The New Economy Characteristics

- Knowledge is the major input.
- Productivity is increasing. Deployment of technology is a driving force.
- Markets are global and competitive. Labor vs. location.
- Entrepreneurs are spurring economic growth.
- New partnerships are the wave. Co-competition creates a flexible economy.

Impact of New Economy

- Changes reshaping society to a degree not seen in history.
- State and local governments must implement new strategies to:
  - Enhance proficiency of their workforces.
  - Maintain an infrastructure that supports new business.
  - Offer a high quality of life for its residents.

Cluster Approach vs. Traditional Approach

- Battelle Target Industry Approach
  - Identification of an industry based on SIC Codes.
  - Analyzed national growth rates of the industry.
  - Matched growth industries with Iowa’s technological and location strengths.
- Target Industry Cluster Approach
  - Redefines the industry sector boundaries.
  - Identifies groups of companies that rely on active set of relationships for efficiency and competitiveness.
  - Identifies firms in the same or related field, or linked by buyer/seller relationships, common customers, and linkages to the Industry.

Industry clustering is a powerful framework for regional economic development because it captures relationships among specific industry sectors in a dynamic way. This provides a rich source of information about regional economic inter-relationships.
Clustering Development Strategy

- Improve short-term industry attraction efforts through the identification of industry "gaps" and Iowa's advantages.
- Define medium-term strategies for retaining, establishing, and growing regional industry.
- Organize long-term strategies to sustain growth.
- Emphasize strong area-wide groups.

Economic Foundation Factors

- Local conditions include:
  - Skilled and adaptable human resources.
  - Access to technologies for new products and processes.
  - Available financial capital to support new ventures, expansion of existing companies, and reinvestment in transition industries.
  - Advanced physical infrastructure for transportation, communications, energy, water, and waste handling.
  - Responsive regulatory and taxation structure that enhances competitiveness.

Iowa Target Industry Cluster Analysis

- Conducted by SRI International, a private research and consulting firm, at the forefront of cluster approach to economic analysis and strategy.
- Addressed three important industry development issues:
  - Identification of broad target industry clusters.
  - Identification of best competitive niches within the clusters.
  - Identification of Iowa industries with the best regional prospects.

Iowa Target Industry Clusters

- Life Sciences
- Information Solutions (Insurance/Financial Services and Software Development)
- Advanced Manufacturing

SRI Recommendations for Iowa

- Increase interaction between cluster companies and Iowa's universities and colleges.
- Build a focused state agenda that creates a stronger linkage between all stakeholders within the target industry clusters.
- Build on recent economic performance and focus on recruiting and retaining high-wage, high-growth companies within high-wage, high-growth clusters.

Observations and Conclusions

Sustained industry leadership is VITAL.

- Keeps everyone at the table.
- Provides "game plan" for industry participants and service providers.
- Sustains focus on competitiveness.
Governor’s Technology Advisory Network

- Robert J. Tibor - State Science & Technology Advisor to the Governor and IDED.
- Industry Cluster Advisors:
  - Advanced Manufacturing - Clay Jones, CEO - Rockwell Collins
  - Life Sciences - John Greaves, Ph.D., President - Kemin Industries
  - Information Solutions - Carl Williams, Sr. V P and CIO - Principal Financial Group
- Industry Cluster Advisory Committees.
- Long-term technology investment plan to spur growth.

Advanced Manufacturing

- Access to Skilled Workers
  Create an education, training and retraining clearinghouse.
- Access to Technologies
  Broaden the scope of the AMRCC research and collaboration consortium.
- Supportive Regulatory Environment
  Appoint a manufacturing ‘regulatory’ alliance.

Information Solutions

- Access to Skilled Workers
  Create a training/education council.
- Entrepreneurial Development
  Access to Capital
  Establish a system of regional technology innovation networks in areas of concentration.
- Access to Technology Infrastructure

Life Sciences

- Business Development Focus
  Establish an industry-driven life sciences consortium.
- Position Iowa as a Leader
  Develop a comprehensive marketing-communications plan.

--- Proposed ---
Organizational Structure

**Iowa New Economy Council**
- Engage in ongoing assessment of Iowa’s competitiveness relating to the economic foundations of the New Economy.
- Foster the development of industry clusters in life sciences, information solutions, and advanced manufacturing.
- Facilitate stronger relationships among Iowa’s research institutions and high-technology businesses.

--- Proposed ---
Organizational Structure

**Industry Leadership Councils**
- Industry leaders from the cluster chaired by senior executives of participating businesses.
- Representatives of Iowa research institutions, service providers, and other stakeholders.
- Engage in industry-specific issues.
Proposed Organizational Structure

Summary

- Knowledge-based economy demands a new approach.
- Research has shown the most successful initiatives are demand-driven (industry) with input from suppliers and university research experts.
- Together, state, local and regional organizations, with the private sector, Iowa can position itself in the New Economy to spur growth and investment.
Strategic Investment Fund

Bob Henningsen
Division Administrator
Business Development Division
Iowa Department of Economic Development
January 23, 2001

Strategic Investment Fund Programs

- Entrepreneurial Ventures Assistance (EVA)
- Entrepreneurs With Disabilities (EWDI)
- Self-Employment Loan Program (SELP)
- Targeted Small Business Program (TSB)
- Community Economic Betterment Account (CEBA)
  - Comprehensive Management Assistance (CMA)
  - CEBA Venture

Entrepreneurial Ventures Assistance (EVA)

Purpose
- To provide financial and technical assistance to early-stage technology companies.

Entrepreneurial Ventures Assistance (EVA) Activity

<table>
<thead>
<tr>
<th>FY 1999</th>
<th>FY 2000</th>
<th>FY 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Awards</td>
<td>15 Awards</td>
<td>14 Awards</td>
</tr>
<tr>
<td>$294,750</td>
<td>$620,000</td>
<td>$630,000</td>
</tr>
</tbody>
</table>

FY 1999-2001 Average

- 13 Awards
- $461,563

Entrepreneurs With Disabilities (EWDI)

Purpose
- To provide technical and financial assistance to individuals with disabilities to assist with establishing, acquiring, maintaining or expanding a small business.

Entrepreneurs With Disabilities (EWDI) Activity

$100,000 annual contracted services with the Department of Vocational Rehabilitation and the Division for the Blind.

Accomplishments:
- Provided technical and financial assistance to 160 businesses with average technical assistance of $3,600 and average financial assistance of $9,700.
- Leveraged ratio from commercial lenders of 3:1.
Business Assistance Services for Entrepreneurs (BASE)

Purpose
- To provide information, training and technical assistance to individuals with disabilities who are interested in starting or expanding a small business in Iowa.

Accomplishments:
- Developed a regional resource guide identifying financial and technical assistance for the client base.
- Provided 15 extensive training sessions for clients contemplating starting a business with over 125 attendees.

Self-Employment Loan Program (SELP)

Purpose
- To provide low-interest loans for new or expanding businesses owned by low-income individuals or persons with disabilities.

Activity

<table>
<thead>
<tr>
<th>FY 1999</th>
<th>FY 2000</th>
<th>FY 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 Awards</td>
<td>13 Awards</td>
<td>12 Awards</td>
</tr>
<tr>
<td>$133,200</td>
<td>$130,069</td>
<td>$78,000</td>
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</table>

FY 1999-2001 Average
- 13 Awards
- $113,756

Targeted Small Business Program (TSB)

Purpose
- To assist in the creation and expansion of minority, persons with disability and women owned small businesses within the state.

Activity

<table>
<thead>
<tr>
<th>FY 1999</th>
<th>FY 2000</th>
<th>FY 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>48 Awards</td>
<td>42 Awards</td>
<td>54 Awards</td>
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<tr>
<td>$842,784</td>
<td>$638,825</td>
<td>$758,180</td>
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FY 1999-2001 Average
- 48 Awards
- $746,696
Aggregate Demand Strategic Investment Fund
Non-CEBA Programs

<table>
<thead>
<tr>
<th></th>
<th>FY 1999</th>
<th>FY 2000</th>
<th>FY 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs</td>
<td>$1,370,734</td>
<td>$1,571,894</td>
<td>$1,549,180</td>
</tr>
</tbody>
</table>

FY 1999-2001 Average

$1,497,369

Community Economic Betterment Account (CEBA)

Purpose
- To provide increased employment opportunities for Iowans by increasing the level of economic development in the state.

Purpose
- To provide increased employment opportunities for Iowans by increasing the level of economic development in the state.

Community Economic Betterment Account (CEBA) Activity

<table>
<thead>
<tr>
<th>FY 1999</th>
<th>FY 2000</th>
<th>FY 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>34 Awards</td>
<td>44 Awards</td>
<td>44 Awards</td>
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<tr>
<td>$5,954,000</td>
<td>$12,674,000</td>
<td>$9,637,000</td>
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FY 1999-2001 Average

41 Awards

$9,221,667

CEBA Awards by Community Size

CEBA Venture Activity

<table>
<thead>
<tr>
<th></th>
<th>FY 1999</th>
<th>FY 2000</th>
<th>FY 2001</th>
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</thead>
<tbody>
<tr>
<td>Awards</td>
<td>3 Awards</td>
<td>15 Awards</td>
<td>8 Awards</td>
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<tr>
<td>$400,000</td>
<td>$1,666,000</td>
<td>$900,000</td>
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FY 1999-2001 Average

9 Awards

$955,333
## Total CEBA Demand

<table>
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<th>FY 1999</th>
<th>FY 2000</th>
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<tbody>
<tr>
<td>Total</td>
<td>$6,354,000</td>
<td>$14,340,000</td>
<td>$9,837,000</td>
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**Fy SSS- 2001 Average**

$10,177,000

## Total SIF Demand

<table>
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<th></th>
<th>FY 1999</th>
<th>FY 2000</th>
<th>FY 2001</th>
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</thead>
<tbody>
<tr>
<td>Awards</td>
<td>$7,724,734</td>
<td>$15,911,894</td>
<td>$11,386,180</td>
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<tr>
<td>Admin/CMA</td>
<td>5675,000</td>
<td>$616,426</td>
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<tr>
<td>VAAPFAP</td>
<td>-</td>
<td>-</td>
<td>$3,000,000</td>
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<tr>
<td>Total</td>
<td>$8,596,734</td>
<td>$16,728,320</td>
<td>$15,348,442</td>
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</table>

**Average** $13,558,832

## SIF Resources

<table>
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<th></th>
<th>FY 1999</th>
<th>FY 2000</th>
<th>FY 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations</td>
<td>$6,815,799</td>
<td>$5,098,797</td>
<td>$3,724,474</td>
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<tr>
<td>Recaptures</td>
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<td>$340,000</td>
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<tr>
<td>Repayments</td>
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<td>$2,164,353</td>
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<tr>
<td>ISCC/CCLiq</td>
<td>-</td>
<td>$7,562,486</td>
<td>$5,310,079</td>
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<tr>
<td>Carry Forward</td>
<td>$2,798,647</td>
<td>$5,477,664</td>
<td>$6,986,286</td>
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<tr>
<td>Total</td>
<td>$14,077,595</td>
<td>$23,694,606</td>
<td>$18,804,015</td>
</tr>
</tbody>
</table>

## Strategic Investment Fund Goals

- Assists start-ups and exciting new entrepreneurial ventures.
- Leverages substantial private capital investment.
- Creates / Retains increasingly higher wage jobs with quality fringe benefits.