Council would provide economic analysis on various issues such as strengths and weaknesses of the Rhode Island economy and tax policy. It will also serve as the repository of economic-related data.

System of Policy Development & Implementation

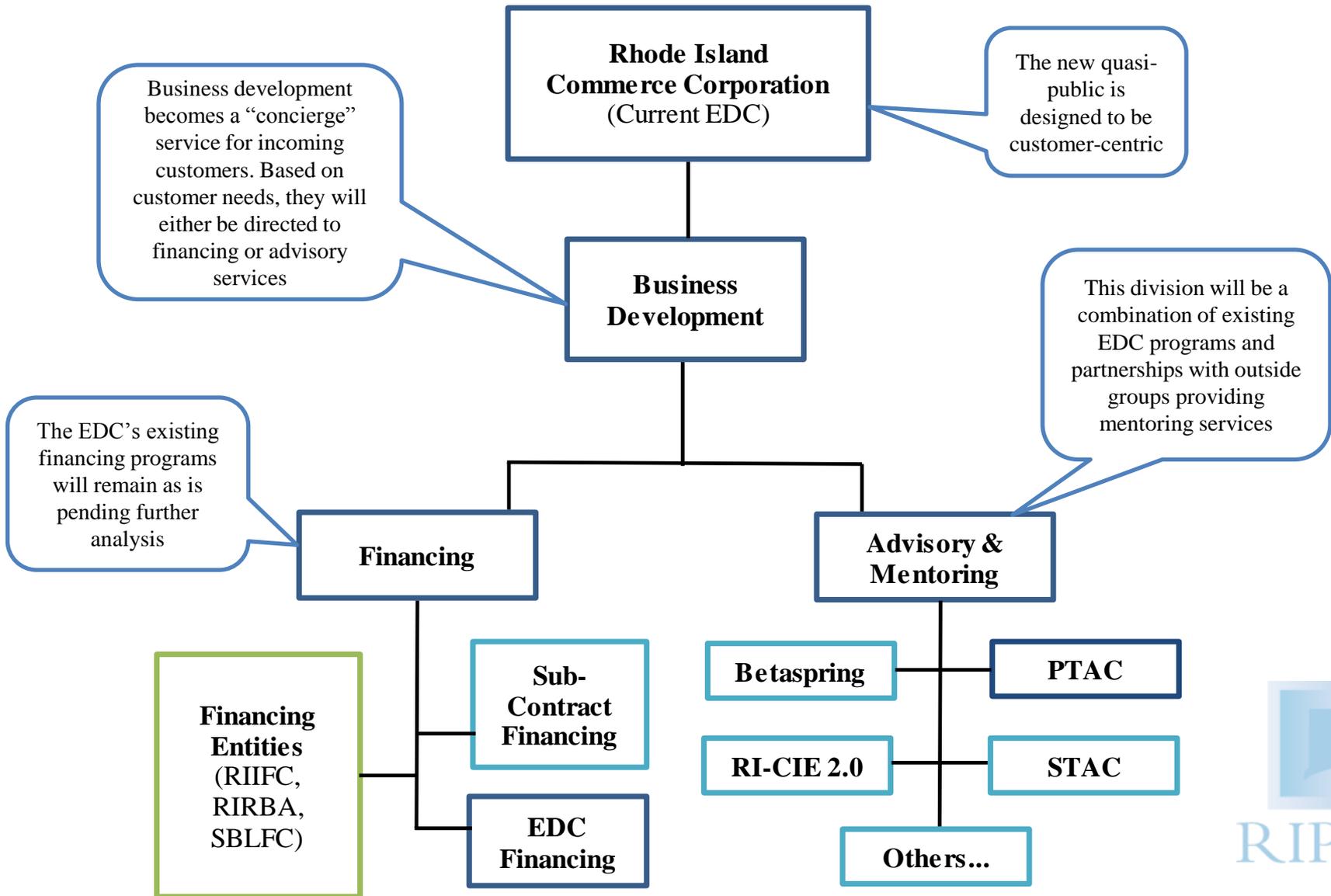


Internal Restructuring

Focused on: internal policy development and implementation; establishing financing guidelines; approving loans and guarantees in accordance with the new procedures; and monitoring and reporting on the activities of the Corporation



Customer-centric Approach



Additional Activities

- **Business Climate**
 - September 2012 to January 2013
 - Create a legislative packet for January that would provide alternatives and options. This legislative packet should be based upon an analysis of the current business climate, including the cost of doing business and tax policy changes.
- **Statewide Economic Plan**
 - October 2012 to March/April 2013
 - Create a committee to develop an overarching, strategic, consensus economic plan which would be accomplished through a broad coalition of stakeholders and funded by Statewide Planning.
- **Loan Process Review**
 - Commission an in-depth, independent examination of the viability of sub-contracting out some of the EDC's financing programs.



Additional Recommendations

- The report also includes a number of additional recommendations as follows:
 - Risk analysis and loan review
 - Establishment of metrics and monitoring
 - Customer service mapping
 - Predictable funding sources
 - Administrative changes—staffing requirements
 - Chief operating officer/executive director
 - Tourism—coordination
 - Subsidiaries—alignment
 - Conduit financing—consolidation

Conclusion

- In Rhode Island and elsewhere, quasi-public entities are single-purpose; however, the development of the economy is a much broader issue that crosses over several state government functions (ex. education, infrastructure, business regulations).
- RIPEC's recommendations leave the existing quasi as a focused entity charged with operationalizing broader policy. The broader economic development function was placed at the highest level of state government.
- This reorganization results in: a new state emphasis on economic development; shifting governance where it is most effective; the placement of responsibility with authority; focused policy formation and execution; enhanced coordination; and rebranding of the quasi-public agency.



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