

The United Colonies of New England: 1643 versus 2003

By David C. Driver

There are few geographic brands in this world better known than the name “New England.” Once you get past the lifestyle appeal of a place for all (four) seasons, there remains an image of serious, smart, independent, ingenious, hard-working and skilled craftspeople who sparked in America both a political and an industrial revolution.

Little wonder that New England, which got its name from one of Captain John Smith’s maps of the American coast, realized early on the value and efficiencies of collaboration. The so-called “United Colonies of New England” were the harbinger of a national union and served to unite the colonies in the late 1600s for the purpose of “mutual safety” and welfare.

While ever worried about conflict with native Indians and Dutch and French settlers, the confederation was really a business arrangement looking back over its shoulder at the threat to growing regional commerce posed by Mother England.

Some 360 years later, Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont are again part of an informal economic collaborative called “Team New England,” an effort to promote the region as an ideal location for new business and to maintain existing companies in the face of

recruitment efforts by other regions of the country.

Team New England’s strategy is to further instill an already-accepted brand name in the minds of corporate executives and site selection consultants whose job it is to find the best location for new and expanding operations ranging from manufacturing and distribution to pharmaceuticals and software development. Because of the fast pace of the site selection process (what used to take six months now can take only weeks), Team New England also seeks to make it as easy as possible for business prospects to find the information they need by offering a centralized single point of contact for the entire region. At a recent trade show, one site selection consultant expressed tremendous relief at being able to contact one person who could line him up with appropriate utility and state-level economic development officials in each of the six states.

To demonstrate their resolve, the New England states have started to exhibit at strategic trade shows as a collective, with individual state booths lining up alongside each other. This past November, at the CoreNet Global Summit in San Diego, the region unveiled its first-ever “Team New England” exhibit, complete with lifestyle photos, logos of recognizable New England companies, examples of its rich “creative economy,” and information about the region’s highly educated and

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Massachusetts: How We Maintain a Competitive Edge

Part Two of Two Part Series

By John G. Troast, Jr.

As 2002 began most economists expected the economy to improve by year’s end. Taking stock in December, it is clear that the U.S. and the New England economies remain sluggish and there are no strong signs of a recovery. In Massachusetts, citizens are concerned about the economy and jobs.

Difficult challenges often provide an opportunity to effect change. We are entering a transitional time in state government which creates an excellent opportunity to think strategically about economic growth and job creation for both the Commonwealth and its regions.

In October, Governor Swift released a forward-thinking economic development report entitled *Toward a New Prosperity: Building Regional Competitiveness Across the Commonwealth*. The Department of Economic Development led this initiative with research and technical support from the University of Massachusetts Donahue Institute.

The last major economic strategic planning effort, which produced the report entitled *Choosing to Compete* in 1993, established a strategy for economic growth with a long-term view. It called for a collaborative effort between the public and private sectors to address a severe economic downturn and fiscal crisis on Beacon Hill. Following the powerful message in

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**Northeast
Utilities System**

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*New England map published in Germany, 1759
Library of Congress
Geography and
Map Division*

productive workforce and world-class universities. Prior to the trade show, Team New England hosted a VIP event at the world-famous Hotel del Coronado resort for 80 special guests targeted because of their influence in promoting or choosing the region as a business location. Representatives of three major national pharmaceutical companies poised for growth, a national retailer looking for new distribution center locations, and a shipbuilder seeking expansion assistance were among those attending the event. Participants walked off with some \$7,000 worth of prizes and gifts donated by New England companies and economic development organizations.

The San Diego luncheon and trade show exhibit followed a succession of similar events held by Team New England over the past four years in Dallas, New York, and Boston. These efforts have provided the six states an opportunity to pool their limited resources, drive home their message as a pro-business region, and remain in the thick of economic development marketing carried out by every other major state or region in the country. Just as important is the education of the site selection market—that a region that runs from the Canadian border to the outskirts of New York, while quite compact, is rich with knowledge workers, Yankee ingenuity

and within easy reach of critical East Coast, Canadian and European markets. The region's tourism interests have forged a successful "Discover New England" initiative over the years, especially in Europe where the New England brand is widely known. Now, tourism's economic development sister, business development, has adopted the theme: "Discover New England—For Business!" It even has its own website, www.TeamNewEngland.com, to serve as a central gateway to information about the six states.

Northeast Utilities (NU), New England's largest utility, has provided the leadership and shared in the funding of this reactivation of "The United Colonies of New England" for the purpose of economic development. This collaboration is important for NU and its operating companies because as New England's economy goes, so goes the economic fortunes of NU. Indeed, utility distribution companies depend on a constant influx of new business and a growing business base to grow and remain competitive. And, because the region's eastern face is ocean, it is essential to heed futurist Michael Gallis' warning that the competitive global economy threatens to turn New England into an economic cul-de-sac unless it softens traditional economic boundaries. ■

Team New England participants:

**Northeast Utilities System
(CL&P, WMECO, PSNH)**

The New England Council, Inc.

**Connecticut Department of
Economic & Community
Development**

**Connecticut Economic Resource
Center, Inc.**

**The Hartford-Springfield
Economic Partnership**

**Massachusetts Alliance for
Economic Development**

**New Hampshire Office of
Business and Industrial
Development**

**Rhode Island Economic
Development Corp.**

**Vermont Department of
Economic Development**

**Central Vermont Public
Service Company**

Maine & Company

Discover New England

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Guest COLUMN

Developing a Comprehensive Economic Development Strategy (CEDS) in Rockingham County, NH



Marie Cappello

By Marie Cappello

For the Rockingham Economic Development Corporation (REDC), a private non-profit corporation serving the 37 towns of Rock-

ingham County, New Hampshire, our CEDS process began in 2000 when a large regional employer was closing its doors and laying off 2500 workers. Under guidelines of the Economic Development Administration (EDA) of the U.S. Department of Commerce, this constituted a “trigger event” that opened the door to applying for a Strategic Planning Grant. With this grant in hand, the REDC began developing a regional strategy to serve the county, as well as a specific strategy for the host community where the job losses occurred.

The CEDS process brings many tangible and intangible benefits, along with significant documentation requirements. The tangible results from working with the CEDS include a product that is so “content rich” that it acts as a development tool all on its own. The up-to-date demographic data that is presented is quite valuable to municipalities, developers, relocating or expanding companies, and other service organizations in the region, and helps support grant applications from towns, non-profits, and service organizations in any number of disciplines. More importantly, the CEDS also provides the funding path to most EDA grant opportunities. EDA grants are available

in areas of Planning, Technical Assistance and Public Works, to name a few. What attracted REDC to the process was the opportunity to compete for Public Works grants that support economic development and create jobs in the community. There are many hurdles to jump before qualifying for an EDA Public Works grant, but a qualified and approved CEDS is the first.

The intangible benefits of CEDS are proving to be just as rewarding and are becoming more apparent with time. We noticed that name recognition in all 37 towns in the county increased by at least 50 percent. Since the CEDS process and document primarily benefits municipalities, much goodwill has been fostered with town representatives. The CEDS is seen as a service and a useful tool for town administrators, planners, municipal committee members and others. The CEDS creates a climate of intelligent information exchange. I began to notice that when I met with developers, businesses and other economic development practitioners, I had gained a wealth of knowledge both broad and specific about Rockingham County, its people, businesses and municipalities. Marketing the region and our services became that much easier armed with all that data at our fingertips.

Documenting the Needs

The CEDS document must contain four major elements: **analysis, vision, action plan, and evaluation**. We began with an **analysis of existing conditions** that included geographic descriptions, population, land use, employment, infrastructure (including utilities and telecommunications), transportation systems, and water and sewer systems. We explored environmental concerns such as open space/conservation land, estuarine and coastal resources, air quality, and brownfields sites. We looked at the regional economy and identified key strengths, weaknesses and needs of Rockingham County, from pockets of distress to cultural and recreational amenities. Wherever

possible we used full color maps to illustrate the analysis. With the regional planning commission as our partner, this analysis yielded a wealth of data. We then developed a **vision statement** for Rockingham County. Our region is large and in order to “hear all voices” we took our work on the road and held visioning sessions throughout the county. Throughout the process, we had over 100 people strong participating from a variety of backgrounds—municipal representatives, lenders, realtors, developers, service providers, planners and engineers. We learned at a grassroots level what is important to the stakeholders of Rockingham County and turned those goals into an **action plan**.

The action plan identified the ten top goals in the county, including workforce development; infrastructure improvements; the targeting of towns most in need; reuse of existing sites; affordable housing; and inter-town cooperation. The **evaluation process** is the final critical element in the development of CEDS. Using specific EDA guidelines, the process and product is under constant evaluation from peers to ensure a quality plan with evidence of grassroots participation. It also ensures that we follow the blueprint set forth and monitor our success in achieving or advancing the goals identified by the county’s constituents.

The CEDS is a five-year plan with annual updates. The work crystallizes into economic development projects, by the solicitation of a **Priority Projects List** as part of the plan. Each year, we ask all CEDS participants to submit economic development projects that meet or address one or more of our identified goals. We evaluate those projects submitted and include some of them in the CEDS Priority Projects List. Not only does your region have to have an approved CEDS, your project must also be included in the region’s Priority Projects List. After securing a place for the project on the list, the host community must then meet one of three criteria—high unemployment (1 percent above the national average

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Nurturing the Power of Place to Drive State Economic Development

By Kip Bergstrom

Can the unique character of Rhode Island be turned into an asset for economic development? The answer, obviously, is yes. Recently, about 200 Rhode Islanders gathered at the Rhode Island Convocation on Quality of Place, sponsored by the state's Economic Policy Council and more than a dozen others, to determine how to make it happen.

The Policy Council is a private-public partnership charged with advising the Governor and the General Assembly on economic strategy for the state. The convocation is just one example of the Policy Council at work.

The Policy Council believes that quality of place is Rhode Island's greatest competitive advantage and that nurturing this advantage should be a driving principle of the state's economic development efforts. This would not be unusual if the Policy Council were a group of historic preservationists or land conservationists or neighborhood developers. But it is a rather unusual position for a group of business and political leaders. *Why "Place"?*

First, we have to think about our challenges and opportunities in a regional context. Rhode Island is part of the tri-state Boston Metro economy that includes southern New Hampshire and eastern Massachusetts. A very good thing for Rhode Island because it gives us access to several high wage industries concentrated in the area, including biotech, mutual funds, software and electronics. The bad news? Rhode Island lags in these sectors compared to the entire region, falling 30,000 jobs short of our "fair share."

To close this job gap, we need to rebuild an entrepreneurial culture in Rhode Island, since entrepreneurial companies drive the lion's share of growth. I say "rebuild" because we were the birthplace of the American culture

of entrepreneurship and innovation. It was part of our past; it can and must be part of our future. Rebuilding an entrepreneurial culture means:

- fixing our tax structure to benefit entrepreneurs;
- connecting the inventors with private venture capital;
- investing in basic research infrastructure;
- increasing our investment in adult literacy and producing more graduates with strong foundations in math and science.

If the bad news is that we not yet matched Massachusetts' strengths, the good news is that we have also, so far, preserved one of our great strengths—an authentic "quality of place."

Much of the country is a tangle of strip malls, suburban subdivisions and soulless office parks. In a way, Rhode Island was fortunate to have missed out on large-scale development in the last 30 years—a time of really awful architecture and urban design that produced generic places. While we certainly have some sprawl, we also have more authentic places than most. These are city, town and village centers with history, texture, scale and liveliness sandwiched between three great natural treasures—Narragansett Bay, the South County beaches, and the largely unbroken stretch of forest on our western border. "Place" means both the built environment and the natural environment.

The Creative Economy

Place is important for its own sake and because an increasing portion of the creative talent that fuels economic growth craves authentic places. Creative people—designers, programmers, research biologists or entrepreneurs—are tired of working in sterile office parks on interstates surrounded by suburban sprawl. There is a growing market for "quality of place" and the

market is precisely the entrepreneurial sector that Rhode Island needs to develop to energize our economy. The attraction between entrepreneurs and place works both ways. Authentic places are the natural habitat for innovation, and innovative entrepreneurs help give a place "buzz."

The standout example of the power of place to drive economic development is in the City of Providence, where the Policy Council is working with Mayor-elect David Cicilline and others to develop and position Providence as a hub of the "creative economy"—including medical research, information technology, design and the arts. In our view, this is Rhode Island's premier economic development opportunity.

Another compelling opportunity is the work of the Aquidneck Island Planning Commission, the Newport County Chamber and the Coastal Institute to thoughtfully develop the west side of Aquidneck Island, much of which is currently U.S. Navy land.

Similarly, the villages of the Blackstone Valley have opportunities in financial services and biotech, playing off anchors such as Fidelity, Amica and Dow. Warwick has an opportunity to attract air travel-dependent firms such as consulting and innovation services, as it creates a new authentic place in the area adjacent to Green Airport. There are numerous other place-based economic opportunities on a smaller scale throughout the state. We need to understand and play to the important differences in the various parts of Rhode Island.

If we nurture our city, town and village centers and our natural treasures—harnessing growth in a way that enhances rather than destroys them—we will be at a significant advantage. We can stand out as an island of authenticity in a sea of sameness.

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Power POINTS

Volatile Exports

Merchandise exports from New England increased 12.8 percent over the latest five-year period—1996-2001—compared to 17.4 percent for the U.S., according to the Mass. Institute for Social and Economic Research. The increases mask the ups and downs that characterize exporting trends; in 2001, for example, the value of exports declined both in the U.S. and New England. New Hampshire exports grew 46 percent during the period, leading the region. Connecticut and Rhode Island followed with increases more than 25 percent, then Maine at 20 percent and Massachusetts at 9 percent. Vermont exports declined 20% in the five years, with a precipitous drop in 2001.

Enterprise Zones

Though ubiquitous, enterprise zones are generally ineffective as economic development tools, according to a new study by researchers at the University of Iowa. Examining a sample of 75 enterprise zones in 13 states from 1990-98, the authors found the tax incentives allowed in most zones to be too small to make a difference in the location decisions of most firms (wages are a much bigger cost factor than taxes), and that there was a total state-local revenue loss of an estimated \$59,000 per each new job lured into zones by tax breaks. The latter is the case because many firms receive incentives unnecessarily.

Driving Alone

Most New Englanders continue to drive to work by themselves, data from the 2000 Census show. Between 74 percent (Massachusetts) and 82 percent (New Hampshire) of workers in the six states drove alone, while 9 percent (Massachusetts) to 12 percent

(Vermont) carpooled. Public transit use was significant in only two New England states: Massachusetts, where almost 9 percent of commuters used public transportation, and Connecticut, where 4 percent did so. Vermont had the highest share of home-based workers (5.7 percent) followed by Maine and New Hampshire—totals befitting these more rural states.

New England
continues to shine
in research and
development
expenditures, long a
regional asset.

Smart States

New England placed five states in the top ten on Morgan Quitno's Smartest State Award for 2002. The ranking is based on a composite score on twenty-one K-12 education factors, including student performance, high school graduation rates, public school revenue relative to income, teacher salaries, and average class sizes. Connecticut ranked first in the nation, Vermont 2nd, Maine 5th, Massachusetts 7th and Rhode Island 10th. New Hampshire was the lowest ranking state in the region but still in the top twenty in the nation. The excellent regional performance demonstrates that New England's educational advantage extends beyond higher education.

Health Care Coverage

New England residents (along with those of upper mid-west states such as Iowa and Wisconsin) are more likely to

have health insurance than those of other regions. Census data for 2001 indicate that the percent of the population **not** covered by health insurance was much lower than the national average in all New England states. Rhode Island led the way with 7.7% of its population not covered, versus 14.6% for the U.S., the third lowest share in the nation. Massachusetts, New Hampshire, Vermont, Connecticut and Maine followed in that order, but even in Maine only about 10 percent of the population were without health insurance.

Measuring Inequality

A new study from the National Bureau of Economic Research (NBER) shows that while the gap in income between rich and poor Americans has increased during the past 25 years, the gap in consumption has remained relatively stable. The credit markets have made it easier for lower-income households to borrow to purchase clothing, housing, etc., largely by using resources generated by the rich, who have been saving more of their income due to worries over income volatility. NBER researchers conclude that "...the distribution of current income might not measure well how economic well-being is distributed among households in the U.S."

Research Oriented

New England continues to shine in research and development expenditures, long a regional asset. National Science Foundation numbers for 2000 (latest year available) show Massachusetts ranking 2nd in university R&D, 4th in federal obligations for R&D, and 4th in private R&D, about the same rankings the state has had for several years. New England is strong in all sources of spending, placing two or three states in the top 10 and five states in the top half nationally on all. Noteworthy spending gains in recent years have been made by Maine in federal obligations and Vermont in private R&D. ■

Massachusetts' Competitive Edge, cont'd. from page 1

Choosing to Compete, over the course of the 1990s the state improved its business climate and built a leading economy. During this time Massachusetts moved from one of the weakest states in the nation to one of the strongest.

The new report, *Toward a New Prosperity*, offers a similar blueprint for a somewhat different time. Today the State faces a similar fiscal crisis as well as an economic downturn. Yet, a stronger foundation is in place to meet these challenges. Our economy is more diverse, more entrepreneurial, more innovative and likely to be as adaptive as we proved to be ten years ago. Unlike many other states facing budget deficits, Massachusetts could tap into a significant rainy day fund. This is not to minimize the significant challenges that lie ahead, but rather to suggest that the most effective strategy will be one that looks again at the long term.

Toward a New Prosperity offers a framework intended to promote dialogue among future policymakers and business leaders. Such collaboration is necessary to build on the economic success of the last decade and ensure competitiveness for Massachusetts and its regions in the 21st century. The report assesses our economic progress over the last decade, describes how and why our economy evolved, defines the economic landscape of the seven regions in the Commonwealth, and outlines six issues that must be addressed if the state and the regions are to achieve prosperity over the long term. These issues as described in the executive summary of the report are the following:

- **Improve the business climate to support all industry clusters**

Vibrant and innovative export industry clusters are the primary engines of economic growth today. In traditional, as well as knowledge-based sectors of the economy, such clusters support and motivate innovation, which enhances the state's overall competitive position.

- **Support entrepreneurship and innovation**

Strengthening the Commonwealth's innovation infrastructure will give entrepreneurs better access to the resources they need (e.g., better access to capital) by improving channels of communication and coordination.

- **Prepare the workforce of the 21st century**

A well-educated and highly skilled workforce is essential to competitiveness in today's economy. Massachusetts firms must have access to talent they need to succeed and workers must have skills that match the opportunities emerging in the marketplace.

- **Build the information infrastructure of the 21st century**

While the Commonwealth has made enormous transportation investments, the rise of the information economy requires a renewed focus on our information infrastructure. The Commonwealth must facilitate improved access to affordable broadband options throughout the state.

- **Ensure that economic growth is compatible with community and environment**

Housing affordability is fundamental

to accommodating a growing economy. At the same time, the state must be a leader in implementing sustainable growth strategies that ensure a high quality of life in our cities and towns.

- **Improve the outcomes of government action**

Massachusetts is widely perceived as having significantly improved its business climate over the past decade. The state must continue to reduce regulatory burdens and provide more coordinated services and resources to businesses—particularly small businesses.

Toward a New Prosperity represents nearly two years of work and the input of over a thousand workers, business leaders, academics, and policymakers. It has much to offer the regional leaders in terms of thinking strategically about the future. While emphasizing the need to address the six competitive issues, the report offers a range of policy options to support the work of the next administration.

It is our intention that this broad study will spark action, as Massachusetts struggles to emerge from a slumping economy and another fiscal crisis. We hope that ten years from now, future stakeholders in both the public and private sectors will look back and see this report as an important contribution to this process. ■

John G. Troast, Jr. is the director of policy at the Massachusetts Department of Economic Development, and serves as the Governor's senior economic policy and technology advisor.

Toward a New Prosperity can be accessed online at www.mass.gov/econ/newprosperity.

Nurturing the Power of Place, cont'd. from page 4

Our challenge is to assume more of the region's strengths and avoid its weaknesses. In the Policy Council's economic strategy for Rhode Island we call it "succeeding without losing our soul." We believe that three ideas are inseparable and mutually reinforcing: that we are part of a tri-state regional economy; that we need to rebuild an entrepre-

neurial culture; and that we need to nurture our competitive advantage in quality of place.

Our recent Rhode Island Convocation on Quality of Place gathered Rhode Island's "place makers" and revealed them to one another—creating the possibility for new alliances that will accelerate

their good work. The convocation was also the first step in forging a new partnership between the state and localities, to make the nurturing of quality of place a driving principle of state economic development. ■

Kip Bergstrom is executive director of the Rhode Island Economic Policy Council.

Regional Economic TRENDS

Poverty Trends in the United States and New England

By Michael Levin

Is concern about poverty in America overdone? This idea comes to mind when looking at the relative steadiness in the rate of poverty in the United States over the past 35 years. Since 1966, when the poverty rate dropped below 15 percent for the first time since modern poverty statistics were collected (1959), the rate has never fallen below 11.1 percent nor risen above 15.2 percent. From 1980 to the present (see chart) the range has generally been even narrower, with the rate holding between 13-15 percent, dropping substantially only in 1999-2000 after years of unprecedented economic expansion. Of course, even small fluctuations in the rate affect a large amount of people, given the U.S. population base of over 280,000,000.

The rate and number of people in poverty ebbs and flows with the economy, rising during recessions and falling during expansions such as the extended period of growth of the 1990s. Even in this period it took several years before the national poverty rate dropped below 12 percent. This occurred in 1999 when the rate fell from 12.7 percent to 11.8 percent. The following year the rate dropped further to its recent low point, 11.3 percent, before increasing in 2001 to 11.7 percent.

One factor in the flatness is that the country's open borders keep the rate relatively high due to a constant flow of new foreign immigrants, many of whom come to America poor. As the waves assimilate and climb the economic ladder, newer immigrants take their place on the lower rungs. A Census Bureau report, "The Foreign-Born Population: 1996," noted that: "Recent arrivals (those who came to this country during the 1990s) were more likely to be in poverty, to have lower incomes, and to have higher unemployment rates than the native born. However, economic circumstances improve with length of residence. Poverty and unemployment rates decline and

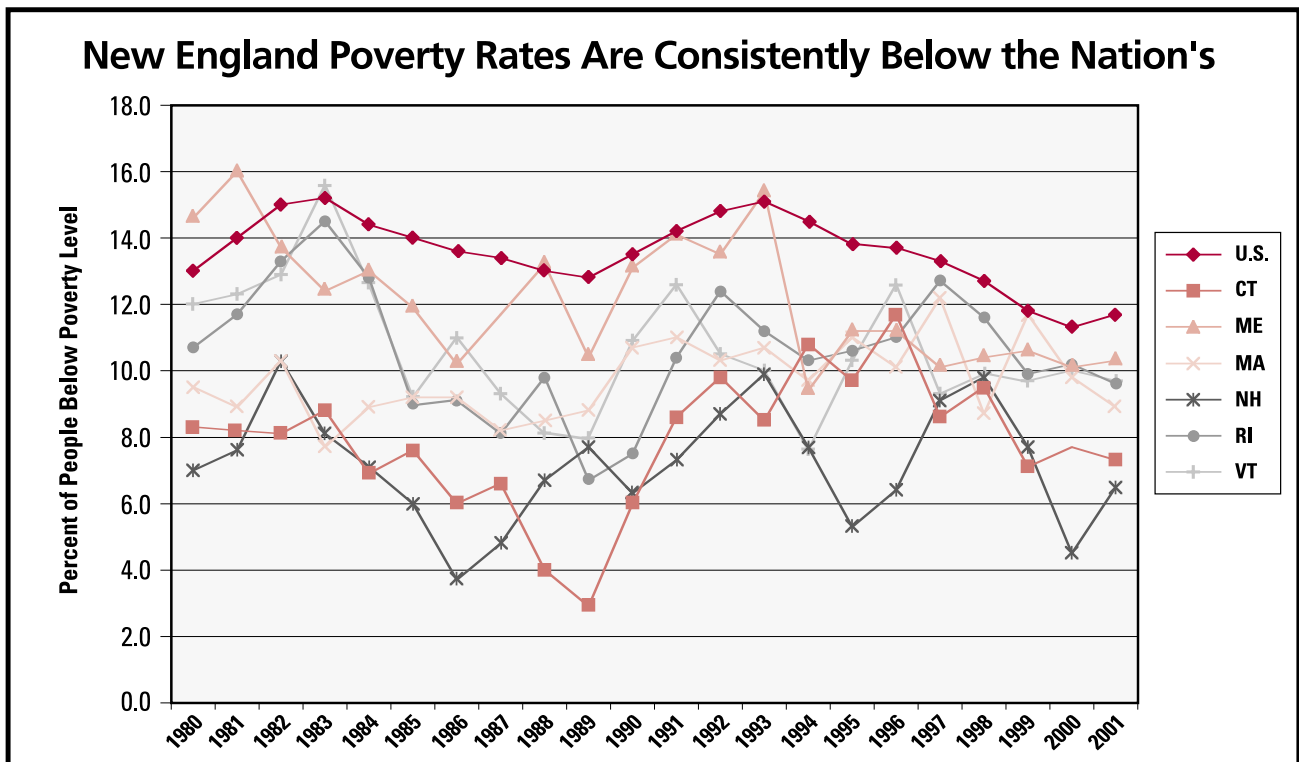
median incomes generally rise. In fact, those who arrived during the 1970s are doing as well as natives in terms of income."

New England poverty rates are consistently below the national rate, to be expected given the region's greater wealth. At \$36,870 in 2001, per capita income in New England is higher than any other region in the country. Slow population growth may also be a factor in New England's lower rates. New Hampshire and Connecticut almost always have the lowest poverty rates in the region, as well as nationally. Fluctuation is greater at the state or local level because of the smaller population base, as well as the smaller sample surveyed to determine the annual rate (three-year averages are preferred at the state level). Here, the shutdown of a large plant or other significant local event can result in a tremendous increase in the percent of those in poverty. ■

Michael Levin is chief policy specialist for economic development for Northeast Utilities.

SOURCE:

- www.census.gov/hhes/poverty/histpov



Source: U.S. Census Bureau, Current Population Survey, Annual Demographic Supplements

Guest Column, cont'd. from page 3

for 24 consecutive months); low per capita income (80 percent or below the national average); or a trigger event (such as a base closure or a major lay-off in town). If all these benchmarks are met, then you can compete for Public Works grant funds.

Success

While the process sounds and is quite cumbersome, the efforts are very worthwhile. In the three years REDC has been working with CEDS, one Public Works grant was offered at \$1.5 million (but later failed to get the required 50% match); two grants were awarded totaling \$1 million dollars; and one grant award is pending for \$350,000. Not a bad score card for three short years. All these projects will create jobs and generate new tax revenue for the community.

There is a cost associated with the production of CEDS. Utilizing EDA Planning Grants, as well as other state and federal grants, the REDC has been able to fund the project thus far. The EDA also has a mechanism that allows a CEDS group to apply for the designation of Development District. To earn this status, a group must have written support of the majority of towns in the region as well as written support from the state. Once the designation status is awarded, a group may be eligible to receive an annual, renewable planning grant in the amount of \$50,000 to continue the work.

For REDC, the CEDS has become an integral part of the work we do, and to a certain degree identifies and defines us. It is not a task to handle alone, however. The Rockingham Planning Commission is an essential partner,

providing much of the data, mapping, and related analysis. Other consultants provide input on the CEDS to keep the work within the EDA guidelines. The EDA representative provides technical assistance throughout the process and is a key relationship as well. Most importantly, however, are the residents and municipal representatives of the region. These are the people who provide input at the grassroots level, who define the goals which create the action plan and who are the ultimate recipients of the work performed under a CEDS Plan. ■

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DEVELOPMENTS
New England

Policy Issues Shaping the Regional Economy