

Choosing to Compete In the 21st Century

An Economic Development Policy and Strategic Plan

for the

Commonwealth of Massachusetts

***Prepared by the Economic Development Planning Council pursuant to
Chapter 240 of the Acts of 2010 of the Massachusetts Legislature***

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TABLE OF CONTENTS

| | |
|--|-----------|
| Introduction | 3 |
| Context | 4 |
| Five Steps Towards a More Competitive Massachusetts Economy | 8 |
| Next Steps | 28 |
| Membership of the Economic Development Planning Council | 30 |
| The Language of the Enabling Statute | 31 |
| Appendix | 32 |
| Acknowledgements | 33 |

Introduction

“We can’t be satisfied until every single resident who seeks work can find it. That means we must invest in education, in the innovation industries that are expanding opportunity around the Commonwealth, in the small businesses that are the backbone of our economy, and in the infrastructure that supports it all. We must reduce the costs of doing business here, and make it easier for companies to hire people by removing unwarranted barriers, be they outdated regulations, escalating health insurance premiums, or limits on capital access for small businesses.” –Governor Deval Patrick, Second Term Inaugural Address, January 6, 2011

In August 2010, the Massachusetts Legislature passed sweeping economic development legislation that calls upon each gubernatorial administration to develop and publish, with the assistance of an economic development planning council, an economic development policy and strategic plan for the Commonwealth. Over the course of the past eight months, an economic development planning council of 34 public and private sector representatives led by Secretary of Housing and Economic Development Greg Bialecki has developed this strategy and plan, which builds on the job creation strategy of the Patrick-Murray Administration over the last five years.

This strategy and plan describes five broad categories for action that were identified as most important for Massachusetts to retain or improve its competitive position in the world’s economy. Within each category, the economic development planning council recognized significant accomplishments over the last five years and then identified critical priorities for further improvement, together with specific action steps that would make meaningful, measureable progress for each identified priority. The action steps do not simply describe ways in which government can and should perform better, but instead describe ways in which government, business and academia, working in collaboration, can bring about a more competitive and successful Commonwealth for ourselves and our children.

Context

The drivers of the Massachusetts economy are a diverse but inter-related group of innovation-based industry clusters that compete very successfully on a national and international level. This includes both *well-established* industry sectors such as health care, higher education, technology, financial services and tourism, and *emerging* sectors such as life sciences, clean energy and the creative economy.

There are many reasons why Massachusetts is such fertile ground for the innovation economy.

We have a centuries-old tradition of cutting-edge research and discovery in the scientific, medical and technical fields, along with the entrepreneurial instincts to translate those ideas into meaningful and useful innovations. Massachusetts innovators and entrepreneurs developed the first practical telephone, the minicomputer, the mutual fund, frozen foods and the sport of basketball.

From our excellent elementary and secondary schools to our world-class institutions of higher learning, Massachusetts is well known as producing one of the best educated workforces in the world. Our K-12 students consistently perform at or near the top of national and international standardized tests. The percentage of our workforce with a bachelor's degree is the highest in the country.

Residents of our 351 communities enjoy an excellent quality of life. Forbes Magazine ranked Massachusetts as the #1 state in the nation in 2010 in its "quality of life" rankings, which includes indexes of schools, health, crime, cost of living and poverty rates.

Massachusetts is ranked among the nation's healthiest states, as determined by American Health Rankings in an annual analysis. We lead the country in the percentage of residents with health insurance, with more than 98% of people covered, including near universal care for children.

The international reputation of the Commonwealth is strong. Our research universities and teaching hospitals are known around the world. We are a popular tourism destination for international travelers, with two million foreign visitors in 2010 alone. Whether due to Harvard or MIT, the Berkshires or the Cape, or our championship-winning sports teams, Massachusetts is an iconic global brand.

As a result, Massachusetts is leading the nation in its transition to a 21st century innovation economy, according to highly regarded observers such as the Kauffman Foundation, which has ranked Massachusetts #1 in its New Economy Index five times in the last decade, including 2010. The productivity and strength of our diverse industry clusters has allowed our state, which already had among the highest average incomes in the country as of the year 2000, to continue to have income growth higher than the rest of the country over the last decade. For these reasons, the most effective economic development and job creation initiatives for Massachusetts will continue to give first priority to helping our businesses and entrepreneurs to continue to create and retain jobs here.

Over the last five years, Massachusetts has sought to build on this strong foundation through a deliberate strategy of long-term investments in education, innovation and infrastructure, all within a context of strong fiscal discipline:

Education. Massachusetts has maintained and even increased its investment in local public schools in the face of the economic downturn. The Commonwealth passed landmark legislation addressing our state's continuing achievement gap in education, creating meaningful tools for intervention in underperforming schools and encouraging and supporting locally-inspired innovation, including by a doubling of the charter school cap. Passage of this legislation allowed Massachusetts to compete successfully for \$250 million in "Race to the Top" funding from the US Department of Education.

Innovation. The Commonwealth's \$1 billion Life Science Initiative has led to unprecedented collaboration among industry, academia and government in the research, development and manufacture of new drugs, medical devices and diagnostic tools. Our nation-leading clean energy and energy efficiency policies have created new and expanded

markets for local innovations and dramatically accelerated their adoption. A consortium of our leading research universities, working with state government and corporate technology partners, is constructing a high-performance computing center in Holyoke that will provide the computing infrastructure needed to support cutting-edge 21st century science. MassChallenge, based in Boston, has become the world's largest start-up competition and accelerator program, hosting entrepreneurial teams from around the country and around the world.

Infrastructure. This is the unglamorous work of government that enables all of the rest. A combination of state bonding and federal stimulus funds has enabled one of the most ambitious public works programs in the Commonwealth's history. The state's innovative Accelerated Bridge Program has allowed us to address deterioration in our bridges much more quickly than previously imagined, at a tremendous reduction in cost. Under the leadership of the Massachusetts Broadband Institute, 123 cities and towns in Western and Central Massachusetts with little or no broadband connectivity will be brought into the mainstream of 21st century education, health care and commerce.

This approach of focused, long-term investments in education, innovation and infrastructure has not only allowed Massachusetts to build on its strengths, but also to address some of its more difficult, decades-old challenges with respect to slow employment and population growth. Massachusetts now ranks #11 among the fifty states in total employment growth since January 2007, a stark contrast to its #45 ranking for the period from 2000 to 2006. Among its competitor states within the innovation economy, Massachusetts ranks second only to New York in total employment growth since 2007, significantly outperforming its benchmark peers such as Virginia, North Carolina and California. The widely respected firm IHS Global Insight now predicts that Massachusetts will be among the first states in the country to regain its pre-recession employment peak. In a related and quite notable development, the US Census Bureau reported that in 2009 more people came to live in Massachusetts from other states than left the Commonwealth to live in other states, reversing a 20 year trend.

Yet we still have much room for improvement. Incomes and economic opportunities have continued to be largely stagnant for many of the two-thirds of our workforce that do not have four-year college degrees. There also remain significant disparities in income and economic opportunity among differing regions and communities within the Commonwealth. As a result, Massachusetts has among the highest levels of income inequality in the nation. It is no longer clear to many Massachusetts families whether and how they will be able to participate in the American Dream of economic security for themselves and a better life for their children.

As can be seen in the following pages, our proposed work over the next several years continues the approach of both building on our great strengths and candidly addressing our on-going challenges. This will allow us to continue to grow the Massachusetts economy in ways that create greater economic opportunities for everyone, maintain our high quality of life and reflect our common values.

Five Steps Towards a More Competitive Massachusetts Economy

1. Advance Education and Workforce Development for Middle-Skill Jobs Through Coordination of Education, Economic Development, and Workforce Development Programs:

- *Design and develop a cohesive, coordinated workforce development system with clear leadership*
- *Improve responsiveness of workforce programs for business and workers that will meet the demands of the marketplace*
- *Prioritize goals of the State STEM Plan that align with middle-skill jobs*

2. Support Innovation and Entrepreneurship:

- *Strengthen and support our innovation community*
- *Build and retain talent for the innovation economy*
- *Expand our culture of innovation*
- *Support growth to scale*

3. Support Regional Development Through Infrastructure Investments and Local Empowerment:

- *Make public infrastructure investments that support regional growth opportunities*

- *Create regional and local economic development teams led by municipal officials who are “CEOs for Economic Development”*
- *Educate regional and local officials, municipal leaders and their staffs*
- *Empower municipal leaders and their staffs with more local input and control*

4. Increase the Ease of Doing Business:

- *Engage in on-going state regulatory review*
- *Re-align business development efforts*
- *Market the strengths of doing business in Massachusetts*

5. Address Our Cost Competitiveness:

- *Contain the increasing cost of health care while protecting access and quality*
- *Reduce energy costs while creating a diversified energy portfolio that balances competitive pricing with sustainability*
- *Manage the impact on business of long-term cost pressures within state and local government*
- *Make the tax structure more simple, competitive, and predictable by addressing the use of tax-based business incentives*

Five Steps towards a More Competitive Massachusetts Economy

1. Advance Education and Workforce Development for Middle-Skill Jobs Through Coordination of Education, Economic Development, and Workforce Development Programs

Overview

Massachusetts has a robust and successful educational system encompassing the entire Pre-K through higher education spectrum. There remain, however, significant gaps between need and productivity in the area of middle-skill jobs (that is, jobs requiring more than a basic high school education, but not a bachelor's degree). We focus, therefore, on this important area of need. Long-term success would substantially reduce or eliminate the gap between demand and supply for middle-skill jobs in every region of the state.

Representative Recent Accomplishments

- Passage of the Achievement Gap Act of 2010, education reform legislation designed to turn around underperforming schools, close the achievement gaps, expand access to successful charter schools, and authorize new Innovation schools
- Successful competition for federal funding: top scorer for \$250 million Department of Education "Race to the Top" four-year grant and \$20 million Department of Labor "Trade Adjustment Assistance Community College Career & Training" three-year grant to state partnership of 15 community colleges
- Creation of nationally recognized State-wide STEM Plan guided by the Governor's STEM Advisory Council, including the development of benchmarks for each of the plan's goals, and the charting of progress with respect to the benchmarks, utilizing pre-existing data
- Development of Massachusetts Regional Workforce Strategy Initiative to build regional pipelines to prepare Massachusetts workers to fill jobs that are in-demand in each region of the state and to develop skills pathways to available opportunities
- Major increases over the last five years in the number of community college certificates and degrees awarded (increases of 21.3% and 36.6% respectively, compared to prior five years) and in the number of Workforce Development/Job Skills Training courses delivered and individuals served (increases of 18.9% and 26.8% respectively, compared to the prior five years)

Priorities for Further Progress

1.1 Design and develop a cohesive, coordinated workforce development system with clear leadership

- The Commonwealth requires a more cohesive and coordinated “workforce development system”—across higher education/job placement programs/community based programs/unions, etc.—with clear leadership and accountability measures. Stakeholders such as employers, education and workforce training providers, and others should be engaged in designing this coordinated system. With increased knowledge and awareness of various educational and employment pathways and opportunities to enter and advance through the system, the Commonwealth will be able to better direct resources to effective providers and programs.

Action Steps

- 1.1.1 Build a coordinated system with clear leadership that meaningfully includes all “middle skills” education and workforce training providers, such as community colleges and other higher education institutions, vocational-technical schools, workforce investment boards, community-based organizations and unions, together with coordinated participation by employers, and that directs funding to the most effective providers for each workforce need
- 1.1.2 Develop and build awareness of education and workforce training pathways that provide continuing “stackable” opportunities for additional achievement, from internship, apprenticeship, certificate and licensure programs through associate, bachelor’s and advanced degree programs--building on current pathways initiatives within our education and workforce training sectors
- 1.1.3 Develop consistent evaluation and accountability measures within the coordinated system to assess the quality and effectiveness of programs, including performance incentives
- 1.1.4 Protect and maintain full funding of currently well-performing programs such as the Workforce Training Fund

1.2 Improve responsiveness of workforce programs for business and workers that will meet the demands of the marketplace

- To meet the demands of the 21st century workplace and economy, workforce programs developed and revised under the new system should be developed in a timely fashion and respond to the needs of both employers and workers—including the needs of underserved and special populations.

Action Steps

- 1.2.1 Continuously assess the workforce needs of regional employers in a collaborative process that includes all “middle skills” education and workforce training providers, building on the collaborative example of education, economic development and workforce development participants on the North Shore
- 1.2.2 Develop and implement education and workforce development programs that are responsive to the workforce needs of regional employers and that build on existing “best practice” models, starting with the health care, life science, technology and advanced manufacturing sectors
- 1.2.3 Increase the range of individuals effectively served by education and workforce training programs, particularly among low-skilled workers, unemployed and underemployed populations, new residents to the state, veterans, persons with disabilities, ex-offenders, drop-outs, non-graduating completers, and those seeking ABE/ESL and remedial training

1.3 Prioritize goals of the State STEM Plan that align with middle-skill jobs

- Strengthening and increasing STEM programs and curricula in schools will help students prepare for and gain access to middle-skill jobs, particularly in the innovation sectors. Action steps should implement the goals of the STEM plan related to attracting more teachers to math, science and technology, improving teacher professional development and increasing the interest and motivation of students to pursue STEM careers, particularly those populations that are currently underrepresented in STEM careers.

Action Steps

- 1.3.1 Focus the efforts of public and private participants on the expansion of “best practice” STEM programs, building on the Commonwealth’s “@Scale” initiative.
- 1.3.2 Increase the attractiveness of STEM careers to both students and teachers, including increasing their exposure to role models in STEM careers, through expanded internship and externship opportunities and other means
- 1.3.3 Increase the number of STEM programs that provide effective “hands on” learning experiences, including by increasing the number of public school facilities that are appropriately equipped to enable such experiences
- 1.3.4 Ensure that STEM programs are designed in a way to increase STEM interest and achievement across all populations, especially those currently under-represented in STEM careers

2. Support Innovation and Entrepreneurship

Overview

The foundation of the Massachusetts economy is the innovative and entrepreneurial capability of its residents to transform existing technologies and industries and create new ones. The pillars of this innovation economy are the state's universities and research institutions, the rich cluster of innovation-based companies, and the sophisticated angel, venture capital and financial services communities that help fund and mentor the pipeline of entrepreneurs. At the heart are the skilled and creative people who choose to make Massachusetts their home. They add to a legacy of sophisticated talent – from basic and applied sciences, software development and engineering, to precision manufacturing, design and marketing – found throughout Massachusetts.

Our economic strategy is focused on the goal of creating a robust and supportive environment for Massachusetts companies, institutions and people to move ideas to the marketplace, and through that effort, to create jobs and economic prosperity. The Commonwealth can facilitate the cycle of innovation from idea formation, to seed capital, to company formation and commercialization.

Representative Recent Accomplishments

- Creation of a ten-year, \$1 billion Massachusetts Life Sciences Initiative that provides supportive programs for academic research, internships, capital facilities and company growth
- Launch of MassChallenge, the world's largest global start-up competition and accelerator program
- Formation of the Tech Hub Collaborative, a business partnership that addresses the needs of the technology community, including the mentoring of start-up companies and STEM education
- Creation of the MA Growth Capital Corporation to address the access to capital needs of growing small businesses across the state

Priorities for Further Progress

2.1 Strengthen and support our innovation community

- The Massachusetts economy is fueled by its innovation pipeline, which translates new technologies and ideas developed by its public and private R&D communities into products and firms that can export to the world. Increasingly, the Commonwealth will succeed in sectors where it's public and private universities, research institutions and companies collaborate to drive discovery and address barriers to development and commercialization that no one institution can do by itself. The Commonwealth should also work through public-private partnership to ensure that entrepreneurs and early-stage companies have the capital and expertise necessary to fuel growth.

Action Steps

- 2.1.1 Establish a consistent pattern of state support for collaborative research and development among universities and businesses, building on the examples of the Holyoke Green High Performance Computing Center and the Massachusetts Life Sciences Center's cooperative research matching grant program
- 2.1.2 Under the leadership of the Massachusetts Technology Collaborative, identify three to five emerging areas of global innovation excellence in the Commonwealth and support public-private collaborations to accelerate the growth of such areas, building on the example of Mass Insight's Advanced Cyber Security Center initiative
- 2.1.3 Increase by 20% annually over the next five years state funding of capital, mentoring and advice, including incubator and/or accelerator programs, for early stage entrepreneurs and small businesses, building on the example of Mass Challenge

2.2 Build and retain talent for the innovation economy

- Massachusetts' competitive advantage is its people – the highly-talented workforce that drives innovation and creates the capacity for company growth and skilled execution across occupations. Massachusetts has grown slowly over the past decades, and that places a limit on the state's economic growth potential unless addressed. The Commonwealth has the advantage of educating a very large number of college students from across the nation and

world each year. Significant effort must be made to encourage more of those graduates to stay in Massachusetts. To do so, the Commonwealth must also address the long-standing challenge of the state's high cost of living, in particular the lack of affordable housing for the middle-class.

Action Steps

- 2.2.1 Increase by 20% annually over the next five years the number of internship placements made by multi-school, multi-employer internship programs, building on the examples of programs currently run by the Greater Boston Chamber of Commerce, the Federal Reserve Bank of Boston, Mass Technology Leadership Council, the Massachusetts Marketing Partnership, the Massachusetts Clean Energy Center and the Massachusetts Life Sciences Center, as well as newly proposed programs such as the Massachusetts Startup Fellows Program. The internship programs should, in particular, focus on facilitating the flow of young students into young companies to help them integrate into the local innovation economy.
- 2.2.2 Increase the production of rental apartment housing available in communities and regions of high market demand over the next five years, especially in or near locations with high levels of innovation and entrepreneurial activity, with the goal of significantly reducing the premium in rents between Massachusetts and the states with which we compete most directly for talent in our key industry clusters

2.3 Expand our culture of innovation

- Massachusetts is extraordinarily fortunate to have entrepreneurs and innovators in every corner of the state. However, the Commonwealth can do much more to encourage, seed and catalyze innovation and entrepreneurship, particularly in communities and regions that are detached from the main engines of the state's innovation-based economic growth. Government and the state's leading civic organizations can themselves be catalysts for innovation by initiating a call for citizens and entrepreneurs to re-think solutions to civic and public challenges.

Action Steps

- 2.3.1 Identify locally-based accelerators for innovation and entrepreneurship in five of our “Gateway Cities” over the next two years and provide support for their growth through a competitive process
- 2.3.2 Establish a national reputation within state and local government as “first adopters” of local innovation, building on the example of the “Mayor’s Office of New Urban Mechanics” in the City of Boston and of the Department of Housing and Community Development’s initiative to bring clean energy and energy efficiency innovations into public housing developments

2.4 Support growth to scale

- Many great innovation companies start here in Massachusetts. Too many expand outside of the state once they move past research and development and begin to create manufacturing, sales and customer service divisions. Others leave the state entirely, or accept an acquisition offer, on the belief that Massachusetts is not the most supportive environment for growing big companies.

Action Steps

- 2.4.1 Increase by 20% annually over the next five years state funding of capital, mentoring and advice, including shared facilities for the making and testing of product prototypes, to support the growth of small and mid-sized businesses, building on the examples of the Massachusetts Growth Capital Corporation and the Treasurer’s Small Business Banking Partnership
- 2.4.2 Increase the participation of our small and mid-sized businesses in the supply chain of our major corporate operations, building on the example of the “BuyHere” initiative of the Associated Industries of Massachusetts
- 2.4.3 Raise the profile of advanced manufacturing as an integral part of our innovation economy by encouraging young people to enter the sector and by facilitating the adoption of local innovations into our small and mid-sized manufacturing businesses
- 2.4.4 Make a systematic effort to work with growing Massachusetts companies to locate their call centers, other sales/marketing/customer service offices and other administrative offices within the state

3. Support Regional Development Through Infrastructure Investments and Local Empowerment

Overview

Support for Massachusetts' municipalities and regional economies is critical to driving the state's continued economic success. Massachusetts' cities, towns, and regions are home to a diversity of new and established industries, institutions, and amenities that expand the state's competitive advantage as an end-to-end location for innovation, production, and services. However, the state's potential will only be fully tapped when the appropriate infrastructure and an economic partnership—that extends from municipalities and regions to the state—is in place. By working with local municipal and regional leaders to ensure that they have the means to attract and encourage business investment and job creation, we will facilitate regional growth in an integrated, sustainable way. We envision a future where high-quality and growing employment, income, and investment is found in every region of the Commonwealth.

Representative Recent Accomplishments

- Creation of the nationally recognized \$3 billion Accelerated Bridge Program, to greatly reduce the number of structurally deficient bridges in the state
- Consolidation of multiple municipal infrastructure grant programs into a “one-stop” MassWorks Infrastructure Program that focuses infrastructure investments in support of growth, such as a new Orange Line Station for the Assembly Square development in Somerville
- Structural upgrades, and acquisition of CSX right-of-way, to improve service along multiple commuter rail lines and create opportunities for expanded service
- Award-winning plan identifying priority development and preservation areas within 31 South Coast communities

Priorities for Further Progress

3.1 Make public infrastructure investments that support regional growth opportunities

- Using existing and innovative infrastructure financing techniques, make continuing investments in public infrastructure upgrades, including transportation, water/sewer and electricity/telecommunications, in support of growth opportunities in every region of the Commonwealth. Prioritization of these investments must be done collaboratively by local, regional and state participants.

Action Steps

- 3.1.1 Plan ahead for growth by identifying priority development areas for job and housing growth through regional planning efforts that include public and private participation, building on the example of the recently completed South Coast regional plan and the currently on-going 495/MetroWest regional plan
- 3.1.2 Target state infrastructure investments to identified priority development areas where prompt and predictable permitting has been established by local communities
- 3.1.3 Enlist state agencies such as Mass Development and Mass Housing to provide targeted assistance to accelerating development within identified priority areas
- 3.1.4 Identify or develop additional innovative public and private financing mechanisms for infrastructure investments in support of growth that would allow faster decision-making and execution and more local control

3.2 Create regional and local economic development teams led by municipal officials who are “CEOs for Economic Development”

- Successful economic development at regional levels requires local economic development teams, including education and workforce development officials, who are working together to attract and retain investment and jobs. These teams must be led by the chief municipal officials of the communities and must be regionally coordinated.

Action Steps

- 3.2.1 Within two years, ensure that at least 10% of the Commonwealth's cities and towns have engaged in a structured process, building on the example of Northeastern University's Economic Development Self-Assessment Tool, for establishing and implementing a collaborative local economic development strategy that includes regional and private sector participants and is led by the senior-most municipal officials

3.3 Educate regional and local officials, municipal leaders and their staffs

- To be successful at retaining and attracting investment and jobs, regional and local officials need information and training on how to promote economic development. Possibilities include developing a training curriculum for municipalities and economic development professionals, building off of existing resources to develop a "project checklist" to guide municipalities, property owners, and economic development professionals.

Action Steps

- 3.3.1 Establish and run annually a series of regionally-based economic development "academies" at which public and private participants experienced in economic development will conduct focused, intensive workshops on effective economic development strategies and techniques; economic development "best practices" will be shared and municipal accomplishments in economic development will be celebrated

3.4 Empower municipal leaders and their staffs with more local input and control

- While the Commonwealth can help encourage economic development in the state through a range of programs, a positive climate for economic development needs to be fundamentally created at the regional and local level. Local economic development teams that are well trained and well-coordinated regionally ought to guide state-level programmatic decisions and investments for the region.

Action Steps

- 3.4.1 Give priority in state infrastructure investments to local priorities that have been evaluated and supported by a regional process, building on the examples of the

South Coast regional plan and the infrastructure priorities established by the South Shore Chamber of Commerce

- 3.4.2 Establish accountability that state infrastructure investments are being made in a manner responsive to local priorities, building on the example of Executive Order 525, which requires annual state reporting on the consistency of state investments with local priorities in the South Coast region
- 3.4.3 Create a clear and transparent feedback mechanism for municipalities when local priorities are not funded

4. Increase the Ease of Doing Business

Overview

Making it easy to do business in Massachusetts will not only keep our existing companies growing here, but it will also attract new national and international opportunities for job creation. The key to increasing the ease of doing business is to know our competitive advantages, proactively market our strengths, and be prepared to act swiftly when economic opportunity presents itself. A predictable and transparent regulatory climate, a wide array of real estate options offering expedited permitting, and a team of business development individuals who are ready and willing to assist companies, all contribute to a state's positive business climate.

Representative Recent Accomplishments

- Commitment by 80 communities to six month permitting at designated commercial sites under General Laws Chapters 43D and 43E
- Strengthening of small business impact review for new regulations as required by Chapter 240 of the Acts of 2010
- Reform of EDIP investment tax credit program to more closely link awards with job creation
- Consolidation and coordination of quasi-public agencies involved with economic development issues

Priorities for Further Progress

4.1 Engage in on-going state regulatory review

- Transparency and predictability of government regulation continue to be top concerns for the business community in Massachusetts and nationwide. In order to enhance the long-term health and prosperity of our state, it is important to maintain a transparent and consistent regulatory process that considers the economic impact of government regulation. The passage of Chapter 240 of the Acts of 2010 provided some useful tools to evaluate the business impacts of new government regulation, and to continually reevaluate the business impacts of existing regulation. The establishment of a public-private framework will further enable ongoing review and reevaluation of regulation and its influence on our economy.

Action Steps

- 4.1.1 Building on recent legislative reforms, establish and implement a consistent and transparent process, which includes business and public participation and comment, for all Commonwealth regulatory agencies to identify the small business impacts of new regulations
- 4.1.2 Appoint a senior member of the Executive Office of Housing and Economic Development to serve as an internal regulatory “ombudsman” and work in partnership with the State Permit Ombudsman to address regulatory matters of interest to the business and development community
- 4.1.3 Establish an advisory group representing business interests to advise and inform the state decision-making process on regulation
- 4.1.4 Building on recent legislative reforms, identify (with public and business participation) existing regulations within all Commonwealth regulatory agencies whose small business impacts could be reduced by limiting or eliminating the regulations, or by replacing them with model regulations widely accepted in other jurisdictions
- 4.1.5 Provide periodic training to Commonwealth regulatory personnel on how to identify the small business impacts of regulation and how to reduce those impacts
- 4.1.6 Ensure that when regulatory agencies issue “guidance”, the guidance should be explanatory and illustrative, and not a substitute for or addition to binding legal obligations, which should only be imposed through formal regulation

4.2 Re-align business development efforts

- The Commonwealth must continue to cultivate an environment where existing businesses of all sizes can easily find the resources, support and assistance they need to grow here. Recognizing that resources are scarce, it is imperative to maximize the impact of all existing business development entities and programs by coordinating and communicating all available resources in a clear and transparent way. Developing a framework that provides performance measures will enable the state to measure the effectiveness of each entity and program, and make adjustments to meet the needs of businesses.

Action Steps

- 4.2.1 Building on recent legislative reforms, continue the consolidation of state economic development agencies
- 4.2.2 Building on recent legislative reforms, establish annual business plans for all state economic development agencies, each having clear alignment with the Commonwealth's economic development strategy
- 4.2.3 Building on recent legislative reforms, make regional economic development organizations true partners in all Commonwealth business development activities

4.3 Market the strengths of doing business in Massachusetts

- It is important for Massachusetts to be perceived nationally and internationally as being a good place to do business. For example, ensuring that Massachusetts follows the well-known “develop-market-deliver” strategy for facility siting will ultimately influence a company decision to locate or relocate here. One way to accomplish this is for Massachusetts companies, business groups and government officials to actively promote our favorable business climate and the positive experiences that keep them here, by means of credible and persuasive messaging.

Action Steps

- 4.3.1 Under the leadership of MassEcon and the Massachusetts Marketing Partnership, increase by 20% annually over the next five years the number of private sector “ambassadors” sharing their knowledge and enthusiasm about the Commonwealth with businesses interested in locating or growing here, with a corresponding increase in the number of networking events, forums and marketing channels in which these ambassadors participate
- 4.3.2 Under the leadership of the Massachusetts Marketing Partnership, in collaboration with the Massachusetts Convention Center Authority, leverage our status as a leading host of international scientific, medical and technical conferences to better connect and market our key industry clusters
- 4.3.3 Under the leadership of the Massachusetts Marketing Partnership, in collaboration with MassPort, increase the number of direct flights between Massachusetts and other global centers of activity for our key industry clusters

- 4.3.4 Under the leadership of MassEcon and the Executive Office of Housing and Economic Development, develop and distribute marketing information showcasing an attractive variety of truly “development ready” sites across the Commonwealth, with supporting information regarding regional strengths, such as regions with a lower cost of doing business and a lower cost of living

5. Address Our Cost Competitiveness

Overview

Certain fundamental business costs often adversely affect the Commonwealth's efforts to foster job growth and compete domestically and internationally to retain and attract jobs. By addressing these critical areas of cost, we can create a more predictable economic environment that supports the creation, growth, and expansion of businesses, providing increased opportunities to all constituencies, and ensuring economic sustainability for years to come.

Representative Recent Accomplishments

- Multi-year reduction in corporate tax rate from 9.50% in 2009 to 8.75% in 2010, 8.25% in 2011 and 8.00% in 2012
- Recent state bond rating upgrade by Standard & Poor's, giving Massachusetts its highest overall bond rating ever
- Disapproval of excessive health care premiums for small businesses, and innovations by providers and insurers, resulting in lowering of Massachusetts health care costs versus other states
- National recognition of Massachusetts as having the most effective energy efficiency programs and policies in the country, including legislation requiring utilities to purchase all available energy efficiency improvements that cost less than additional power generation
- Passage of multiple pension reforms, creating a more equitable and sustainable public pension system

Priorities for Further Progress:

5.1 Contain the increasing cost of health care while protecting access and quality

- The Commonwealth needs to maintain an appropriate balance between providing both top quality and unimpeded access to health care for its citizens while at the same time carefully watching the increasing cost impact on businesses and jobs. This can be accomplished through the coordinated

efforts of providers, insurers, small and large businesses, consumers and government.

Action Steps

- 5.1.1 Continue to move away from fee-for-service health care payments and towards value-based global payments, with the goals of converting most health care payments (public and private) to other than fee-for-service by 2014 and of reducing disparities in pricing for services of comparable quality
- 5.1.2 Continue to enhance the role of consumer information and consumer choice, building on recent movements towards selective networks and tiered health care insurance products
- 5.1.3 Accelerate use of e-health technologies to support lower cost delivery of health care with equal or greater access and improved quality

5.2 Reduce energy costs while creating a diversified energy portfolio that balances competitive pricing with sustainability

- While containing the growth of energy costs is a paramount concern in the short-term, it is equally important to focus on longer-term, sustainable energy sources that will fuel our growing economy. The lack of significant indigenous energy supply in New England will require Massachusetts to examine carefully other choices, including non-traditional sources.

Action Steps

- 5.2.1 Develop Holyoke and other well-suited locations as test beds for cost-competitive renewable energy and energy efficient technologies
- 5.2.2 Keep energy supply costs competitive based on market conditions in the region
- 5.2.3 Pursue large scale hydro with other cost-competitive low carbon alternatives along with renewable generation under the Commonwealth's renewable portfolio standards

5.3 Manage the impact on business of long-term cost pressures within state and local government

- Businesses are impacted by such costs as pension funding, unemployment insurance and state/municipal health care, among others. The Commonwealth needs to find ways to both effectively manage these operating costs and make them reasonably predictable.

Action Steps

- 5.3.1 Conduct an assessment of the competitiveness and sustainability of the unemployment insurance system
- 5.3.2 Continue to develop additional reforms as needed to further improve the sustainability of the pension system and to accelerate the attainment of a “well-funded” pension system as defined by industry and federal government standards

5.4 Make the tax structure more simple, competitive, and predictable by addressing the use of tax-based business incentives

- Businesses make location and expansion decisions based not only on the overall business tax burden, but also on the simplicity, fairness and predictability of the tax system. A competitive tax system for Massachusetts should address both aspects. An appropriate area of focus is the use, effectiveness and accountability of tax-based business incentives in the state.

Action Steps

- 5.4.1 Focus on use of non-tax business incentives (such as workforce training, infrastructure investments and financing assistance) in developing and growing industry clusters
- 5.4.2 Establish standards for effectiveness and accountability for existing tax-based business incentives and use them to periodically evaluate existing incentives
- 5.4.3 Only consider new tax-based business incentives to develop and grow industry clusters where such incentives meet established standards for effectiveness and accountability

Next Steps

The next steps in implementing this Economic Development Policy and Strategic Plan include the following:

- It was our intention that each of the 55 action steps set out in this Plan be meaningful, achievable and measurable. To be meaningful, action steps should have the potential to significantly advance the priorities with which they are associated. For action steps to be achievable, substantial progress on them should be capable of being accomplished within two years. For action steps to be measurable, progress on them should be capable of being assessed in relatively objective terms.

We are confident that the 55 action steps set out in this Plan are meaningful and achievable. For many of the action steps, further refinement is needed to establish measurable benchmarks for progress. The Executive Office of Housing and Economic Development will be working with the Collins Center for Public Management at UMass Boston to develop and monitor a more rigorous set of benchmarks for progress on the action steps, with the initial objective of establishing a working set of benchmarks within the next three months.

- The priorities and action steps set forth in this Plan should be incorporated into the annual business plans now being created for the Commonwealth's economic development agencies.
- Effective implementation of this Plan will involve tailoring the action steps to the distinctive economic opportunities and challenges of each region of the Commonwealth. Over the next six months, the Executive Office of Housing and Economic Development will convene a series of regional meetings with

public and private leadership to identify ways in which the action steps apply across the varied regions of the state.

- Effective implementation of this Plan will also involve tailoring its directives to the differing requirements of each of the Commonwealth's key industry clusters, both established and emerging. Since the presence and strength of these key clusters varies across the state by region, we will address cluster-specific applications in the context of developing regional approaches.
- It is essential that our progress under this Plan be reviewed and evaluated annually. The members of the Economic Development Planning Council have agreed to accept that responsibility going forward.

Membership of the Economic Development Planning Council

Chairman: Greg Bialecki, Secretary of Housing and Economic Development

Bonnie Biocchi: President and CEO, Metrowest Chamber of Commerce
Barry Bluestone: Dean, School of Social Science, Urban Affairs, and Public Policy, Northeastern University
Lynne Browne: Executive Vice President and Economic Advisor, Federal Reserve Bank of Boston (retired)
Wayne Burton: President, North Shore Community College
Jeff Bussgang: General Partner, Flybridge Capital Partners
Robert Caret: President, University of Massachusetts
Janelle Chan: Executive Director, Asian Community Development Corporation
Donna C Cupelo: Region President, Verizon New England
Richard Davey: Secretary & CEO, Massachusetts Department of Transportation
Mark Erlich: Executive Secretary-Treasurer, New England Regional Council of Carpenters
John Fish: President, Suffolk Construction
Helena Fruscio: Creative Economy Industry Director
Tom Glynn: Senior Fellow, Center for American Progress; Lecturer in Public Policy, Harvard Kennedy School
Joanne Goldstein: Secretary of Labor and Workforce Development
Jay Gonzalez: Secretary of Administration and Finance
Maria Gooch-Smith: Executive Director, South Eastern Economic Development (SEED) Corp.
Steven Grossman, State Treasurer
Eric Hagopian: President, Hoppe Technologies, Inc.
Mike Hogan: CEO, Makepeace
Rosabeth Kanter: Ernest L. Arbuckle Professor of Business Administration, Harvard Business School
Colleen Keating: General Manager and Area Managing Director for Starwood Hotels and Resorts
Ranch Kimball: Former Secretary of Economic Development, MassDevelopment, Chairman, Mass Port Authority
Jordan Krasnow: Director, Goulston and Storrs
Scott W. Lang: Mayor of New Bedford
Travis McCready: Executive Director, The Kendall Square Association
Jerry Sargent: Regional President, Citizens Bank
Bill Scanlon: Mayor of Beverly
Karen Spilka: Senate Chair, Joint Committee on Economic Development & Emerging Technologies
Rick Sullivan: Secretary of Energy and Environmental Affairs
Robert Thomas: Founder, President and CEO, MLK Business Empowerment Center
Joseph Wagner: House Chair, Joint Committee on Economic Development & Emerging Technologies
Luis Yepez, Vice President of Operations, Mainstream-Global
Ellen Zane: Former President and CEO of Tufts Medical Center

The Language of the Enabling Statute

Section 6 of Chapter 240 of the Acts of 2010. Said section 16G of said chapter 6A, as most recently amended by section 1 of chapter 56 of the acts of 2010, is hereby further amended by adding the following subsection:-

(l) During the first year of each new gubernatorial administration, the governor shall convene an economic development planning council consisting of no fewer than 12 members: 1 of whom shall be the secretary of housing and economic development, who shall serve as chair; 1 of whom shall be the secretary of administration and finance; 1 of whom shall be the secretary of labor and workforce development; 1 of whom shall be the secretary of energy and environmental affairs; 1 of whom shall be the secretary of transportation; 1 of whom shall be appointed by speaker of the house of representatives; 1 of whom shall be appointed by the president of the senate; and 5 of whom shall be appointed by the governor: 1 of whom shall be the president of the University of Massachusetts or a president from a community college, 1 of whom shall be a representative from Associated Industries of Massachusetts, 1 of whom shall be a representative from the Massachusetts municipal association, 1 of whom shall be a representative from a chamber of commerce, and 1 of whom shall be from a venture capital firm with a principal place of business in the commonwealth. The governor may also appoint additional members of regional and local economic development groups and members of the business community to serve on the council. Members of the council shall serve for a term of 1 year or until an economic development policy has been approved by the governor under this section.

The secretary of housing and economic development, with the assistance of the economic development planning council appointed under this section, shall develop and implement a written comprehensive economic development policy for the commonwealth and a strategic plan for implementing the policy. The policy shall set long term goals and measurable benchmarks which are not limited to a particular gubernatorial administration and shall give consideration to any impacts the plan may have on businesses employing 10 or fewer people. The strategic plan shall include any major economic development initiatives and programs of the secretariat and any agencies subject to this section. In developing the policy, the council shall review the published economic development policy and plan in effect at the commencement of the governor's term of office and may hold public hearings throughout the commonwealth.

Once the policy and plan have been adopted by the secretary and the council, the council shall submit the policy and plan to the clerks of the Senate and House of Representatives and the joint committee on economic development and emerging technologies. The committee shall conduct a public hearing on the policy and plan prior to final approval by the governor. The approved policy and plan shall be published in writing and on the official website of the commonwealth not later than December 31 of that year.

Appendix

Supporting Materials Referenced by the Workforce Development Committee

1. Workforce Development at Massachusetts Community Colleges
Report on the Community College Share of 2010 Degrees and Certificates conferred in Massachusetts in select Middle Skill Occupational Areas (*US Department of Education – Integrated Postsecondary Education Data System*) and provides highlights of workforce development programs and initiatives at Massachusetts community colleges.
http://www.northshore.edu/ppi/workforce/pdf/community_colleges_report_8-11.pdf
2. Commonwealth Corporation, *Annual Performance Report of Massachusetts Workforce Development Services and Programs*, November 30, 2010
<http://www.commcorp.org/publications/detail.cfm?ID=770>
3. MACDC, *MACDC Year 8 GOALs Initiative: A Detailed Report of the Accomplishments of Community Development Corporations in Massachusetts, Table 15*, August, 2011
http://www.macdc.org/research/2011_Web_GOALs_Appendix_Final.pdf
4. Governor’s STEM Advisory Council, *A Foundation for the Future: Massachusetts’ Plan for Excellence in STEM Education*, September 28, 2010.
<http://www.stemreports.com/wp-content/uploads/2011/08/MA-STEM-Plan-Final-9-28-10.pdf>
5. Boston Healthcare Careers Consortium, *Critical Collaboration: Improving Education & Training – Pathways to Careers in Health Care*, November 2011.
http://www.bostonpic.org/sites/default/files/Critical_Collaboration_for_release_Nov_14_2011.pdf
6. Julian L. Alssid, Melissa Goldberg, and John Schneider for The Boston Foundation, *The Case for Community Colleges: Aligning Higher Education and Workforce Needs in Massachusetts*, November, 2011.
7. EDPC Workforce Development Committee’s Suggested Implementation Strategies (available separately)

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