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STRONG ECONOMIES, RESILIENT COUNTIES

The Role of Counties in Economic Development

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EXECUTIVE SUMMARY

Counties are responsible for providing core services, such as human services, criminal justice, public welfare and infrastructure, to communities of all sizes across America. To ensure the delivery of these essential services, support job growth and maintain a healthy revenue base, counties invest in economic development activities in a number of ways. An examination of county involvement, challenges and solutions in economic development across the 3,069 counties shows that:

1 **COUNTIES ARE SPONSORS OF LOCAL ECONOMIC DEVELOPMENT INITIATIVES.** Funding — often from general funds — is the most common county contribution to economic development partnerships. More than 90 percent of county governments engage in economic development initiatives, but only 57 percent of counties have a county department managing economic development initiatives. Counties most typically focus on workforce training, business attraction and retention and regional marketing in their economic development partnerships. Additionally, counties collaborate with other stakeholders to promote broader resiliency goals.

> Counties are sponsors of local economic development initiatives.

2 **WORKFORCE CHALLENGES ARE AT THE TOP OF THE COUNTY ECONOMIC DEVELOPMENT AGENDA.** Unemployment or underemployment is the most common challenge across counties (more than 80 percent of responding counties), followed closely by shortage of skilled workers (74 percent of responding counties) and the inability to attract and retain a young workforce (73 percent of responding counties). Maintaining a resilient economy with a diversified and competitive business environment is also a significant concern for counties. As major owners of infrastructure, counties deal directly with infrastructure challenges that affect the development and competitiveness of their local economies.

3 **COLLABORATION IS THE KEY TO COUNTY ECONOMIC DEVELOPMENT INITIATIVES.** County economic development initiatives capitalize on the networks of public, nonprofit and private partners necessary for successful local economic development. This research developed 35 case studies of county economic development initiatives from around the country, featuring a wide range of activities from workforce training, regional marketing and business recruitment and retention to infrastructure financing, small business support, business incubators, disaster preparedness, industry diversification and international economic development. While each initiative solves an economic development problem within the framework of specific local resources and constraints, these case studies highlight some of the current county practices in economic development worthy of replication.

For the full report, the companion interactive data tool and the text of the case studies, see the ***Strong Economies interactive*** at ***www.naco.org/StrongEconomies***

INTRODUCTION

Counties play a distinctive role in economic development as stewards of the county economies — the building blocks of regional economies (metropolitan and micropolitan areas), states and the U.S. economy. The dynamics within county economies affect the capacity of county governments to deliver services. Counties often view economic development through a different lens than other local governments, dictated by permissions allowed by state law and their main functions in health services, criminal justice and public welfare. For these functions, counties invest $193.7 billion annually, double the amount spent by cities.[1] Counties are the social safety net on the ground; they outspend cities at a rate of 3 to 1 on health services or public welfare for their residents.

LOCAL ECONOMIC CONDITIONS VARY DRAMATICALLY ACROSS COUNTIES.

The U.S. economy is on the rebound, but the recovery remains fragile and uneven across county economies. For example, by 2013, unemployment was back to pre-recession levels in only 54 county economies and jobs recovered in only one quarter of the 3,069 county economies. Large county economies — in counties with more than 500,000 residents — were at the core of the recession and recovery. Employment in medium-sized county economies— in counties with populations between 50,000 and 500,000 residents — was more stable during the recession, but had a mixed record in 2013. Small-county economies — in counties with less than 50,000 residents — covered the entire range of recovery outcomes from a county with no recession (Mountrail County, N.D.) to county economies undergoing job and economic output (GDP) declines for more than a decade.[2]

County resiliency is based on the strength of the county economy.

County resiliency is based on the strength of the county economy. Counties' ability to thrive through changing physical, social and economic conditions depends on the prosperity of county residents, the success of local businesses and the availability of financial resources. Counties participate in economic development activities in response to the specific challenges faced by their local economies. The priority placed on different issues reflects the counties' function, structure, assets and authority afforded by the state.

Counties of all sizes participate in economic development initiatives together with public and private partners. Collaboration is crucial as it allows counties to pool resources and effectively address shared concerns. Workforce training is a prevalent economic development activity across counties to address challenges such as unemployment, skills shortages and attraction of young workers. Counties use regional collaboration and innovative financing mechanisms to prepare for potential natural disasters, reduce the high factor costs of infrastructure improvement and attract or retain businesses. Entrepreneurship support and industrial parks are a response to single-industry dependence, a high priority issue for counties that want to improve their economic resiliency.

This research offers a baseline for counties' role, resources, challenges and solutions in economic development. The National Association of Counties (NACo) developed this research in partnership with the Lyndon B. Johnson (LBJ) School of Public Affairs at the University of Texas at Austin. The study draws on the results of a NACo survey of the 3,069 counties conducted between September and October 2013 (hereafter "2013 NACo survey") and 35 case studies of counties or regional economic development organizations with county government involvement. The 2013 survey received responses from 480 counties (15.6 percent response rate), making it the most comprehensive survey of county government economic development initiatives to date. Between January and March 2014, the LBJ research team conducted interviews with individuals (county elected officials, county staff and others as recommended by the county) in each of the profiled counties.

This study examines trends in county involvement in economic development, challenges that counties face in growing their local economies and current county solutions. The examples provided by the 35 case studies are not prescriptive, but offer an illustration of experiences in economic development initiatives across counties.

Counties of all sizes participate in economic development initiatives together with public and private partners.

For the full report, the companion interactive data tool and the text of the case studies, see the ***Strong Economies interactive*** at ***www.naco.org/StrongEconomies***

BACKGROUND

TYPES OF ECONOMIC DEVELOPMENT ACTIVITIES

Counties are involved in a wide range of economic development activities. This study considers a broad definition of economic development as the process that influences the growth and restructuring of an economy to enhance the economic well-being of a community.[3] The economic activities undertaken by counties range from workforce development, business recruitment and retention, regional marketing and branding, entrepreneurship and small business support to infrastructure investment. All of these activities involve strategic planning, but counties are active in planning for improving the resiliency of the county in the face of natural disasters or long-term industry declines. These types of strategic planning activities include disaster preparedness and industry diversification, strengthening the comparative advantage embedded in local clusters and international economic development (export promotion, foreign direct investment attraction, reinforcing sister-cities relationships with foreign places).

KEY TERMS USED IN THIS STUDY

COUNTY GOVERNMENT is an organized entity with governmental character, sufficient discretion in the management of its own affairs to be an independent governmental unit and covering the area of county or county equivalent. Depending on the state, it can be known also as parish government or borough government. This study includes among counties all the consolidated county-city entities and other local governments that the U.S. Census of Governments does not consider county-type areas, but the county charter or state legislation places them as county governments. There are 3,069 county governments in the United States.[4]

GENERAL FUNDS are funds that a government can use for any governmental purpose. In terms of county general funds, they often consist of broadly collected taxes such as property taxes, sales taxes, income taxes, charges and fees and state-shared taxes that are not designated for a specific purpose.

LARGE COUNTIES are counties with more than 500,000 residents in 2012.

MEDIUM-SIZED COUNTIES are counties with populations between 50,000 and 500,000 residents in 2012.

POPULATION represents the number of county residents in 2012, based on the U.S. Census Bureau Population Estimates.

SMALL COUNTIES are counties with less than 50,000 residents in 2012.

WORKFORCE DEVELOPMENT.

Counties participate in workforce development by collaborating with community colleges, local businesses, K-12 schools, non-profit organizations, cities, states and federal organizations. Workforce training typically falls into two categories: place and sector-based development strategies.[5] Place-based programs are tailored to meet the unique needs of individuals in the community. Sector-based strategies provide industry-specific skills and are an effective way counties can narrow skills gaps in their area.[6] Adult basic education programs and specific outreach for disadvantaged populations provide basic skills and job-searching assistance to those without jobs or in low-skilled positions.[7] School-to-Work programs aim to develop skills for the future workforce, sometimes specifically for the future needs of local businesses or as a way to retain their workforce. Other programs aim to narrow the skills gap of the current workforce, including training for incumbent and soon-to-be dislocated workers.[8]

KEY TERMS USED IN THIS STUDY

PLACE-BASED WORKFORCE DEVELOPMENT includes training programs tailored to specific needs of the individuals in a region.[9]

SECTOR-BASED WORKFORCE DEVELOPMENT programs provide industry-specific skills to the workforce in a region.[10]

WORKFORCE represents the number of people who are available for work in a particular geographic area or industry.[11]

BUSINESS RECRUITMENT AND RETENTION/REGIONAL MARKETING AND BRANDING.

Targeted branding strategies can aid economic growth by allowing counties to communicate their strengths to investors. A successful brand can also act as a stabilizing force by creating among public, business and civic leaders a united vision.[12] Local businesses and community members establish the brand by identifying core economic advantages and highlighting community values. Marketing and branding efforts benefit counties that possess significant economic assets and opportunities, but have a relatively limited national or international profile.[13]

KEY TERMS USED IN THIS STUDY

BUSINESS ACCELERATORS AND BUSINESS INCUBATORS are programs that support the development of new businesses. Accelerators exchange small amounts of equity for capital and mentorship and typically last three to four months. Incubators bring in an external management team to help develop ideas within the company.[14]

REVOLVING LOAN FUNDS are a financing tool that recycles an initial capital amount that does not need to be repaid by providing loans, receiving loan repayments and then providing further loans.[15]

ENTREPRENEURSHIP AND SMALL BUSINESS SUPPORT.

Counties support local businesses through a range of programs. Business accelerators exchange small amounts of equity for capital and mentorship, while business incubators support start-up companies through subsidized or free office space or an ongoing mentorship program with established businesses. This support system may take a variety of organizational formats, including county economic development programs or initiatives delivered through non-profit organizations or universities.[16] Counties provide financing to small businesses by facilitating their access to federal or state loan programs or by leveraging private lenders through matching funds for Capital Access Programs.[17] Some counties have their own loan programs, such as Revolving Loan Funds, to target business owners who might not otherwise qualify for a traditional bank loan. These programs can be capitalized by a county's own revenue, bonds and state appropriations.[18]

Counties also participate in developing training programs for entrepreneurs and small-business owners to help them grow their businesses and in the process generate more jobs, greater revenues for the business and increased tax revenues for the county. Training programs can take many different forms, but most emphasize the importance of equipping trainees with skills in creative thinking, best business practices and problem-solving.[19]

INFRASTRUCTURE INVESTMENT.

Investments in infrastructure systems — roadways, bridges, transit, railroads, water, sewer, intermodal connectors and telecommunications systems — result in higher property values and quality-of-life improvements, affect business decisions and connect communities into thriving regional economies.[20] Telecommunication infrastructure is especially helpful in rural or technologically underserved counties.[21] Specifically, investment in broadband access helps counties to attract a skilled workforce or overcome issues of geographic isolation.[22] Due to high capital costs associated with public infrastructure, counties frequently collaborate with regional public or private partners to finance, build and maintain infrastructure projects of all sizes and levels of complexity.

KEY TERMS USED IN THIS STUDY

GENERAL OBLIGATION BONDS are municipal bonds repaid from the general tax revenue of the jurisdiction issuing the bond.

INFRASTRUCTURE is the system of public works including transportation systems, utility lines and public buildings.[23]

MUNICIPAL BONDS are debt instruments used by counties and other state and local governments and authorities to finance infrastructure projects.

REVENUE BONDS are municipal bonds repaid from the anticipated income resulting from the funded project.

SPECIAL DISTRICTS can tax, issue bonds and provide services within a specified area.[24]

TAX INCREMENT FINANCING (TIF) is a financing method used for current infrastructure improvements using future gains in tax revenues expected from the infrastructure improvements in the tax incremental districts (TID).[25]

STRATEGIC PLANNING.

Strategic planning for economic development creates a unified vision for a county's future and suggests programmatic initiatives for bringing the vision to fruition. While different types of economic activities require strategic planning, this study focuses on strategies that increase the resiliency of the county such as disaster preparedness and industry diversification, cluster initiatives, and international economic development activities.

KEY TERMS USED IN THIS STUDY

COUNTY RESILIENCY refers to a county's ability to thrive amid changing physical, social and economic conditions, including events such as natural disasters, economic collapse and others. Preparation for and recovery from such events requires both long-term strategic planning and immediate action.[26]

ECONOMIC DIVERSIFICATION measures the degree to which economic output is spread across the sectors of an economy. When relatively few sectors concentrate the majority of economic activity in an area, the local economy is more vulnerable to the problems of those sectors.[27]

U.S. EXPORTS are sales of goods or services made in the United States to a person or business residing in a foreign country.[28]

FOREIGN DIRECT INVESTMENT in the United States represents the ownership or control, directly or indirectly, by one foreign resident (business or individual) of at least 10 percent of a U.S. business enterprise.[29]

FOREIGN TRADE ZONE is a port, airport or other area into which businesses can store goods without paying import tax before being exported to another country.[30]

INDUSTRY CLUSTER represents a geographic concentration of interconnected companies, specialized suppliers, service providers and associated institutions in a particular sector.[31]

RESILIENCY denotes the capacity of a natural system to recover from disturbance.[32]

SISTER CITY relationships are long-term cross-national partnerships between cities, counties or state entities designed to facilitate cultural and economic exchange.[33]

STRATEGY exemplifies the way in which a business, government or other organization plans its actions over a period of time to improve its position and achieve goals.[34]

- **DISASTER PREPAREDNESS AND PREVENTION/INDUSTRY DIVERSIFICATION.** Counties are at the forefront of response in case of disaster, both natural and man-made. Natural disasters strike counties with increasing frequency and at a higher cost. In 2011, Federal Emergency Management Agency (FEMA) reported 241 total disaster declarations, the largest number in the last 60 years.[35] But resiliency in face of unexpected events goes beyond responding to natural disasters, technological hazards, and terrorist attacks. A diversified economy relies on a range of different sectors to sustain economic growth, which increases the county resiliency to external shocks, from immediate disasters to cyclical downturns in the national economy, global competition or resource depletion. Consequently, economic diversification is crucial to ensure economic resiliency.[36] Disaster preparedness and prevention requires both long-term planning and immediate action and leadership capacity to identify and manage risk to stay flexible and responsive.[37]

> Counties are at the forefront of response in case of disaster, both natural and man-made.

- **CLUSTER INITIATIVES**. The comparative advantage of many local economies is found in industry clusters that developed over a long period of time. Industry clusters represent an agglomeration of firms and related institutions within a specific geographic region that have complementary economic activities.[38] They are an ecosystem of buyer/supplier relationships, common technologies, knowledge sharing or specialized labor markets, thereby giving firms in the cluster and the local economy a competitive advantage.[39]

- **INTERNATIONAL ECONOMIC DEVELOPMENT INITIATIVES.** Ninety-five (95) percent of world consumers live outside of the United States.[40] Some counties aim to expand the growth possibilities for their local economies through export promotion and in the process create local jobs, grow the tax base and bring new income and wealth into the county. Many counties are also exploring foreign direct investment (FDI) strategies to create local jobs. Foreign direct investment (FDI) brought more than $193 billion into the nation in 2013.[41] Successful strategies require well-developed road, air, rail and sea transport facilities within the county or the region. Smaller, landlocked counties found ways to expand their position as inland ports. Incentives to businesses include infrastructure improvements, branding and marketing, workforce development and/or favorable tax and loan policies.[42] Some counties benefit from sister-cities relationships, which encourage international trade and tourism to the region.[43]

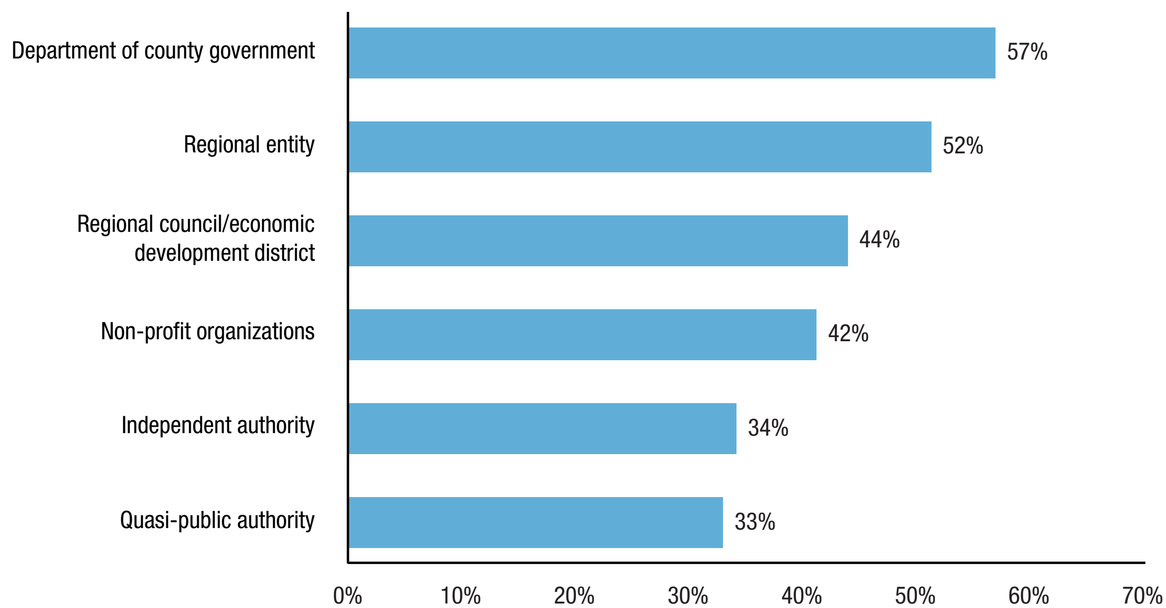
FINDINGS

1. COUNTIES ARE SPONSORS OF LOCAL ECONOMIC DEVELOPMENT INITIATIVES.[44]

The 2013 NACo survey offers a baseline for counties' authority, types of engagements, contributions and revenue sources for their investment in economic development.

AUTHORITY FOR ECONOMIC DEVELOPMENT. Counties are "creatures" of the state, and the extent of county government engagement in economic development often depends on the type of authority allowed to county governments by state law. While 94 percent of the surveyed counties reported that they are authorized to initiate economic development partnerships with other units of government and nonprofits, only three-quarters of them mentioned state permission to create an economic development authority. Most responding counties also stated that they can finance economic development activities performed by the county or by county partners. As a result, more than 90 percent of the responding counties participate in economic development activities.

FIGURE 1: ENTITIES MANAGING COUNTY ECONOMIC DEVELOPMENT INITIATIVES, PERCENT OF RESPONDING COUNTIES, 2013



Sources: NACo survey, October 2013

HOW COUNTIES ENGAGE IN ECONOMIC DEVELOPMENT. Collaboration defines county engagement in economic development, as seen in county organizational structures for economic development and funding mechanisms for these type of activities. Although 86 percent of responding counties have state authorization to create an economic development department, only 57 percent of counties have a county department managing economic development initiatives (See Figure 1). To gain efficiencies and reduce in-house costs, counties engage other organizations to manage local economic development activities, often multiple actors. One third of counties rely on independent economic authorities and a similar proportion use quasi-public authorities enabled by county governments. A majority of counties engage a regional organization for economic development initiatives and 42 percent contract with a nonprofit.

Counties understand that economic development starts and ends with the private sector and jobs.

Counties collaborate with both the private sector and other levels of government and nonprofits interested to strengthen local economies (See Table 1). Ninety-five (95) percent of counties engaged in economic development partner with others. Counties understand that economic development starts and ends with the private sector and jobs; the local chamber of commerce or other local business association is the most prevalent partner of counties of all sizes. They also recognize that local economies are connected in regional economies by the traffic flows of people and goods. More than 80 percent of counties partner with regional economic development organizations and almost 66 percent of responding counties collaborate with their neighboring counties, the highest proportion among small counties. Other levels of government also rank high on the county list of partners in economic development. Virtually all large counties work together with the cities within their jurisdiction, and cities are the top partner for mid-sized counties. Finally, 80 percent of counties cite partnering with the state government in economic development initiatives.

TABLE 1: TOP FIVE COUNTY PARTNERS IN ECONOMIC DEVELOPMENT INITIATIVES, PERCENT OF RESPONDING COUNTIES BY COUNTY POPULATION SIZE, 2013

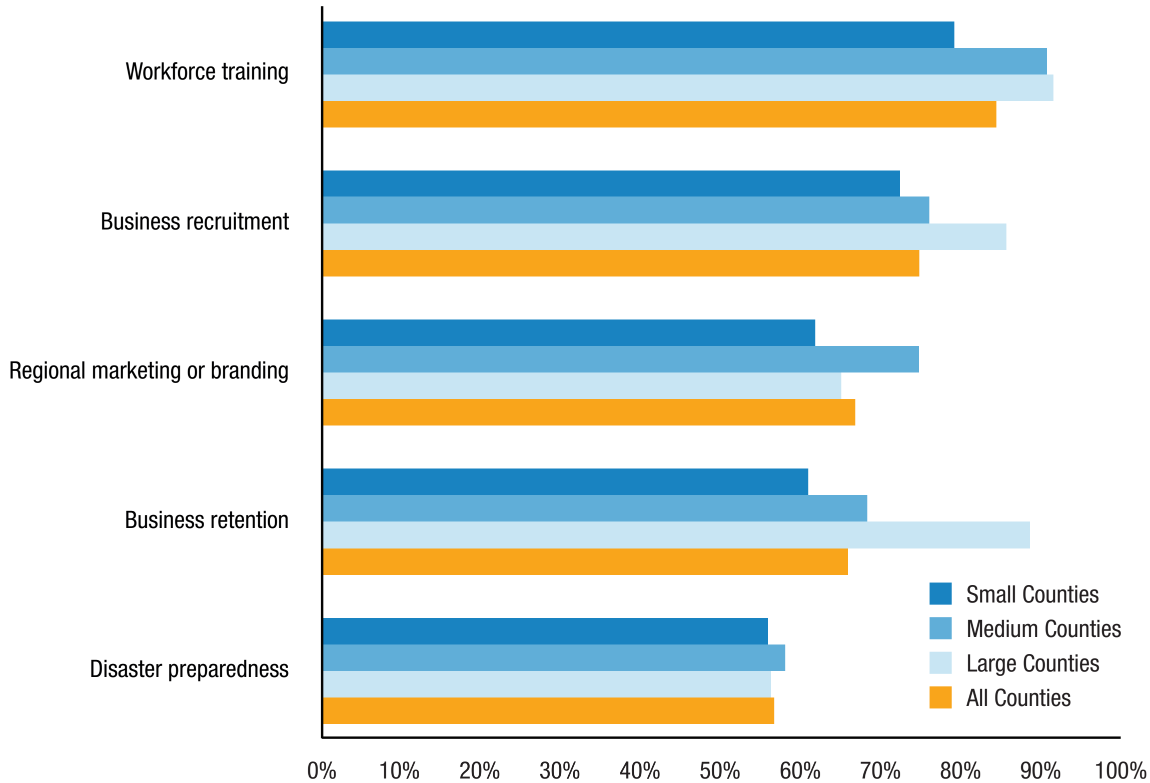
	Most Mentioned County Partners in Economic Development Initiatives	Small Counties (%)	Medium Counties (%)	Large Counties (%)	All Counties (%)
1	Local chamber of commerce or other local business associations	81.6	85.9	85.3	83.5
2	Regional economic development organizations	84.6	84.0	73.5	83.5
3	Cities in your county	76.1	90.4	97.1	83.0
4	State government	77.4	83.3	91.2	80.7
5	Other counties in your region	71.4	61.5	47.1	65.8

Notes: Large counties have more than 500,000 residents. Medium-sized counties have between 50,000 and 500,000 residents. Small counties are counties with less than 50,000 residents.

Sources: NACo survey, October 2013; 2012 population data-U.S. Census Bureau, Population Estimates, 2013

REGIONAL COLLABORATION. Creating a competitive region and using specialized help are the main goals of county collaboration in economic development initiatives. Eighty-four (84) percent of counties (and even higher shares of large or mid-sized counties) use partnerships for workforce training, given the regional nature of labor markets (See Figure 2). In three-quarters of responding counties, business recruitment is a partnership affair, and two-thirds of counties work with others to retain businesses in their area. Both for site selection and company growth, businesses look at factors such as labor force and infrastructure, regional in nature and sometimes beyond county government's purview. Regional marketing is a partnership for two-thirds of counties and three-quarters of responding mid-sized counties.

FIGURE 2: TOP FIVE ECONOMIC ACTIVITIES FOR COUNTY PARTNERSHIPS, PERCENT OF RESPONDING COUNTIES BY COUNTY POPULATION SIZE, 2013



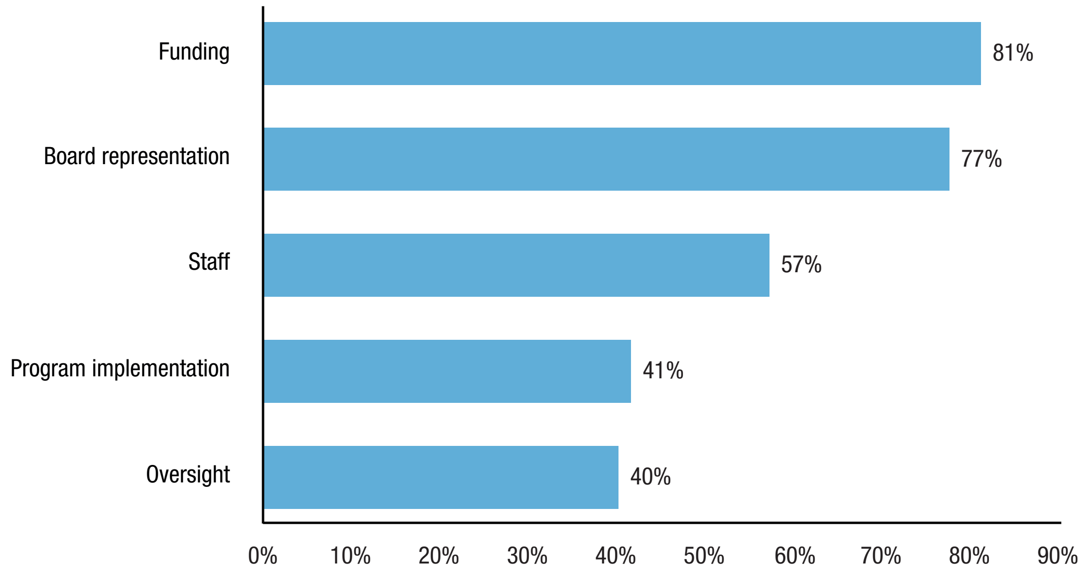
Notes: Large counties have more than 500,000 residents. Medium-sized counties have between 50,000 and 500,000 residents. Small counties are counties with less than 50,000 residents.

Sources: NACo survey, October 2013; 2012 population data-U.S. Census Bureau, Population Estimates, 2013

COLLABORATION FOR RESILIENCY. Counties of different sizes and resources put emphasis on collaboration in different areas, but resiliency is a common trend in county partnerships. Resiliency is a concern for counties across the board; half of all small, medium and large counties pursue partnerships related to disaster preparedness and recovery (See Figure 2). For other purposes, large counties tend to use partnerships more than other counties, but a few exceptions are notable. Small and medium counties pursue partnerships for industrial parks and broadband connectivity more frequently than larger counties. Almost half of medium-sized counties pursue partnerships to support industry diversification, double the rate of small or large counties.

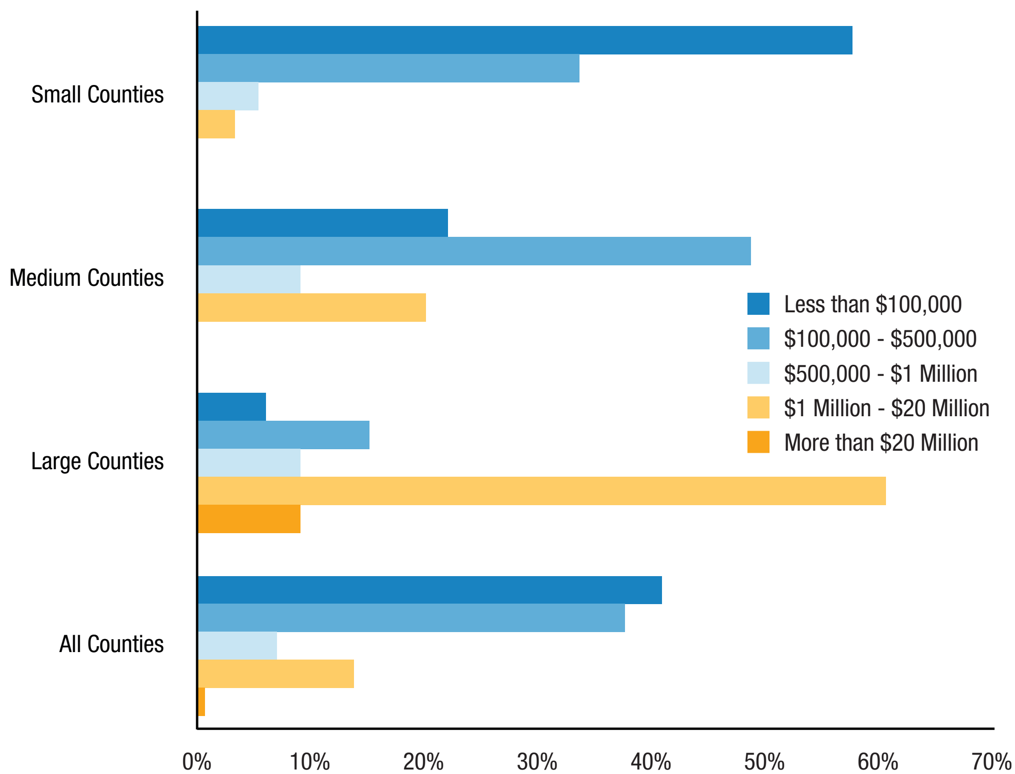
COUNTIES FUND ECONOMIC DEVELOPMENT. Funding is the most frequent county contribution to economic development partnerships, cited by 81 percent of the responding counties (See Figure 3). County board representation in partner entities was the second most cited contribution, explained by the variety of entities created by states or counties in economic development. More than half of responding counties have staff working on economic development partnerships, the share reaching almost three-quarters in the case of large counties. Counties are less likely to implement or oversee economic development initiatives developed in partnership, especially if they are on the smaller side. Only 38 percent of responding small counties implemented economic development projects developed in collaboration with others.

FIGURE 3: COUNTY CONTRIBUTION TO ECONOMIC DEVELOPMENT PARTNERSHIPS, PERCENT OF RESPONDING COUNTIES, 2013



Sources: NACo survey, October 2013

FIGURE 4: COUNTY ANNUAL INVESTMENT IN ECONOMIC DEVELOPMENT, PERCENT OF RESPONDING COUNTIES BY COUNTY POPULATION SIZE, 2013

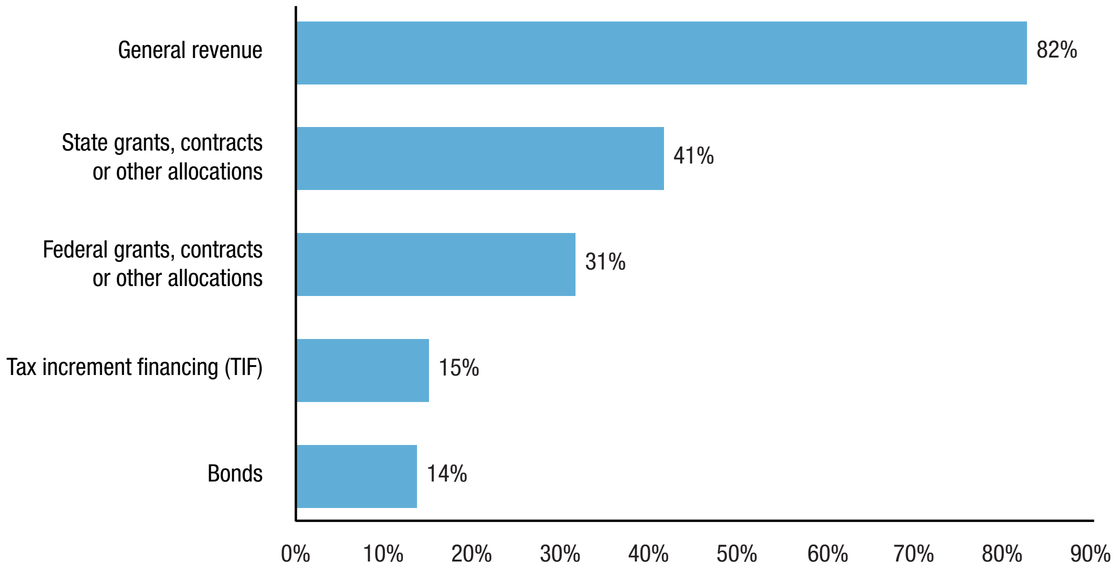


Notes: Large counties have more than 500,000 residents. Medium-sized counties have between 50,000 and 500,000 residents. Small counties are counties with less than 50,000 residents.

Sources: NACo survey, October 2013; 2012 population data-U.S. Census Bureau, Population Estimates, 2013

Counties invest an estimated $25.6 billion annually in economic development and $106.3 billion in building infrastructure and maintaining and operating public works.[45] As health services, justice and public welfare are typically the main functions of county government, investment in an area such as economic development varies greatly across counties. Large counties spend millions of dollars annually on economic development, with 70 percent of the responding governments reporting county budgets for economic development activities upward of $1 million (See Figure 4). Nine (9) percent of them invest more than $20 million annually. At the other end of the range, more than half of small counties invest less than $100,000 and 71 percent of mid-sized counties allocate less than $500,000 to economic development.

FIGURE 5: TOP FIVE REVENUE SOURCES FOR COUNTY FUNDING FOR ECONOMIC DEVELOPMENT, PERCENT OF RESPONDING COUNTIES, 2013



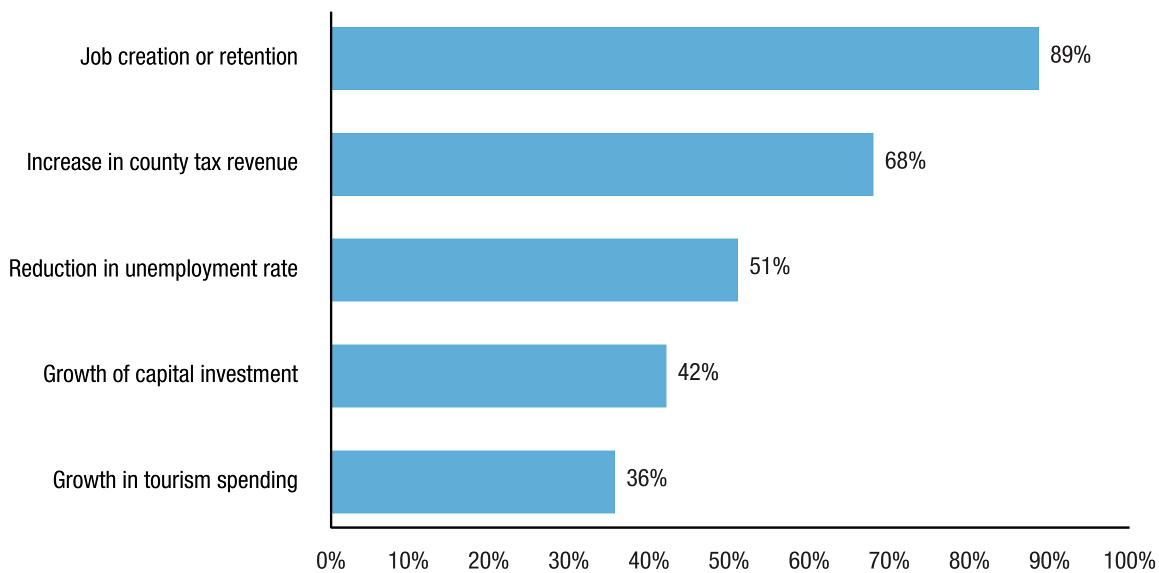
Sources: NACo survey, October 2013

FUNDING SOURCES. Counties use a variety of revenue sources to fund economic development (See Figure 5). More than 80 percent of responding counties report relying on their general revenue funds. County funding for economic development reflect the nature of counties as state-created entities; state grants and contracts are the second-most cited source of funding. Federal grants and contracts also play a role in county funding of economic development programs, with 31 percent of responding counties mentioning federal dollars as a source for economic development funding. Large counties are more engaged with federal agencies for economic development purposes than the other counties. More than half of them report collaborating with the U.S. Department of Housing and Urban Development (HUD), given the agency's grant programs focus on urban areas. A third of counties are involved with the U.S. Economic Development Administration (EDA), a share that is relatively constant across counties of different population sizes. Almost 40 percent of mid-sized counties cooperate with the U.S. Small Business Administration (SBA). Small counties have less direct engagement with federal agencies in economic development; the EDA is the federal agency they cite the most as a partner.

FINANCING TOOLS FOR ECONOMIC DEVELOPMENT. As economic development projects have a long-term horizon for delivering benefits, counties use a number of financing tools to support local economic development and match the life of projects with the payment period. Depending on available statutory authority, project type and funding sources, counties tend to issue bonds or use land value capture methods such as tax increment financing (TIF). More than a third of large counties use bonds as a financing mechanism for economic development projects, more than double the rate in mid-sized counties and almost four times more likely than small counties. About a third of large counties use TIF to fund an economic development project. This financing mechanism allows them to borrow against the future stream of additional property tax revenue the project is expected to generate — above the level at the time the TIF district goes into effect.[46]

ANTICIPATED OUTCOMES. Counties keep track of their investment in economic development initiatives. The top outcome counties hope to foster is job creation and retention, as indicated by 89 percent of the respondents (See Figure 6). Unemployment reduction is also on the minds of more than half of the responding counties. This focus on jobs reflects the unique county perspective, sitting at the intersection of human services, criminal justice, public welfare and economic development. Counties understand that creating quality jobs and reducing unemployment can reduce reliance on health and human service programs and keep residents as positive contributors to their communities. Economic development allows counties to improve the revenue base of the county and secure the funding necessary for maintaining county services for their residents.

FIGURE 6: TOP FIVE MOST USED PERFORMANCE MEASURES FOR COUNTY ECONOMIC DEVELOPMENT INITIATIVES, PERCENT OF RESPONDING COUNTIES, 2013



Sources: NACo survey, October 2013

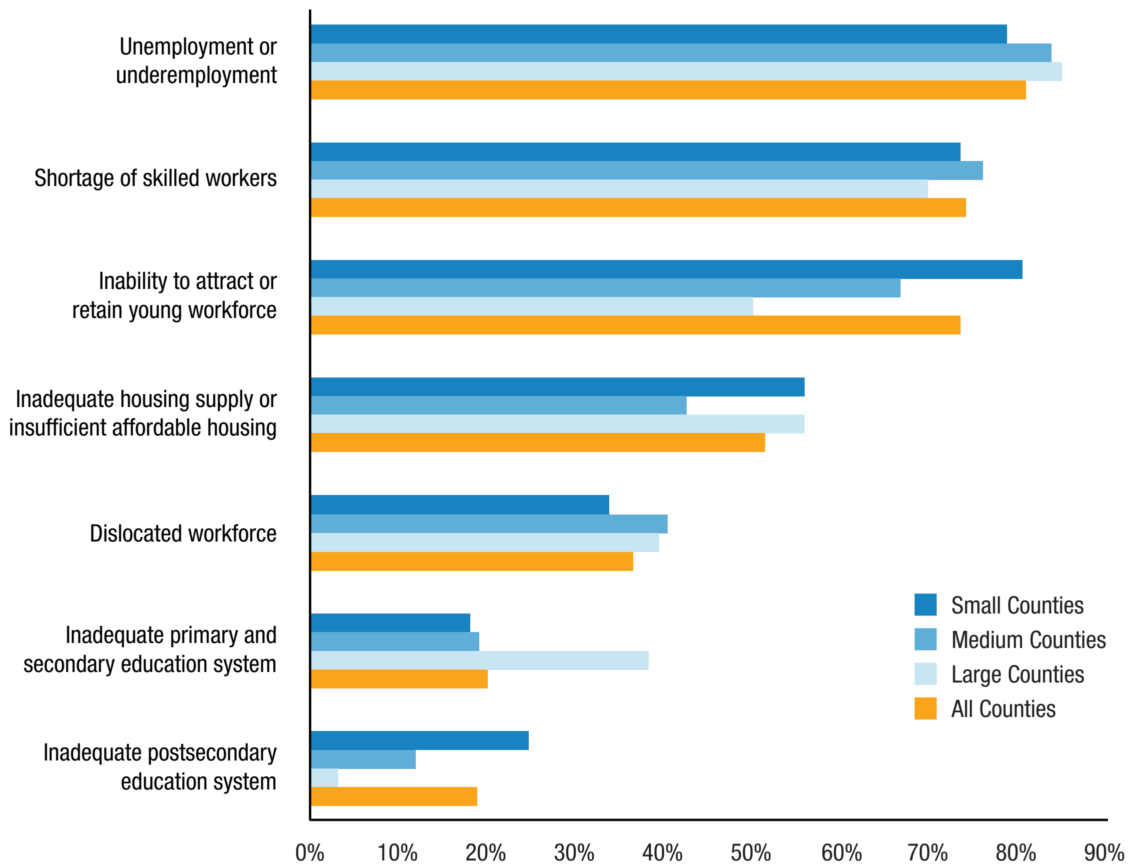
Counties are sponsors of local economic development partnerships, contributing funding most often from their own general funds. Regardless of county size, counties strive for regional collaboration recognizing that their local economies grow intertwined in regional economies. Resiliency is one of the goals that bring counties together with public and private partners. Counties engage in economic development initiatives to improve the job situation for their residents; job creation and unemployment reduction are some of their top goals and workforce training is the most common county economic development activity. Counties' unique role as providers of human services, criminal justice, public welfare and infrastructure drive their focus in economic development.

2. WORKFORCE CHALLENGES ARE AT THE TOP OF THE COUNTY ECONOMIC DEVELOPMENT AGENDA.[47]

County involvement in economic development initiatives is a response to specific challenges faced by local economies, from workforce problems to maintaining a resilient business environment and strong infrastructure fundamentals. The 2013 NACo survey provides evidence for the most common challenges facing counties in economic development.

WORKFORCE ISSUES ARE OF THE HIGHEST PRIORITY FOR COUNTIES. Unemployment or underemployment is the most common challenge cited by responding counties (more than 80 percent), followed closely by shortage of skilled workers (74 percent) and inability to attract and retain a young workforce (73 percent) (See Figure 7). More than a third of counties report dealing with dislocated workers, as a result of layoffs and plant closures. These are common issues for counties of all sizes, but some differences remain.

FIGURE 7: WORKFORCE CHALLENGES FOR COUNTIES, PERCENT OF RESPONDING COUNTIES BY COUNTY POPULATION SIZE, 2013



Notes: Large counties have more than 500,000 residents. Medium-sized counties have between 50,000 and 500,000 residents. Small counties are counties with less than 50,000 residents.

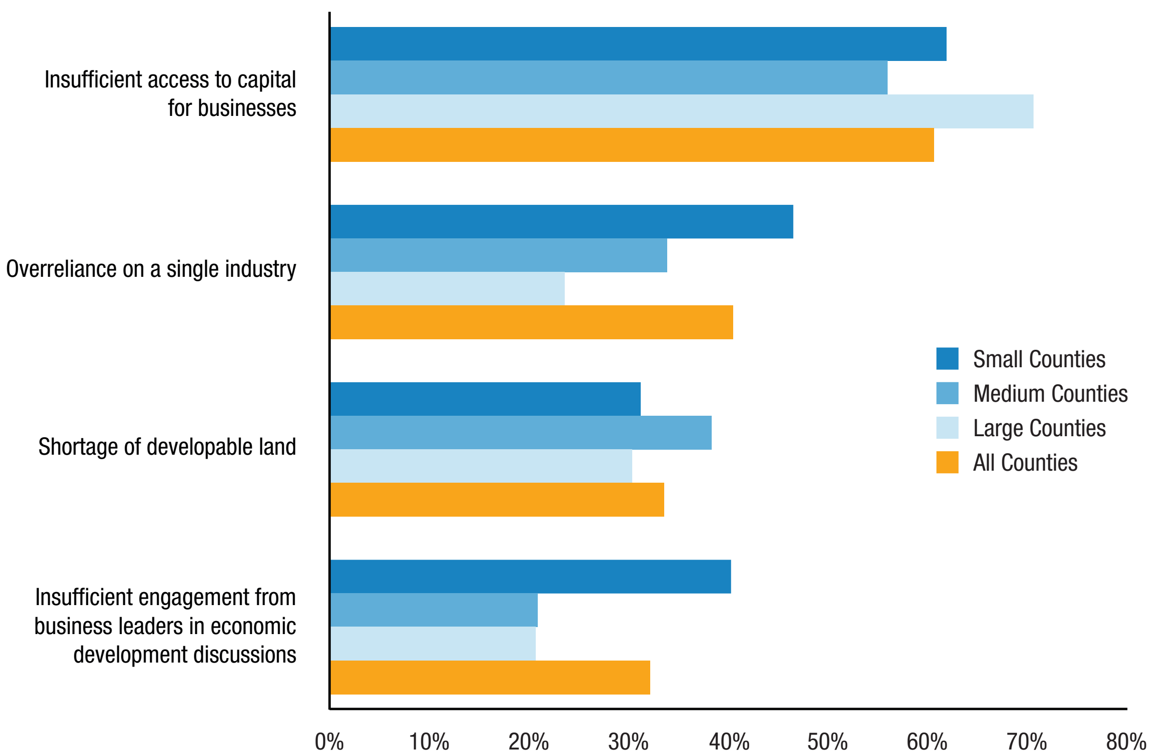
Sources: NACo survey, October 2013; 2012 population data-U.S. Census Bureau, Population Estimates, 2013

Mid-sized counties are more likely to perceive unemployment and the lack of skilled labor force as problems than other counties. These perceptions match the situation in county economies. In 2013, the 7.4 percent average unemployment rate for mid-sized county economies was higher than both in large and small county economies.[48] As centers of manufacturing in the United States — 42 percent of manufacturing jobs are located in mid-sized county economies — mid-sized counties need a skilled labor force.[49] Manufacturing is one of the top five most STEM (science, technology, engineering and math-) intensive sectors in the United States, with 30 percent of the jobs in this sector requiring a high level of STEM knowledge.[50]

Attracting and retaining a young workforce is a more frequent problem in small counties than in other counties. For example, 80 percent of small counties perceive it as an issue in comparison with half of large counties. The working age population in small counties is older than in other counties. In 2012, 53 percent of the working age population in small counties was between 40 and 64 years old, higher than the 48 percent rate in large counties or 50 percent in mid-sized counties.[51] Related to this issue, small counties also report facing challenges with an inadequate system of post-secondary education, more than other counties.

Large counties encounter specific problems related to workforce, besides the issue of unemployment and a deficit of skilled workers. Housing shortage is an issue identified by more than half of the responding large counties. The quality of K-12 education worries large counties, as it affects economic development. Thirty-eight (38) percent of the reporting large counties identified the quality of the primary and secondary education system as a challenge to growing their local economy, more than mid-sized counties (19 percent) and small counties (18 percent).

FIGURE 8: BUSINESS ENVIRONMENT CHALLENGES FOR COUNTIES, PERCENT OF RESPONDING COUNTIES BY COUNTY POPULATION SIZE, 2013

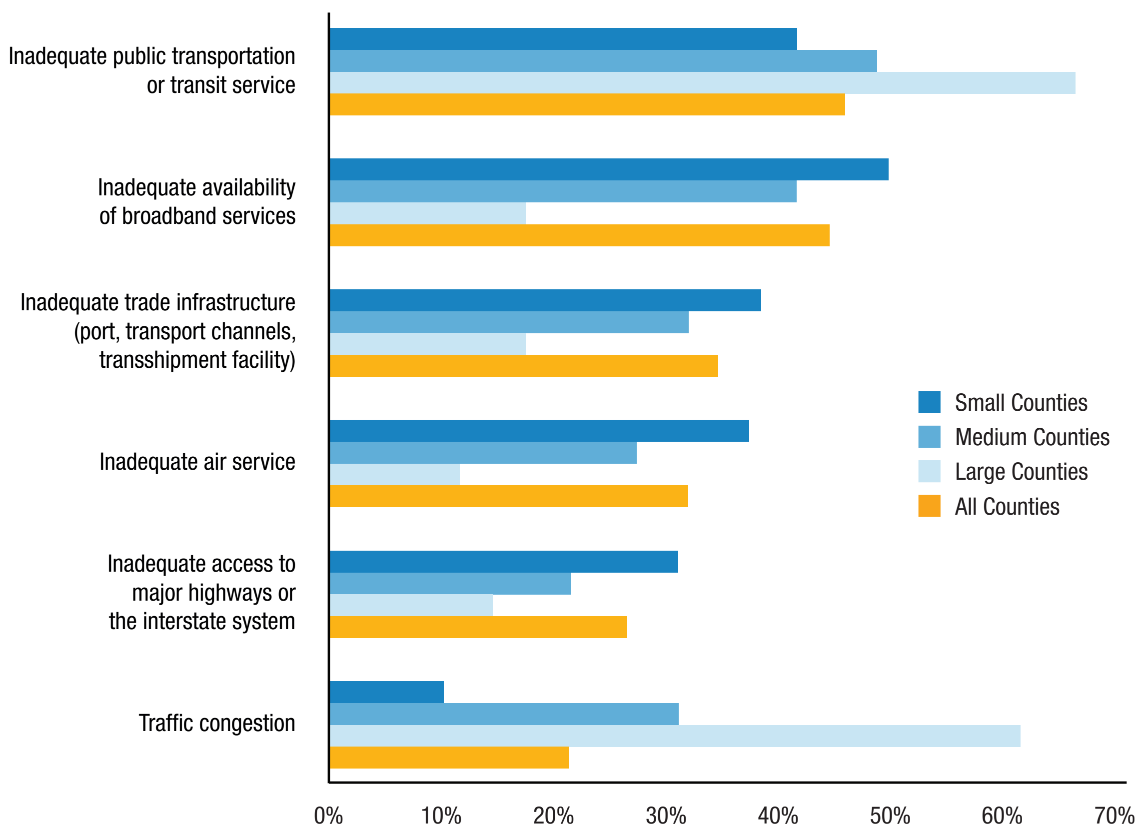


Notes: Large counties have more than 500,000 residents. Medium-sized counties have between 50,000 and 500,000 residents. Small counties are counties with less than 50,000 residents.

Sources: NACo survey, October 2013; 2012 population data-U.S. Census Bureau, Population Estimates, 2013

RESILIENT BUSINESS ENVIRONMENT. Responding counties face other issues such as overreliance on a single industry and shortage of assets necessary for a competitive economy. Counties understand that their relation with local employers is essential for creating a strong economy. Forty (40) percent of responding counties and a slightly higher share of small counties see their county economy in danger of depending on too few employers (Figure 8). They would like to see more access to capital for local businesses, an issue in the majority of counties. Availability of developable land is another challenge reported by counties, especially mid-sized counties. As zoning falls often under county authority, counties have close knowledge of this issue. Counties, especially small counties, would like to see business leaders more engaged with them and other stakeholders in strengthening the local economy.

FIGURE 9: INFRASTRUCTURE CHALLENGES FOR COUNTIES, PERCENT OF RESPONDING COUNTIES BY COUNTY POPULATION SIZE, 2013



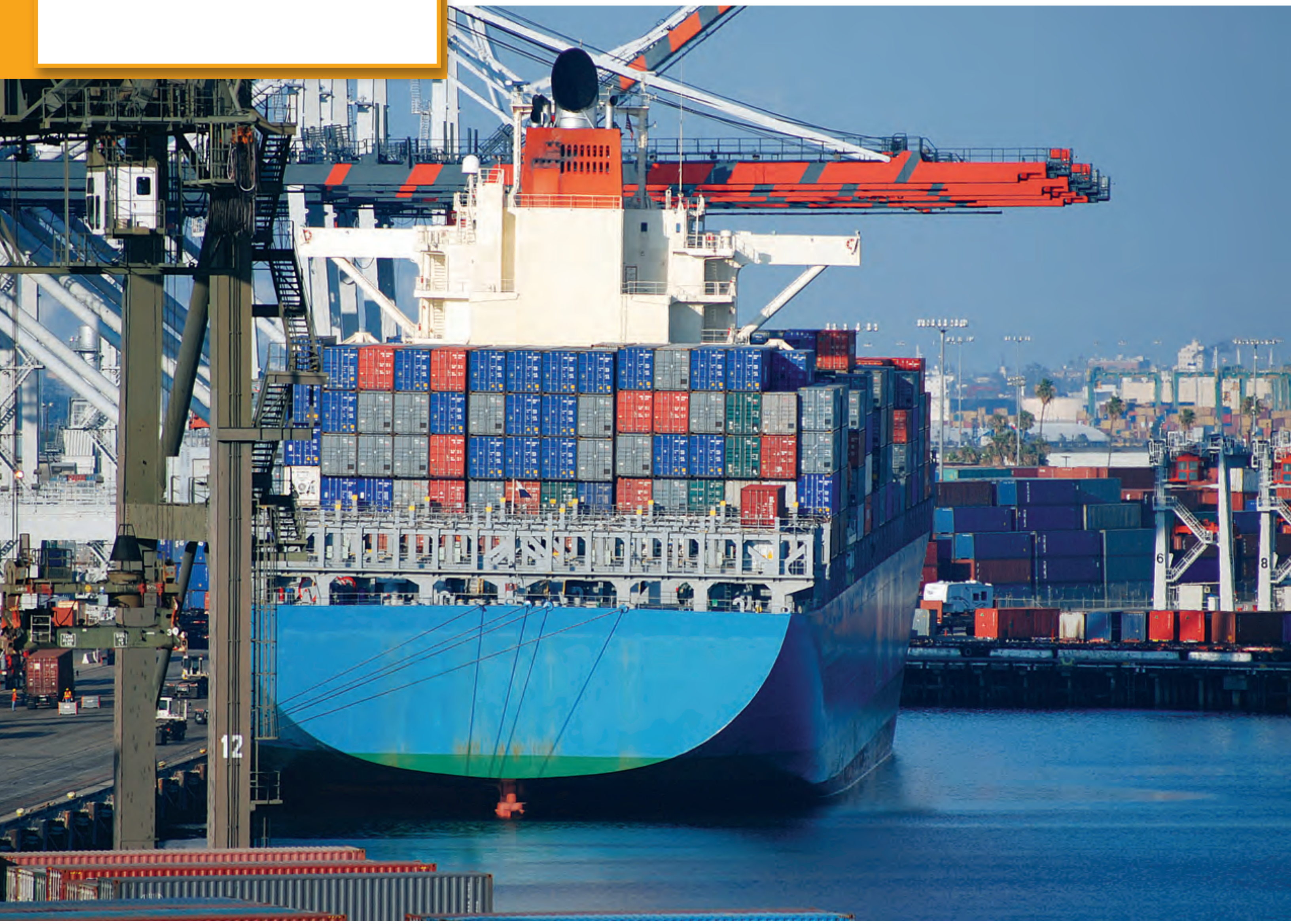
Notes: Large counties have more than 500,000 residents. Medium-sized counties have between 50,000 and 500,000 residents. Small counties are counties with less than 50,000 residents.

Sources: NACo survey, October 2013; 2012 population data-U.S. Census Bureau, Population Estimates, 2013

INFRASTRUCTURE CHALLENGES. Counties experience infrastructure challenges firsthand. They are responsible for building and maintaining 45 percent of the public roads, 39 percent of all bridges (230,690 bridges) and are involved in a third of the nation's transit and airport systems that connect residents, businesses and communities.[52] Caught in between rising construction costs and heavy traffic volumes, inadequate state and federal funding and statutory limitations on their ability to raise revenue, counties have a hard time funding their share of the U.S. infrastructure system on their own. While small counties have an issue with inadequate access to major highways, lack of air service or shortage of broadband in their area, two-thirds of large counties encounter insufficient transit service. Traffic congestion is mainly a large-county issue; 62 percent of large counties report it in comparison with only 10 percent of small counties and 31 percent of mid-sized ones. But counties of all sizes need more and better trade infrastructure, from ports and roads to transshipment facilities. Freight patterns cross the country from goods-producing counties to consumer counties, connecting local economies into the U.S. and global economies.

Counties of all sizes need more and better trade infrastructure, from ports and roads to transshipment facilities.

Counties have their finger on the pulse of their local economies. The employment situation is a prevailing concern, as the share of people employed and the quality of jobs have a direct relation with the residents' needs of county services such as public welfare, social services and criminal justice. Ensuring a competitive business environment for a large number of companies is part of county resiliency strategy. As major owners of infrastructure, counties deal directly with infrastructure challenges that affect the development and competitiveness of their local economies.

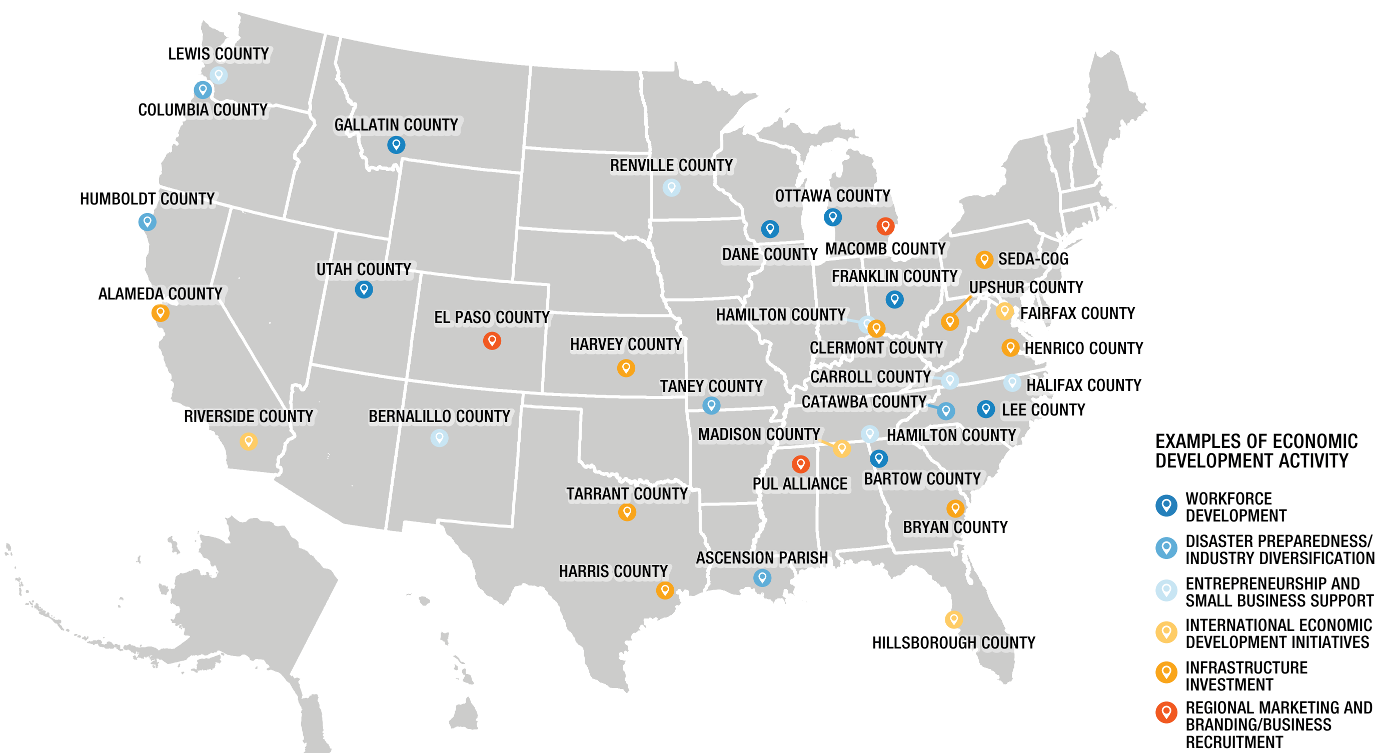


3. COLLABORATION IS THE KEY TO COUNTY ECONOMIC DEVELOPMENT INITIATIVES.[53]

Together with partners, counties find solutions to the most pressing economic development problems facing their communities. Each economic development initiative is unique, as it tries to solve an economic problem within the framework of specific local resources and constraints. State authority, county capacity and resources and the convening power of counties shape counties' response to the challenges to their local economy. Counties originated as the regional administrative arm for state government, especially as it relates to public welfare and public administration. This is a primary difference with cities that tend to have more flexibility and autonomy than counties.

This section highlights some of the current county practices in economic development, drawing from the 35 county case studies from across the country developed for this report (See Map 1 and the Methodological Appendix for more on the case studies).

MAP 1: THE 35 CASE STUDIES OF COUNTY ECONOMIC DEVELOPMENT INITIATIVES



Note: The PUL Alliance in Mississippi is a regional economic development alliance among Pontotoc County, Union County and Lee County, part of the Three Rivers Planning and Development District. Susquehanna Economic Development Association - Council of Governments (SEDA-COG) is a regional multi-county development agency serving 11 Central Pennsylvania counties. For ease of visualization, this research identifies one of the economic development initiatives featured in each case study. Most often, the case studies feature more than one initiative.

For the full report, the companion interactive data tool and the text of the case studies, see the ***Strong Economies interactive*** at **www.naco.org/StrongEconomies**

WORKFORCE DEVELOPMENT.

Most workforce development programs with county involvement strive to reduce unemployment; attract, retain and grow local businesses; and train and educate a skilled workforce. Employment opportunities and quality of workforce are the top concerns and reasons of collaboration for counties in economic development, according to the 2013 NACo survey. The regional nature of labor markets presents counties with an opportunity to convene schools, workforce development organizations, employers and other partners within or outside the county to engage in customized training, skills development and re-employment strategies.

UNEMPLOYMENT REDUCTION. A number of counties, especially large counties, seek to reduce unemployment among economically challenged populations. For example, Alameda County, Calif. has the highest percentage of residents in the Bay Area enrolled in CalWORKS, the state's version of the Temporary Assistance for Needy Families (TANF) program.[54] To reduce unemployment and reintegrate into the labor force, county residents enrolled in CalWORKS, the county partners with the East Bay Economic Development Alliance (EDA), a non-profit organization housed within the county government. Four county officials serve on the EDA's executive committee, and the county helps EDA arrange abatements and subsidies for businesses to hire, train and retain a certain percentage of local CalWORKS enrollees.

> **The regional nature of labor markets presents counties with an opportunity to convene schools, workforce development organizations, employers and other partners within or outside the county.**

Dane County, Wis. focuses on lowering unemployment among minorities. For example, in 2011, African-American residents faced an unemployment rate of 25.2 percent, much higher than the 5.1 percent for the county as a whole.[55] In order to address these disparities and strengthen the overall workforce and the local economy, Dane County's newly created Office of Economic and Workforce Development is working with Big Step in 2014.[56] Big Step aims to meet the local construction industry's demand for skilled workers and increase access to jobs for under-represented groups.[57]

WORKFORCE DEVELOPMENT FOR BUSINESS RETENTION. Counties use workforce development efforts to support business retention, expansion or attraction strategies. For example, Lee County, N.C., employed a workforce development strategy in retaining Caterpillar for expansion. Caterpillar was evaluating the region as a potential expansion site in 2010, but voiced concerns about the availability of skilled labor in Lee County. The county responded by focusing on workforce development as a key component of the incentive package offered for the Caterpillar facility. As a result, Caterpillar announced in 2010 a $28.3 million expansion, which added 325 new jobs to the region.[58]

SKILLS DEVELOPMENT. Counties across the country have active partnerships with high schools, community colleges and universities to provide skills development services. For example, in the fall of 2013, in Bartow County, Ga., the county school district and local businesses created Bartow County College and Career Academy (BCCCA), to help prepare students for careers in the county.[59] The BCCCA organizes on-the-job training for high-school students in fields such as engineering and health care.[60] While less than one year old, the program already has 240 students.

Gallatin County, Mont. and the City of Bozeman collaborated on organizing funding for workforce training in the county. At the initiative of the Gallatin County and the City of Bozeman, county residents passed a mill levy in November 2013 — with projected revenue of nearly $370,000 per year — to support Gallatin College.[61] The Montana State University (MSU) Board of Regents created the college in 2010, collaborating with the City of Bozeman, local and state legislators, the commissioner of Higher Education and the president of MSU. The college offers workforce training certificates and associate degrees in areas related to the five fastest growing sectors in the county: technology, outdoor industry, bioscience, manufacturing and photonics. Gallatin College enrollment increased from 723 students in 2010 to nearly 1,000 students in 2013.[62]

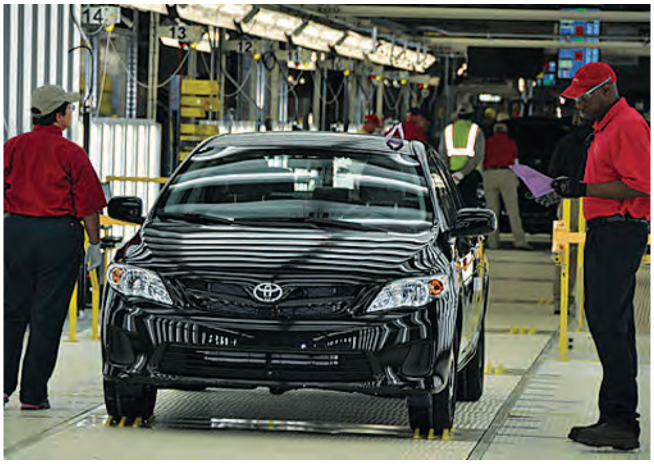
Utah County, Utah collaborates with educational institutions to address a shortage of high-tech workers in the region. Recognizing a need in several specific curriculum programs, the county worked with Utah Valley University (UVU) to create new programs in business marketing and sales analytics. Additionally, the county partnered with UVU and Mountainland Applied Technology College to create new career pathway programs for local high school students.

BUSINESS RECRUITMENT AND RETENTION/ REGIONAL MARKETING AND BRANDING.

Counties frequently collaborate with other counties in the region for marketing the regional economy. Effective marketing for economic development involves not only identifying a region's unique competitive advantage, but also communicating the value of that advantage to companies both inside and outside the region. The marketing effort must rely on tangible assets that create comparative advantages for the region.

PUL ALLIANCE IN MISSISSIPPI

The PUL Alliance in Mississippi is an example of effective regional marketing and business recruitment. Pontotoc County, Union County and Lee County, part of the Three Rivers Planning and Development District, formed the PUL Alliance in 2001, the first of its kind in Mississippi.[63] The goal was to build a large industrial site to attract major economic impact businesses, by sharing the expenses and generated tax revenues.[64] The pooling of resources — staff time, technical expertise, networks and funding — produced results that would have been very difficult to achieve by these rural counties acting individually. The PUL Alliance's joint development of the industrial site and collaborative marketing effort attracted a new $800 million Toyota manufacturing plant in 2011.[65] The plant employs 2,000 people and on-site suppliers have an additional 500 workers.[66] This is turning into an auto manufacturing cluster. Seven major suppliers, such as producers of plastics, metals and auto parts companies, have opened nearby since 2011, employing 1,500 people in the area.[67] In 2012, the Mississippi Development Authority projected that the full production at the Toyota plant would create 10,000 direct and indirect jobs.[68]



Macomb County, Mich., just north of Detroit, is part of a collaborative initiative that implements a regional strategy of branding and marketing southwest Michigan as a place of long-term manufacturing growth, innovation and economic resilience. The marketing effort highlights the long tradition of skilled manufacturing workforce in the region, especially in the automotive industry cluster. Marketing an available workforce with specialized skills not found or easily replicable in other regions gives the county an advantage in recruiting industries such as advanced manufacturing, automotive and aerospace.[69] But Macomb County's marketing campaign is not limited to recruitment. The county also engages in robust marketing and outreach to existing companies as part of its business retention and expansion program. Macomb County's marketing to existing and new industries helped generate more than $164 million in private investment, 3,450 new jobs and 1,260 retained jobs in 2012.[70]

ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT.

Counties engage in a range of entrepreneurship and small business development programs from financing to training in order to help businesses create jobs in the community. Renville County, Minn. operates a revolving loan fund to help local businesses create and retain jobs, with a goal of securing one job for each $10,000 of loans.[71] Franklin County, Ohio provides financing for mobile food vendors under the Food Fort initiative, which has created more than 400 full-time and part-time jobs.

In addition to access to capital, some counties build and sustain business incubators as a way to support local entrepreneurs. Counties often operate them in partnership with higher education institutions, nonprofits and/or federally funded groups such as Small Business Development Centers (SBDCs), Community Development Financial Institutions (CDFIs) and Economic Development Districts (EDDs).

In 2013, Ottawa County, Michigan's Planning and Performance Improvement Department (PPID) began the first of a four phase process of implementing an Agriculture Technology Business Incubator that enables local farmers, producers and entrepreneurs to commercialize agricultural equipment and technology and in the process create new jobs and revenues. The business incubator offers business development services, financial planning and legal services to small businesses to help them overcome development challenges.[72]

Bernalillo County, N.M. supported the development of an arts incubator, the Keshet Dance Company Ideas and Innovation Center. The incubator building has a rehearsal space, a soundstage and a theater.[73] Programs often feature an emphasis on real-world training and applicability, including business proposals, plans and models. The Bernalillo County Commission helped with a $150,000 Local Economic Development Act grant to support the improvements for the incubator building. The U.S Economic Development Administration (EDA) also provided a $ 1 million grant for purchasing a facility and the infrastructure improvements for the Keshet Dance Company Ideas and Innovation Center.[74]

Carroll County, Va. launched an Entrepreneurial Business Development strategy in 2006 that grew to become the Crossroads Small Business Development Center. This center provided business advice, support and detailed assistance to more than 289 businesses and helped create an estimated 1,200 jobs between 2006 and 2013. The Crossroads Institute houses the Crossroads Small Business Development Center, as part of its function of economic/education development center for Carroll and Grayson Counties and the City of Galax.[75]

INFRASTRUCTURE INVESTMENT.

Counties employ a variety of financial mechanisms to fund infrastructure for economic development projects. While infrastructure problems vary by the specific circumstances of a county, finding the necessary funding for capital projects is a common challenge across counties. For example, Clermont County, Ohio formed a Transportation Improvement District (TID) in 2006 to fund critical transportation improvements needed to keep pace with population growth. The district is based on a series of intergovernmental agreements that pledge funds over 15 years. As a collaboration of the county with multiple incorporated townships, the TID demonstrates the potential of joint planning.

While infrastructure problems vary by the specific circumstances of a county, finding the necessary funding for capital projects is a common challenge across counties.

In 1983, Harris County, Texas created the Harris County Toll Road Authority (HCTRA) to address growing demands on the region's transportation infrastructure. In Texas, the state allows counties few funding mechanisms for transportation. In Harris County, nearly 1.6 million residents live in unincorporated areas not served by cities. In an environment of limited authority for counties, HCTRA provided Harris County with the finance and development vehicle for planning and prioritizing road and other transportation projects.

Site development strategies may incorporate a transportation element. In Bryan County, Ga., the Belfast Commerce Centre — developed by the county in partnership with the CSX Corporation — features a rail system that gives companies in the park direct access to the Port of Savannah.[76] Harvey County's Logistics Park, Kansas connects companies directly to rail, highway, port and air transport hubs. This provides a variety of logistics options for companies and, thus, attracts new firms to further diversify the county economy.

STRATEGIC PLANNING.

Many counties engage in long-term planning for disaster preparedness and industry diversification to stay resilient in the face of disruptive events. Such events can range from immediate-impact incidents including natural disasters, closings of a main plant in a county to more long-term processes — the decline of a major industry and slowing demand in internal markets. Some federal policy decisions such as the U.S. Department of Defense or U.S. Department of Energy facilities realignment or specific environmental regulations can also have a disruptive effect on some counties. Diverse local economies, with employment, sales and tax revenue distributed broadly across a number of sectors, are more resilient to economic shocks. This leads to more certainty in county budgeting and planning and better quality of life for residents.

SUSQUEHANNA ECONOMIC DEVELOPMENT ASSOCIATION-REGIONAL COUNCIL OF GOVERNMENTS (SEDA-COG)

Counties frequently collaborate within regional organizations to fund infrastructure. SEDA-Council of Governments (SEDA-COG) is the planning and development organization for 11 Central Pennsylvania counties. SEDA-COG had been monitoring rail freight service since the mid-1970s, particularly taking note of the bankruptcy of the six major northeast railroads. As it contemplated the region's loss of rail service, SEDA-COG decided to buy several rail lines and ensure they remained in public hands, available for use. Central Pennsylvania did not have many choices 30 years ago when it was threatened with the loss of rail service. While some firms could ship in and out by truck, others could not and would have to relocate or close their doors.

The key step was the creation of the SEDA-COG Joint Rail Authority in July 1983, an autonomous entity responsible for public oversight of the soon-to-be-acquired rail lines. The Authority purchased initially 80 miles of railroad that served 21 industrial customers. SEDA-COG provided staff services, and those responsibilities increased in the following years. Funds were needed to maintain and improve the lines, and additional lines were purchased, ensuring continued rail service in other parts of the region. The Authority developed a solid, working relationship with the private operator chosen through a Request for Proposals process to run the trains and serve shippers on the lines.

Today, the SEDA-COG Joint Rail Authority oversees six short-line railroads and 200 miles of track in eight counties, and has a $1.2 million annual budget. The rail lines provide service to 80 customers employing a total of over 8,000 people.

DISASTER PREPAREDNESS. A strong economy needs a county ready to invest in the infrastructure necessary to be resilient in front of natural disasters. Henrico County, Va. for example, after a historic drought in 2002, began to explore options for meeting the county long-term demands for access to fresh water.[77] In light of projected water shortages and the negative impact on economic prospects, Henrico County, Va., is leading the development of the Cobbs Creek Reservoir – expected to be operational in 2021. This project is a partnership with other counties in the region, including neighboring Cumberland, Goochland and Powhatan counties. Henrico County will provide 100 percent of the funding for this project through the county's Department of Public Utilities Enterprise Fund, which generates revenue through rates and fees.[78] The Cobbs Creek Reservoir project is expected to meet local demand for water for the next fifty years.[79] With future water supply secured, Henrico County will be able to attract new companies to the area or retain current businesses for expansion.

INDUSTRY DIVERSIFICATION. Some counties lead strategic planning processes that mobilize the public and private sectors to invest in diversification efforts. For example, in 2011 Taney County, Mo. formed the Taney County Partnership, which brings together public and private sector leaders. The Partnership focuses on developing the human and financial capital necessary to sustain a diversified and competitive region. It creates strategic plans that provide local leaders with an opportunity to reflect on core competencies, key assets and actions needed to ensure continuity and recovery in the face of change.

Site development is a common starting point for industry diversification efforts. In 2000, Halifax County, N.C., for example, used special revenue funds to purchase land to develop the Halifax Corporate Park. The county developed a strategy to diversify the local economy by attracting new industries and use the available labor pool equipped with manufacturing-oriented skills. The 700-acre site is a North Carolina Certified Industrial Park offering industrial-quality utilities, including water, electric, sewer, telecommunications and natural gas. The county has begun planning the construction of a 35,000 square foot industrial building at the Halifax Corporate Park that will be leased to Empire Foods.[80]

Many counties engage in long-term planning for disaster preparedness and industry diversification to stay resilient in the face of disruptive events.

Economic diversification and site development are not limited to industrial parks. Counties take an active role in redevelopment projects as well. In 2011, Hamilton County, Ohio created a land bank, the Hamilton County Land Reutilization Corporation (HCLRC). The county land bank acquires foreclosed and forfeited properties within 14 designated target neighborhoods, which are then sold to developers who rehabilitate the properties to promote industrial, commercial and civic development.

EXPORT PROMOTION/FOREIGN DIRECT INVESTMENT ATTRACTION. To diversify their local economies, counties of all sizes look beyond the U.S. market. Export promotion and FDI initiatives help counties diversify their industry base, increase revenues for local businesses and in the process create jobs in their communities. For example, Fairfax County, Va. has five economic development offices abroad to promote the county economy and generate FDI. In 2012, more than 400 foreign-owned firms from over 40 countries had operations in Fairfax County, with more than 25,000 Fairfax residents employed by foreign-owned firms.[81] Madison County, Ala. partners with local employers to identify and enter foreign markets as a way to broaden the employer's revenue base, create local jobs and indirectly increase county revenues. Riverside County, Calif. County Board of Supervisors established the Office of Foreign Trade (OFT) in 2009 to focus on diversifying the local economy and supporting trade, the expansion of local companies into new export markets and FDI attraction. That same year, the OFT aggressively worked to attract FDI and promote exports by expanding the county's three foreign trade zones, which provide special tax advantages and other subsidies to employers located in the zones. As of June 2014, Riverside County has four foreign trade zones and a fifth is underway.

Leading or supporting local and regional economic development initiatives, counties bring to the table their convening power, expertise, funding and any mechanisms allowed under state law.

Counties respond to the challenges faced by their economies in ways tailored to their local circumstances. Leading or supporting local and regional economic development initiatives, counties bring to the table their convening power, expertise, funding and any mechanisms allowed under state law. The 35 case studies are a small sample of the types of initiatives developed by counties of all sizes across the country. They showcase how counties deal with their specific challenges and exemplify some of the current practices in county economic development. While this section highlighted specific types of initiatives involving counties, all of them could be considered strategic planning. Ultimately, without a clear, long-term and well-thought plan, none of these activities would have taken place.

CONCLUSION

Counties have a unique role in economic development as partners with other levels of government, the private sector and nonprofits. Funding is the main county contribution to these partnerships, most often organized for workforce training, business recruitment and retention, regional marketing and disaster preparedness. Money comes usually from county general funds, but also from state and federal grants and contracts. To match the long-term life of the benefits of economic development projects with the payment plans, counties use financing tools such as bond issuances and TIF.

The main reason counties engage in economic development initiatives is to improve the employment and income situation for their residents. More and better jobs for county residents would affect the demand for county services such as social services, public welfare and criminal justice. Workforce challenges are the most cited problems encountered by counties in economic development, ranging from unemployment and shortage of skilled workers to the inability to attract and retain a young workforce. Maintaining a competitive business environment is also a concern for counties, including overreliance on a single industry and insufficient provision of the assets necessary for business recruitment and retention. Infrastructure plays a major role in providing the basis for local economic development, and counties worry about finding the funding to build and maintain the public infrastructure assets in their communities.

Counties of all sizes across the country are problem-solvers, able to adjust their initiatives and programs to match local assets and needs. Drawing upon the answers of 480 counties responding to the 2013 NACo survey and the 35 case studies developed for this research, this study finds that counties have a distinct ability to mobilize and coordinate resources for economic development. Local economic development challenges often require a regional solution. Counties are best positioned to be conveners for such initiatives due to the legitimacy and accountability they have as formal governments covering both incorporated and unincoporated areas in a region. This enables counties to exercise leadership in collaboration with local public and private entities and address common economic development challenges.

Strong local economies enable counties to improve the quality of life for their residents, create the right environment for local businesses to flourish and reduce county costs with public welfare and criminal justice while supporting the county tax base.

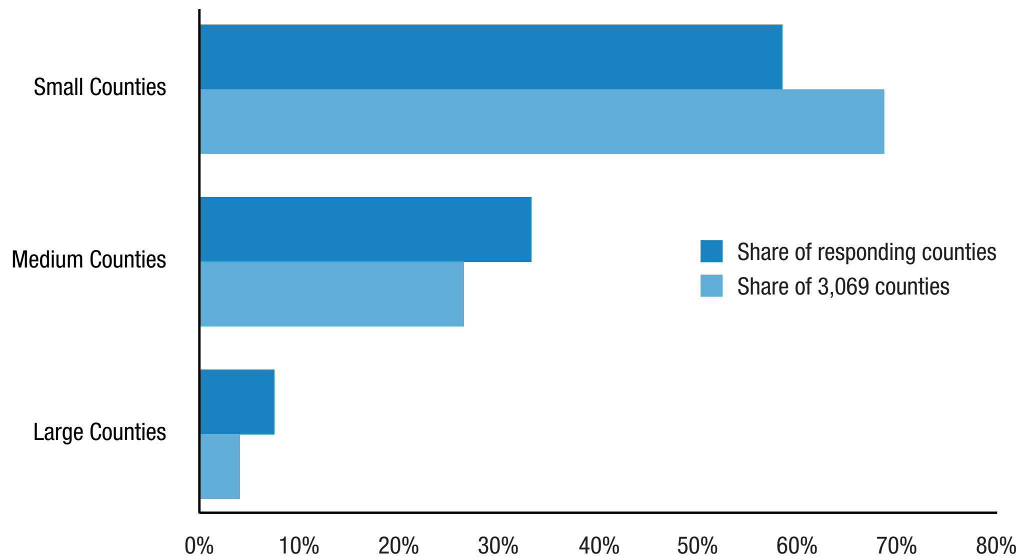
Strong local economies enable counties to improve the quality of life for their residents, create the right environment for local businesses to flourish and reduce county costs with public welfare and criminal justice while supporting the county tax base. Counties understand that strategic planning together with their public and private partners is necessary to build strong economies and in the process make their communities more resilient to unexpected events ranging from natural disasters to plant closures and long-term declines in specific industries. As both global and local challenges arise, counties are poised to lead, convene and participate in economic development efforts.

METHODOGICAL APPENDIX

This study draws upon two types of primary research: a survey of county officials and 35 case studies. The results of the survey provide the baseline for county involvement in economic development and county challenges and offer a direction for instances of county government innovation in this policy area. The 35 case studies are examples from counties of all sizes across the country of current county practice in economic development.

SURVEY. Between September 12 and October 24, 2013, the National Association of Counties (NACo) administered to the 3,069 counties a survey about county involvement in economic development, challenges with local economies and county solutions for local economic development problems. NACo developed the survey instrument in partnership with the Lyndon B. Johnson (LBJ) School of Public Affairs at the University of Texas at Austin. The survey instrument was beta tested in August 2013 with a group of six counties of different population sizes and two state associations of counties from different Census regions. NACo sent the final survey to a county official in each of the 3,069 counties with a request for completion from someone knowledgeable of the county's role in economic development.

FIGURE A1: 2012 POPULATION DISTRIBUTION OF THE RESPONDING COUNTIES TO THE 2013 NACo SURVEY AND THE 3,069 COUNTIES



NACo received responses from 480 counties (15.6 percent response rate), making it the most comprehensive survey of county government economic development initiatives as of date. The responding group follows broadly the 3,069 counties' population distribution, with a higher response rate from mid-sized counties (34 percent relative to 27 percent nationally) and large counties (8 percent in the sample relative to 4 percent from

For the full report, the companion interactive data tool and the text of the case studies, see the ***Strong Economies interactive*** at ***www.naco.org/StrongEconomies*** the 3,069 counties) (See Figure A1). The lowest response rate was among small counties (59 percent relative to 69 percent). Item nonresponse adjustment was applied to the survey responses, based on individual county responses to a number of control questions. The individual county responses are confidential.

CASE STUDIES. Based on the NACo survey results and from nominations by experts in economic development, the Lyndon B. Johnson (LBJ) School of Public Affairs at the University of Texas at Austin developed an initial pool of 90 counties to be considered for case studies and conducted a round of preliminary research. Using criteria of county population size, regional diversity, types of economic challenges and presence of county innovative and replicable approaches, the LBJ research team reduced to 60 the number of potential cases. Following consultation with NACo, 34 counties and 2 regional economic development groups were identified for case study analysis.

TABLE A1: POPULATION DISTRIBUTION OF COUNTIES FEATURED IN THE 35 CASE STUDIES

County Population Size	Number of Counties in the Case Studies	Share of Featured Counties (%)
Large (above 500k residents)	13	28
Medium (50k-500k residents)	19	40
Small (less than 50k residents)	15	32
TOTAL	47	100

The 35 case studies represent 47 counties: 33 individual counties, PUL Alliance in Mississippi with three counties and SEDA-Council of Governments (COG) in Pennsylvania representing 11 member counties. The counties featured in the case studies have broad representation across county population sizes (See Table A1). The case studies follow closely the county distribution across Census regions (See Table A2). The LBJ research team developed the case studies based on information provided in telephone interviews with county officials, county documents and other secondary research. The LBJ research team conducted 125 interviews between January and March 2014. The interviews were confidential.

TABLE A2: REGIONAL DISTRIBUTION OF THE 35 CASE STUDIES AND THE 3,069 COUNTIES

Region	Number of Counties Featured in the Case Studies	Share of Counties featured in the Case Studies (%)	Number of Counties in the U.S.	Share of all 3,069 Counties (%)
Midwest	9	26	962	31
Northeast	1	3	193	6
South	16	46	1,384	45
West	9	26	530	17
TOTAL	35	100	3,069	100

ENDNOTES

1. NACo analysis of U.S. Census Bureau, *2007 Census of Governments, Government Finance* (Department of Commerce, 2007). Expenditures of county-city consolidations and independent cities that are considered county governments under state law are included in both the total for counties and for cities and towns.
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3. David A. Sampson, "Definitions of Economic Development" (U.S. Economic Development Agency, U.S. Department of Commerce, June 8, 2004).
4. The U.S. Census Bureau does not consider all of the consolidated county-city entities, areas designated as metropolitan governments, cities administering functions performed by county governments, areas with certain types of county offices, as county governments, but includes them as part of another governmental entity. Based on U.S. Census Bureau, *2012 Census of Governments— Individual State Descriptions: 2012* (U.S. Department of Commerce, September 2013), available at http://www2.census.gov/govs/ cog/2012isd.pdf
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ABOUT THE NATIONAL ASSOCIATION OF COUNTIES

The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo provides essential services to the nation's 3,069 counties. NACo advances issues with a unified voice before the federal government, improves the public's understanding of county government, assists counties in finding and sharing innovative solutions through education and research and provides value-added services to save counties and taxpayers money. For more information about NACo, visit *www.NACo.org*.

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