

JULY 2016



DELAWARE GROWTH AGENDA

THE DELAWARE BUSINESS ROUNDTABLE



July, 2016

To all Delawareans:

Delaware is widely known as The First State because we were the first to ratify the US Constitution in 1787. More than two centuries later, the characteristics of shared leadership and unbridled optimism that helped Delaware lead the nation on its path to independence remain strong in our state. Over the years, those same characteristics have enabled significant progress in terms of creating and expanding economic prosperity for all Delawareans.

But Delaware's past performance does not guarantee future success. The Delaware Growth Agenda is a constructive, forward-looking framework developed on the heels of the Roundtable's 2015 study of state finances. That study clearly articulated the structural budget challenge facing the state and strongly recommended that Delaware focus on expanding economic growth. Faced with increased competition for jobs, evolving technology and challenging regional and national economic trends, Delaware's efforts to expand economic opportunity must be anticipatory, innovative and constantly evolve to reflect changing circumstances.

With this approach firmly in mind, the Delaware Business Roundtable used its resources to retain the services of TIP Strategies, a leading national economic development planning firm, to help create a non-partisan, forward-looking framework – The Delaware Growth Agenda – to build on the base of solid work already underway and to create additional opportunities for job growth, investment and economic prosperity throughout Delaware over the next five to ten years. Because Delawareans know that if we work together we can make significant progress, this framework envisions an even stronger and more robust partnership between the public and private sectors to guide future success.

The Delaware Growth Agenda is the result of thousands of hours of work and more than a hundred thousand dollars in research. It was prepared with two important points in mind. First, it is guided by the views of Delawareans; TIP Strategies met and spoke with more than 100 individuals representing various stakeholders, including key employers, public officials, economic development representatives, industry associations and interest groups. Second, it is informed by a database of facts comparing Delaware to other states to ensure that we are competitive in key areas. The result is a fact-based framework that can be supported by both the private and public sectors to work together to increase future economic sustainability and competitiveness.

We hope you are as excited as we are to focus on the creation of economic opportunity and jobs in our state, and we thank all those who have contributed to the development of this framework. Without their commitment of thousands of hours of thinking, discussing and working on this framework, the Delaware Growth Agenda would not have been possible.

It is our hope and intention that the Delaware Growth Agenda and the need to expand economic development and job growth will be a key issue for constructive discussion and debate during the 2016 election cycle and will result in concrete action thereafter. Please join us as we seek to grow a stronger Delaware.

Sincerely,

Executive Committee

Delaware Business Roundtable

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EXECUTIVE SUMMARY

SCOPE AND STRUCTURE

The Delaware Growth Agenda was commissioned by the Delaware Business Roundtable as a private-sector response to the need to enhance the state's economic competitiveness. In recent years, Delaware has struggled to contend with the lasting effects of the Great Recession, the substantial restructuring of the state's traditional industry clusters, and the intense regional and national competition for jobs, investment, and talent. While the State of Delaware and its economic development partners have worked tirelessly to reverse the losses and spur new growth, the economic forces plaguing the state have proved daunting.

As a consequence, the Delaware Business Roundtable embarked on a non-partisan, collaborative planning effort that engaged more than 100 state, business, and community leaders to help craft a growth agenda designed to increase capital investment and job creation statewide. TIP Strategies, Inc., an economic strategy firm with offices in Austin and Seattle, was engaged by the Roundtable to conduct stakeholder meetings and compose the final report.

The document begins with an Introduction, which provides context and rationale for the Agenda's recommendations. The Agenda section includes strategic goals, strategies, and actions necessary for implementation.

The strategic recommendations are built on an analytical foundation that includes quantitative analysis, qualitative research, and stakeholder engagement. The Strength, Weaknesses, Opportunities, and Threats (SWOT) summary highlights longstanding issues of economic competitiveness. The strategies are often supported by national examples and best practices that are highlighted in adjacent text boxes. Appendix A is a Target Industry Analysis, which includes industry profiles that provide information on industry trends, why the industry is a fit for the state, which niches are most promising, and typical staffing

patterns. Appendix B contains a 50-State Scorecard that statistically illustrates Delaware's relative position compared to other states and provides a set of economic indicators to measure economic progress.

KEY FINDINGS

Delaware's economy has undergone a substantial transformation over the last quarter century.

- Many of the traditional pillars of the state—whether cars or chemicals—are no longer significant job generators.
- Goods producing industries (i.e., manufacturing) accounted for about 20 percent of the state's non-farm employment in 1990. By 2015, this percentage was cut in half to just 10 percent of all jobs.
- The state lost more jobs in manufacturing and corporate HQ than any other sector between 2010 and 2014. However, the Healthcare and Professional Services sectors have experienced robust employment growth in recent years.
- Delaware is home to a growing base on which to build a vibrant entrepreneurship and innovation ecosystem. According to one statistical index that measures the innovative inputs/capacity and outputs of an economy, Delaware compares well to other surrounding states and the US as a whole.
- Higher education must become the long-term driving force of the state's entrepreneurship and innovation ecosystem, which will require a greater commitment of resources from state, federal, and private sources.
- An analysis of the economic indicators presented in the 50-State Scorecard indicates Delaware's relative economic performance trending negatively, compared to other states, in several indicators including per capita GSP, patents per 1,000 residents, private sector earnings growth, per capita disposable personal income, and transfer payments.

- Delaware’s labor force participation rate between 2010 and 2015 showed the fastest percentage point increase among all 50 states. Rising labor force participation can signal improving employment opportunities.

GROWTH AGENDA

The Growth Agenda offers a broad strategic framework for pursuing a new long-term approach to economic development in Delaware. This framework is structured around a vision for economic development and three strategic goals.

VISION

Delaware will be a global magnet for leading-edge technologies, talent, and investment.

GOALS AND STRATEGIES

1. Build an entrepreneurship and innovation ecosystem.

- 1.1. Develop a statewide entrepreneurship asset map that identifies what the state has, what it lacks, and what needs strengthening.
- 1.2. Bolster federal, state, and private investments in higher education, emphasizing the science and technology fields, engineering, and entrepreneurship programs.
- 1.3. Establish an “Innovation District” to serve as a destination for entrepreneurs and startups.
- 1.4. Market Delaware to regional and national angel investor and risk capital networks.
- 1.5. Create a contact database for identifying and recruiting early-stage companies and entrepreneurs. Focus on proven companies and individuals.
- 1.6. Promote social entrepreneurship in the state to address local challenges.
- 1.7. Promote youth entrepreneurship at the K-12 level through education programs, business plan competitions, and awards.

- 1.8. Celebrate and publicize entrepreneurial success stories.

2. Pursue a new approach to economic development.

- 2.1. Establish a public-private economic development organization funded by multiple sources and governed by an independent board.
- 2.2. Craft a new comprehensive statewide economic development strategic plan.
- 2.3. Place greater emphasis and resources on expanding employment and investment within the state through business retention and expansion (BRE), entrepreneurship, and small business development.
- 2.4. Engage in a targeted industry marketing and attraction campaign that pursues new investment and jobs in Financial Services, Business Services, Education and Knowledge Creation, Manufacturing, and Distribution.
- 2.5. Collaborate with regional organizations on joint economic development activities and initiatives.

3. Enhance Delaware’s business climate.

- 3.1. Ensure that Delaware’s infrastructure meets the needs of a 21st Century economy.
- 3.2. Improve the state’s public education system by implementing the strategic recommendations contained in the “Student Success 2025” report published by the Vision Coalition of Delaware.
- 3.3. Take a leadership role in helping to facilitate more efficient development and permitting processes at the local and county levels.
- 3.4. Create a Futures Council of Delaware.
- 3.5. Enhance Delaware’s quality of place by providing the places and amenities sought by businesses and talent.
- 3.6. Ensure that the apportionment structure of the Delaware Corporate Income Tax (CIT) is competitive with other states.

INTRODUCTION

In the fall of 2015, TIP Strategies was commissioned by the Delaware Business Roundtable to prepare a statewide strategy for economic growth and prosperity. That charge could not have come at a more difficult time. National issues such as major corporate restructuring and stagnant wages (even with declining unemployment rates) were hitting Delaware especially hard. Despite these headwinds, the state has a resiliency and inherent advantages that allow for an optimistic view of the future.

One reason for that optimistic view is Delaware's history of coming together to successfully meet difficult challenges. The most recent evidence of such a collaborative approach was the leadership of Governor Markell, the General Assembly, Delaware's congressional delegation and the business community to ensure the headquarters for DuPont Company's agriculture business would be located in Wilmington. That's great news for DuPont, its workers and all Delaware families whose livelihoods depend on a strong and thriving private sector.

The resulting Growth Agenda offers a set of long-term strategic recommendations to guide the state's economic development program over the next five years. Its goal is to focus economic development organizations on sustainable growth well into the next decade. The ultimate responsibility for the Growth Agenda will rest not only with the State of Delaware and local entities, but also with the business community, foundations, and community organizations. In short, a partnership for prosperity must be the ultimate driver.

THE APPROACH

TIP Strategies followed a rigorous process in preparing this plan. We began with a review of data relevant to economic development, which included analyses of major industries and demographic trends. In addition, our team conducted numerous interviews and focus group discussions with stakeholders throughout Delaware. This gave us an understanding of the major issues facing the

state. Those interviews and listening sessions were held with more than 100 Delawareans representing a wide array of stakeholders including, economic development organizations, higher education institutions, businesses, government officials, labor unions, and non-profit organizations. Finally, we took advantage of the insights of other states and regions who have faced similar challenges. Benchmarking is the third component on which our approach relied. This benchmarking is especially important as it relates to organizational recommendations. In fact, without a clear understanding of what confers a competitive advantage to a state or region, strategies would be largely speculative.

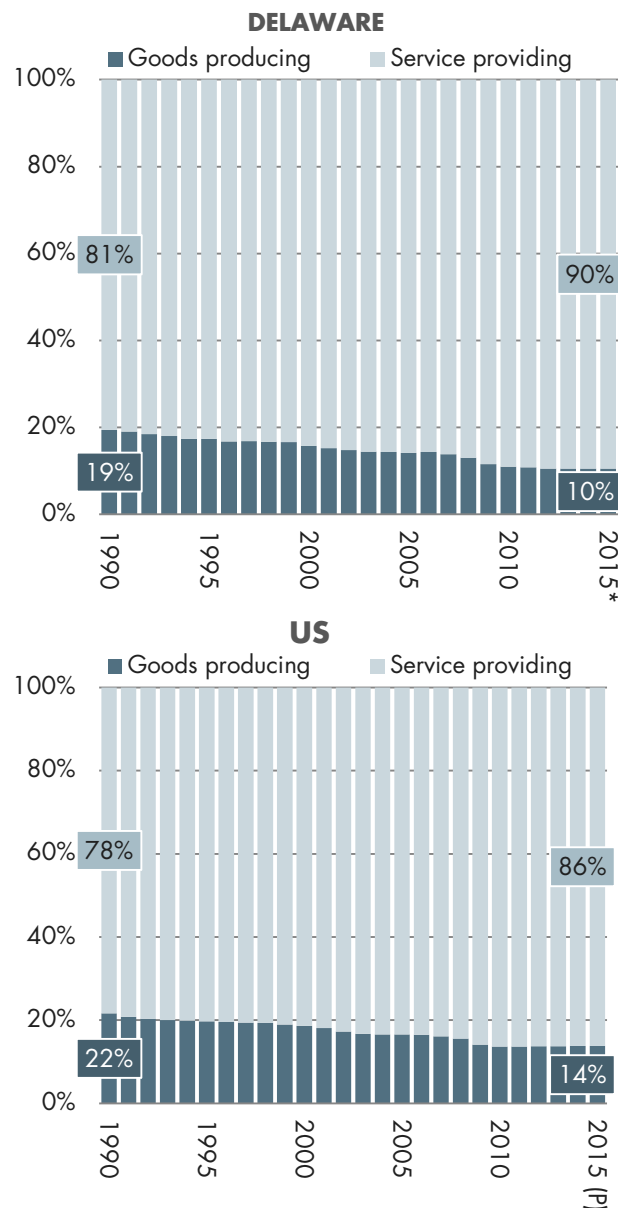
This plan lays out recommendations for how Delaware can strengthen its competitive position. They incorporate some short term objectives, but the central argument is that long-term success can only come by taking a new approach to growing the state's economy. As a consequence, the recommendations are wide ranging and demanding. Nevertheless, based on recent successful collaborations, it is the belief of the Delaware Business Roundtable that it is within the capacity of the state to achieve success.

It is useful to think of this plan as encouraging **a reset of economic development**. This implies, first and foremost, that things cannot continue as they have. Neither the companies in Delaware, nor the industry sectors themselves, can be counted on as engines of future growth. Many traditional pillars of the state—whether cars or chemicals—are no longer significant job generators. To think of the task ahead as anything less than a reset is to fight a rear-guard action against the overwhelming forces of change that are sweeping the nation.

As Figure 1 on the following page illustrates, Delaware's economy, like the national economy, has been undergoing a fundamental transformation over the last 25 years. Whereas goods producing industries (i.e., manufacturing)

accounted for about one-fifth of the state's non-farm employment in 1990, that figure has been cut in half. In 2015 it represented just 10 percent of all jobs.

FIGURE 1. DISTRIBUTION OF EMPLOYMENT BY SUPERSECTOR, DELAWARE AND US AS A SHARE OF TOTAL ANNUAL AVERAGE NON-FARM EMPLOYMENT, 1990 TO 2015



Source: US Bureau of Labor Statistics, State and Metro Area Employment (Delaware) and Current Employment Statistics (US)

The default tools of economic development—the recruitment, retention, and expansion of manufacturing firms—are still relevant, but they will not reverse these inescapable trends. For Delaware to be successful, it has to orient itself towards the reality of a changed economy. It is the innovation economy that is transforming the country. It is the reason why successful regions are seeing unprecedented job growth and unprecedented opportunity. Delaware must embrace the forces that are propelling them forward.

VISION

Ultimately, a vision for economic development must be embraced by policy makers, the business community, and the citizens at large. Collectively, they must embrace the idea that the vision operates around shared values: that everyone will prosper as a result of economic growth, that success will be balanced with environmental considerations, that the communities of the state will be vibrant.

The statement below captures the collective view of the many Delawareans throughout the state who provided input to this plan. It represents the desire for a new economic path that makes the state a destination for technology, talent, and private investment.

Delaware will be a global magnet for leading-edge technologies, talent, and investment.

GOALS

The Growth Agenda is centered on three strategic goals that are essential to making this vision a reality.

1. *Build an entrepreneurship and innovation ecosystem.*
2. *Pursue a new approach to economic development.*
3. *Enhance Delaware's business climate.*

SWOT ANALYSIS

An assessment of the state's strengths and weakness as well as its opportunities and threats, are important touchstones to future strategies. The SWOT is based on local input and data findings. It is a snapshot in time, but it typically highlights longstanding issues of economic competitiveness.

 STRENGTHS	 WEAKNESSES
<ul style="list-style-type: none"> • Large base of scientific talent • Delaware judiciary/body of corporate Law • External business brand and corporate database • UD, DTCC, DSU, and other higher education institutions • Low-cost of living state in a high-cost region • Presence of Dover AFB • Transportation infrastructure & linkages (highway, seaport, rail, air) • Location in the heart of eastern corridor • Nascent entrepreneurship and Innovation assets <ul style="list-style-type: none"> – Zip Code Wilmington & TechHire Initiative – STAR Campus – Horn Program in Entrepreneurship at UD – Silicon Valley East 	<ul style="list-style-type: none"> • Current status of economic development <ul style="list-style-type: none"> – Lack of private sector engagement – A limited state economic development strategy – Silver bullet mindset – NIMBY attitudes • An onerous development process intensifies perception of an unfriendly business climate • Available skilled workforce to fill demand for IT positions • Underdeveloped entrepreneurial culture • Size of the public sector in the state's economy • Public safety perceptions in Wilmington- • Perception of K-12 education • Coastal Zone Act restrictions on brownfield redevelopment
 OPPORTUNITIES	 THREATS
<ul style="list-style-type: none"> • A new state public-private partnership organization for delivering economic development programs and services • Leveraging talent, facilities, and IP associated with DuPont • New port infrastructure and industrial development opportunities • Growing competitive niche in the financial services IT sub-sector • Establishing an urban innovation district • Attracting young professionals and entrepreneurs • State seed fund and technical assistance program to support technology-based businesses and startups • A state futures council 	<ul style="list-style-type: none"> • Inability to attract and retain young educated professionals • Aging demographics • Uncertainty surrounding DuPont & Chemours • Inability to find long term solutions to state finances • Competition from other states for incorporations • Negative perception of Wilmington due to public safety issues • Unclaimed property lawsuit • Becoming a retirement state • Loss of morale

THE AGENDA

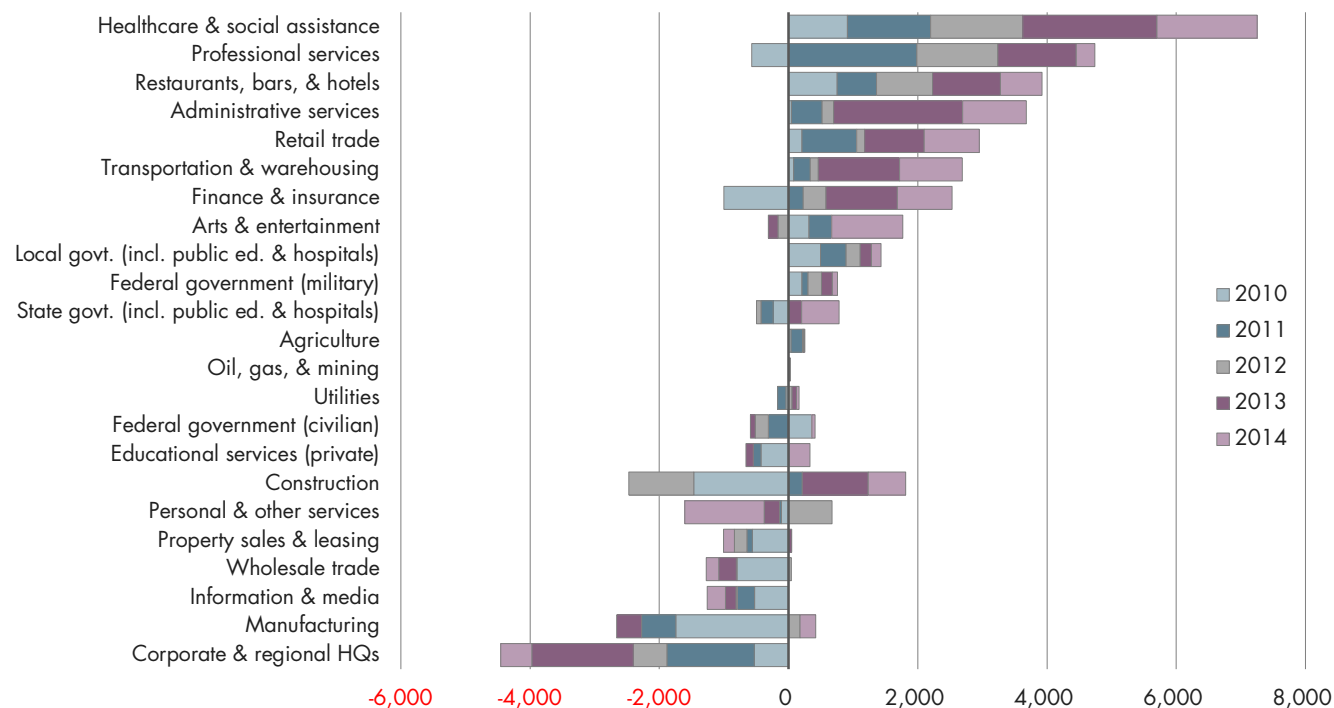
GOAL 1. BUILD AN ENTREPRENEURSHIP AND INNOVATION ECOSYSTEM.

So much has been written on the subject of entrepreneurship and innovation that a certain fatigue has set in. If everyone is doing it, does it still present an opportunity for Delaware? The answer is emphatically yes. The alternative is either recapturing the labor growth of the state's traditional industries, which is not likely given the economic realities, or competing for new manufacturing investment with states that have no restrictions on labor, less stringent environmental enforcement, and a more favorable tax climate.

The challenge is that Delaware does not have a deep history or culture of entrepreneurship. Traditionally, the state's economy has relied on the presence of large corporate and institutional employers, which is where much of Delaware's long history of research

and innovation has occurred. As this employment structure has broken down over the last several years, little has been created from within to take its place. To a certain extent, the focus of the state was on replacing lost manufacturing and corporate jobs by attracting and incentivizing new jobs from outside employers. Figure 2 below illustrates that the state lost more manufacturing and corporate HQ jobs than other sectors between 2010 and 2014. In fairness, the state was forced into this reactive position by external forces and economic restructuring it had very little control over. And Delaware was not the only state to face such difficulties and react in the same fashion. That said, those states and regions that suffered the least in the wake of the Great Recession, or were able to recover the quickest, were those that nurtured a diverse and broad business base that features substantial new business creation.

FIGURE 2. EMPLOYMENT TRENDS BY MAJOR SECTOR



Source: 2015.2 – QCEW Employees, Non-QCEW Employees, and Self-Employed

This is not to say that Delaware lacks any entrepreneurship assets and success stories. Delaware Technical Community College (DTCC), Delaware State University (DSU), and the University of Delaware (UD) have actively been investing in new entrepreneurship programs and facilities. DTCC has established an associate degree program in entrepreneurship at its Wilmington, Dover, and Georgetown Campuses; has created a One Million Cups program at its Wilmington Campus (www.1millioncups.com/wilmington); and hosts the Diamond Challenge for High School Entrepreneurs. In addition, DSU offers existing and prospective entrepreneurs training programs, technical and managerial assistance, and capital access through its Delaware Center for Enterprise Development (DCED).

As the state's flagship higher education institution, UD has been very active in expanding its entrepreneurship and innovation assets and programs. The university features the Horn Program in Entrepreneurship, which provides students with classes, experiential learning, evidence-based entrepreneurship, and active engagement with entrepreneurs, business leaders and members of the broader entrepreneurial ecosystem. The university's 272-acre Science, Technology and Advanced Research (STAR) Campus located at the former Chrysler site is home to UD's Health Sciences Complex, Bloom Energy's East Coast fuel cell manufacturing center, and UD's eV2g project. Future research and development at the STAR Campus is planned in the health science, cyber security, and alternative energy sectors. The Delaware Technology Park and the Delaware Biotechnology Institute have also birthed and housed several successful startups in the fields of life sciences, information technology, advanced materials, and renewable energy.

Outside of higher education, there are private initiatives, places, and organizations working to enhance the state's entrepreneurship ecosystem. These include First State Innovation (entrepreneurship non-profit); Leading Edge Ventures (venture capital fund); First

State Angels (angel investor network); 1313 Innovation, colN Loft, Silicon Valley East; The Mill (co-working spaces); and Zip Code Wilmington (coding school). Each of these (and other recent initiatives) are showing success.

Indeed, Delaware can boast of a growing base on which to build a vibrant entrepreneurship and innovation ecosystem. According to one statistical index that measures the innovative inputs/capacity and outputs of an economy, Delaware already compares well to other surrounding states and the US as a whole. (See Figure 3.)

FIGURE 3. INNOVATION INDEX
TOTAL

New Jersey	104.4
Delaware	103.3
US	100.0
Maryland	98.7
Virginia	97.9
Pennsylvania	92.7

Source: Innovation Project, a collaboration of academic and private-sector researchers funded in part by the Economic Development Administration. For additional information see www.statsamerica.org.

However, even with the presence of these assets and initiatives, Delaware is struggling to compete in the Mid-Atlantic region for state-funded, technology-led economic development. Pennsylvania offers the Ben Franklin Technology Partners; Maryland offers TEDCO; and New Jersey offers the Edison Innovation R&D Fund. Those enterprises that successfully launch in Delaware will likely be drawn to cities and regions with deeper entrepreneurial resources, talent, capital, and culture. The relocation of SevOne's headquarters, a rapidly growing IT company with its roots in Delaware, is a recent example.

Despite this competition, Delaware has the potential to emerge as a leading technology hub. It has a

strong foundation of science and technology. It is home to a highly educated talent pool. Its geographic location, small size, and available buildings and facilities can make it an attractive alternative to denser, more expensive regions. Moreover, the restructuring of the state's most important employer—DuPont—presents an opportunity to capture and leverage innovative talent, facilities, and intellectual properties into new economic activity and growth. More fundamentally, it offers a chance to create a new culture in Delaware that motivates people to innovate, create, and take risks. This will require economic development officials and state leaders to accept that some losses will undoubtedly occur and understand that wins are often realized over the long term.

STRATEGY 1.1

Develop a statewide entrepreneurship asset map that identifies what the state has, what it lacks, and what needs strengthening.

- Build on, sustain, and enhance the initiative launched by First State Innovation to create a Delaware Ecosystem Road Map. The result of this effort will be an online map to help the entrepreneurs, start-ups, and investors to navigate the state's existing entrepreneurship and innovation resources and network.
- The ecosystem road map can serve as a tool to improve awareness of the state to outsiders. This will send the message that Delaware is a great place to launch a new enterprise or invest in a new venture.
- The map can also be used to educate local businesses and citizens about the growing entrepreneurship ecosystem and the start-up activity taking place in Delaware. Because many people within the state are unaware of existing entrepreneurship and innovation assets, the map can serve as a promotion piece to get the state thinking of itself as a destination for entrepreneurs.

STARTUP SEATTLE

Created by the City of Seattle's Office of Economic Development, Startup Seattle is an initiative and website designed to help entrepreneurs navigate the city's resources and connections. An essential component of the Startup Seattle website is the entrepreneurship eco-system map, which graphically displays the locations of nearly 2,000 organizations (startups, investors, incubators, and others) in 25 different categories. In addition to the ecosystem map, Startup Seattle provides information on events (free postings for tech startup events); resources (an ever-expanding list of organizations and services for tech-startups); jobs (a curated collection of tech startup career opportunities); blog articles (tips and trends, profiles of startups and community leaders); and a newsletter.

<http://startupseattle.com/>

STRATEGY 1.2

Bolster federal, state, and private investments in higher education, emphasizing the science and technology fields, engineering, and entrepreneurship programs. Discussions with key stakeholders in the state yielded the following quotes regarding higher education in Delaware:

- "Higher education must be a cornerstone of Delaware's economic vitality."
- "The University of Delaware is the most under-utilized economic asset in the state."
- "State higher education budgets are underfunded and unfocused."

Among stakeholders, there is widespread agreement that Delaware must embrace and invest in higher education to become the long-term driving force of the state's entrepreneurship and innovation ecosystem. Just as major technology hubs such as Boston, Silicon

Valley, Austin, and Seattle have been built around large research universities, Delaware must consider similar options.

Where DuPont traditionally was the primary catalyst for attracting world-class talent and producing cutting-edge technologies, that mantle must now be assumed by the University of Delaware and other higher education institutions in the state. To be successful, however, expanded state, federal, and private investments and resources will be required.

"Smart people will go wherever other smart people are. And in particular, to great universities. In theory, there could be other ways to attract them, but so far universities seem to be indispensable. Within the US, there are no technology hubs without first-rate universities."

—Paul Graham, co-founder
the Y Combinator seed capital firm

STRATEGY 1.3

Establish an "Innovation District" to serve as a destination for entrepreneurs and startups.

- Work with investors and public officials to prioritize public policies (e.g., zoning and land use regulations) and infrastructure investments that would make such a district more attractive to entrepreneurs and startups.
- Evaluate the feasibility of connecting and branding a "fiberhood" in the district, with access to ultra-high-speed internet as a way to attract technology startups and entrepreneurs.
- Create new marketing efforts that target specific types of businesses to expand and relocate into this district.
- Work with the local real estate community to provide coworking space for entrepreneurs, startups, and freelancers in this district.
- Link this district to other developments in the region.

FIGURE 4. COMPARATIVE STATE SPENDING ON HIGHER EDUCATION

	2014 Higher Ed. Expenditures (in millions)	2014 Population Estimate	Per Capita Higher Ed. Expenditures	Higher Ed. as % of Total State Expenditures
MID-ATLANTIC STATES				
Delaware	\$435	935,614	\$465	4.3
Maryland	\$5,473	5,976,407	\$916	13.9
New Jersey	\$4,107	8,938,175	\$459	7.7
New York	\$10,500	19,746,227	\$532	7.4
Pennsylvania	\$1,772	12,787,209	\$139	2.6
OTHER SELECTED STATES				
California	\$16,141	38,802,500	\$416	6.9
Texas	\$15,412	26,956,958	\$572	14.5
Washington	\$5,047	7,061,530	\$715	14.2
Massachusetts	\$5,846	6,745,408	\$867	10.1
ALL STATES	\$182,440	318,857,056	\$572	10.3

Note: Higher education expenditures are capital inclusive and encompass expenditures from all sources except federal research grants and endowments to universities. Delaware and California expenditures exclude tuition and fees.

Source: 2015 State Expenditure Report (Tables 12 and 13), National Association of State Budget Officers (expenditures); US Census Bureau (population); TIP Strategies (per capita calculation).

KC STARTUP VILLAGE

Kansas City Startup Village (KCSV) is an entrepreneur-led community helping to bolster the Kansas City entrepreneurship ecosystem by creating a concentrated district of startups in a Google Fiberhood served by ultrafast Internet access. The village is centered in an old antiques district in Kansas City, which was one of the first served by Google's fiber optic broadband infrastructure and service. KCSV seeks to grow and support entrepreneurs and the Kansas City startup ecosystem through programming, recruitment, and education.

www.kcstartupvillage.org

STRATEGY 1.4

Market Delaware to regional and national angel investor and risk capital networks.

- Identify and target experienced venture capital (VC) funds that focus their investments outside of the top markets of California and Massachusetts.
- Develop an annual report documenting the successful VC investments in the state and disseminate it to VC investors.
- Market the state's top-tier investment opportunities by developing a portfolio of the strongest contenders looking for investment and meeting with VCs to present these opportunities to them.

STRATEGY 1.5

Create a contact database for identifying and recruiting early-stage companies and entrepreneurs. Focus on proven companies and individuals.

- Utilize existing prospects, Small Business Innovation and Research (SBIR) and Small Business Technology Transfer (STTR) companies, and target industry recommendations.
- Utilize existing local and regional initiatives to identify prospects.
- Join and engage with regional entrepreneurship networks, talent networks, and industry associations to identify new companies. An active presence by the state representatives at tech events can provide valuable information to expanding companies whose growth is constrained by high overhead costs in cities such as Philadelphia, Baltimore, and Washington.

STRATEGY 1.6

Promote social entrepreneurship in the state to address local challenges.

- Organize an annual social innovators forum. Invite a panel of local and national experts to explore social issues such as transportation, housing, and childcare that are barriers to employment. Present innovative case studies of solutions as that have been applied to address the challenges in other areas.
- Organize a social innovation challenge around important state and local issues. Invite entrepreneurial teams to register ideas for addressing local social challenges. Hold a pitch competition judged by a local panel of experts. Award grants to idea winners to be used to accelerate ideas to market. Connect winners to incubator space and other entrepreneurial support services.

1776 CHALLENGE CUP

Each year 1776, a global incubator and venture fund, hosts a worldwide tournament called the Challenge Cup. Together, with its Startup Federation partners, Revolution, the Global Entrepreneurship Network (GEN) and over 50 incubator hosts around the world, the Challenge Cup seeks out the most promising, highly scalable startups that are poised to solve the major challenges of our time. Startups advance through three rounds: Local, Regional, and Global Finals. The regional winners are invited to participate in the Challenge Cup Global Finals in Washington, D.C. and compete for over \$1 million in prizes.

www.1776.vc/challenge-cup

STRATEGY 1.7

Promote youth entrepreneurship at the K-12 level through education programs, business plan competitions, and awards.

- Encourage public education providers in the state to develop entrepreneurship education programs and to incorporate entrepreneurship into academic curricula.

STRATEGY 1.8

Celebrate and publicize entrepreneurial success stories.

- Encourage entrepreneurial role models to participate in events and campaigns designed to inspire a new generation of entrepreneurial talent.
- Develop a media strategy for publicizing entrepreneurship success stories in traditional and social media.

GOAL 2. PURSUE A NEW APPROACH TO ECONOMIC DEVELOPMENT.

State-level economic development programs generally fall into three categories:

- Purely public-sector economic development agencies (e.g., Delaware, Rhode Island, Connecticut)
- Public-sector economic development departments, with a separate public/private marketing & recruitment effort (e.g., Texas, New Jersey, California, Missouri)
- Public/private economic development partnerships (e.g., Arizona, Florida, and North Carolina)

Delaware currently operates through a purely public-sector economic development program. **This plan calls for a new approach to economic development.** TIP recommends the creation of a new economic development partnership. The emphasis is squarely on the idea of “partnership.” Many states have at least partially privatized their economic development functions. The results, however, have been mixed. The use of tax incentives, bonds, federal and state workforce training programs, and other inducements involve public dollars and engender public scrutiny. Privatization operates under the assumption that what is essentially a public function (the overall economic welfare of the state) can be better managed by a private entity. Whether true or not, it is constantly subject to the criticism that states should not be picking winners and losers.

A new **Delaware Prosperity Partnership**, or a similarly branded organization, has the virtue of being able to tap private sector expertise and private sector resources. Such a partnership should include the traditional public sector entities, like DEDO and local economic development organizations, but must also involve the state’s business, academic, and non-profit leaders. The details of this new approach will require thoughtful consideration. Properly structured to include leadership and involvement from both the

public and private sectors, a new partnership has the power to be transformative for Delaware.

“Engaging the private sector in a long-term, focused partnership for state economic development is essential to increasing the effectiveness of state economic development agencies and helping them adjust to the new role that they are called to play.”

—Redesigning State Economic Development Agencies, National Governors Association, 2012.

In addition to organizational restructuring, a new formal economic development strategic plan is required. Currently, the state’s only strategy document is a US Economic Development Administration-required Comprehensive Economic Development Strategy (CEDS). The state CEDS was developed with limited staff and resources and is not designed to provide specific guidance. It is largely formulaic and should be replaced with a detailed strategic plan for economic development.

A new, more holistic approach to economic development is also needed. Rather than focusing primarily on industry recruitment and incentives as the state’s main job creation activity, Delaware should allocate greater attention and resources to business creation, retention, and expansion within the state. Such a bottom-up approach would more effectively support the development of an entrepreneurship and innovation ecosystem described in the previous goal.

Still, targeted marketing and recruitment are important activities the state cannot ignore. Opportunities for attracting outside business investment and job creation will continue to surface. Delaware must be in a strong position to communicate its strategic advantages to investment prospects and, when necessary, be able to offer competitive incentives to worthwhile projects. Profiles of

recommended target industries for the state are provided in the Target Industry Analysis appendix.

Finally, Delaware can neither expand nor diversify its economy in isolation. The state is inextricably connected to Pennsylvania, Maryland, and New Jersey. Investment strategies, workforce development, and the transportation system are all interwoven. Accordingly, Delaware's economic development program must leverage the people and businesses of the surrounding states, particularly the greater Philadelphia metro area. Successful efforts to attract capital for new projects must be approached regionally. Of equal importance is the regional impact of an entrepreneurial ecosystem. Talent flows freely across state borders. The linkage to higher education, innovative companies, and venture funding is not restricted by traditional geographic limits.

Within the region, Delaware has the most to gain from a collaborative approach. The state must be willing to make a strong contribution to regional initiatives. Success hangs in the balance.

STRATEGY 2.1

Establish a public-private economic development organization funded by multiple sources and governed by an independent board. The mission of the new organization should be three-fold:

- To facilitate new and expanded investment in Delaware that retains and grows jobs for its citizens;
- To encourage the development of infrastructure and enhancements to business climate that support economic development; and
- To nurture a culture of entrepreneurship and innovation that enables Delaware to grow the industries, technologies, and jobs of the future.

The organization's activities should include:

- Business recruitment—deal focused

- State marketing and promotion activities leveraging the businesses incorporated in Delaware
- Consolidated international trade and foreign direct investment attraction activities
- Competitive analysis and research to serve business recruitment
- Industry cluster support program with in-house industry expertise
- Alignment of economic development activities with workforce development programs
- Real estate and site identification
- Support role for economic development efforts at the local level—retention and expansion (city, county, business organizations)
- Coordinate with remaining state economic development roles and activities (e.g., infrastructure development, incentives programs, grant and low interest loan programs, planning and environmental review)

DEDO's most recent budget includes roughly \$3.8 million in state funding for operations and \$10 million in the strategic fund. A new public-private organization should set a goal of raising sufficient private contributions to match up to half of the existing operations budget.

Four examples of states that have adopted public-private economic development structures (Arizona, Florida, North Carolina, and Missouri) are described in case studies that follow.

ARIZONA

The Arizona Commerce Authority (ACA) is a public/private partnership for growing jobs and investment in the state. The ACA is a 501(c)(3) corporation and is overseen by a board of directors including business leaders, elected officials, and university presidents. The board is co-chaired by Arizona Governor Doug Ducey and Jerry Colangelo, partner of JDM Partners and chairman of USA Basketball. The ACA's staff-led executive management team is responsible for the organization's day-to-day operations. In FY 2014, ACA's total agency funding was \$42.5 million.

ACA operates a fairly unique program with physical offices in the State of California. Because of the size of California's economy and its proximity to Arizona, California is a key target market for business expansion and relocation. Arizona's competitive advantages from a cost and regulatory standpoint make a strong business case for expansion projects. Because of these dynamics, AZ Commerce has set up formal offices in northern and southern California, similar to how many states operate international offices in foreign countries.

ACA also recently opened a foreign office in Mexico. Established in October 2014, the Arizona Trade and Investment Office in Mexico City has assisted 31 Arizona companies and entities with successfully entering the Mexican market.

In its 2013-17 five-year strategic plan, the Authority set goals of creating 75,000 higher-wage jobs, increase average wages of jobs created, and increase capital investment by \$6 billion. In FY 2015, the Authority reported creating 18,314 jobs with salaries that pay an average of 152% above the state median wage as well as generating \$1.51 billion in new capital investment.

FLORIDA

Florida was the first state to convert its Department of Commerce into a public/private organization responsible for growing the state's economy. Enterprise Florida is governed by a board of 64 voting directors including Florida businesses, trade organizations, educational institutions, governments, and economic development organizations. Enterprise Florida receives funding directly from the State of Florida and from corporate investors who each contribute at least \$50,000 a year. The organization's corporate investors represent a broad range of industry sectors and are involved in creating policies and strategies to enhance the state's competitiveness as a business location. In FY 2014-15, private businesses contributed \$1.913 million in funding, representing 22% of EFI total funding.

Enterprise Florida maintains a network of 15 International Offices in 13 countries whose markets offer important trade and/or investment opportunities for Florida. Thirteen full-service offices in 11 foreign countries provide assistance to Florida companies that want to sell their products and services in these markets: Brazil, Canada (Toronto and Montreal), China (Shanghai and Hong Kong), France, Germany, Israel, Japan, Mexico, South Africa, Spain, and the U.K. They also play a critical role in representing Florida overseas and attracting foreign investment to the state. Pro bono offices in the Czech Republic and Taiwan provide limited services to Florida exporters interested in those markets.

In FY 2014-2015, Enterprise Florida reported its efforts resulted in the creation/retention of 33,548 jobs, projected export sales of \$675 million attributable to EFI international development activities, and \$2.7 billion in capital investment.

NORTH CAROLINA

North Carolina repositioned its state economic development program in 2014, with the creation of a new Economic Development Partnership of North Carolina (EDPNC). This new public/private entity replaced the former North Carolina Department of Commerce and functions as a 501(c)(3) nonprofit corporation that oversees the state's efforts in business and job recruitment and retention, international trade, tourism, and film and sports development. The partnership is governed by a 17-member board comprised of business and industry leaders representing the entire state. As of January, 2015, EDPNC receives \$17 million per year in state funding and is required to raise \$5.75 million in private funds over five years.

North Carolina has a strong economy driven by metro areas with unique strengths: the tech sector in Raleigh-Durham, a diversified corporate base in Charlotte, and emerging hubs of business and innovation in Asheville and the Piedmont Triad region. The state is attracting jobs, investment, and talent from across the Southeast and entire US. North Carolina's economic development program has also successfully attracted a high level of foreign direct investment. EDPNC is expanding its international business development efforts, with a new foreign office in Seoul, South Korea, that opened in 2015, funded entirely by private sector contributions. Partnerships with higher education and research are key components to growing the state's economy, including international business opportunities. Research Triangle International is headquartered in the Research Triangle Park, but has offices in dozens of locations across the US and internationally.

In 2015, the EDPNC reported that its work resulted in 13,357 in announced new jobs, \$3.3 billion in announced capital investment, \$742 million in estimated new annual payroll, and 2,194 in announced jobs related to foreign direct investment (out of total).

MISSOURI

The Missouri Partnership was created in 2007 to serve as the state's leading business recruitment and marketing organization. The public-private partnership works closely with the Missouri Department of Economic Development and other economic development organizations throughout the state. The Partnership's recruitment services include locating sites and buildings, compiling workforce data, facilitating government and regulatory meetings, determining incentive eligibility, coordinating labor training, and identifying utility availability and costs. The Partnership also helps local economic development organizations through capacity building activities designed to strengthen community marketing and prospect assistance efforts.

The Partnership is led by a 12-person board representing major private employers such as Monsanto, AT&T, and JE Dunn; state economic development agencies; as well as local communities and economic development organizations.

The Missouri Partnership receives funding from both the Missouri Department of Economic Development and the Hawthorn Foundation. The Hawthorn Foundation is a diverse group of Missouri leaders in business, education, economic development, healthcare, and labor dedicated to supporting the development of a vibrant economy for Missouri. Hawthorn was created in 1982 by then-Governor Christopher "Kit" Bond to facilitate participation between Missouri-based businesses and community leaders in statewide business recruitment, retention, and development efforts.

In FY2015, the Partnership received a total of \$2,237,457 in public and private funding. In FY 2014, the Partnership reported its business recruitment activities resulting in 3,740 new jobs, \$203.5 million in new payroll, and \$486.5 in new capital investment.

STRATEGY 2.2

Craft a new comprehensive statewide economic development strategic plan.

DEDO's existing strategic plan is a U.S. Economic Development Administration (EDA) required Comprehensive Economic Development Strategy (CEDS). While the Delaware CEDS qualifies the state for EDA grant funding, an updated strategic plan that reflects current challenges and opportunities as well as a new public-private partnership is needed. The Delaware Growth Agenda should serve as the foundation and framework for a new state plan.

- The planning effort should be led by the new public-private partnership organization.

STRATEGY 2.3

Place greater emphasis and resources on expanding employment and investment within the state through business retention and expansion (BRE), entrepreneurship, and small business development.

Most state economic development organizations focus the bulk of their resources and activities on marketing and recruitment, especially on competing with other states to attract larger companies. However, in its 2012 white paper, *Redesigning State Economic Development Agencies*, the National Governors Association cites a growing trend for states to stress growing jobs within the state by assisting existing businesses and through startup support.

- Delaware's BRE programs should be closely integrated with other aspects of the economic development program, including policy-making aimed at creating a better business climate, incentives, and workforce development.
- In addition to DEDO's current structure of organizing BRE staff geographically (one per county), consider dedicating additional staff to sector-focused BRE activities.

- Augment state BRE activities by leveraging and aligning with local and regional BRE programs and personnel.
- Actively lead and support activities outlined in Goal 1.

STRATEGY 2.4

Engage in a targeted industry marketing and attraction campaign that pursues new investment and jobs in Financial Services, Business Services, Education and Knowledge Creation, Manufacturing, and Distribution.

Appendix A contains more detailed profiles on each sector. While Agriculture, Healthcare, and Tourism are crucial pillars of the state's economy, they are not sectors normally recruited by economic development organizations through traditional marketing and recruitment activities. They are, therefore, not included as recommended attraction targets.

RECOMMENDED TARGET INDUSTRIES

Financial Services: credit card issuing, trust and wealth management, financial transaction processing, banking

Business Services: corporate and regional HQ; custom computer programming & computer system design; administrative & general management, HR, logistics consulting

Education and Knowledge Creation: research and development

Manufacturing: analytical instruments, aircraft parts, biopharma

Distribution: general warehousing, industrial machinery and supplies, medical distribution

STRATEGY 2.5

Collaborate with regional organizations on joint economic development activities and initiatives.

- Work with Select Greater Philadelphia to market specific redevelopment sites in Delaware to investment prospects.
- Connect Delaware businesses, especially startups and early stage enterprises, with resources available in Philadelphia.
- Support and participate in regional initiatives and organizations that offer spillover benefits to Delaware.
 - One existing example is First State Innovation's financial support of the Science Center in Philadelphia.
 - An emerging opportunity that could directly impact Delaware is the regional initiative to create an energy hub in the greater Philadelphia region. A recently released report, "A Pipeline for Growth, Fueling Economic Revitalization with Marcellus and Utica Shale Gas," outlines strategies for establishing a natural gas and natural gas liquids (NGLs) Energy Hub that would benefit northern Delaware, southern New Jersey, and Pennsylvania. The goal of the initiative is to expand the market for the Marcellus/Utica natural gas and NGLs to increase the economic benefits to the region from more vigorous production. Strategies for increasing market demand include intensifying state economic development efforts to attract energy-intensive manufacturing and processing companies that would serve as downstream customers for the natural gas.
 - When the Delaware Futures Council is formed (see Strategy 3.4), link the activities of the council to the new partnership. The goal is to keep economic development activities mindful of longer term opportunities and to anticipate broader trends affecting the state and the nation.

GOAL 3. ENHANCE DELAWARE'S BUSINESS CLIMATE.

For decades, Delaware's external brand has been closely associated with business. Delaware was known for being in the business of doing business. Companies incorporated in Delaware because of its highly regarded Court of Chancery and its reputation as one of the most business friendly locations in the world. Many stakeholders, however, fear the state is quickly losing its reputation as a desirable place to do business. Those interviewed in this process cite the perception of an increasingly unfriendly business climate as the most common reason. Right or wrong, this perception not only harms the state's lucrative incorporation services industry, it affects Delaware's ability to compete for new investment, development, and job creation across all industries.

Various reasons are cited as challenges to improving Delaware's business climate. One of the most frequently mentioned is the onerous development review and permitting process, particularly in New Castle County. Some of the issues reported in the county's 2014 Economic Development Strategic Plan include expensive development fees, long waiting periods for project approval, and a process that lacks transparency. At the statewide level, DelDOT's transportation planning and permitting process is viewed as an impediment to development.

State finances are also a major business climate concern. The August 2015 Capital Matrix Consulting report on the state's fiscal sustainability focused on Delaware's relatively high tax burden. In 2012, Delaware had the 15th highest tax burden among all US states in terms of general state taxes as a percent of personal income (10.6%). Within the region, only New Jersey recorded a higher burden (11.2%) and ranking (11th). Given the state's potential for continuing budget shortfalls and the need for more robust economic growth, there is significant pressure to increase revenues by raising taxes. However, as the report points out, "solving the budget shortfall through tax increases would not address the underlying spending issues contributing to the shortfall,

would not help to boost the economy, and could make the tax burden on the citizens of Delaware among the highest in the nation."

Compounding the challenge facing Delaware is the need for new infrastructure investment. A competitive business climate requires excellent roads, sewer and water availability, and fast broadband. Add river and port facilities and the level of commitment becomes apparent. Impediments to development are simply incompatible with meeting these needs. For example, the Coastal Zone Act effectively restricts the redevelopment of brownfield sites along the Delaware River. Modifying the Act to allow greater flexibility in redeveloping brownfield sites would offer new job opportunities for unemployed and underemployed middle skill workers in the state.

Another major factor influencing business climate is the interaction between talent and place. Multiple surveys underscore the importance of talented workers (along with Interstate highway access) as one of the top two considerations in site selection. In short, businesses are choosing to locate where the talent is, particularly in high tech sectors. Consequently, those states and regions that offer the amenities, lifestyle, and culture that skilled and educated workers are seeking will have a major competitive advantage in attracting new business investment. For Delaware, this will require overcoming negative publicity and perceptions of crime in Wilmington and of the quality of public K-12 education more broadly.

Finally, linking quality of place to building an entrepreneurship and innovation ecosystem will be critical to the state's ultimate success in transforming its economy. As one stakeholder noted, "Delaware has almost great places; but it lacks exceptional places." It must create an environment where creative people and ideas "collide." Once this happens, chain reactions can occur, resulting in new technologies, new businesses, new art, new investment, and new economic opportunities that will spill over into other neighborhoods and communities.

STRATEGY 3.1

Ensure that Delaware's infrastructure meets the needs of a 21st Century economy.

- Support the Diamond State Port Corporation's efforts to identify the most cost effective and profitable ways to expand infrastructure at the Port of Wilmington. Expanded infrastructure will open up new maritime, transportation and distribution, and industrial development opportunities at the Port. This expansion can create new employment opportunities for blue collar workers in the state.

Diamond State Port Corporation engaged AECOM to develop a strategic master plan that will address scenarios and feasibility for expanding the existing port onto the Delaware River, creating a new cargo facility on vacant land at the Riveredge Industrial Parks, or building a new port facility at a site such as the recently shuttered Chemours Edge Moor titanium dioxide production center. The draft master plan was presented in May, 2016 to Diamond State and next steps will subsequently be decided by its board.

- Explore efforts to modify the Coastal Zone Act that would ease restrictions on redevelopment along the Delaware River, particularly at abandoned brown-field sites that pose an ongoing environmental threat due to leaching contamination.
- Explore options for fully leveraging and marketing Delaware's fiber optic telecommunications infrastructure. Delaware boasts some of the fastest internet speeds in the country. Akamai Technologies, Inc., ranked Delaware number one in the nation for broadband internet speed.¹ Delaware's fast internet is due to the large amount of fiber optic infrastructure below ground, especially in Downtown Wilmington.
- Continue extending high-speed Internet access in underserved communities in the state through grants from the Delaware Broadband Fund.

- Ensure that Delaware has sufficient funding to maintain, safeguard, and expand critical water infrastructure. The State of Delaware should carefully consider the recommendations of a study produced by the Clean Water & Flood Abatement Task Force. The study will offer findings and recommendations regarding ways to improve water quality and to alleviate flooding in Delaware, including the potential creation of a separate funding source for water-related infrastructure projects.

STRATEGY 3.2

Improve the state's public education system by implementing the strategic recommendations contained in the "Student Success 2025" report published by the Vision Coalition of Delaware.

- While all of the recommendations in "Student Success 2025" are vital, the strategies designed to link education, workforce, and community resources are particularly significant to building a direct connection between private employers and public education.² These recommendations will result in the expansion and creation of career pathways for students that are at least partially designed by the state's employers. The recommendations include:
 - Supporting school redesign that deeply integrates K-12 schools with postsecondary education institutions and employers;
 - Strengthening educator capacity by providing structures for highly effective teachers to co-develop curriculum with employers;
 - Providing all students with early exposure to workforce and higher education experiences;
 - Increasing alignment among K-12, higher education, and the workforce; and
 - Encouraging industry associations to develop certification programs.

¹ Akamai's State of the Internet: Q3 2015 Report.

² Student Success 2025: Moving the Vision for Education in

Delaware Forward by the Vision Coalition of Delaware, September 2015, 27.

STRATEGY 3.3

Take a leadership role in helping to facilitate more efficient development and permitting processes at the local and county levels.

- The State should work with communities and counties to support, train, and advance expedited permitting and zoning ordinances.
- Place greater emphasis on the role of economic development at the state level in new projects, especially mixed-use. It can do this by linking target industries to developer occupancy needs.

STRATEGY 3.4

Create a Futures Council of Delaware. This private sector forum would engage in a non-partisan dialogue about the long-term economic competitiveness of the state. Membership would consist of prominent private sector and institutional leaders. Business leaders should represent the full spectrum of the Delaware business community, including corporations, small and medium-sized enterprises (SMEs), and emerging entrepreneurs. Institutional leaders should provide expertise on long-term issues such as education, workforce development, housing, and mobility. The forum would help to develop an overall investment agenda for the state that is informed by private sector needs and supported by independent research and analysis.

AUSTIN AREA RESEARCH ORGANIZATION

The Austin Area Research Organization (AARO) is a nonprofit organization comprised of 100 business and community leaders from the Central Texas region. AARO works to advance the economic and social well-being of Central Texas by researching and addressing public policy issues in five priority areas: Energy & Water, Health Care, P-16 Education, Social Equity, and Transportation.

www.aaroregion.com

STRATEGY 3.5

Enhance Delaware's quality of place by providing the places and amenities sought by businesses and talent. Quality of place amenities (diverse housing, parks and recreational space, the preservation of historical structures, specialty retail, locavore restaurants), should be linked to places of employment in a seamless fabric.

- Work with the development community to revitalize underutilized office buildings and parks, integrating where possible public transportation, housing, retail, and recreation considerations into the solutions.
- Encourage the removal of state and local zoning and policy impediments to redevelopment and diversification.
- Align state and local planning and place-making strategies with the site location needs of target industry sectors, both professional and industrial.

REDEFINING PLACE

Much has been written about the importance of quality of life to the site selection process. Communities throughout the nation have positioned themselves by touting their advantages in this regard—good schools, safe streets, low cost of living. While these factors are important, they are narrow in focus. Quality of life assumes that everyone thrives in the same environment and is attracted to the same amenities. It assumes that current residents' view of what makes a community would be shared by all.

By contrast, quality of place considers what is attractive to a range of residents, both old and new. It recognizes that one person's "good place to raise a family" might translate into another's "there's nothing to do in this town." Quality of place is about providing options, not just for current residents, but for those who could be residents in the future.

STRATEGY 3.6

Ensure that the apportionment structure of the Delaware Corporate Income Tax (CIT) is competitive with other states.

- Established by Executive Order No. 47, the Delaware Economic and Financial Advisory Council (DEFAC) Advisory Council on Revenue was tasked with evaluating the state's revenue sources according to whether they are (1) sufficiently responsive to economic growth, (2) too volatile, and (3) economically competitive. In its May, 2015, Final Report, the Advisory Council on Revenue cited multiple concerns related to Delaware's revenue portfolio, including a reliance on too many volatile revenue sources that don't grow with the economy such as Unclaimed Property Revenues, as well as a past reliance on "silver bullets" like the Financial Center Development Act.
- Specific to business taxes, the report characterized the state's CIT as volatile, unpredictable, and uncompetitive. In particular, business expansion in Delaware has a higher effective tax cost than other states due to an outdated apportionment structure, which resulted in a substantial penalty for companies with very few sales in Delaware (e.g., DuPont). The Advisory Council recommended lowering the tax rate by placing more weight on the sales factor in the apportionment. In response, the Delaware State Assembly passed a bill that gradually reduces the weighting of the property and payroll factors. Therefore, by 2020, the state's corporate income tax will be based solely on the proportion of total sales.

APPENDIX A: TARGET INDUSTRY ANALYSIS

The selection of target industries for Delaware will help guide marketing and outreach efforts to support business attraction and industry cluster development in the state. The industry profiles that follow provide information on industry trends, why the industry is a fit for the state, which niches are most promising, and typical staffing patterns. A new state economic development strategic plan should incorporate these target industry recommendations into updated marketing and recruitment strategies.

In selecting target sectors, our team examined detailed industry data to identify which traded sectors are well-established in the state, how they performed over the last five years, and how they are expected to perform. We then drilled down into the sectors to identify niches within each sector are the most promising for business attraction. We looked at factors including:

EXPORT ORIENTATION: is the sector traded outside of the regional service area?

CRITICAL MASS: are there a significant number of firms in the sector?

COMPETITIVE ADVANTAGE: does Delaware have a higher concentration of employment in this sector than the nation overall?

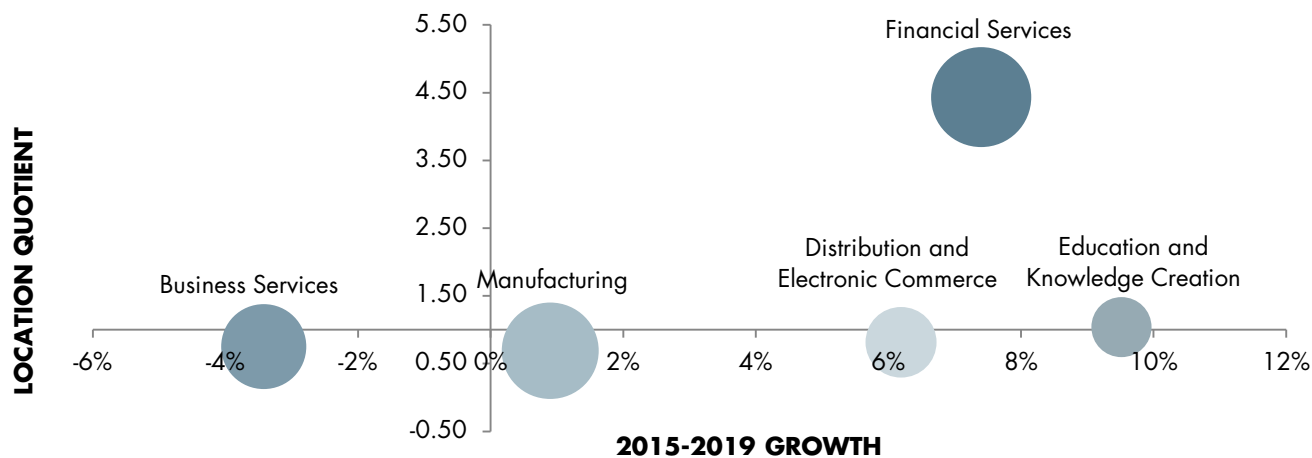
GROWTH PROSPECTS: is the industry projected to grow over the next five years nationally and/or within the region?

IMPACT: does the growth in the industry spillover to other sectors?

In addition, we examined the industries in the context of the assets and characteristics of Delaware. This exercise allowed us to further narrow the list of target niches. Finally, consideration was given to how targets fit within the goals of the project and within the potential opportunities and challenges identified during the planning process.

The five sectors selected are: Financial Services, Manufacturing, Business Services, Distribution and Electronic Commerce, and Education and Knowledge Creation. These sectors represent the five largest traded sectors in Delaware. Financial Services is, by far, the best performing of the five with high growth and a high relative concentration of employment. Business Services has been the hardest hit by the contraction of the Corporate and Regional Offices sub-sector. However, each of the five segments have established and emerging niches that offer strong growth prospects for industry cluster development in Delaware.

FIGURE 5. TARGET SECTOR RELATIVE CONCENTRATION AND EXPECTED GROWTH





FINANCIAL SERVICES

Delaware's Financial Services Sector is the state's largest traded sector. Credit card issuing is the largest component of the sector, accounting for almost 52 percent of all jobs in Financial Services.

Though the sector suffered slightly during the Great Recession, it outperformed the US Financial Services sector, growing almost 22 percent between 2010 and 2015.

Delaware's Financial Center Development Act, which was passed in 1981, has been a tremendous driver of the sector's growth. And the nation's large national and international financial services firms continue to invest in their Delaware operations. JP Morgan Chase, Bank of America, Citibank, Barclaycard, and Capital One have all expanded their Delaware operations within the last 5 years. As such, the outlook for the state sector remains positive.

FIGURE 6. INDUSTRY SNAPSHOT

DELAWARE	TOTAL	NICHES
Number of Establishments (2014)	826	474
Number of Jobs (2014)	29,882	22,568
% Change 2010–2014	12.6%	18.7%
EMPLOYMENT GROWTH OUTLOOK (2015-20):		
Delaware:	8.4%	11.2%
US	1.6%	8.6%

FIGURE 7. NICHE INDUSTRIES

NAICS	DESCRIPTION
522210	Credit Card Issuing
522291	Consumer Lending
522320	Financial Transactions Processing, Reserve, and Clearinghouse Activities
523120	Securities Brokerage
523920	Portfolio Management
523930	Investment Advice
523991	Trust, Fiduciary, and Custody Activities

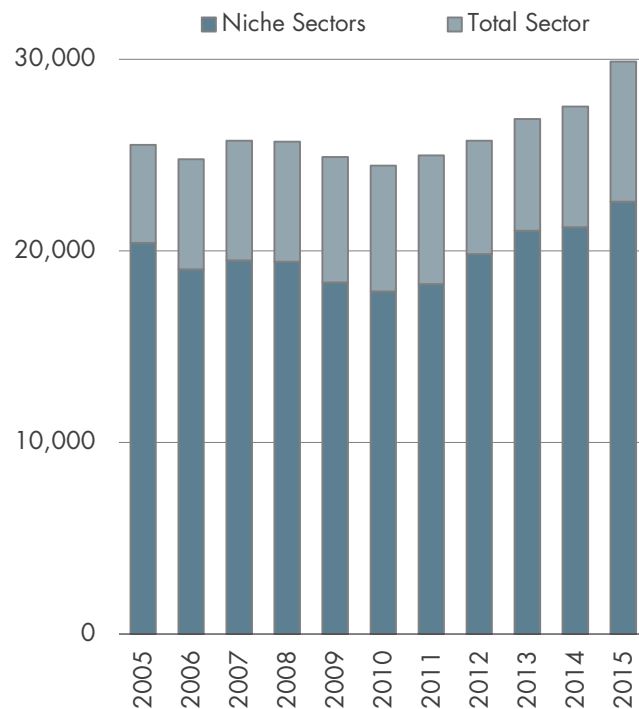
Source: EMSI.

CREDIT CARD ISSUING is expected to continue to be the shining star of the state's sector. Though the sector is expected to shrink nationally, Delaware will be poised to capture more of the sector.

WEALTH MANAGEMENT (Portfolio Management, Investment Advice, and Trust Activities) is also a significant component of the state's financial services sector. It grew more than 30 percent over the last five years and is expected to continue to grow at a fast clip over the next 10 years.

FINANCIAL TRANSACTION PROCESSING is an emerging sector, with 32 establishments that employ about 650 people. The sector grew 23 percent in Delaware in the last five years and has strong growth prospects both for the US and in Delaware.

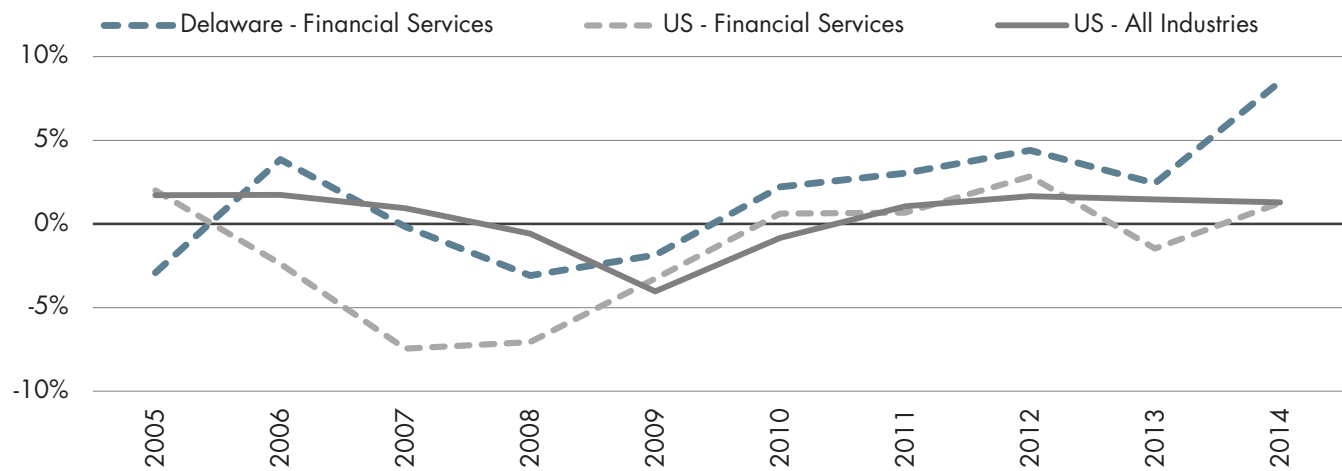
FIGURE 8. INDUSTRY PERFORMANCE & TRENDS
ANNUAL EMPLOYMENT



Source: EMSI.

FIGURE 9. INDUSTRY PERFORMANCE & TRENDS

ANNUAL CHANGE IN EMPLOYMENT

**FIGURE 10. STAFFING PATTERNS**

TOP 20 OCCUPATIONS FOR NICHE INDUSTRIES

SOC	DESCRIPTION	2015 JOBS	LQ	WAGES AS % OF US MEDIAN
43-4051	Customer Service Representatives	6,959	0.87	110%
13-2051	Financial Analysts	2,687	3.20	95%
43-4041	Credit Authorizers, Checkers, and Clerks	1,532	10.87	109%
43-1011	First-Line Supervisors of Office and Administrative Support Workers	5,179	1.15	105%
13-2041	Credit Analysts	1,143	5.37	80%
13-2011	Accountants and Auditors	5,003	1.19	105%
43-3011	Bill and Account Collectors	1,344	1.23	95%
43-3031	Bookkeeping, Accounting, and Auditing Clerks	6,723	1.23	113%
15-1121	Computer Systems Analysts	3,063	1.75	109%
13-2072	Loan Officers	1,297	1.39	96%
13-2052	Personal Financial Advisors	1,211	1.62	102%
41-3031	Securities, Commodities, and Financial Services Sales Agents	1,915	1.81	105%
11-3031	Financial Managers	2,315	1.37	122%
43-4131	Loan Interviewers and Clerks	1,151	1.75	89%
43-6014	Secretaries and Administrative Assistants	8,296	1.02	107%
43-9061	Office Clerks, General	7,890	0.78	94%
15-1132	Software Developers, Applications	2,554	1.15	101%
13-1111	Management Analysts	2,126	0.90	98%
13-1161	Market Research Analysts and Marketing Specialists	1,860	1.18	118%
41-3099	Sales Representatives, Services, All Other	2,684	0.94	98%

Source: EMSI.



MANUFACTURING

Delaware's Manufacturing Sector is the second largest traded sector in the state. It employs about 20,000 and is well-diversified over a large number of sub-sectors from Poultry Processing to Analytical Instruments.

Though the sector suffered during the Great Recession, it has since recovered and is expected to continue to grow over the next five years although the US Manufacturing sector is expected to contract.

The legacy of DuPont has created a deep supply chain in the state to support advanced materials and chemicals research and production. These capabilities and talent base are one of Delaware's greatest strengths, but are also greatly at-risk. Thus, fortifying this cluster is of the utmost importance to maintaining the health of Delaware's economy.

FIGURE 11. INDUSTRY SNAPSHOT

DELAWARE	TOTAL	NICHES
Number of Establishments (2014)	273	108
Number of Jobs (2014)	19,415	3,435
% Change 2010–2014	11.3%	58.8%
EMPLOYMENT GROWTH OUTLOOK (2015-20):		
Delaware:	3.2%	14.8%
US	-1.2%	5.5%

FIGURE 12. NICHE INDUSTRIES

NAICS	DESCRIPTION
334516	Analytical Laboratory Instrument Mfg.
336413	Other Aircraft Parts & Auxiliary Equipment Mfg.
332710	Machine Shops
325199	All Other Basic Organic Chemical Mfg.
325413	In-Vitro Diagnostic Substance Mfg.
325412	Pharmaceutical Preparation Mfg.
334519	Other Measuring & Controlling Device Mfg.

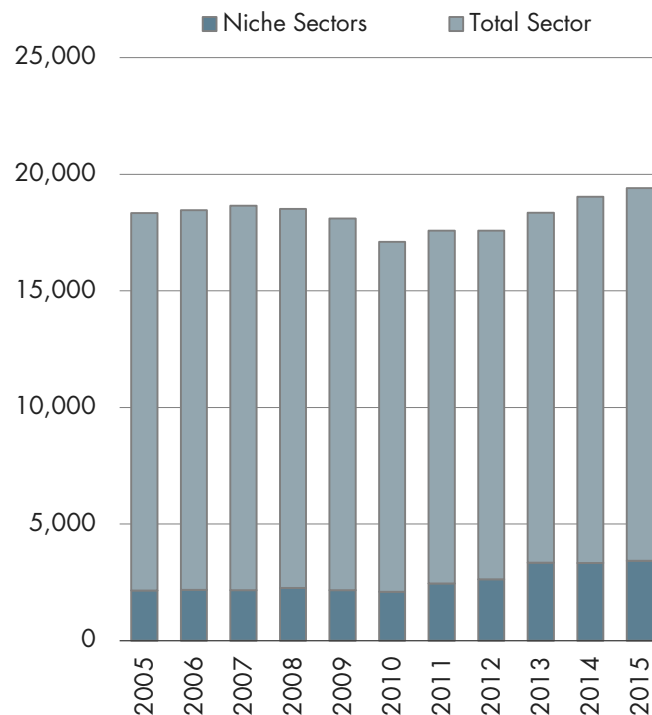
Source: EMSI.

ANALYTICAL INSTRUMENTS is the largest sub-sector behind Poultry Processing. The sector supports the state's research and development capabilities. It has performed well over the last five years and is expected to continue its strong performance.

AIRCRAFT PARTS is an emerging sector that currently employs about 700 at four different establishments. The sector grew over 100 percent over the last five years, anchored by GE Aviation and Aloft AeroArchitects.

BIOPHARMA is a sector at-risk with the expected decline of Pharmaceutical manufacturing. However, the In-Vitro Diagnostics sub-sector is expected to continue its strong growth.

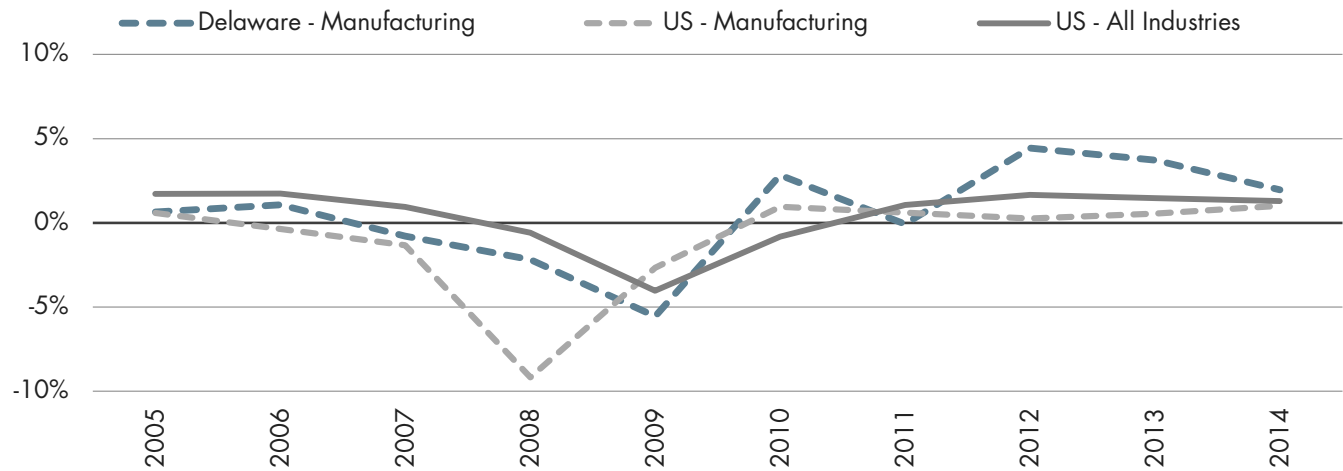
FIGURE 13. INDUSTRY PERFORMANCE & TRENDS
ANNUAL EMPLOYMENT



Source: EMSI.

FIGURE 14. INDUSTRY PERFORMANCE & TRENDS

ANNUAL CHANGE IN EMPLOYMENT

**FIGURE 15. STAFFING PATTERNS**

TOP 20 OCCUPATIONS FOR NICHE INDUSTRIES

SOC	DESCRIPTION	2015 JOBS	LQ	WAGES AS % OF US MEDIAN
51-4041	Machinists	527	0.42	135%
19-2031	Chemists	3,188	11.86	123%
51-9011	Chemical Equipment Operators and Tenders	773	3.84	109%
51-9061	Inspectors, Testers, Sorters, Samplers, and Weighers	1,075	0.69	100%
49-3011	Aircraft Mechanics and Service Technicians	440	1.18	102%
51-1011	First-Line Supervisors of Production and Operating Workers	1,354	0.72	105%
51-2022	Electrical and Electronic Equipment Assemblers	343	0.54	100%
17-2112	Industrial Engineers	526	0.71	107%
17-2141	Mechanical Engineers	732	0.85	109%
51-2092	Team Assemblers	1,196	0.33	102%
51-4011	Computer-Controlled Machine Tool Operators, Metal and Plastic	196	0.42	104%
15-1133	Software Developers, Systems Software	1,244	1.01	105%
15-1132	Software Developers, Applications	2,554	1.15	101%
17-2071	Electrical Engineers	475	0.86	101%
19-4031	Chemical Technicians	901	4.53	151%
43-5071	Shipping, Receiving, and Traffic Clerks	1,968	0.95	102%
17-2041	Chemical Engineers	684	6.50	134%
11-1021	General and Operations Managers	4,686	0.71	125%
11-9041	Architectural and Engineering Managers	484	0.85	108%
13-1023	Purchasing Agents, Except Wholesale, Retail, and Farm Products	708	0.77	104%

Source: EMSI.



BUSINESS SERVICES

The Business Services sector also employs about 20,000 at more than 4,000 establishments. The three largest sub-sectors are Corporate and Regional Headquarters, Holding Companies, and Engineering Services.

The sector contracted by more than eight percent over the last five years and is expected to continue to contract over the next five years. With strong growth expected at the national level, Delaware's Business Services Sector will continue to lose national market share.

This large sector has been hard-hit by mergers and acquisitions among its biggest anchor companies as well as by the Great Recession. However, it remains an important sector in the state and warrants special attention to rebuild it and strengthen it.

FIGURE 16. INDUSTRY SNAPSHOT

DELAWARE	TOTAL	NICHES
Number of Establishments (2014)	4,326	2,179
Number of Jobs (2014)	20,090	10,671
% Change 2010–2014	-8.5%	-11.8%
EMPLOYMENT GROWTH OUTLOOK (2015-20):		
Delaware:	-2.8%	-5.4%
US	11.4%	13.6%

FIGURE 17. NICHE INDUSTRIES

NAICS	DESCRIPTION
551114	Corporate, Subsidiary, & Reg. Managing Offices
541511	Custom Computer Programming Services
541512	Computer Systems Design Services
541611	Admin. Mgmt. & General Mgmt. Consulting Serv.
541614	Process, Physical Distribution, & Logistics Consulting Services
541612	Human Resources Consulting Services
541690	Other Scientific & Tech. Consulting Services

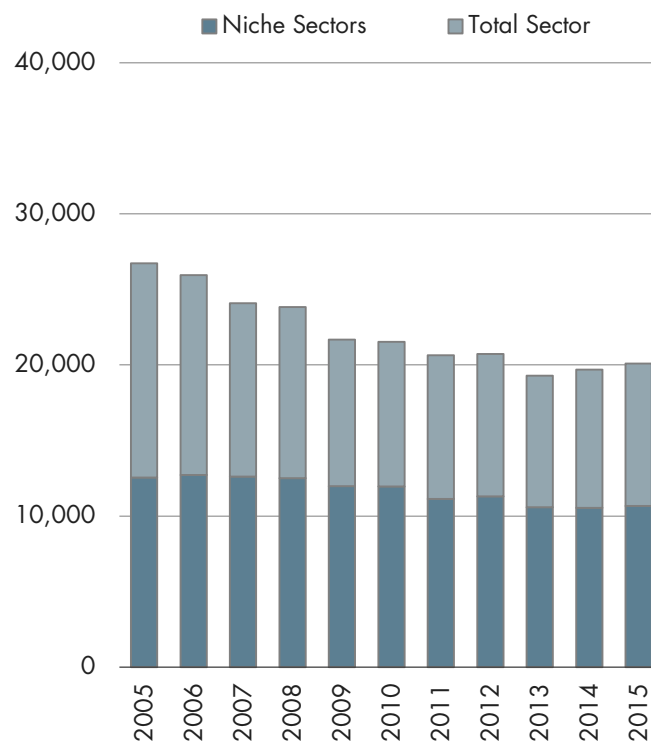
Source: EMSI.

CORPORATE & REGIONAL HQS is largest sector and has lost 50% of employment since 2010. This sector needs aggressive business retention support and opportunistic business attraction to leverage access to talent. It will also benefit from a more robust entrepreneurial ecosystem.

IT SERVICES (Custom Computer Programming & Computer System Design) is expected to continue to outperform the national sector, with more than 15 percent growth expected locally and nationally.

CONSULTING (Administrative & General Management, HR, Logistics) is an emerging sector that employs 2,542 at more than 500 establishments. Local growth rates have been between 30 and 60+ percent over the last five years and growth prospects remain strong.

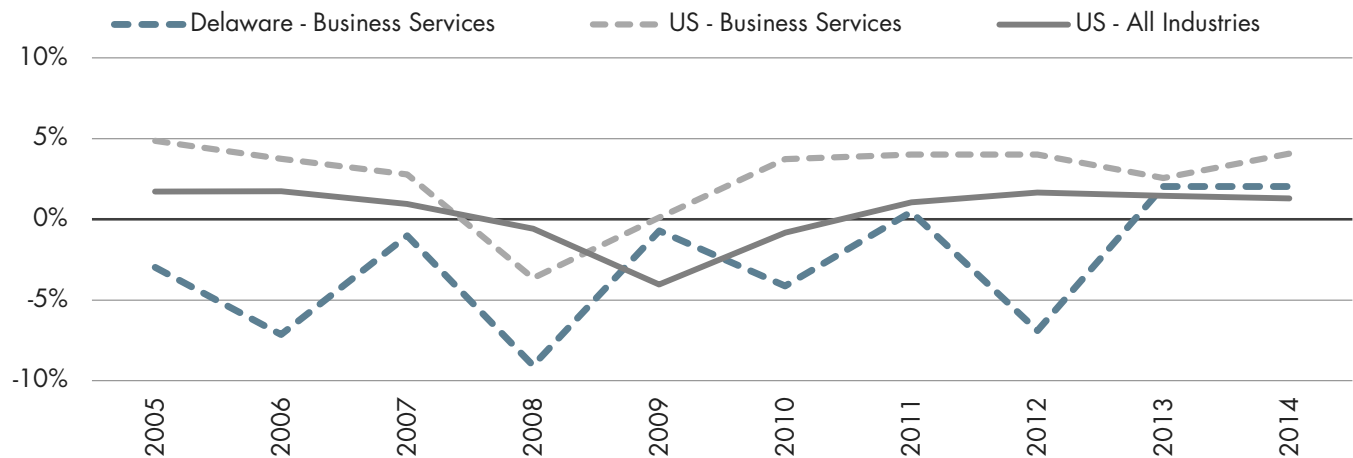
FIGURE 18. INDUSTRY PERFORMANCE & TRENDS
ANNUAL EMPLOYMENT



Source: EMSI.

FIGURE 19. INDUSTRY PERFORMANCE & TRENDS

ANNUAL CHANGE IN EMPLOYMENT

**FIGURE 20. STAFFING PATTERNS**

TOP 20 OCCUPATIONS FOR NICHE INDUSTRIES

SOC	DESCRIPTION	2015 JOBS	LQ	WAGES AS % OF US MEDIAN
15-1132	Software Developers, Applications	2,554	1.15	101%
15-1121	Computer Systems Analysts	3,063	1.75	109%
13-1111	Management Analysts	2,126	0.90	98%
15-1131	Computer Programmers	1,190	1.18	101%
15-1133	Software Developers, Systems Software	1,244	1.01	105%
15-1151	Computer User Support Specialists	1,449	0.73	111%
41-3099	Sales Representatives, Services, All Other	2,684	0.94	98%
13-2011	Accountants & Auditors	5,003	1.19	105%
11-1021	General & Operations Managers	4,686	0.71	125%
13-1161	Market Research Analysts & Marketing Specialists	1,860	1.18	118%
43-3031	Bookkeeping, Accounting, & Auditing Clerks	6,723	1.23	113%
43-4051	Customer Service Representatives	6,959	0.87	110%
11-3021	Computer & Information Systems Managers	1,109	1.04	116%
43-6014	Secretaries & Admin. Assistants, Except Legal, Medical, & Executive	8,296	1.02	107%
43-9061	Office Clerks, General	7,890	0.78	94%
15-1142	Network & Computer Systems Administrators	1,103	0.95	90%
41-4011	Sales Reps., Wholesale & Mfg., Technical & Scientific Products	1,232	1.11	136%
13-2051	Financial Analysts	2,687	3.20	95%
15-1143	Computer Network Architects	571	1.29	107%
13-1071	Human Resources Specialists	1,642	1.10	104%

Source: EMSI.



DISTRIBUTION & ELECTRONIC COMMERCE

The Distribution and Electronic Commerce (eCommerce) sector in Delaware employs almost 13,000 at more than 1,500 establishments. The largest segment is General Warehousing and Storage, which accounts for 31 percent of the sector.

The sector grew more than 24 percent over the last five years and is expected to continue to outperform the US sector.

The I-95 Corridor is the backbone of this sector providing an opportunity to serve both the Philadelphia and Baltimore markets via rail and road transportation. Intermodal facilities, the Port of Wilmington, and New Castle Airport (ILG) further enhance the state's ability to efficiently manage the distribution of goods to major population centers along the East Coast.

FIGURE 21. INDUSTRY SNAPSHOT

DELAWARE	TOTAL	NICHES
Number of Establishments (2014)	1,564	222
Number of Jobs (2014)	12,673	5,225
% Change 2010–2014	24.0%	129.4%
EMPLOYMENT GROWTH OUTLOOK (2015-20):		
Delaware:	9.8%	19.8%
US	7.9%	8.2%

FIGURE 22. NICHE INDUSTRIES

NAICS	DESCRIPTION
493110	General Warehousing and Storage
423830	Industrial Machinery and Equipment Merchant Wholesalers
423450	Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers
423840	Industrial Supplies Merchant Wholesalers

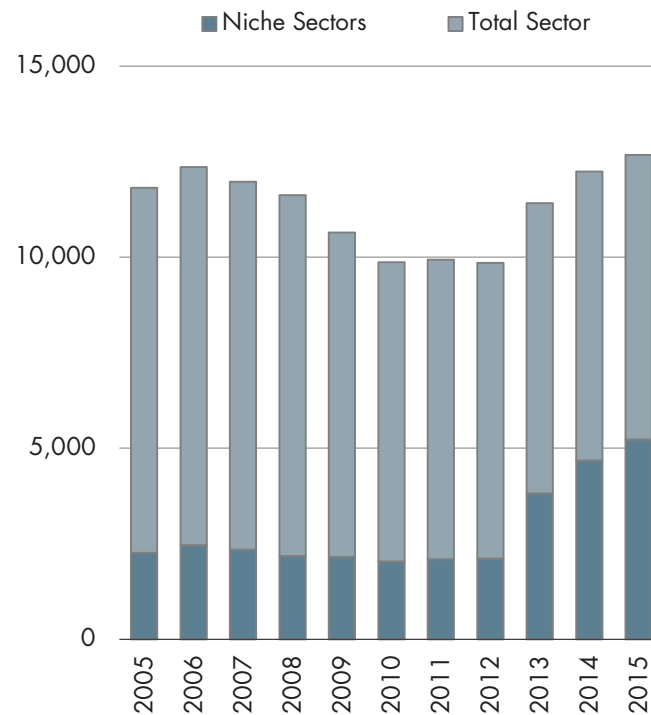
Source: EMSI.

GENERAL WAREHOUSING is the largest and best performing sub-sector, growing more than 100 percent in the last five years. It is expected to grow by more than 20 percent in Delaware over the next five years.

INDUSTRIAL MACHINERY & SUPPLIES is an emerging sector that grew and is expected to grow at more than 20 percent.

MEDICAL DISTRIBUTION currently employs about 200 at 74 different establishments. The local growth rates in this sector greatly outpaced national rates and are expected to continue to exceed the national rate.

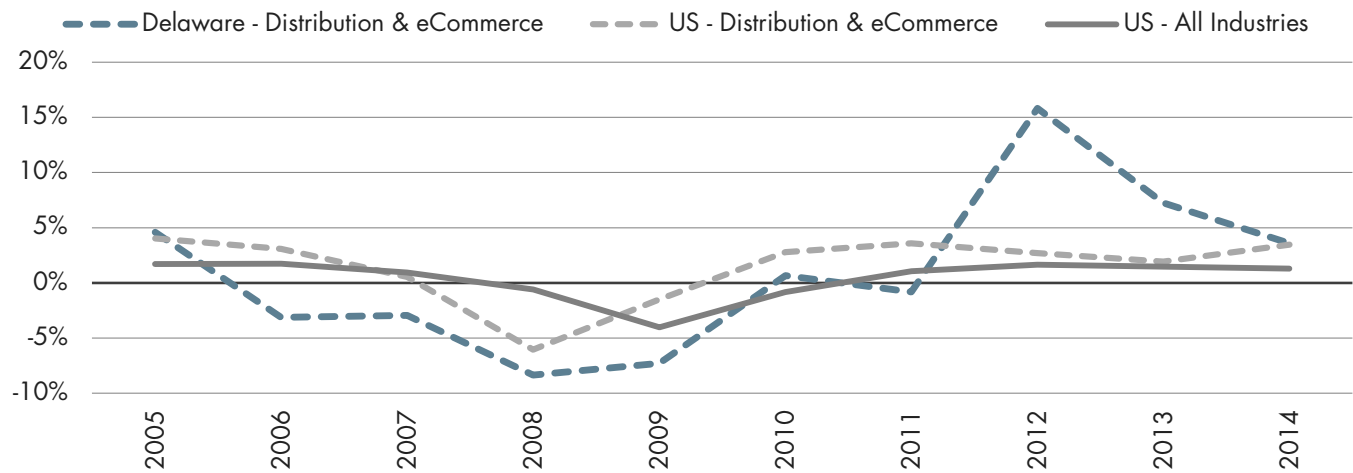
FIGURE 23. INDUSTRY PERFORMANCE & TRENDS
ANNUAL EMPLOYMENT



Source: EMSI.

FIGURE 24. INDUSTRY PERFORMANCE & TRENDS

ANNUAL CHANGE IN EMPLOYMENT

**FIGURE 25. STAFFING PATTERNS**

TOP 20 OCCUPATIONS FOR NICHE INDUSTRIES

SOC	DESCRIPTION	2015 JOBS	LQ	WAGES AS % OF US MEDIAN
53-7062	Laborers & Freight, Stock, & Material Movers, Hand	7,770	1.01	98%
53-7051	Industrial Truck & Tractor Operators	1,284	0.78	107%
43-5081	Stock Clerks & Order Fillers	5,894	1.02	99%
43-5071	Shipping, Receiving, & Traffic Clerks	1,968	0.95	102%
53-3032	Heavy & Tractor-Trailer Truck Drivers	4,007	0.70	106%
53-7064	Packers & Packagers, Hand	1,612	0.73	104%
41-4012	Sales Reps., Wholesale & Mfg., Except Tech. & Scientific Products	3,189	0.70	105%
53-1021	First-Line Supervisors of Helpers, Laborers, & Material Movers, Hand	573	1.05	105%
53-3033	Light Truck or Delivery Services Drivers	2,700	1.02	91%
53-7063	Machine Feeders & Offbearers	298	0.91	145%
49-9071	Maintenance & Repair Workers, General	3,832	0.87	105%
43-4051	Customer Service Representatives	6,959	0.87	110%
53-1031	First-Line Super. of Transp. & Material-Moving Machine & Vehicle Operators	694	1.11	102%
43-9061	Office Clerks, General	7,890	0.78	94%
11-1021	General & Operations Managers	4,686	0.71	125%
49-3042	Mobile Heavy Equipment Mechanics, Except Engines	378	0.94	104%
43-1011	First-Line Supervisors of Office & Administrative Support Workers	5,179	1.15	105%
11-3071	Transportation, Storage, & Distribution Managers	304	0.88	132%
37-2011	Janitors & Cleaners, Except Maids & Housekeeping Cleaners	9,184	1.18	105%
43-3031	Bookkeeping, Accounting, & Auditing Clerks	6,723	1.23	113%

Source: EMSI.



EDUCATION & KNOWLEDGE CREATION

Delaware's Education and Knowledge Creation sector employs more than 10,000. Seventy percent of the sector is involved in Research and Development (R & D) outside of educational institutions. The largest segment is R & D in Biotechnology, which accounts for 32 percent of the sector.

The sector grew by almost 44 percent over the last five years, and the R & D segments grew by 72 percent. The sector is expected to grow an additional 11 percent over the next five years.

Delaware's expertise in Research and Development is not only anchored by the companies that have established research centers there, but also by strong collaborations between higher education, industry, and the public sector. The Delaware Biotechnology Institute and Fraunhofer USA Center for Molecular Biotechnology are two examples of this kind of collaboration.

Delaware's area of specialization is in plant molecular biology and genomics-based poultry disease research.

In addition, the sector is further strengthened by a long history of innovation in the development of advanced materials (DuPont and GoreTex) and new pharmaceuticals (AstraZeneca and Incyte). Agilent Technologies provides support for R & D through its Center of Excellence in Little Falls.

Delaware's talent base involved the sector is world class and would be attractive to a global audience of companies that need this kind of expertise to advance their research.

The merger between Dow and DuPont may leave opportunities for new companies to enter the Delaware market and take advantage of the availability of this world-class talent.

FIGURE 26. INDUSTRY SNAPSHOT

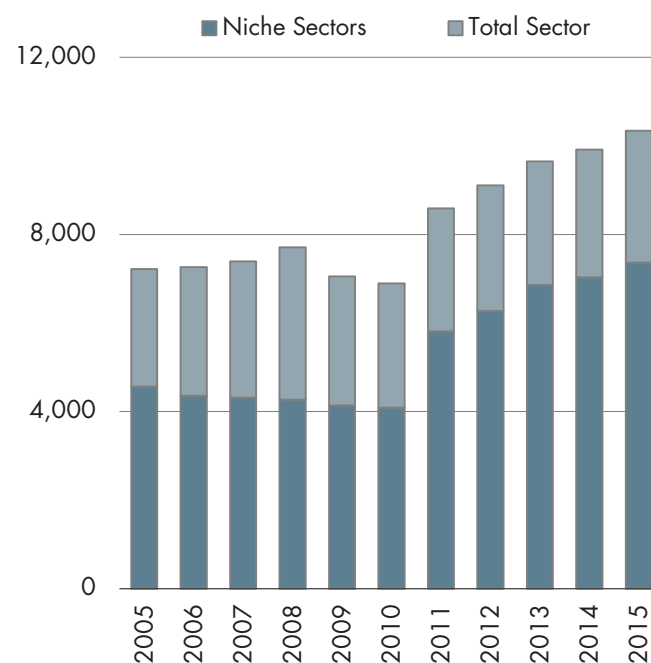
DELAWARE	TOTAL	NICHES
Number of Establishments (2014)	331	108
Number of Jobs (2014)	10,347	7,366
% Change 2010–2014	43.8%	71.9%
EMPLOYMENT GROWTH OUTLOOK (2015-20):		
Delaware:	10.8%	11.7%
US	11.2%	8.1%

FIGURE 27. NICHE INDUSTRIES

NAICS	DESCRIPTION
541711	Research & Development in Biotechnology
541712	Research & Development in the Physical, Engineering, & Life Sciences (except Biotechnology)
541720	Research & Development in the Social Sciences & Humanities

Source: EMSI.

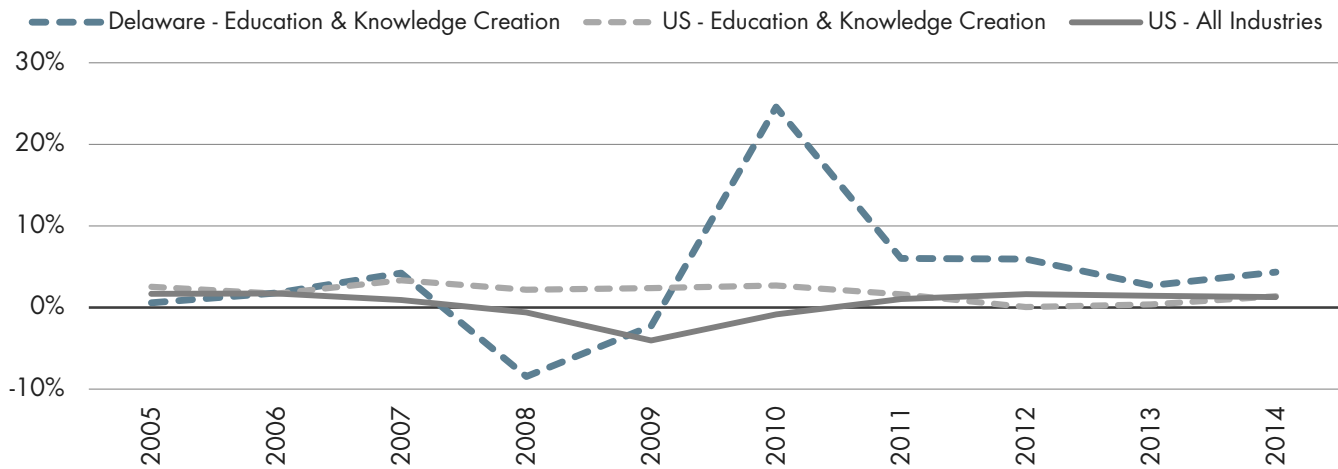
FIGURE 28. INDUSTRY PERFORMANCE & TRENDS
ANNUAL EMPLOYMENT



Source: EMSI.

FIGURE 29. INDUSTRY PERFORMANCE & TRENDS

ANNUAL CHANGE IN EMPLOYMENT

**FIGURE 30. STAFFING PATTERNS**

TOP 20 OCCUPATIONS FOR NICHE INDUSTRIES

SOC	DESCRIPTION	2015 JOBS	LQ	WAGES AS % OF US MEDIAN
19-2031	Chemists	3,188	11.86	123%
19-4031	Chemical Technicians	901	4.53	151%
11-9121	Natural Sciences Managers	544	3.26	143%
17-2041	Chemical Engineers	684	6.50	134%
17-2141	Mechanical Engineers	732	0.85	109%
15-1132	Software Developers, Applications	2,554	1.15	101%
19-1021	Biochemists & Biophysicists	213	2.13	108%
43-6014	Secretaries & Admin. Assistants, Except Legal, Medical, & Executive	8,296	1.02	107%
15-1133	Software Developers, Systems Software	1,244	1.01	105%
15-1121	Computer Systems Analysts	3,063	1.75	109%
11-1021	General & Operations Managers	4,686	0.71	125%
13-2011	Accountants & Auditors	5,003	1.19	105%
19-1022	Microbiologists	153	2.33	74%
11-9041	Architectural & Engineering Managers	484	0.85	108%
17-2112	Industrial Engineers	526	0.71	107%
17-2071	Electrical Engineers	475	0.86	101%
43-9061	Office Clerks, General	7,890	0.78	94%
19-4021	Biological Technicians	114	0.51	90%
13-1041	Compliance Officers	1,082	1.37	106%
41-4011	Sales Representatives, Wholesale & Mfg., Technical & Scientific Products	1,232	1.11	136%

Source: EMSI.

APPENDIX B: 50-STATE SCORECARD

To understand Delaware's position relative to other states and provide benchmarks for measuring economic progress, data was compiled for all 50 states on 12 indicators. This appendix provides a scorecard showing the results. For each indicator, we have included "Start," "Current," and "Trend" rankings. "Start" shows Delaware's rank among the other 50 states at the outset of the period, while "Current" indicates the state's rank in the most recent period for which data are available.

Of perhaps greater interest is the "Trend" ranking which shows the state's relative performance between the two points. For a number of indicators, the trend line suggests Delaware's performance is slipping at a pace the "Current" ranking might obscure.

The profile for each indicator includes a description of the specific variable considered in the Current, Start, and Trends rankings; the top- and bottom-performing states; the US average; and the current value for the state of Delaware with regard to the indicator. A chart comparing long-term trends in Delaware to the US is also shown. The appendix concludes with notes on the sources used and calculations, where applicable.

HOW TO READ THE SCORECARD

Below is an explanation of how to interpret the scorecard using gross state product (GSP) per capita as an example. GSP per capita represents the market value of goods and services produced in the state, divided by the number of residents.

EXAMPLE: GROSS STATE PRODUCT PER CAPITA

START

4

The "Start" ranking shows Delaware's position among the 50 states during the initial period. In 2010, Delaware's GSP per capita stood at \$62,698, which was the fourth highest dollar amount among all states.

State	2010	Rank
Wyoming	\$66,134	2
Connecticut	\$63,955	3
Delaware	\$62,698	4
New York	\$61,415	5
Massachusetts	\$60,172	6

CURRENT

7

The "Current" ranking shows Delaware's position among the 50 states during the most recent period. By 2014, Delaware's GSP per capita had declined by about \$1,900, causing its national ranking to fall below New York and Massachusetts to number seven.

State	2014	Rank
New York	\$63,633	5
Massachusetts	\$62,122	6
Delaware	\$60,806	7
New Jersey	\$56,498	8
Washington	\$54,710	9

TREND

49

The "Trend" ranking shows how Delaware stacks up over the entire period. Understanding this overarching trend line is important and would be obscured by showing only the current ranking. For example, although Delaware remains in the top 10 in terms of GSP per capita, when ranked by the percentage change from 2010 to 2014, the state's performance ranks near the bottom (49).

State	% chg. 2010-14	Rank
Virginia	-2.0%	45
Maine	-2.5%	46
Wyoming	-2.6%	47
Delaware	-3.0%	49
Louisiana	-5.0%	50

GROSS STATE PRODUCT PER CAPITA

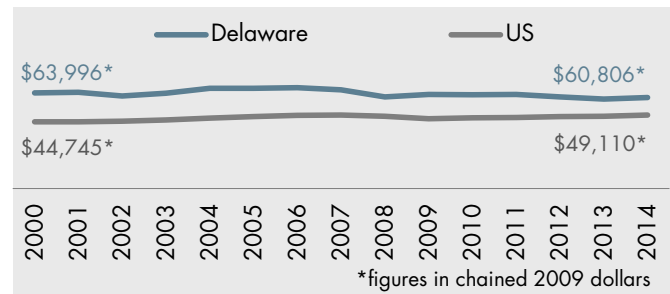
ABOUT

Gross state product (GSP) is the market value of the goods and services produced in a state. It is the state counterpart of the nation's gross domestic product (GDP). Unlike "constant" dollars, which are based on the price of goods and services in a single year, "chained" dollars adjust for inflation using successive pairs of years, typically with 2009 as the base year. GSP is divided by the total population in each year to arrive at a per capita figure.

SCORECARD

4	START GSP per capita, 2010
7	CURRENT GSP per capita, 2014
49	TREND % change during period (2010 to 2014)

LONG-TERM TREND



CURRENT RANKING: DETAILS

DELAWARE \$60,806*
TOP RANKED STATE \$66,910* North Dakota
US AVERAGE \$49,110*
LOWEST RANKED STATE \$31,607* Mississippi

PATENTS PER 1,000 POPULATION

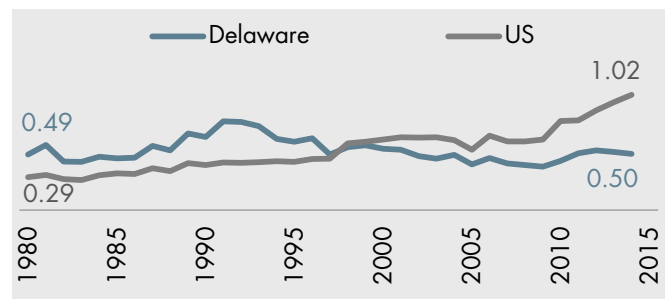
ABOUT

Figures represent total patents granted by the US Patent and Trademark Office annually. The geographic origin of a patent is determined by the residence of the first-named inventor. To account for variation in size among the states, "Start" and "Current" rankings are based on patents per 1,000 population. The "Trend" ranking shows the percentage change in the actual number of patents granted during the period.

SCORECARD

10	START Patents granted per 1,000 population, 2004
14	CURRENT Patents granted per 1,000 population, 2014
46	TREND % change in patents granted, 2004 to 2014

LONG-TERM TREND



CURRENT RANKING: DETAILS

DELAWARE 0.50
TOP RANKED STATE 1.13 California
US AVERAGE 1.02
LOWEST RANKED STATE 0.06 Mississippi

EMPLOYMENT GROWTH: PRIVATE-SECTOR

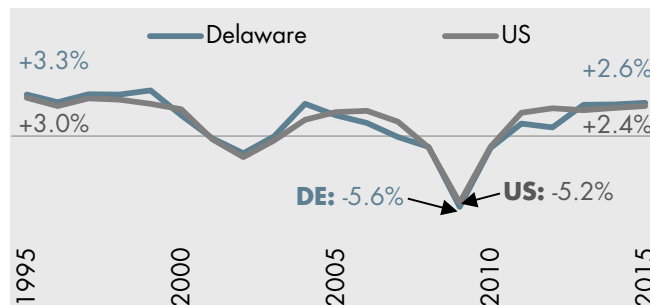
ABOUT

Private-sector employment figures from the Current Employment Statistics (CES) survey produced by the US Bureau of Labor Statistics (BLS) provide an essential indicator for evaluating economic health. Due to variation in size among the states, the "Start" and "Current" rankings are based on the percent change in employment from the prior year. The "Trend" ranking compares the percent change between 2010 and 2015.

SCORECARD

33	START 2010 (% change from 2009)
14	CURRENT 2015 (% change from 2014)
21	TREND % change during period (2010 to 2015)

LONG-TERM TREND



CURRENT RANKING: DETAILS

DELAWARE +2.63% change from 2014
TOP RANKED STATE +4.26% Utah
US AVERAGE +2.36%
LOWEST RANKED STATE -2.16% North Dakota

EMPLOYMENT GROWTH: GOODS-PRODUCING INDUSTRIES

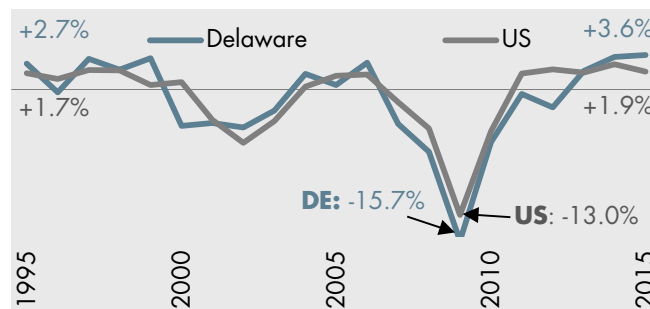
ABOUT

Using the same CES data, this indicator measures employment change in goods-producing industries. This supersector includes employment in manufacturing industries, as well as jobs in construction, mining (which includes oil and gas-related activities), and agriculture (including workers engaged in growing crops, raising animals, fishing, and harvesting timber).

SCORECARD

42	START 2010 (% change from 2009)
6	CURRENT 2015 (% change from 2014)
31	TREND % change during period (2010 to 2015)

LONG-TERM TREND



CURRENT RANKING: DETAILS

DELAWARE +3.56%
TOP RANKED STATE +6.23% Hawaii
US AVERAGE +1.85%
LOWEST RANKED STATE -8.48% North Dakota

AVERAGE ANNUAL UNEMPLOYMENT RATE

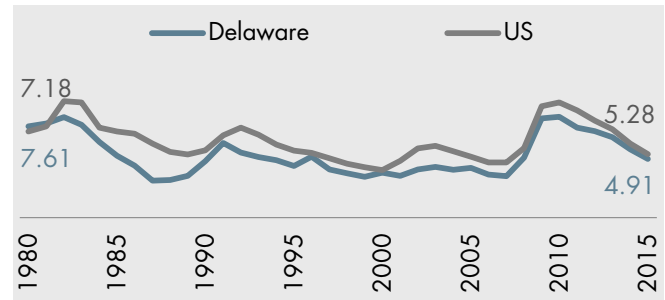
ABOUT

The unemployment rate represents the share of the civilian labor force (CLF) that is not currently employed, but is actively seeking employment. The CLF consists of people age 16 years and over who are not institutionalized or serving in the military. Data are collected through a household survey and represent the employment picture on a place-of-residence basis (rather than by place of work).

SCORECARD

24	START Average annual unemployment rate, 2010
23	CURRENT Average annual unemployment rate, 2015
29	TREND Percentage point change in rate, 2010 to 2015

LONG-TERM TREND



CURRENT RANKING: DETAILS

DELAWARE 4.91
TOP RANKED STATE 2.72 North Dakota
US AVERAGE 5.28
LOWEST RANKED STATE 6.72 Nevada, West Virginia (tie)

LABOR FORCE PARTICIPATION RATE

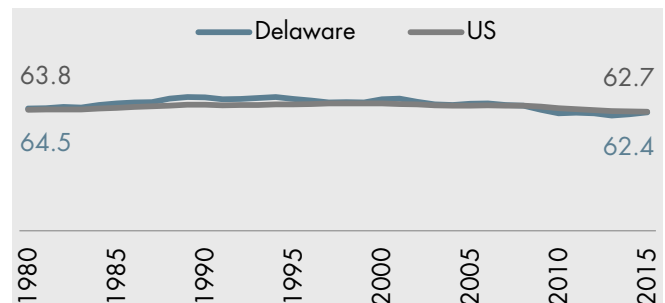
ABOUT

The labor force participation rate is the percentage of the civilian noninstitutionalized population that is either working (employed) or actively seeking work (unemployed). Nationally, rates have been declining due, in part, to a number of demographic factors. Declining rates are also thought to indicate weakness in the job market. As a result, rising rates can signal improved employment opportunities.

SCORECARD

40	START Avg. annual labor force participation rate, 2010
30	CURRENT Avg. annual labor force participation rate, 2015
1	TREND Percentage point change in rate, 2010 to 2015

LONG-TERM TREND



CURRENT RANKING: DETAILS

DELAWARE 62.4
TOP RANKED STATE 71.0 North Dakota
US AVERAGE 62.7
LOWEST RANKED STATE 53.0 West Virginia

RATE OF ESTABLISHMENT "BIRTHS"

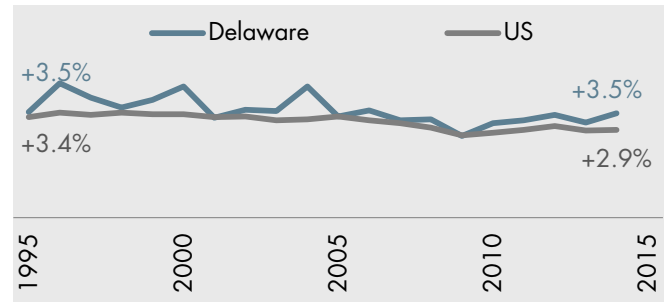
ABOUT

The Business Employment Dynamics series tracks net changes in employment at the establishment level. "Births" are establishments that are not seasonal in nature and that show positive employment for the first time in the third month of the current quarter following zero employment in a specified number of prior quarters. The rate presents births as a share of the total number of establishments. Self-employment is not captured.

SCORECARD

9	START <i>Rate of private-sector establishment births, 2010</i>
4	CURRENT <i>Rate of private-sector establishment births, 2015</i>
12	TREND <i>Change in the rate of formation, 2010 to 2015</i>

LONG-TERM TREND



CURRENT RANKING: DETAILS

DELAWARE +3.48%
TOP RANKED STATE +3.70% Florida
US AVERAGE +2.93%
LOWEST RANKED STATE +2.23% Ohio

PRIVATE-SECTOR EARNINGS GROWTH (AVERAGE HOURLY)

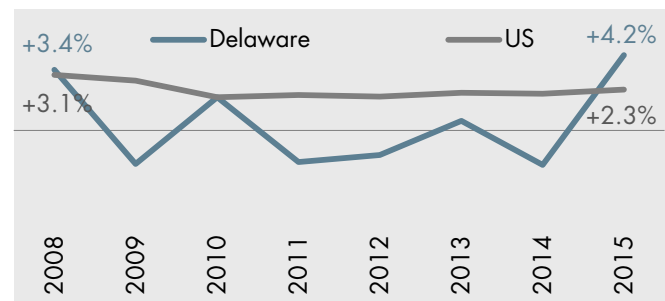
ABOUT

The Current Employment Statistics (CES) survey is a federal and state cooperative program conducted by the US BLS. Through a monthly survey the program provides employment, hours, and earnings estimates for states and metropolitan areas based on payroll records of business establishments. Since the data are not adjusted for inflation, the analysis was based on the percent change from the prior year.

SCORECARD

21	START <i>2010 (% change from 2009)</i>
2	CURRENT <i>2015 (% change from 2014)</i>
49	TREND <i>% change during period (2010 to 2015)</i>

LONG-TERM TREND



CURRENT RANKING: DETAILS

DELAWARE +4.25%
TOP RANKED STATE +4.78% Nevada
US AVERAGE +2.30%
LOWEST RANKED STATE -0.60% Rhode Island

MEDIAN HOUSEHOLD INCOME

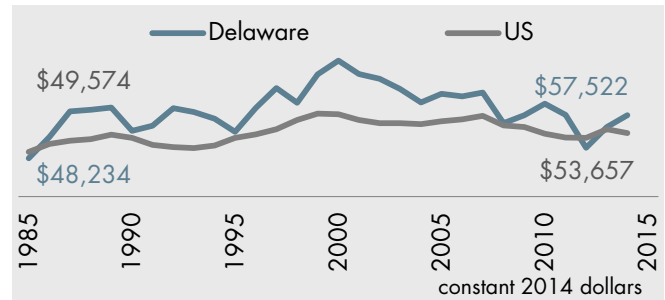
ABOUT

Figures are from the US Census Bureau's Current Population Survey, Annual Social and Economic Supplement (ASEC). Households comprise all persons occupying a housing unit, including families and unrelated individuals. Figures are in "constant" current year dollars. Constant-dollar values attempt to remove the effects of price changes by holding the purchasing power of the dollar constant over the period.

SCORECARD

14	START <i>Median household income, 2004</i>
20	CURRENT <i>Median household income, 2014</i>
33	TREND <i>% change during period (2004 to 2014)</i>

LONG-TERM TREND



CURRENT RANKING: DETAILS

DELAWARE \$57,522
TOP RANKED STATE \$76,165 Maryland
US AVERAGE \$53,657
LOWEST RANKED STATE \$35,521 Mississippi

PER CAPITA DISPOSABLE PERSONAL INCOME

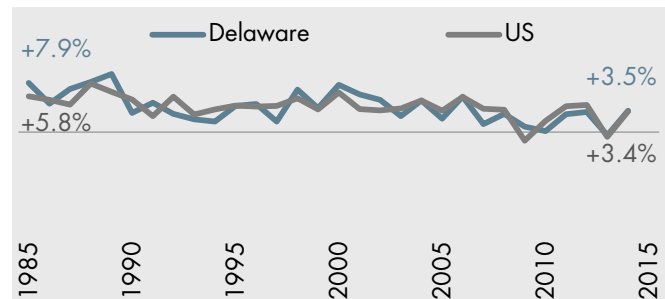
ABOUT

Personal income estimates (prepared by US Bureau of Economic Analysis) encompass income received by an individual from all sources. Disposable income is the income available for spending and saving. It is calculated as personal income less the sum of tax payments and nontax payments to all levels of government. Since the data are not adjusted for inflation, the long-term trend compares the percentage change from the starting year.

SCORECARD

10	START <i>Per capita disposable income, 2004</i>
21	CURRENT <i>Per capita disposable income, 2014</i>
47	TREND <i>% change during period (2004 to 2014)</i>

LONG-TERM TREND



CURRENT RANKING: DETAILS

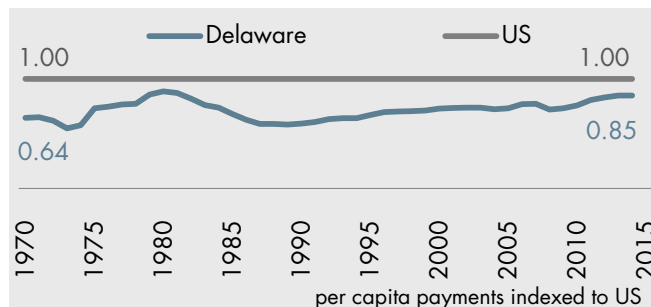
DELAWARE \$41.25
TOP RANKED STATE \$54.19 Connecticut
US AVERAGE \$40.47
LOWEST RANKED STATE \$31.59 Mississippi

TRANSFERS: INCOME MAINTENANCE BENEFITS

ABOUT

Transfer payments made by the federal government to individuals include Social Security, Medicare, and unemployment insurance compensation. Income maintenance benefits are a type of transfer providing financial assistance through programs such as Supplemental Security Income (SSI), the Earned Income Tax Credit (EITC), and the Supplemental Nutritional Assistance Program (SNAP). The long-term trend shows Delaware's per capita benefits as a ratio of the US.

LONG-TERM TREND



SCORECARD

9	START Per capita income maintenance benefits, 2010
17	CURRENT Per capita income maintenance benefits, 2014
50	TREND % change during period (2010 to 2014)

CURRENT RANKING: DETAILS

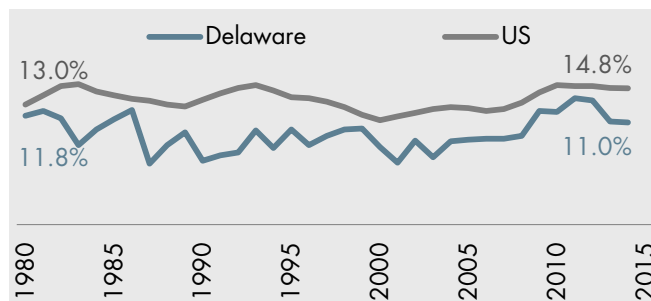
DELAWARE \$713
TOP RANKED STATE \$418 Wyoming
US AVERAGE \$840
LOWEST RANKED STATE \$1,138 Alaska

POVERTY RATE (INDIVIDUAL)

ABOUT

Scorecard rankings are based on the percent of the state's population below the poverty threshold in a given year as defined by the US Census Bureau's Current Population Survey (ASEC). For 2014, the weighted average poverty threshold for individuals of all ages was \$12,071. The "Trend" ranking is based on the percentage point change between the starting and ending years.

LONG-TERM TREND



SCORECARD

6	START % of the population in poverty, 2004
14	CURRENT % of the population in poverty, 2014
26	TREND Percentage point change in rate, 2004 to 2014

CURRENT RANKING: DETAILS

DELAWARE 11.0% of the total population in 2014
TOP RANKED STATE 7.2% New Hampshire
US AVERAGE 14.8%
LOWEST RANKED STATE 23.1% Louisiana

GINI RATIO (HOUSEHOLDS)

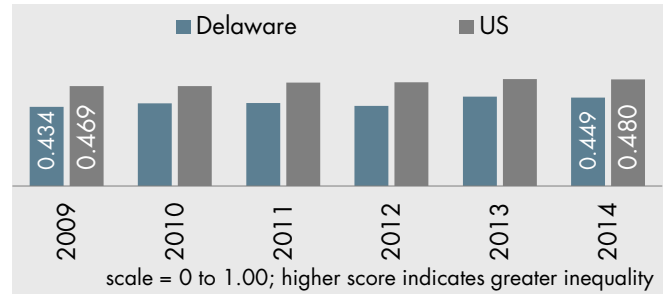
ABOUT

The Gini coefficient or ratio is used to measure inequality of incomes among individuals or households in a particular area. A score of "0" represents complete equality, i.e., every person has the same income. A score of "1" represents complete inequality, i.e., where one person has all the income and others have none. Therefore, a lower Gini score is associated with a more equal distribution of income, and vice versa.

SCORECARD

13	START <i>Gini ratio (households), 2009</i>
14	CURRENT <i>Gini ratio (households), 2014</i>
36	TREND <i>Point change in ratio, 2009 to 2014</i>

LONG-TERM TREND



CURRENT RANKING: DETAILS

DELAWARE 0.449
TOP RANKED STATE 0.418 <i>Alaska</i>
US AVERAGE 0.480
LOWEST RANKED STATE 0.511 <i>New York</i>

NOTES

This scorecard was patterned after the 2012 state economic profiles prepared by Professor Michael E. Porter of the Harvard Business School as part of the US Cluster Mapping project.

There are limitations to a “scorecard” approach. One of the most basic is the underlying data themselves. Each data set has limitations with regard to coverage (what is included and excluded), timeliness, and quality. Furthermore, to ensure consistency, data for each state must come from a single source. As a result, data points like poverty rates and employment growth may not align with other sources.

There are also limitations associated with the ranking process. Placing data points in rank order is a simple exercise. However, there are a range of factors that influence performance that cannot be taken into account using this approach. For example, the poverty thresholds applied in the US Census Bureau data used in this analysis are national and do not reflect state or regional differences in living costs. The effects on an individual of living on \$12,071 per year would be felt differently in New York City than in Dubuque, Iowa.

There may be a certain ambiguity associated with the title of “best” or “worst” performing state for some indicators. For example, states with low per capita income maintenance benefits—payments received through programs like the Supplemental Nutritional Assistance Program (formerly known as food stamps)—receive the highest marks. However, the mix of benefits available to residents varies widely from

state to state. The top-performing states may hold that position because they offer comparatively little support to low-income residents. Likewise, the lowest performers, like Alaska, may have a cost of living that requires more generous benefits.

Finally, certain indicators are not well-described by the “Trend” ranking. In the case of unemployment, the “Trend” compares the percentage point change in the rate between the start and the end periods. As a result, states with very low unemployment ranked among the “worst” performing, when in fact they simply had no room left to lower their rate. Despite its limitations, the scorecard provides a snapshot of Delaware’s relative performance and can serve as a starting point for discussion.

All data used in this section were accessed via Moody’s Analytics, with the exception of the labor force participation rate which was accessed directly via the US Bureau of Labor Statistics. In some cases, initial data transformations (such as adjusting for inflation or calculating averages or per capita figures) were performed by Moody’s. Indicators were ranked by TIP Strategies on a scale of 1 (best-performing) to 50 (worst-performing). For the majority of indicators, a time horizon of five or ten years was used for the Start, Current, and Trend rankings. However, in some cases, a different time period was selected due to limited data availability or other considerations. Detailed information regarding the data sources (as described by Moody’s) is provided below.

INDICATOR	SOURCE
<i>Average annual unemployment rate</i>	<p><u>State-level:</u> U.S. Bureau of Labor Statistics (BLS): Local Area Unemployment Statistics (LAUS) [Series ID = LASST0200000000000003]</p> <p><u>National:</u> U.S. Bureau of Labor Statistics (BLS): Current Population Survey (CPS) [Household Survey - LNS14000000]</p>
<i>Employment growth: goods-producing industries</i>	U.S. Bureau of Labor Statistics (BLS): Current Employment Statistics (CES) [Series ID = SMS01000000600000001]

INDICATOR	SOURCE
<i>Employment growth: private sector</i>	U.S. Bureau of Labor Statistics (BLS): Current Employment Statistics (CES) [Series ID = SMS01000000500000001]
<i>Establishment "births"</i>	U.S. Bureau of Labor Statistics (BLS): Business Employment Dynamics Survey (BD) [Series ID = BDS0000002000000000120007RQ5]
<i>Gini household ratio</i>	U.S. Census Bureau (BOC): American Community Survey (ACS) - Table B19083
<i>Gross state product per capita</i>	U.S. Bureau of Economic Analysis (BEA): GDP by State
<i>Labor force participation rate</i>	<u>State-level</u> : U.S. Bureau of Labor Statistics: Local Area Unemployment Statistics (Annual Average Series, States: Employment status of the civilian noninstitutional population, 1976 to 2015) <u>National</u> : U.S. Bureau of Labor Statistics: Current Population Survey (Household Data Annual Averages, Table 1. Employment status of the civilian noninstitutional population, 1945 to date)
<i>Median household income</i>	U.S. Census Bureau (BOC): CPS Money income of households
<i>Patents per 1,000 population</i>	U.S. Patent and Trademark Office (USPTO): Technology Assessment and Forecast Data Base
<i>Per capita disposable personal income</i>	U.S. Bureau of Economic Analysis (BEA): Annual Personal Income - Table SA51-53 - Line 0053
<i>Poverty rate</i>	U.S. Census Bureau (BOC): Current Population Survey (CPS) - Annual Social and Economic Supplement (ASEC) - Table 21 "Number of Poor and Poverty Rate, by State"
<i>Private-sector earnings growth (average hourly)</i>	U.S. Bureau of Labor Statistics (BLS): Current Employment Statistics (CES); Moody's Analytics Adjusted
<i>Transfers: income maintenance benefits</i>	U.S. Bureau of Economic Analysis (BEA): Annual Personal Income - Table SA35 - Line 0120