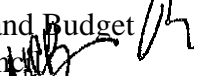





THE WHITE HOUSE
WASHINGTON

June 21, 2010

M-10-21

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

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SUBJECT: Developing Effective Place-Based Policies for the FY 2012 Budget

This memo provides guidance on developing place-based policies for the President's FY 2012 Budget. Effective place-based policies can influence how rural and metropolitan areas develop, how well they function as places to live, work, operate a business, preserve heritage, and more. Such policies also leverage investments by focusing resources in targeted places and drawing on the compounding effect of cooperative effort. This Administration has made a priority of promoting such policies, and, last year, we issued a guidance memo laying out the principles and definitions underlying place-based policies and requesting agency proposals (see Appendix I).

For the FY 2012 Budget, the Administration aims to build on the encouraging progress made to date (see Appendix II). Our goal is to continue applying place-based principles to existing policies, potential reforms, and promising innovations, with a particular focus on strengthening *economic growth* and achieving greater *cost effectiveness*:

- **Economic growth.** Place-based policies should reflect the comparative advantages and needs of distinct regions across the Nation, both in mature and emergent economic sectors that operate in rural and metropolitan areas. Policies should help economically distressed cities and regions, for example, to transition from reliance on their anchor industry(ies) to an economic base that would spur productivity and growth in a sustainable economic trajectory.
- **Cost-effectiveness.** The American people deserve a government that spends taxpayer dollars as cost-effectively as possible. Especially in light of the fiscal challenge we face, we must eliminate unnecessary spending and focus federal resources on effectively addressing clear needs or problems. This is as true for place-based efforts as it is for other Federal spending.

I. More on Growth as a Priority

Economic growth should receive special focus in your FY 2012 Budget submissions. This priority is not meant to preclude agency submissions related to the Administration's other place-based priorities, i.e., environmental sustainability, community health and access to opportunity,

and safety and security, all of which can contribute to or complement economic growth. Growth is a particularly urgent priority for our nation's communities, and it is one that smarter federal policy can accelerate in a variety of ways.

Competitive, high-performing cities and rural areas are the building blocks for strong regional economies, and strong regional economies are the foundation for national economic growth. The elements of economic productivity – strong infrastructure, a skilled workforce, and interrelated networks of firms – come together with smart economic strategy on the regional level to drive prosperity. Yet by and large, Federal programs are based on one national economy, or 50 state economies, and miss the local or regional reality. Furthermore, Federal programs typically support infrastructure, workforce development, and other building blocks without tying them explicitly to strategies for regional growth, which many communities lack.

By coordinating their programs, Federal agencies can promote collaboration at the regional level to link, leverage, and align federal, state, local, and regional resources and promote more effective use of existing dollars in a fiscally constrained environment. Coordinated investment aimed at building upon regional assets can also catalyze private investment, increasing the resources available to propel a region forward.

Such policies are particularly important for the many cities, rural areas and regions in America undergoing major economic transitions. Some have experienced long-term decline due to shifts in production technologies and market power that made it impossible for their primary industry(ies) to support the population and development base that it once did. The recession has deepened the economic crisis in these regions, and this is a pivotal moment for the Federal government to help these regions find their way in the new economy. Other regions have experienced a seismic shock to their economies more recently, but they can also benefit from well-focused efforts to generate stability and new growth.

II. Specific Actions Requested

Appendix III outlines some major types of place-based policies that could enhance economic growth. This outline is a starting point for identifying programs in your agency that may lend themselves to restructuring, termination, or promising innovations. Please include the following as a separate section in your FY 2012 budget submission, due to OMB on September 13, 2010:

- Identify the place-based programs or initiatives that you believe show special promise for achieving better outcomes, whether the place-based approach is well-established or newly proposed. In so doing, please give special emphasis to programs that promote economic growth. These policies should be within OMB Guidance (M-10-19) and cost effective. For each, please explain the policy's measurable outcomes, using empirical evidence to the degree possible. In addition, please provide options for improving the intra- or inter-agency coordination and effectiveness of the proposed policy.

- Identify the existing place-based programs or policies within OMB Guidance (M-10-19) that are not cost effective and that you would propose to reduce, terminate, or significantly restructure due to inefficiencies or ineffectiveness. Please explain why you have reached this determination, using empirical evidence to the degree possible.

This guidance will be discussed in meetings with agencies that OMB and DPC will schedule this summer. Agencies are also encouraged to work with their OMB RMO and their policy council contacts to identify candidate programs. OMB will weigh these questions throughout the process of policy development for the President's FY 2012 Budget.

Appendix I

HIGHLIGHTS OF FY 2011 GUIDANCE ON PLACE-BASED POLICY

See complete FY 2011 memo at www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-28.pdf

A. Definitions

Place-based policies target the prosperity, equity, sustainability and livability of places – how well or how poorly they function as places and how they change over time. Place-based policy leverages investments by focusing resources in targeted places and drawing on the compounding effect of cooperative arrangements.

By definition, all domestic policies affect people who live or work in particular places. But many domestic policies are not place-based or place-driven. This is not to say that place-based approaches are always the most effective way to achieve particular policy goals. However, the Administration’s work should be guided by a clear understanding of the useful role that place-based policy can play and how to make it most effective.

YES: Place-based policy	NO: Not a place-based policy
A program to foster successful networks or clusters of businesses at the local or regional level	A Federal program to make credit available to small businesses <i>generally</i> .
A Federal program to foster homeownership through a neighborhood-based approach to financing, redevelopment, and financial literacy development	A program to make mortgage credit available to qualified borrowers <i>generally</i> .
A Federal program that targets local workforce development organizations (which help supply skilled labor) and connects them to efforts to generate jobs (local demand for labor)	A program to provide unemployment insurance to the unemployed <i>as a category</i> .

Though the boundaries blur in some cases – for example, tax deductions to promote homeownership appear to benefit the households that receive them as well as their neighbors, thanks to spillover effects – the place-based distinction applies in education, health, and other domains not in the list above.

Furthermore, various Federal programs can function more effectively if they include well-focused, place-based strategies. Evaluations of Federal programs commonly underscore the

importance of encouraging local networks of referral, support, and coordination – for instance, to make disparate Federal programs more effective in generating employment.

B. Principles for Place-Based Policy

Consistent with the Administration’s overall approach to policy making and commitment to investing in what works, three principles should serve as a guide to agencies as they review their place-based policies or review their programs for opportunities to implement place-based policy:

- *Clear, measurable and carefully evaluated goals should guide investment and regulation.* As agencies consider which policies and programs to integrate into place-based focus, these should incorporate clear measures of success and concrete measures by which the comprehensive effectiveness of Federal action can be evaluated over time. Goals and results should be transparent and widely and effectively shared.
- *Change comes from the community level and often through partnership; complex problems require flexible, integrated solutions.* The Administration must break down Federal “silos” and invest in such a way that encourages similar coordination at the local level. To make the Federal government a more effective and nimble partner, agencies also should pursue opportunities to engage State, local, and tribal governments, faith institutions, nonprofit organizations, businesses, and community members at-large as collaborators. Effective collaboration rests on developing shared agendas for action, strategies that are smart, success measures that make sense, and implementation focused on results.
- *Many important challenges demand a regional approach.* The Nation is increasingly a conglomeration of regional economies and ecosystems that should be approached as such. Federal investments should promote planning and collaboration across jurisdictional boundaries. Given the forces reshaping smaller communities, it is particularly important that rural development programs be coordinated with broader regional initiatives. Programs in neighboring zones and within larger regions – some of which connect rural communities to metropolitan regions – should complement each other. Federal programs should better reflect the Nation’s economic and social diversity, both in rural and metropolitan areas. To the extent possible, programs should allow for communities to identify distinct needs and address them in appropriate, strategic ways.

Appendix II

PROGRESS TO DATE

While programs and policies internal to Federal agencies naturally tend to be siloed, the notion of place-based policymaking has already begun to change the way the Federal Government does business. We have seen this in a number of interagency initiatives and FY 2011 Budget proposals that serve Administration priorities in this area:

Sustainable Communities. The Departments of Transportation (DOT) and Housing and Urban Development (HUD), and the Environmental Protection Agency (EPA), have taken a whole-agency approach to rethinking policy and programs through a place-based lens. They each administer large sums of money directed at planning for and constructing infrastructure, housing, or other “place-making” investments that shape physical development patterns. Yet the agencies recognize that their siloed incentives and requirements lead to cumbersome and inefficient planning and use of resources at the local level. Some of these decisions – such as laying water lines to the outskirts of center cities without regard to transit, accommodations for affordable housing or linkages to job centers – incentivize higher maintenance requirements, often putting the Federal government on the hook for increased subsidies over time.

With support from the Congress, these three agencies have begun to align planning rules and regulations, as well as funding decisions, to encourage integrated solutions to these problems, such as by reusing existing infrastructure assets and promoting fiscal responsibility. In the current fiscal year, the agencies are collaborating on grantmaking across several programs. And in the FY 2011 Budget, the three agencies proposed coordinated reforms and expansions to increase the capacity of their grantees to work across sector lines and coordinate planned investments. HUD’s budget request includes \$150 million to help stimulate comprehensive regional and community planning efforts that integrate transportation and housing investments and that result in more sustainable development patterns, reduce greenhouse gases, and increase transit-accessible housing choices for residents. This is combined with the DOT’s requested \$539 million for strengthening the capacity of States and local governments to make smarter infrastructure investments, and the EPA’s requested increase to \$11 million in its Smart Growth Office for technical assistance.

Regional Innovation Clusters. Federal programs for planning and supporting regional economic development are fragmented and largely uncoordinated across the Federal government. To be most effective on the local level, business, economic, and workforce development efforts should be coordinated and built around an analysis of a region’s economic assets and challenges as well as the changing global economy in which regions compete. The Departments of Commerce (DOC), Labor, and Education and the Small Business Administration (SBA) have come together to work toward a more coordinated strategy built around innovation clusters. Over the past year, they have worked with the Department of Energy to align major energy technology investment with business and workforce development support to ensure that communities can translate R&D dollars into greater prosperity for the region.

The U.S. Department of Agriculture (USDA) is helping to lead this approach in rural America. In the spring of 2010, USDA announced the Rural Innovation Initiative, which will provide up to 10 to 12 planning grants to rural regions that are developing a cluster strategy through USDA Rural Business Opportunity Grants. The President's 2011 Budget authorizes a 5 percent set-aside from numerous USDA programs, totaling \$135 million in budget authority, to implement the completed plans.

In the spring of 2010, DOC, in collaboration with the National Science Foundation (NSF) and the National Institutes of Health (NIH), announced the I6 challenge grant. DOC's Economic Development Administration (EDA) will award up to \$1 million to each of six winning teams with the most innovative ideas to drive technology commercialization and entrepreneurship in their regions. In addition, NSF and NIH will contribute up to \$6M to their Small Business Innovation Research (SBIR) grantees associated with the winning regions.

To step up this kind of coordination, the FY 2011 Budget proposes \$75 million in regional planning and matching grants within the EDA to support the creation of Regional Innovation Clusters across the country. This would leverage regions' competitive strengths and thereby boost job creation and economic growth. SBA would support EDA's cluster effort by directing a proposed \$11 million toward greater small business participation in regional clusters, including participation by entrepreneurs in inner cities and other disadvantaged areas within regions, by better coordinating SBA resources for business counseling, training, and mentor-protégé partnerships. SBA will also integrate its small business services with the industry strategies already identified by the regions so that small businesses are more closely aligned with emerging opportunities. The Department of Labor would use its newly proposed Workforce Innovation Fund (up to an estimated \$108 million) to help ensure that an area's workforce development system also aligns with regional cluster growth, and the Department of Agriculture's budget similarly calls for a Regional Innovation Initiative to align Federal resources to promote regional economic opportunities in rural communities.

Neighborhood Revitalization. Communities of concentrated poverty and crime that have experienced disinvestment over a period of years, if not decades, confront a range of structural challenges. Agencies such as HUD and the Departments of Education, Health and Human Services, and Justice help address a number of those barriers—but too often in isolation. These agencies are beginning to come together to improve coordination and impact.

The FY 2011 Budget proposes \$250 million for HUD's Choice Neighborhoods program, which will target neighborhoods anchored by distressed public or assisted housing with physical and social revitalization efforts that are grounded in promising, measurable, and evidence-based strategies. Choice Neighborhoods will coordinate housing investments with public safety, education, and other vital elements of neighborhood transformation. The Department of Justice is requesting \$40 million for targeted, innovative programs to prevent gang violence and help prisoners re-integrate into the job market and community life. The Department of Education proposes support for Promise Neighborhoods, modeled after the Harlem Children's Zone, which aims to improve college-going rates by combining a rigorous K-12 education with a full network of supportive services available to entire neighborhoods.

While these interagency collaborations stand out in the FY 2011 Budget, other agency proposals benefited significantly from a place-based approach.

Appendix III

TARGETS OF ECONOMIC GROWTH POLICY

This FY 2012 budget guidance aims to elicit programs and initiatives that expand the nation's economic productivity and prosperity, as well as opportunity for all segments of society. Given the central role that regional economies play in the broader national economy, agency proposals should be designed, as much as possible, to promote regional economic strategies that are multi-faceted and inclusive. Specifically, we are interested in agency proposals for place-based programs or initiatives that address one or more of the following five dimensions of economic growth and can be linked to place-based policies:

- *Built Environment and Business Development.* Programs and initiatives in this category spur economic activity through (a) the traditional “bricks and mortar” economic development programs that target infrastructure, land use, and other aspects of the built environment, and/or via programs that promote entrepreneurship, (b) supporting the creation and expansion of small and medium-sized businesses (e.g., whether through improved access to capital, customers, expertise, or other success drivers), and (c) developing and strengthening core or emerging industries. Agency proposals in this category should connect, as much as possible, to the broader regional assets and challenges of targeted regions, and should seek to advance the goals of clean energy, energy efficiency, and other elements of sustainability in the built environment. As an example of these forward-looking commitments, the Economic Development Administration (EDA) within the Department of Commerce (DOC) has proposed a Regional Innovation Clusters program, which provides grants to regional initiatives that seek to create interconnected networks of businesses, academic institutions, research facilities, science and technology parks, and professional associations, for the purpose of generating a virtuous cycle of regional competitive strength and economic adaptability. Moreover, a core group of agencies—DOC, the Department of Labor, the Department of Education, and the Small Business Administration—have formed a standing committee to support a range of cluster-related efforts. And discussions have been held with other Federal agencies to identify innovative initiatives that would benefit from joint agency funding similar to the E-RIC proposal described in the “Technological Innovation” section below.
- *Human Capital Development.* Efforts in this category increase the knowledge and skills of our nation's workforce. This includes workforce development programs that educate and train workers for high-skilled jobs, entrepreneurship education programs that give people the skills they need to launch their own business, cradle-through-career education programs that prepare our students to be globally competitive, as well as human services programs that address the health and well-being of workers (supporting productivity). In addition, programs that increase the ability for all segments of society to operate effectively in our increasingly complex economy, such as financial education and financial counseling programs, fall into this category. Forward-looking programs seek to connect the demand and supply sides of the labor market, encouraging workforce development strategies that prepare

people for jobs the local and regional economy is, in fact, producing or will produce. For example, the Employment and Training Administration at the Department of Labor proposed, as part of its FY 2011 budget submission, the creation of an Innovation Fund within the Workforce Investment Act. This proposal, which is now being considered by Congress, would redirect 5% of WIA formula dollars for adults and dislocated workers into a new competitive fund to support the demonstration and replication of promising strategies, such as regional and sectoral collaboration, so that the job training opportunities provided to residents of a community match the needs of employers in the region.

- *Technological Innovation.* A variety of federal programs and initiatives aim to advance innovation through research, product development, and commercialization of American goods and services. Innovation has always been the lifeblood of our economy, and, arguably, has the greatest impact on our nation's ability to create and sustain high paying jobs for the future. As much as possible, agency proposals in this category should support broader regional economic strategies and encourage collaboration and technology transfer. The Federal government invests \$150 billion every year in research and development; agencies should make it a priority to increase the economic impact of this investment by supporting technology transfer, research commercialization, and technology-based economic growth strategies. A prime example of a multi-agency initiative program in this category is anchored by the Department of Energy's Energy Innovation Hub program, which provides funds competitively for research, product development and commercialization in a number of energy-related areas to a consortium of regional and local partners, such as businesses, colleges and universities, local governments, and other stakeholders that must collaborate at the local level. Recently, as part of this program, the Departments of Energy and Commerce, in cooperation with the Departments of Education and Labor, as well as the Small Business Administration and National Science Foundation, released a joint Energy-Regional Innovation Cluster (E-RIC) funding announcement. The winning region will receive joint funding from two or more of the relevant agencies.
- *Export Promotion.* The most competitive regions effectively export goods and/or services to other regions, including regions in other nations, and constantly improve their knowledge of those markets. Export promotion, broadly defined, helps ensure that U.S. businesses can actively participate in international markets by increasing their exports of goods, and services, and agricultural products. This supports the Administration's National Export Initiative (NEI), which is focused on the goal of doubling U.S. exports over the next 5 years "by working to remove trade barriers abroad, by helping firms – especially small businesses – overcome the hurdles to entering new export markets, by assisting with financing, and in general by pursuing a Government-wide approach to export advocacy abroad, among other steps" (see the Executive Order creating the NEI: <http://www.whitehouse.gov/the-press-office/executive-order-national-export-initiative>). In concert with the NEI, the Department of Commerce's International Trade Administration and the SBA are working together to better integrate their export promotion and finance services in the field.
- *Economic Resilience.* Federal programs and initiatives in this category specifically aim to equip regions with the tools to (a) withstand, or more quickly rebound from, an exogenous shock to the regional economy, such as a natural disaster, accident, major plant closure, or

real estate market decline; or (b) find a path for sustainable economic growth when traditional industries can no longer provide one. Proposals could include innovative approaches to economic planning and governance, capacity building, and collaboration, as well as developmental strategies along the other dimensions above. For example, the National Oceanic and Atmospheric Administration's Coastal Services Center provides state coastal management organizations with technology, information, and management strategies to make informed planning and conservation decisions to enhance resilience and help communities adapt to a changing climate.