

# DIVERSITY, EQUITY, AND INCLUSION (DEI)

FEBRUARY 2024

9 OF 9 ISSUE BRIEFS

## INTRODUCTION

In recent years, research has highlighted the negative effects of inequity on economic growth. One recent study found that the economic impact of racial discrimination reduced overall U.S. GDP by more than \$16 trillion over the past 20 years.<sup>1</sup> This and comparable studies reached similar conclusions: inequity has economic and societal costs.\*

To help address inequity and improve both societal and economic performance, EDA incorporated equity as one of its national investment priorities, signaling the importance of considering historically underserved populations and regions as a foundation for economic development, recovery, and resiliency efforts.<sup>2</sup> Looking forward, experts estimate that more equitably distributed opportunities and outcomes for everyone in the U.S. would increase the economic pie by \$22.9 trillion over a 30-year period.<sup>3</sup>

Diversity, equity, and inclusion (DEI) strategies are recent additions to many state and regional strategic plans and there are promising indicators that economic development entities are taking these dynamics into consideration when planning and implementing projects. Alignment and collaboration between state and regional entities can make the efforts more impactful.

## About the Issue Brief Series

Alignment of state and EDD planning activities leading to collaborative program execution is an important way to increase the chances of regional and state economic success. Awareness alone is not enough; alignment is the critical next step in working together to solve a region's economic challenges. Misalignment of strategies can result in divergent priorities and uncoordinated efforts that may undercut program success or lead to duplicative activities.

Creating a culture and process centered on alignment supports coordinated economic strategies and investment which can help facilitate improved economic outcomes, sustained economic growth, and enhanced equity throughout the nation's economy.

This issue brief is one of a series of nine reports that will help inform efforts to increase alignment, collaboration, and co-investment between states and local EDDs, as well as their public and private stakeholders. The first issue brief provides an overview of all issue briefs along with an explanation of how case studies were identified.

**The Center for Regional Economic Competitiveness specializes in providing practical, data-driven solutions so decisionmakers can create more equitable opportunities for their states and regions. We achieve this by helping regions build capacity and leverage their strategic assets with an emphasis on talent, innovation, and networking.**

1. Citi Global Perspectives: [https://ir.citi.com/NvIUklHPilz14Hwd3oxqZBLMn1\\_XPqo5FrxsZD0x6hhil84ZxaxEuJUWmak51UH-vYk75VKeHcMI%3D](https://ir.citi.com/NvIUklHPilz14Hwd3oxqZBLMn1_XPqo5FrxsZD0x6hhil84ZxaxEuJUWmak51UH-vYk75VKeHcMI%3D)

2. Economic Development Administration: <https://www.eda.gov/funding/investment-priorities>

3. Brookings Institution: <https://www.brookings.edu/articles/the-economic-gains-from-equity/>

Below are some key considerations when focusing on strategic opportunities related to DEI.

## LESSON HIGHLIGHTS

### ALIGNING EQUITABLE ECONOMIC DEVELOPMENT STRATEGIES

Alignment Lesson	Case Studies Demonstrating Alignment
<p><b>Lesson 9.1 - States and EDDs: Engage and build trust with underrepresented groups in a way that enables them to participate in regional decision making.</b> As states and regions work to build a more inclusive economy, the perspectives of communities being targeted by DEI initiatives often serve as a guide on the implementation of these initiatives and as a platform for sustained dialogue with policymakers.</p> <p>Both states and EDDs can play a vital role in amplifying the voices of those who encounter systemic inequalities to ensure that they have an opportunity to participate and bring attention to their challenges at the regional and state-wide level. Communities benefiting from DEI programs often need to trust these efforts before they can achieve the intended outcomes. This trust serves as a foundation on which future collaboration between states and EDDs will take place.</p>	<p>Organizations in Oregon, Minnesota, and Kansas have demonstrated their commitment to equitable economic development through three broad activities:</p> <ol style="list-style-type: none"> <li>1. Incorporating DEI into their strategic planning</li> <li>2. Integrating DEI into internal processes and rules governing delivery of economic development services, and</li> <li>3. Prioritizing engagement with underserved communities.</li> </ol>
<p><b>Lesson 9.2 - States and EDDs: Recognize that “equity” comes in different forms, reflecting audience needs and goals.</b></p> <p>Achieving an equitable economy looks different across regions and states. To address these differences, EDDs and states can deploy a variety of approaches to reach similar goals. Focusing on a specific population or place – such as veterans or rural communities – can help regional and state-wide entities make a clearer case for equity that is meaningful to their own geographic context.</p>	<p>In 2020, Wisconsin established the Office of Rural Prosperity to address economic disparities between the state’s urban and rural areas, many of which were brought to the forefront during the COVID-19 pandemic. Since its inception, the office has worked with rural EDDs to amplify the voices of rural and tribal communities.</p>
<p><b>Lesson 9.3 - States and EDDs: Consider utilizing disaggregated data to target specific populations and places.</b> Data is a powerful tool that can help determine economic, workforce, and community development policies and priorities. Disaggregating data to a meaningful level of analysis can provide greater insight on which underserved populations or disinvested places may benefit from regional or statewide DEI efforts. Incorporating this data into regional planning and programming efforts will not only help direct local resources and investments accordingly, but also will provide in-depth context that is useful for streamlining future alignment efforts.</p>	<p>As part of its CEDS development, the District of Columbia relied heavily on disaggregated data – examining indicators separately by race, neighborhood, and other characteristics – to identify and address specific equity challenges facing its underserved neighborhoods. This approach, combined with effective data-driven storytelling to illustrate these disparities to a broader audience, was highly successful in developing an actionable plan that focuses on economic equity.</p>

## LESSON 9.1 - STATES AND EDDS

### ENGAGE AND BUILD TRUST WITH UNDERREPRESENTED GROUPS IN A WAY THAT ENABLES THEM TO PARTICIPATE IN REGIONAL DECISION MAKING.

Before collaboration can happen on a broader level, it requires a strong foundation built on trust. Successfully aligning future DEI efforts and initiatives requires both states and EDDs to carefully consider how to build trust and develop inclusive processes to engage communities affected by strategies, policies, and programs.

The National Association of Development Organizations (NADO) and the New Growth Innovation Network (NGIN) recently produced reports that illustrate how regions are already beginning to incorporate DEI into these processes and uplift undeserved voices.<sup>4</sup> Moving forward, these resources will be useful tools for all economic development entities on how best to incorporate and collaborate on equity initiatives within their own communities.

The case study below illustrates that states and EDDs who have successfully incorporated DEI principles into their planning and programmatic activities applied two broad practices. First, they were intentional and explicit in prioritizing DEI, specifically the inclusion of underrepresented populations and places in the planning and implementation process. This practice helps strengthen and sustain the culture of DEI in regional economic development.

Second, these efforts identified and engaged selected underrepresented groups to participate in a conversation that led to regional decision making. Building connections with underrepresented groups through personal relationships – and embedding these connections in institutional processes – takes time and effort because each group has its own needs and challenges. As such, DEI efforts will always be a work in progress, sustained by continuous dialogue between states, EDDs, and underrepresented groups.

One example of a region's focus on strengthening its manufacturing ecosystem in partnership with regional entities is in Kansas. South Kansas has a long history of building airplanes and in 2015 was designated as an IMCP community in recognition of the strength of its collaborative efforts and strategies to coordinate and advance investments across all six areas of its manufacturing ecosystem. Today, Kansas has about 450 manufacturing companies that are part of the supply chain supporting the aerospace and national defense industrial base. Using EDA's Build Back Better Regional Challenge (BBBRC), the following case study can illustrate how states and EDDs can align strategies and improve manufacturing and economic growth outcomes.

Organizing a large-scale funding opportunity like BBBRC galvanized many regional organizations to participate. The regional coalition formed in Kansas' to advance its manufacturing cluster is an excellent example. Other states, like Washington, have similar stories related to their BBBRC applications.

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4. New Growth Innovation Network: <https://www.recovery.newgrowth.org/ideas>; <https://www.nado.org/incorporating-equity-at-a-regional-level-inspiration-actions/>; <https://www.nado.org/inclusive-recovery-toolkit/>

## CASE STUDY

### Incorporating DEI into Planning and Programming

#### Strengthening Community Engagement in Oregon, Minnesota, and Kansas

State and regional economic development agencies have recently prioritized DEI in their strategic plans by identifying underrepresented populations and places, incorporating them in the planning process, and delivering targeted resources and programming. The following states and regions have adopted a distinct approach to reflect the DEI realities present in their geographies.

The Cascades West Economic Development District (CWEDD) in rural Oregon elevated equity to a central component of its recent CEDS. The region's highest priority is to form strong regional collaboration and partnerships through a variety of means, including recruiting new members for its board and CEDS project working groups that represent Tribal Nations and Hispanic, Black, immigrant, rural, and low-income communities. CWEDD hopes that the inclusion of these diverse voices in the planning process will produce future economic development projects that will better meet the needs of everyone in the region.



*Black Entrepreneurs of the Flint Hills*

Minnesota's Department of Employment and Economic Development (DEED) made equity the first objective of its 2020-2021 annual plan, aiming to positively impact individuals and businesses that face systemic barriers to growth. DEED set concrete targets for its various teams to accomplish this mission. For example, it tasked Launch Minnesota with delivering at least 50% of its innovation grants to startup founders representing women, Black, Tribal, Hispanic, rural, or veteran groups. Additionally, it required its Broadband Development Office to publish maps with Tribal Nation boundaries to accurately assess each Tribe's access to broadband. Furthermore, DEED asked its Economic Analysis team to complete at least 10 projects that incorporate race and ethnicity data in its analysis. These targets clearly guide DEED's various teams to achieve its broader equity goal and ensure that economic growth reaches all groups across the state providing important information and investment to areas covered by EDDs.

The Flint Hills Regional Council in rural east-central Kansas prioritized Black-owned businesses in its CEDS' business expansion and entrepreneurial strategies. The council partnered with a local group, the Black Entrepreneurs of Flint Hills, to set a range of action items that either exclusively focuses on or incorporates this group.

Some of these action items include promoting awareness of Black-owned businesses through programs and partnerships with publications and community organizations, as well as providing training on how to access capital, earn minority-owned business state certifications, and host diverse supplier and business expos. The council's approach of including the local Black business community in the planning process and setting clear action items expects to help the region achieve more equitable economic outcomes in the future.

## LESSON 9.2 - STATES AND EDDS

### RECOGNIZE THAT "EQUITY" COMES IN DIFFERENT FORMS, REFLECTING AUDIENCE NEEDS AND GOALS.

Community engagement will look different for every region and state, necessitating different approaches to achieving an equitable and inclusive economy. Within this framework, it is important to note that although initiatives that focus on rural residents, minorities, women, or veterans do not explicitly mention the term "equity" or "DEI," the efforts are based on equity and inclusion principles.

In Wisconsin, Governor Tony Evers established the Office of Rural Prosperity in 2020 to ensure that rural communities, often left behind in the state's economic growth, have input in statewide economic development programs and policies. Having conducted a comprehensive assessment of rural communities' needs and challenges, the Office of Rural Prosperity recognizes the role EDDs can play in strengthening statewide rural development capacity. As the case study below shows, the office is using the EDA-funded Policy Academy on Aligning State and Regional Economic Development to institutionalize its relationships with EDDs so that it can more effectively serve Wisconsin's rural residents.

Organizing a large-scale funding opportunity like BBBRC galvanized many regional organizations to participate. The regional coalition formed in Kansas' to advance its manufacturing cluster is an excellent example. Other states, like Washington, have similar stories related to their BBBRC applications.

## CASE STUDY

### **Using the State-Regional Alignment Policy Academy to Advance Rural Development**

#### Wisconsin's Office of Rural Prosperity

The COVID-19 pandemic exacerbated the vulnerabilities of Wisconsin's rural communities. Rural residents suffered from inadequate broadband access, limiting their ability to learn and work remotely. At the same time, family savings invested in Main Street businesses rapidly depleted during the pandemic, resulting in business closings. Many rural communities, furthermore, are experiencing a severe workforce shortage due to a lack of access to childcare and quality housing that prevented many residents from rejoining the labor force.

These are just some of the findings from the Blue-Ribbon Commission on Rural Prosperity, a statewide working group to uplift rural voices to create dialogue and recommendations toward a statewide rural development strategy. This process led to the creation of the Wisconsin Office of Rural Prosperity, which quickly recognized the value of EDDs as sources of local knowledge. Additionally, while EDDs are well-positioned to implement rural development projects, many EDDs lack the capacity to maintain awareness of federal, state, and philanthropic programs that can fund these rural projects. On the other hand, the Office of Rural Prosperity maintains intelligence on current and upcoming funding opportunities and the grant writing capacity to pursue them, but it lacks information about the specific project needs that would benefit rural communities.

Recognizing the opportunity to capitalize on each other's strengths, the Office of Rural Prosperity and rural EDDs are using the EDA-funded Policy Academy on Aligning State and Regional Economic Development to build a formal collaborative network to accomplish two broad objectives:

- Help rural communities access funding opportunities to jumpstart projects, and
- Pool resources across the state's rural regions to pursue large-scale funding opportunities and minimize duplicative efforts.

State and regional representatives intend to use this collaborative network, initially focused on matching funds to projects, as a platform for collaboration around strategic initiatives in the future.

## **LESSON 9.3 - STATES AND EDDS**

### **CONSIDER UTILIZING DISAGGREGATED DATA TO TARGET SPECIFIC POPULATIONS AND PLACES.**

For Wisconsin, focusing on underserved and under resourced rural areas has brought the state and EDDs together around a shared objective. For others, this shared objective may include different populations or places such as Black or Hispanic communities, women, veterans, persistent poverty areas, or Tribal communities.

Before establishing a shared objective, states and EDDS must first understand what the data indicates about these specific populations within the regions they serve. Disaggregated data is a powerful tool that entities can utilize to target programming and ensure economic opportunities are reaching and supporting all residents. The case study on Washington, D.C. below illustrates how incorporating disaggregated data in regional planning can help prioritize and target specific initiatives within the DEI space.

## CASE STUDY

### Incorporating Disaggregated Data in Regional Planning

#### District of Columbia

The District of Columbia utilized its EDA Statewide Planning Grant to develop a CEDS that incorporates disaggregated racial and geographic data into the city's vision for the future. This case study explores how DC leveraged such data to capture racial income inequalities and differences in broadband access to create focused DEI goals.

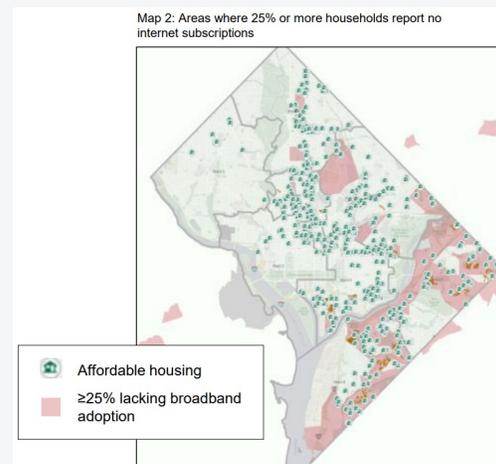
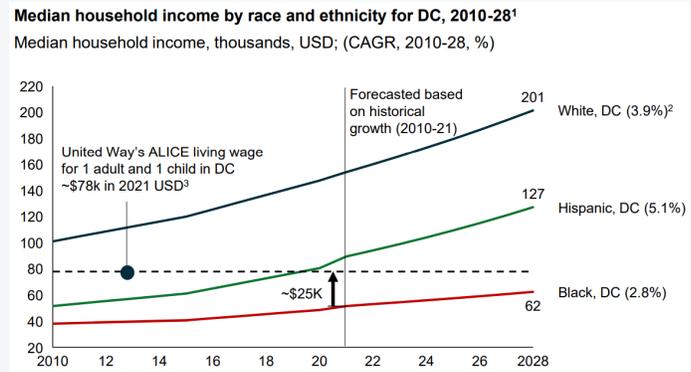
Addressing the low median income of Black households is one of the five main goals spelled out in DC's CEDS. The city arrived at this goal after collecting household income data across racial and ethnic groups that showed Black and Hispanic household income falling well below that of White households and that this gap will continue to grow in the future (see chart below). The city also employed the United Way's ALICE Index that calculates a living wage of \$78,000 for a household of one adult and one child in DC in 2021 and found that Black households remained \$25,000 below this baseline.

In the coming years, DC aims to raise Black households' median income by this amount through a variety of measures such as:

- Creating a Pathways Portal to provide residents with a one-stop shop for government services that support economic mobility.
- Offering entrepreneurship training, technical assistance, and commercial property acquisition support to Black business leaders.
- Targeted a scale up of cash assistance programs.

Disaggregating economic data across racial and ethnic groups highlighted measurable income inequalities and facilitated the targeted goals and strategies DC is now employing to remedy them.

As the map above shows, the DC CEDS team also disaggregated data across the district's geography to better understand where economic opportunity and public services were lacking. Broadband access has quickly become an essential enabler of post-pandemic economic opportunity. High speed broadband allows residents to access information, education, and employment, so the city closely analyzed the geography of disparities in broadband access.



## CASE STUDY (Cont.)

### Incorporating Disaggregated Data in Regional Planning

#### District of Columbia

This geospatial analysis identified areas where 25 percent or more households reported no internet subscriptions and mapped these areas on top of neighborhoods with affordable housing availability. A lack of broadband access is particularly clear to the southeast of the Anacostia River in Wards 7 and 8, which are predominantly low-income and have an historically high concentration of Black residents. The CEDS team concluded that, while there is considerable affordable housing in these two wards, residents' lack of broadband access places constraints on their economic mobility. Recognizing these geographic inequities, the city plans to expand broadband access to these wards in the coming years.

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*\* DEI resources are available from other organizations that have worked with EDA including the National Association of Development Organizations ([nado.org/incorporating-equity-at-a-regional-level-inspiration-actions/](https://nado.org/incorporating-equity-at-a-regional-level-inspiration-actions/)) and New Growth Innovation Network ([eda.gov/funding/programs/equity-impact-investments](https://eda.gov/funding/programs/equity-impact-investments)).*