SHARED PROSPERITY PARTNERSHIP

State Policies to Promote Shared Prosperity in Cities

Solomon Greene, Senior Fellow, Urban Institute
Alan Berube, Senior Fellow and Deputy Director, Brookings Metropolitan Policy Program
John Ratliff, Nonresident Senior Fellow, Brookings Metropolitan Policy Program
Aaron Shroyer, Policy Associate, Urban Institute

This framing paper connects three briefs in the *State Policies to Promote Shared Prosperity in Cities* series created by the Shared Prosperity Partnership. For additional insights, read the full briefs: ***How States Can Support Shared Prosperity by Promoting Human Capital Development***; ***How States Can Support Shared Prosperity by Promoting Quality Jobs***; and ***How States Can Support Shared Prosperity by Promoting Affordable Rental Housing***.

The Shared Prosperity Partnership—a collaboration of The Kresge Foundation, the Brookings Metropolitan Policy Program, the Urban Institute, and Living Cities—convenes local leaders in select communities across the United States to discuss challenges to inclusive growth and provide data, research, and access to national experts, networks, and financial resources. Nationally, the Partnership elevates promising models through publications and public forums to spark dialogue among practitioners and support evidence-based policy at the state and national levels. The Center for Urban Innovation at the Aspen Institute supports the partnership by connecting leaders from different cities to share common challenges and work together to identify specific actions to advance sustainable prosperity in their communities. Since the partnership's formation in 2018, it has supported locally driven efforts in eight U.S. cities: Arlington, VA; Chicago, IL; Cleveland, OH; Fresno, CA; Kansas City, MO; Milwaukee, WI; Minneapolis-St. Paul, MN; and Memphis, TN.

The United States continues to be a country of tremendous economic opportunity, but this opportunity is not shared equally among the nation's residents. As highlighted by the Shared Prosperity Partnership, success in the 21st century depends on generating growth that benefits individuals of all incomes, races and ethnicities (Berube et al. 2018). Yet even in the nation's most successful cities, the failure to distribute the economic opportunities and benefits more evenly across underserved communities has resulted in stark racial and economic disparities.

Across the United States, courageous leaders at the local level are responding with creativity and resolve to promote more inclusive growth, but they face a challenging combination of disruptive forces (Poethig et al. 2018). For example, the adoption of digital technologies and automation in the workplace is reshaping established industries, and workers hoping to access quality jobs require very different skillsets than in the past (Muro et al. 2017). There are also profound demographic changes underlying these economic trends, yet there remain biases in many public policies that make it difficult for young and diverse populations to find economic success (Frey 2018).

In addition, the environment in which these leaders operate can be hostile. Many states are limiting the ability of local governments to address their most pressing economic and inclusion challenges (Davidson et al. 2017), and the federal government is adopting policies in areas such as trade, immigration, public safety and income support that make it harder for cities to grow inclusively. And if this were not enough, the urgent need for policy innovation comes precisely as the aging of the population and retirement of the baby boomer generation squeezes state budgets through pensions, healthcare and human services (Felix and Watkins 2013). Meanwhile, the federal government is cutting its investments in communities and the social safety net (Kogan and Bryant 2019).

In this environment, the leaders who are most committed to building shared prosperity in their cities and states understand they need to do things differently. Not only do they need to learn from one another and elevate the work of their colleagues, but they also need to think creatively and build new partnerships with others in their regions.

States are natural partners for city and regional leaders. State policy is critical to the health and well-being of cities and metropolitan areas. State investments in both people (healthcare, education and the safety net) and places (transportation, infrastructure, housing and parks) can dramatically affect the economy and quality of life in its communities. And the economic and fiscal health of a state fundamentally affects its ability to make these investments.

City and regional leaders are also natural partners for states. Cities increasingly drive innovation and economic growth, and state leaders should support and harness this growth to promote statewide prosperity.

Cities are also on the front lines of the demographic changes that are slowly transforming state populations: By the end of the next decade, a majority of the country's under-30 population will be people of color. How these growing populations fare in the coming years will determine whether current economic disparities persist, grow or narrow over time, not only within states but also in smaller communities now beginning to experience similar demographic shifts.

Finally, because the economic challenges facing states and cities are dynamic and evolving rapidly, local and state leaders must continuously adapt and refine policies to promote shared prosperity. Both states and cities can benefit from working together to support policy innovation and experimentation.

There are many areas of policy in which a closer and more collaborative partnership between states and cities would help Americans more easily navigate economic change and promote shared prosperity. Specifically, there are three key policy areas that both greatly influence people's access to important economic opportunities and involve deeply shared responsibilities between state and local governments:

- **CREATING AND PRESERVING AFFORDABLE RENTAL HOUSING.**
- **ATTRACTING AND GROWING QUALITY JOBS.**
- **HELPING WORKERS OBTAIN THE SKILLS THEY NEED.**

In this series of briefs, we suggest ways that states and cities can work together to encourage shared prosperity. We articulate why affordable housing, job growth and upskilling workers matter to statewide shared prosperity, explore how state and local governments can more effectively partner in these areas, and profile states that are leading the way. Across these areas, states bring a unique set of assets and capacities to new partnerships with cities, including three key roles they can play to advance shared prosperity:

- **FINANCIAL SUPPORT AND INCENTIVES**. States can and do draw on much broader and deeper sources of revenue than cities, including revenues raised from taxes and fees and those passed through the states from the federal government. State financial support is essential to the provision of basic services, but states should also deploy resources in ways that incentivize local public and/or private sector efforts that promote shared prosperity.
- **LEGAL AUTHORITY TO ACT**. State law, often within state constitutions themselves, defines the basic authorities of all units of government within the state. This sets limits on the scope of legally permissible actions by leaders in cities, counties, regions and other subunits of the state. In setting these basic rules, states should support policy innovation in cities that encourage shared prosperity while restricting local policies that impede it.
- **ENABLING COOPERATION AND ADDRESSING EXCLUSION.** States are better positioned than cities to stimulate cooperation across jurisdictions and sectors to promote shared prosperity. In particular, states can share information and data, use state convening power, and provide financial or regulatory incentives that promote multi-jurisdictional approaches to ensure shared prosperity. States also play an important role in overcoming local tendencies to underserve or exclude families with low incomes by encouraging regional collaboration, pooling and redistributing resources, and stepping in to ensure local policies address statewide needs, especially for families living in poverty.

As local leaders continue to face a myriad of challenges across technological, demographic, political and fiscal fronts, it is imperative that states and cities work together to offer an alternative narrative and form strategic partnerships to ensure that economic opportunities are shared among families and communities statewide and, ultimately, across the nation.

State Policies to Promote Shared Prosperity in Cities

State Strategies and Solutions to Address Existing Obstacles to Human Capital Development	
Organize state economic development strategy around the development and deployment of talent	Create and grow public-private "sector partnerships" focused on regionally significant industries
Incentivize private sector training by establishing a state worker training tax credit	Expand funding and programmatic support for apprenticeships
Provide statewide "promise" scholarships to students with low incomes	Expand and promote early college high schools, middle colleges and dual enrollment programs
Expand wrap-around services for first-generation college students and college students with low incomes	Promote cross-jurisdictional data sharing and integration to enable broader policy alignment

State Strategies and Solutions to Address Existing Impediments to Affordable Housing	
Provide financial assistance and incentives to help cities expand or preserve affordable rental housing options	Reduce regulatory barriers that limit or increase development costs
Address local opposition to development	Adopt laws that enable fair and equitable housing access
Protect tenants with low incomes from displacement and substandard conditions	Support local planning and needs assessments

State Strategies and Solutions to Address Existing Challenges to Quality Job Growth	
Support universal access to benefits to improve job quality	Further incentivize work through state Earned Income Tax Credits (EITCs)
Create high wage jobs through targeted industry incentives and policies	Provide grants to communities for placemaking
Fund local entrepreneurship initiatives, particularly for underrepresented populations	Provide tax credits to businesses that donate to community projects in economically distressed areas

References

Berube, Alan, Julie Bosland, Solomon Greene, and Chantel Rush. 2018.'*Building Shared Prosperity in America's Cities*. Detroit, MI: Kresge Foundation.

Davidson, Nestor, Richard Briffault, Paul A. Diller, and Olatunde Johnson. 2017. *The Troubling Turn in State Preemption: The Assault on Progressive Cities and How Cities Can Respond*. Journal of ACS Issue Briefs 3 (September). Washington, DC: American Constitutional Society for Law and Policy.

Felix, Alison, and Kate Watkins. 2013. "The Impact of an Aging U.S. Population on State Tax Revenues." *Economic Review* (Fall) :95-127 Kansas City. MO: Federal Reserve Bank of Kansas City.

Frey, William. 2018. *Diversity Explosion: How New Racial Demographics are Remaking America*,.Washington, DC: Brookings Institution.

Kogan, Richard, and Kathleen Bryant. 2019. *Program Spending Outside Social Security and Medicare Historically Low as a Percent of GDP and Projected to Fall Further*. Washington, DC: Center on Budget and Policy Priorities.

Muro, Mark, Sifan Liu, and Jacob Whiton. 2017. *Digitalization and the American Workforce*. Washington, DC: Brookings Institution.

Poethig, Erika, Solomon Greene, Christina Plerhoples Stacy, Tanaya Srini, and Brady Meixell. 2018 *Inclusive Recovery in US Cities*. Washington, DC: Urban Institute.

SHARED PROSPERITY PARTNERSHIP

sharedprosperitypartnership.org