

# You Can't Cut Your Way to Prosperity

## *Why in Tight Budget Times, Funding for Economic Development Is More Important Than Ever*

Everywhere you look, local and state government budgets are on the chopping block. Property tax revenues are hit by the weak housing market, payroll taxes are cut by rising layoffs and sales tax receipts decline with lowered consumer spending. Add to that higher fuel transportation and health care costs, and governments are buckling under the stress.\*

As budgets go under the knife, many economic development organizations will find themselves vulnerable, if they haven't already. Yet it's now, more than ever, when investment in economic development is critical to maintaining a community's short-term and long-term health. That's why it's up to you to make the case. There are three things your organization should be doing right now to protect the future of your EDO and your local economy:

**1. Review your strategic plan for opportunities and challenges given current economic circumstances.** What was relevant to your work two to five years ago won't prepare you for immediate challenges or the next growth cycle. Do your homework, make adjustments and double down where your efforts are going to make the biggest difference.

**2. Work to solidify the value proposition for economic development in your community.** This is where a strong catalogue of past successes and outcome measures prove their value. Craft a sharp message that builds on your efforts to date and provides a convincing argument for continuing them (more on this below).

**3. Meet with key supporters to secure your funding base.** This is where you earn your stripes as a marketer. Now is the time to meet with elected officials, city/county managers, key investors and local media to convey the importance of maintaining – if not increasing – investment in economic development. Sending a message of confidence is important as well (more below).

The key message to your community's leadership is: You can't cut your way to prosperity.

\* For more information, see "Triple Whammy" in Governing, "[Local Governments Gear Up to Deal with Economic Downturn](#)" from ICMA or "[States Face New Budget Shortfalls](#)" from the LA Times.

The following talking points and strategies can help you solidify your value proposition and project confidence:

***The time to invest is at the bottom of the cycle***

If you don't stay invested, you lock in your losses and miss out on the rebound. Warren Buffett makes this case in a recently published column in the New York Times: "Be fearful when others are greedy, and be greedy when others are fearful....bad news is an investor's best friend." This applies to economic development in multiple ways. Now is the time to help that strong company increase its market share, to help laid-off workers hatch business ideas they've incubated for years, to ensure you're creating the supply of workers and buildings that will put you in the strongest possible position for recovery. As Buffett notes, "If you wait for the robins, spring will be over."

***Investing now is an opportunity to differentiate your community***

As others cut back on marketing and promotion, EDOs that stay in the game have less competition and more opportunities, for business attraction or building international trade relationships, for example. While business won't go on as usual, there still will be companies looking to move and expand – and your EDO is more likely to stand out as one of fewer in marketplace.

***In tough economic times, your work is more important than ever***

Cutting economic development programs is akin to killing the goose of golden-egg fame. Who else is going to secure jobs and investment in your community? The blows brought by the economic downturn would hit your region even harder if it weren't for existing economic development programs and the work done to date.

Indeed, there are logical arguments for investing in nearly every area of economic development right now:

***Business retention and expansion***

You need to gauge the health of your businesses, give a boost to the weak ones and save those jobs. Conversely, you may have other businesses that have hoarded cash and are ready to expand or buy other companies – you need to know which they are and get in front of them.

***Marketing and business attraction***

As mentioned above, if you can preserve your budget for these programs while others' are slashed, your community and EDO are more likely to stand out in a less-crowded field. Showing up is half the job.

***Workforce development***

During economic downturns, many workers go back to school. In light of current economic times, do you know what the demand industries of the future will be? You should be playing a role to nurture the workforce that will be ready for these jobs – creating internships, career programs in high schools, community college courses/certificates, etc.

***Entrepreneurship programs***

If your community is experiencing major downsizing, this is a good time to get laid-off workers into entrepreneurship programs. That strategy paid off in Kalamazoo, Mich., after Pfizer was bought, and in Newton, Iowa, after Maytag, to name just a couple of communities that were determined not to let their talent languish.

### ***Small business programs***

You may not be able to do much to help major, multi-national corporations that are subject to global trends – but you can help your small businesses, with revolving loan funds, incubator support, marketing, connections, economic gardening, and more.

This is not an exhaustive list of economic development programs that are worthy of continued investment – and you are in the best position to determine which of these strategies will bring the best return for your community. The hard work of figuring that out may be the most important thing you do right now.

### ***Deliver the confidence message***

Look at what's good in your community right now. Project confidence internally and externally, face-to-face, with local media and in advertising. Now is not the time to hold back but to let the world know: "We are still in business." (See the Greater Halifax Partnership's letter to the community as an example of one strategy for doing this.)

### ***Help your managers and officials prove their worth***

Investing in economic development provides city managers and elected officials with concrete evidence they can point to when telling constituents that they are doing everything they can to keep and grow jobs and help people maintain their standard of living.

### ***A few other things to keep in mind***

Are you serious about measuring your EDO's impact? If you've put off this difficult task, now is the time to quit procrastinating. Collect the evidence that you are making a difference – and be specific. Compile figures for the private sector investment leveraged by every economic development dollar in your community; numbers of jobs created; and – if you can put the figure in a good context – the cost per job (perhaps compared to the costs of other goods/services). Use that data to promote your success widely in the media, through your board and other networks, in every way you can.

Finally, don't forget that your membership in IEDC is a key resource. IEDC has [full roster of training courses](#) in areas such as entrepreneurship and small business development strategies, business retention and expansion, workforce development and many more that can strengthen your ability to respond successfully in tough times. IEDC also offers clearinghouse research services, 10 web seminars in 2009 and a roster of conferences, with the Leadership Summit, "Turning Today's Economic Challenges into Tomorrow's Successes", coming up next, January 25-27, in Tempe, Arizona.