

State Economic Development Efforts during Extreme Fiscal Stress

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As states prepared for their 2009 legislative sessions, policymakers faced a series of grave economic crises on multiple fronts not experienced in many decades. States face enormous budget shortfalls with the combined budget shortfall for the remaining six months of this year (fiscal year 2009) and the two upcoming fiscal years estimated to total between \$350 billion and \$370 billion, a chasm of truly staggering proportions. Nevertheless, in the midst of all this gloom and doom, there are a number of bright sparks on the state economic landscape that require emphasis. For instance, the depreciating U.S. dollar has enabled U.S. exports to flourish, the automobile industry in the South remains a solid engine of growth and a number of enterprising projects across the country offer the promise of high-tech, high-wage jobs.

As states prepared for their 2009 legislative sessions, policymakers faced a series of grave, multi-faceted economic crises not experienced in many decades. The crux of the nation's economic woes may be traced to a crisis in the housing sector, which in turn, has metastasized to create a crisis in economic output with the vastly diminished production in the U.S. economy. The reduced economic output, with a record number of businesses declaring bankruptcy or reporting significantly lower revenue numbers, has resulted in a revenue crisis that has battered American consumers, corporations and every level of government. Dwindling output levels have also caused unemployment rates to soar to heights not experienced in three decades. The faltering revenue picture, in turn, has strangled credit availability, the lifeblood of the economy, choking off most economic growth opportunities for both consumers and businesses. Finally, this unholy alliance of events has acted in concert to almost asphyxiate consumer confidence and create a crisis in confidence, which in turn, resulted in the wild gyrations and huge losses in the nation's three major stock markets. For the 2008 calendar year, the Dow Jones industrial average lost 34 percent of its value, making 2008 the worst year for the index since 1931; the broader Standard & Poor's 500 stock index lost more than 38 percent; and the technology-laden Nasdaq composite index posted its worst year ever, with a nearly 41 percent drop.¹ Consequently, when the National Bureau of Economic Research declared in early December 2008 that the economy had sunk into a recession some 12 months before, in December 2007, it only confirmed what many Americans had already come to realize.²

Even before the September 2008 tumult on Wall Street precipitated the catastrophic collapse of the U.S. economy, states were already looking at a very depressed financial picture. In fact, the dawn of fiscal year 2008—July 1, 2007—signaled what the National Association of State Budget Officers called “a turning point for state finances with a significant increase in states seeing fiscal difficulties, in stark contrast to the preceding several years.”³ Consequently, when most states began their legislative sessions in January 2008, the ongoing national economic fissures had already started percolating across their economies. A few states were insulated from budget difficulties in the first half of 2008 because of their ability to take advantage of high energy and agricultural commodity prices and minimal exposure to declines in their housing stock. By the second half of the fiscal year, however, the weakening national economy had affected every state in the country. In fact, at least 29 states, including several of the nation's largest, were forced to bridge an estimated \$48 billion in combined shortfalls in their budgets for the fiscal year 2009 that began July 1, 2008.⁴ By late December 2008, at least 44 states faced or will face shortfalls in their budgets for this and/or the next two fiscal years (fiscal years 2010 and 2011).⁵ Combined budget shortfalls for the remaining six months of the 2009 fiscal year and the two upcoming fiscal years are estimated to total between \$350 billion and \$370 billion, a chasm of truly monumental proportions for states, far exceeding the cumulative shortfalls experienced during the last recession, in 2001.

In a fiscal environment that portends to be the worst in decades—by December 2008, the duration

Table A
Record of U.S. Dollar vs. Euro:
April 1998 to April 2008

<i>Year</i>	<i>Value of one Euro to one dollar</i>	<i>Percentage change in dollar</i>
April 8, 1998	1.0882	. . .
April 7, 1999	1.0835	0
April 7, 2000	0.959003	11
April 9, 2001	0.901404	6
April 8, 2002	0.874998	3
April 8, 2003	1.0684	-22
April 8, 2004	1.2088	-13
April 7, 2005	1.29231	-7
April 7, 2006	1.2109	6
April 9, 2007	1.3367	-10
April 8, 2008	1.5705	-17

Source: <http://www.x-rates.com/cgi-bin/hloopup.cgi>.

of the current recession had already surpassed the average length of all the post World War II recessions—what does the state economic development landscape look like? Even though states face intense fiscal stress and looming expenditure categories in such areas as education, health care, pensions, infrastructure, unemployment insurance, transportation and emergency management, there are economic development success stories with the potential to generate and sustain jobs and revenue. Despite the gloomy winds that have blown across the state economic landscape, there are a number of exciting new ventures that require highlighting.⁶ It should also be mentioned that states have high expectations the \$787 billion economic stimulus package approved by Congress⁷ will not only mitigate some of the current and potential job losses in the states but will also upgrade the nation's infrastructure system and, most importantly, revitalize the economic prospects of so many moribund areas of the country. In addition, a number of states—including California, Florida, North Carolina, Ohio and Vermont—embarked on their own set of infrastructure projects as early as mid-2008, considerably ahead of the federal initiatives to set the stage for sustained economic growth.

A bright spot in the dour economic landscape of the past few years has been the nation's export sector. Not only did exports increase twice as fast as imports in 2007, narrowing the U.S. trade deficit for the first

time since 1995, the increased level of trade kept the economy afloat. The impetus for the blossoming export sector has been the depreciating U.S. dollar; a depreciating dollar makes U.S. exports much more competitive against exports from other countries. On a year-to-year basis for the past seven years or so, the U.S. dollar has depreciated steadily, thus providing a sizable boost not only to American exports but also in attracting foreign direct investment into the country. Buying or investing in America becomes relatively less expensive compared to times when the dollar's value is rising. As evidenced in Table A, the dollar depreciated by 79 percent between 2002 and 2008 and by 53 percent between 2002 and 2007. Further illustration of the eroding value of the dollar: In April 2001, 90 U.S. cents were sufficient to purchase a single Euro; by April 2008, it took \$1.57 to

purchase a single Euro. (It should be noted that in the final half of 2008, the U.S. dollar did appreciate relative to the other major currencies.)

The depreciating dollar had a hugely positive impact on U.S. exports. (See Table B for export information for all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands.) Between 2002 and 2007, U.S. exports soared by nearly 68 percent with the export record in 2006 registering an impressive 15 percent growth over the previous year, the highest level for the six-year review period. In 2007, total U.S. exports amounted to \$1.2 trillion, with Texas' \$168.2 billion and California's \$134.2 billion leading the way. Texas' top three export markets in 2007 were Mexico, Canada and China; for California, the top export markets were Mexico, Canada and Japan. In 2007, Texas' top three export items were chemical manufactures, computers and electronic products, and machinery manufactures, while California's top three export products were computers and electronic products, machinery manufactures, and transportation equipment. From 2002 to 2007, eight states and the Virgin Islands secured triple-digit growth rates, with Nevada (385 percent) reaching the top spot. Forty-one other states experienced double-digit growth rates, while Hawaii recorded a single-digit growth rate. In 2007, 30 states, along with the Virgin Islands and Puerto Rico, secured double-digit growth rates with North Dakota (35 percent) secur-

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Table B
U.S. Exports of All Merchandise to World (Ordered by Value in 2007)

<i>State or other jurisdiction</i>	2002	2003	<i>Yearly change</i>	2004	<i>Yearly change</i>
U.S. Total	\$693,257,299,708	\$723,743,176,992	4.40%	\$817,935,848,814	13.01%
Texas	95,396,196,650	98,846,082,565	3.62	117,244,970,494	18.61
California	92,214,291,621	93,994,882,282	1.93	109,967,840,247	16.99
New York	36,976,801,261	39,180,708,413	5.96	44,400,728,905	13.32
Washington	34,626,548,518	34,172,826,419	-1.31	33,792,503,705	-1.11
Illinois	25,686,413,863	26,472,902,154	3.06	30,213,626,405	14.13
Florida	24,544,204,050	24,953,413,564	1.67	28,981,515,202	16.14
Michigan	33,775,231,735	32,941,108,751	-2.47	35,625,007,725	8.15
Ohio	27,723,272,950	29,764,417,806	7.36	31,208,205,664	4.85
New Jersey	17,001,514,036	16,817,673,499	-1.08	19,192,130,841	14.12
Louisiana	17,566,658,462	18,390,130,016	4.69	19,922,345,769	8.33
Pennsylvania	15,767,793,573	16,299,211,662	3.37	18,487,253,385	13.42
Indiana	14,923,048,754	16,402,279,302	9.91	19,109,378,037	16.50
Massachusetts	16,707,593,003	18,662,575,189	11.70	21,837,411,438	17.01
North Carolina	14,718,504,679	16,198,733,368	10.06	18,114,767,389	11.83
Georgia	14,412,699,643	16,286,235,334	13.00	19,632,738,011	20.55
Tennessee	11,621,338,991	12,611,793,044	8.52	16,122,874,281	27.84
Kentucky	10,606,719,719	10,733,781,152	1.20	12,991,976,559	21.04
Wisconsin	10,684,271,079	11,509,835,058	7.73	12,706,343,147	10.40
Arizona	11,871,004,413	13,323,391,617	12.23	13,422,913,020	0.75
Puerto Rico	9,732,152,738	11,913,947,353	22.42	13,161,777,599	10.47
Minnesota	10,402,161,848	11,265,660,034	8.30	12,677,805,391	12.53
Virginia	10,795,528,315	10,852,980,547	0.53	11,630,743,511	7.17
South Carolina	9,656,247,356	11,772,894,482	21.92	13,375,889,564	13.62
Oregon	10,086,397,279	10,357,198,654	2.68	11,171,751,146	7.86
Alabama	8,266,884,455	8,340,387,183	0.89	9,036,640,599	8.35
Connecticut	8,313,390,369	8,136,442,912	-2.13	8,559,237,269	5.20
Missouri	6,790,778,019	7,233,937,387	6.53	8,997,288,404	24.38
Kansas	4,988,409,666	4,553,333,594	-8.72	4,930,773,941	8.29
Iowa	4,754,600,372	5,236,296,462	10.13	6,393,941,204	22.11
Maryland	4,473,575,879	4,940,630,648	10.44	5,746,142,322	16.30
Utah	4,542,724,908	4,114,540,443	-9.43	4,718,349,700	14.68
Colorado	5,521,684,934	6,109,121,348	10.64	6,650,998,549	8.87
Nevada	1,176,998,664	2,032,599,448	72.69	2,906,689,276	43.00
Mississippi	3,058,007,811	2,558,258,802	-16.34	3,179,373,553	24.28
Arkansas	2,803,644,920	2,962,152,830	5.65	3,493,133,417	17.93
Idaho	1,966,982,060	2,095,799,109	6.55	2,914,603,665	39.07
Oklahoma	2,443,577,842	2,659,603,110	8.84	3,177,874,248	19.49
Nebraska	2,527,632,208	2,723,669,948	7.76	2,316,114,025	-14.96
Delaware	2,003,814,025	1,886,118,089	-5.87	2,053,422,775	8.87
West Virginia	2,237,153,729	2,379,808,458	6.38	3,261,683,269	37.06
Alaska	2,516,219,755	2,738,557,708	8.84	3,156,910,610	15.28
Vermont	2,520,954,929	2,626,921,728	4.20	3,283,134,669	24.98
New Hampshire	1,863,287,991	1,931,411,721	3.66	2,285,589,133	18.34
Maine	1,973,060,885	2,188,413,025	10.91	2,432,218,855	11.14
New Mexico	1,196,144,288	2,325,609,448	94.43	2,045,805,871	-12.03
North Dakota	859,383,042	854,071,596	-0.62	1,007,926,753	18.01
Rhode Island	1,121,004,971	1,177,475,183	5.04	1,286,323,872	9.24
South Dakota	596,785,049	672,268,365	12.65	825,510,470	22.79
Montana	385,734,573	361,416,280	-6.30	564,690,618	56.24
Dist. of Columbia	1,065,873,322	809,220,172	-24.08	1,164,327,394	43.88
Wyoming	553,360,838	581,636,145	5.11	680,239,445	16.95
Virgin Islands	257,770,249	252,719,412	-1.96	389,407,492	54.09
Hawaii	513,650,873	368,226,673	-28.31	404,773,734	9.93
Unallocated	34,467,614,546	35,167,867,500	2.03	35,080,226,247	-0.25

See footnotes at end of table.

U.S. Exports of All Merchandise to World (Ordered by Value in 2007)—Continued

State or other jurisdiction	2005	Yearly change	2006	Yearly change	2007	Yearly change	Change: 2002–07
U.S. Total	\$904,379,818,171	10.57%	\$1,037,142,972,794	14.68%	\$1,162,708,293,437	12.11%	67.72%
Texas	128,761,036,151	9.82	150,888,054,964	17.18	168,164,440,482	11.45	76.28
California	116,818,585,165	6.23	127,746,135,340	9.35	134,151,760,591	5.01	45.48
New York	50,492,176,404	13.72	57,369,299,166	13.62	69,333,647,127	20.85	87.51
Washington	37,948,360,874	12.30	53,074,909,007	39.86	66,258,480,342	24.84	91.35
Illinois	35,868,406,183	18.72	42,084,595,133	17.33	48,730,156,421	15.79	89.71
Florida	33,377,054,012	15.17	38,544,528,174	15.45	44,831,678,558	16.31	82.66
Michigan	37,584,052,274	5.50	40,405,378,487	7.51	44,371,424,346	9.82	31.37
Ohio	34,800,926,215	11.51	37,832,693,465	8.71	42,381,591,441	12.02	52.87
New Jersey	21,080,304,895	9.84	27,001,734,586	28.09	30,462,503,875	12.82	79.18
Louisiana	19,231,807,078	-3.47	23,503,359,105	22.21	30,374,690,456	29.24	72.91
Pennsylvania	22,270,841,318	20.47	26,333,930,898	18.24	29,126,894,132	10.61	84.72
Indiana	21,475,917,893	12.38	22,619,712,238	5.33	25,877,845,066	14.40	73.41
Massachusetts	22,042,806,091	0.94	24,047,035,294	9.09	25,285,006,276	5.15	51.34
North Carolina	19,463,348,583	7.44	21,218,226,522	9.02	23,346,792,842	10.03	58.62
Georgia	20,576,630,980	4.81	20,073,302,703	-2.45	23,342,329,363	16.29	61.96
Tennessee	19,069,849,639	18.28	22,019,725,551	15.47	21,814,580,482	-0.93	87.71
Kentucky	14,899,031,549	14.68	17,232,213,488	15.66	19,616,269,672	13.83	84.94
Wisconsin	14,923,486,505	17.45	17,169,113,077	15.05	19,185,669,961	11.75	79.57
Arizona	14,949,570,212	11.37	18,287,397,929	22.33	19,185,647,072	4.91	61.62
Puerto Rico	13,264,030,883	0.78	15,195,567,625	14.56	18,062,965,035	18.87	85.60
Minnesota	14,704,521,649	15.99	16,309,306,307	10.91	17,993,363,745	10.33	72.98
Virginia	12,215,566,619	5.03	14,103,999,655	15.46	16,884,684,739	19.72	56.40
South Carolina	13,943,964,664	4.25	13,615,040,574	-2.36	16,560,187,099	21.63	71.50
Oregon	12,380,658,350	10.82	15,288,284,418	23.49	16,515,409,603	8.03	63.74
Alabama	10,795,768,491	19.47	13,877,619,708	28.55	14,421,058,275	3.92	74.44
Connecticut	9,687,291,825	13.18	12,238,324,203	26.33	13,719,049,174	12.10	65.02
Missouri	10,462,295,740	16.28	12,775,705,710	22.11	13,416,806,856	5.02	97.57
Kansas	6,720,074,709	36.29	8,625,552,641	28.36	10,246,052,895	18.79	105.40
Iowa	7,347,677,812	14.92	8,409,956,822	14.46	9,614,139,024	14.32	102.21
Maryland	7,119,176,536	23.89	7,597,859,751	6.72	8,945,517,915	17.74	99.96
Utah	6,055,863,467	28.35	6,798,091,878	12.26	7,811,528,625	14.91	71.96
Colorado	6,783,558,703	1.99	7,955,966,266	17.28	7,350,176,264	-7.61	33.11
Nevada	3,936,547,625	35.43	5,493,142,094	39.54	5,713,221,890	4.01	385.41
Mississippi	4,007,570,892	26.05	4,673,796,240	16.62	5,170,097,650	10.62	69.07
Arkansas	3,862,282,872	10.57	4,265,023,769	10.43	4,880,221,534	14.42	74.07
Idaho	3,260,238,703	11.86	3,720,921,696	14.13	4,703,845,021	26.42	139.14
Oklahoma	4,313,910,209	35.75	4,375,113,341	1.42	4,538,096,291	3.73	85.72
Nebraska	3,003,585,336	29.68	3,624,877,816	20.69	4,255,683,830	17.40	68.37
Delaware	2,525,053,719	22.97	3,889,465,182	54.03	3,986,213,450	2.49	98.93
West Virginia	3,146,577,373	-3.53	3,225,356,589	2.50	3,972,153,382	23.15	77.55
Alaska	3,591,882,156	13.78	4,044,411,482	12.60	3,894,618,472	-3.70	54.78
Vermont	4,239,666,866	29.13	3,816,784,423	-9.97	3,434,557,326	-10.01	36.24
New Hampshire	2,548,041,028	11.48	2,810,960,357	10.32	2,910,358,212	3.54	56.19
Maine	2,309,788,889	-5.03	2,626,614,497	13.72	2,742,370,193	4.41	38.99
New Mexico	2,540,264,473	24.17	2,891,558,567	13.83	2,583,288,298	-10.66	115.97
North Dakota	1,185,396,565	17.61	1,508,753,773	27.28	2,033,458,140	34.78	136.62
Rhode Island	1,268,589,058	-1.38	1,531,226,439	20.70	1,646,586,644	7.53	46.88
South Dakota	941,477,276	14.05	1,185,197,429	25.89	1,506,426,892	27.10	152.42
Montana	710,727,172	25.86	886,585,134	24.74	1,131,166,762	27.59	193.25
Dist. of Columbia	825,442,237	-29.11	1,039,868,119	25.98	1,082,955,531	4.14	1.60
Wyoming	669,077,957	-1.64	830,045,552	24.06	801,821,846	-3.40	44.90
Virgin Islands	538,572,361	38.31	623,694,057	15.81	796,884,193	27.77	209.15
Hawaii	1,028,167,397	154.01	705,743,752	-31.36	560,425,925	-20.59	9.11
Unallocated	36,812,316,538	4.94	39,131,211,801	6.30	42,981,494,201	9.84	24.70

Source: Office of Trade and Industry Information, Manufacturing and Services, International Trade Administration, U.S. Department of Commerce.

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ing the highest rate. Of the remaining states, 13 (and the District of Columbia) had single-digit growth rates, and seven states saw negative growth rates.

Another flourishing economic development trend involves the auto industry in the South. The current state of America's automobile industry is a study in stark contrasts.⁸ The Big Three U.S. automakers—General Motors, Chrysler and Ford, located primarily in the Midwest—have been hemorrhaging vast amounts of cash, battling a range of structural problems, teetering on bankruptcy and securing emergency loans for survival from the federal government. Meanwhile, a roster of foreign automakers located primarily in the South have been thriving financially and generating a panoply of positive economic benefits, locally and regionally. While the debilitating

effects of the current national recession have adversely affected the auto industry in the South,⁹ the region has attracted an impressive roster of foreign automakers in the last 25 years or so. Table C provides a breakdown of these foreign automakers and their locations.

Researchers cite a number of factors as being instrumental in the decisions of these foreign automakers to locate in the South:

- the ability to construct new manufacturing facilities, incorporating all the latest technologies, more efficiently and effectively at a Southern location, as opposed to reconfiguring older assembly plants in the Midwest;
- the economies of scale created by the cluster effect with the growing number of automobile assembly plants and thousands of auto parts suppliers in close proximity;
- the low or nonexistent rates of unionization and the negligible level of interest among Southern autoworkers to unionize;
- the attractive incentive packages, including tax breaks, worker training programs, an abundant labor pool and the ability to train a work force that has not worked in the auto industry previously, offered by Southern states;
- the extremely cost-effective intermodal transportation network in the region, spanning railways, highways, airports and, most importantly, ports;
- other attributes, such as the weather, reduced cost-of-living, lower or no personal income taxes, free or inexpensive property to build assembly plants, along with other attractive quality of life attributes; and
- the cutting-edge work being conducted by two high-end research and development facilities—the Advanced Vehicle Research Center in Garysburg, N.C., and Clemson University's International Center for Automotive Research in Clemson, S.C.—confirms that the automotive industry in the South now extends way beyond assembly operations.

The economic impact of these foreign automakers on the Southern economies continues to grow. For instance, Alabama, which did not produce a single car until 1995, produced 800,000 vehicles in 2007, making it the fifth-largest auto-producing state in the country;¹⁰ a study commissioned to commemorate Mercedes' 10th anniversary in Alabama documented that the automaker and its top suppliers were responsible for a \$6.8 billion economic impact in 2006, as well as 41,830 jobs.¹¹ By 2006, Toyota's first and now

Table C
Foreign Automakers with
Assembly Operations in the South

<i>State and city</i>	<i>Foreign manufacturer</i>
Alabama	
Vance	Mercedes
Lincoln	Honda
Huntsville	Toyota
Montgomery	Hyundai
Georgia	
West Point	Kia
Kentucky	
Georgetown	Toyota
Mississippi	
Canton	Nissan
Blue Springs	Toyota
South Carolina	
Greer	BMW
Tennessee	
Smyrna	Nissan
Nashville	Nissan North American HQ
Chattanooga	Volkswagen
Texas	
San Antonio	Toyota
Virginia	
Dublin	Volvo
Herndon	Volkswagen North American HQ
West Virginia	
Buffalo	Toyota

Source: Compiled by author, 2009.

largest North American facility had invested \$5.4 billion and generated about 35,000 direct and indirect jobs in Kentucky since it opened the Georgetown facility in 1986.¹² On the national level, throughout 2007, Toyota invested more than \$17 billion in 10 production facilities scattered across the U.S.¹³ Volkswagen's decision in July 2008 to locate its first North American production facility in Chattanooga, Tenn., a \$1 billion investment, remains the biggest single investment ever made in Tennessee by a company; the Volkswagen investment also drew the state's largest-ever incentive package—\$577.4 million in assistance and tax breaks over the next 30 years from state and local governments. In turn, an economic forecast study estimates that this investment and incentives will spur more than \$11.8 billion in personal income growth over the same period, an estimated \$1.4 billion in total tax revenue from the plant and its offshoots, and 11,477 new jobs.¹⁴ BMW has been credited with transforming South Carolina's upstate region, formerly the stronghold of the state's now fading textile industry, into a thriving high-tech bastion. A September 2008 study released by the University of South Carolina noted that over the past 16 years, BMW has evolved to occupy a distinctive position in the South Carolina economy, supporting 23,050 jobs and generating \$1.2 billion yearly in wages and salaries in the state. In 2007, the total annual economic output associated with BMW's economic activities—sales of goods and services to BMW and its employees from in-state vendors—amounted to more than \$8.8 billion in South Carolina.¹⁵ These statistics clearly demonstrate the enormous economic importance of the automobile industry in the South.

In these dire fiscal times, the emergence of additional stirring economic development projects remains very encouraging. The following passages will highlight several of these, particularly in the area of alternative/clean energy sources:

- In Mississippi, plans are underway to begin operation by 2015 of a \$2.2 billion clean-coal power plant in Kemper County near Meridian that will pump millions of dollars into the local economy, generate nearly 300 direct jobs, lower utility bills and minimize adverse environmental impacts.¹⁶ The plant would create power by separating carbon dioxide emissions from coal, which would then be stored in depleted underground oil wells and sold to companies that would use it to produce oil. The plant will use lignite, a low-quality coal with higher moisture content and reduced burning capability compared to other varieties of coal.
- In Georgia, Suniva, the state's only solar power cell manufacturing plant, opened in December 2008 with financial incentives from the state and local governments.¹⁷ The technology used by Suniva to create solar cells soaks up the sun's energy more efficiently and at a lower cost compared to other competing products. The cells made by Suniva are deployed in solar-powered products manufactured by other companies. Company officials indicate that they already have lined up \$1 billion in sales agreements with overseas solar module manufacturers.
- In Tennessee, construction was slated to begin in early 2009 on a \$1.2 billion plant expected to employ up to 800 people in the production of polycrystalline silicon, the basic element of solar-electric panels and computer chips.¹⁸ The factory is scheduled to open in 2012 and will be built in Clarksville, just north of Nashville. Michigan-based Hemlock Semiconductor Corporation is the parent company for the factory, which could be expanded to a \$2.5 billion investment with thousands more jobs.
- In Oklahoma, the state is touting its decades-long expertise and experience in aviation and aeronautical technology and providing incentives to attract wind manufacturing companies.¹⁹ Oklahoma's ideal geographical landscape for wind energy has the potential to supply 9 percent of the country's electricity needs while the state's extensive aviation and aeronautical background remains critical in wind resource manufacturing elements such as tower production, turbine assembly and blade construction.
- A number of other states are also aggressively pursuing wind energy, both as an economic development and clean energy generation strategy. For instance, Gov. Brian Schweitzer in Montana cites a planned wind turbine plant in Butte that will employ as many as 600 workers, while Gov. Bill Ritter in Colorado touts a Danish-based company Vestas that will employ 2,500 people by 2010 at four turbine manufacturing locations in his state. Similarly, in Newton, Iowa, a wind-turbine plant seeking to employ 500 workers began operations in fall 2008 at a shuttered Maytag factory.²⁰
- In Kannapolis, N.C., 30 miles northeast of Charlotte, the \$1.5 billion N.C. Research Campus opened in October 2008.²¹ The facility is at the site of the century-old Pillowtex textile factory that closed in 2003, and the 350-acre biotech hub is projected to generate 30,000 direct and indirect

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jobs when fully operational. State incentives were part of the strategy in establishing the facility and several labs have already been opened.

- In Groton, Conn., the submarine builder Electric Boat announced an expansion in its work force of up to 200 engineers, 50 designers and 400 trade staffers to meet the demand for new Virginia class submarines from the U.S. Navy.²² In addition, the company's 10,000-person work force continues to retain a number of maintenance and modernization contracts for the U.S. Navy.
- In Missouri and Kansas, two recent major economic development projects offer promise for thousands of 21st century high-tech, high-wage jobs. First, the University of Missouri is in the process of establishing a new 500-acre research park in Blue Springs that would expand ties with bioscience and alternative energy companies.²³ Then, in Kansas, the December 2008 decision²⁴ of the U.S. Department of Homeland Security to locate the National Bio and Agro-Defense Facility in Manhattan, Kans., in the vicinity of Kansas State University, remains a huge boost to the state.²⁵ The facility will be the nation's premier federal lab specializing in animal diseases and other food supply threats. The 500,000-square-foot, \$563 million laboratory's construction is expected to generate 1,000 jobs while paying an estimated \$25 million in annual salaries to about 326 employees. Kansas' impressive biosciences sector has been nurtured for some years now by state policymakers, including the initiative to pump nearly \$580 million into expanded bioscience research, and was undoubtedly influential in this federal decision.
- Finally, in Charleston, S.C., the closure of the U.S. Navy base in 1996 was a serious economic blow to the city and the state.²⁶ But after a decade of decay, some 340 acres of the former base is now part of a 3,000-acre redevelopment effort that will see an injection of \$3 billion over 20 years. This has resulted in a number of "green" and technology-focused, defense and security businesses moving to the former Navy shipyard. The newly developed area includes a number of the companies that work on a range of high-tech military projects and is near the U.S. Navy's engineering and research unit, the Space and Naval Warfare Systems Center Atlantic. Consequently, between 2000 and 2007, the number of people working in information technology grew by 52 percent in the Charleston area; nationally, it went up by only 9

percent. South Carolina also has the second-highest concentration of industrial engineers in the country, after Michigan. Despite South Carolina's record high unemployment rate for some years now, job growth in the Charleston area was 16.5 percent between 2000 and 2007.

In closing, as foreboding as the severity of the ongoing recession has been and will be on both the national and state economies, the resiliency of states to bounce back from these dismal times by both initiating and continuing a number of promising economic development efforts remains impressive. The role of the federal government in this process remains critical and the Obama administration's proposals regarding both direct assistance to the states and the massive infrastructure repair and modernization program will be vital in revitalizing state economies. This will allow an urgent redirection of the energies of our economy—beginning at the local and state levels—that will eventually generate broad-based, sustained economic growth in all sectors of the country.

Notes

¹"In 2008, 6 Years of Market Gains Are Lost," *The New York Times*, January 1, 2009 and "Stocks Close Out Worst Year Since 1931," *USA Today*, January 3, 2009.

²<http://www.nber.org/cycles/dec2008.html>

³"Fiscal Survey of States: June 2008," National Association of State Budget Officers (NASBO) and the National Governors Association (NGA), www.nasbo.org.

⁴"29 States Faced Total Budget Shortfall of At Least \$48 Billion in 2009," The Center on Budget and Policy Priorities (CBPP), August 5, 2008, www.cbpp.org.

⁵"State Budget Troubles Worsen," Center on Budget and Policy Priorities, December 23, 2008, www.cbpp.org.

⁶While the focus of this chapter will be on a sampling of major economic developments in the Southern states, references will also be made to projects in other parts of the country.

⁷"As Outlook Dims, Obama Expands Recovery Plans," *The New York Times*, December 21, 2008.

⁸The Council of State Governments' Southern office, the Southern Legislative Conference, continues to focus on the economic impact of the automobile industry in the South. In November 2003, the SLC released a report titled *The Drive to Move South: The Growing Role of the Automobile Industry in the Southern Legislative Conference Economies*. This 148-page report featured an in-depth review of the auto industry in the South. The SLC has also published articles further clarifying the growing importance of the automobile industry in the South in *Global Corporate Expansion*. Visit <http://www.slcatlanta.org/Publications/EconDev/Autos.html> to read the publications.

⁹Toyota's decision in late 2008 to postpone the opening of its latest North American plant in Blue Springs, Missis-

issippi, and the decision to shutter the Toyota plant in San Antonio that manufactures the Tundra for three months in fall 2008 are two examples of the negative effects of the economic recession affecting foreign automaker operations in the South.

¹⁰“Southern Comfort,” *Newsweek*, December 22, 2008.

¹¹<http://www.ado.alabama.gov/content/media/publications/DevelopingAlabama/DevAlabamaNov07.pdf>

¹²<http://www.toyotageorgetown.com/pdfs/2008infokit.pdf>

¹³See note 10.

¹⁴“Chattanooga: VW Incentives, Investment Records in State,” *The Chattanooga [Tennessee] Times Free Press*, August 30, 2008.

¹⁵Douglas P. Woodward, Ph.D. and Paulo Guimarães, Ph.D., “BMW in South Carolina: The Economic Impact of a Leading Sustainable Enterprise,” Moore School of Business at the University of South Carolina, September 2008.

¹⁶“Mississippi Power Working on Clean-Coal Plant,” *The [Mississippi] Clarion-Ledger*, December 19, 2008.

¹⁷“Rain Can’t Stop Solar Panel Factory Opening,” *The Atlanta Journal Constitution*, December 11, 2008.

¹⁸“Clarksville Factory Heralds Green Future,” *The Tennessean*, December 16, 2008.

¹⁹“Oklahoma is Wind Energy,” Oklahoma Department of Commerce, www.OKcommerce.gov/wind.

²⁰Tom Arrandale, “Banking on the Wind,” *Governing*, December 2008, www.governing.com.

²¹“Murdock’s Biotech Hub Taking Form,” *The [North Carolina] News & Observer*, October 21, 2008.

²²“Submarine Company Thriving, Looking to Hire,” www.wfsb.com, December 9, 2008.

²³“Bioscience Hub Sought at Blue Springs Site,” *The Kansas City [Missouri] Star*, December 15, 2008.

²⁴Pending approval by the Obama Administration.

²⁵*Ibid.* and “Flora Loses Biolab to Kansas over Access to Partner Universities,” *The [Mississippi] Clarion-Ledger*, December 9, 2008.

²⁶“A Turn in the South,” *The Economist*, December 30, 2008.

About the Author

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