Meeting Notes:
Strengthening America's Community Initiative Advisory (SAIC) Committee

On April 15, 2005, the SAIC Advisory Committee held its first meeting in Fresno, California.

15 of the 17 appointees attended, along with a number of Commerce Department staff. No public comments were allowed, and the committee eventually broke into three subcommittees and went into closed sessions to discuss details of the program.

The makeup of the committee was instructive. There were no representatives of large urban communities. The representative of biggest city was the Mayor of Fresno. Other mayors were from smaller cities -Augusta (Georgia), Spokane (Washington), and Cedar Rapids (Iowa). There was one Community Development Professional from Casa Grande, Arizona.

Mayor Autry of Fresno was enthusiastic to be part of the committee, arguing that CDBG was in need of reform, primarily due to the inequities in funding levels. Fresno, with a population of 480,000 and "demographics worse than Appalachia" receives $8.3 million under the existing CDBG dual formula. Is there any City of 480,000 which receives less? He believes that a program focusing on distressed communities only, as will likely be proposed by the SAIC, will result in more money for Fresno.

By contrast, there seemed to be heavy representation from state, regional and rural organizations (States of North Dakota, Minnesota, Alaska, Hawaii, and Texas), Center for Rural Development (Kentucky), Center for the Study of Rural America, South and Eastern Tribes (Tennessee), as well as one non-profit (Initiative for a Competitive Inner City) and two think tanks (Maryland Technology Development Corporation, and Council on Competitiveness), and one corporation (Time Warner).

The overview was provided by Dr. David Sampson, Assistant Secretary of Commerce. He explained the thinking behind SACI, and the belief that there was a "consensus" that CDBG and the other 17 programs being proposed for consolidation were "overlapping, duplicative, and ineffective". He said that the "tremendous economic prosperity America enjoys has not reached all corners of the country." He said the record of these programs over the last 40 years was "mixed, at best". As evidence, he said that poverty rates since the beginning of the program have increased, not declined. He also spoke to the lack of adequate performance indicators. He said that these views of the shortfalls of the programs were not the Administration's alone, pointing to support for the consolidation of these economic and community development programs by the Council on Competitiveness and the Organization for Economic Cooperation and Development. Not coincidentally, the Chair of the Committee (Mark Drabenstott) and the Vice Chair of the Committee (Deborah Wince-Smith) have ties to these two organizations.

An overriding theme from Sampson and others was that funding should go only to communities facing the biggest challenges, with the purpose of transitioning those communities to the 21st century global economy. Throughout the day, references were made to the fact that grant funds went to areas well above the national poverty line. Clearly, a focus of the new program will be the elimination of eligibility for up to 40% of the current grantees-probably those which do not exceed the national poverty rate. In exchange, the poorest communities would see an increase in aid.

There is also clearly a move to switch the focus of the programs from community to economic development. The goals of all the programs should be "economic growth, more and better jobs, and livable communities, thereby reducing a community's reliance on perpetual federal assistance." Rather than relying on government and philanthropic resources, communities should have "an opportunity to engage the much larger resources of the private sector to change economic opportunities for our most distressed communities".

The committee is supposed to have a written report completed by the end of May. Meanwhile, legislation for SACI is being written at Commerce. Lest the Committee question the relevance of their work, "placeholders" will be put into the legislation to speak to some of their broad policy recommendations. The draft legislation is supposed to be released before the end of May.

At the end of Sampson's speech, there were no questions from the Committee.

Overview of Issues and Questions for the Committee- EDA Chief Counsel

On the issues, full consensus was expected of the committee!

The three areas for subcommittee work included:

1. Threshold eligibility criteria
2. Funding formula
3. Measurable performance measures and accountability standards

Eligibility issues

- Need to effectively target to areas of greatest distress
- Need to equitably target between urban and rural, large and small. (Recent studies have shown a movement of grant funds from more needy to less needy areas)
- What are the key indicators for strong vs. weak communities?
- What are the drivers and barriers to economic development?
- What should be the threshold level of poverty to qualify?
- How to quantify differences in poverty between rural and urban areas?

Formula allocations

- What are the quantifiable economic indicators?
- As an area's economy improves, its need for federal assistance should decline
- Should there be a different formula for urban vs. rural or small vs. large?
- Should there be different rules for eligible projects for different areas?

Performance Measures and Accountability Standards

- What are the building blocks of the 21st century economy?
- What type of assistance most helps economic development?

- How should “ impact areas” be defined? How big should they be? What if they overlap other areas?
- Don’t do stop-gap measures; don’t just address symptoms. What is the long-term strategy?
- Criteria should include job creation, home ownership, new business development and expansion of the tax base.
- How will cities “graduate” from the program?
- What is the “time horizon” for the program?
- What kind of penalties will be used for non-performance?

There is a long list of issues to be addressed by the subcommittees in less than 45 days, and two more meetings. A written report is expected by May 31. And consensus is expected.

Summary of Statement from Mark Drabenstott, Committee Chair.

(Representative of Federal Reserve Bank of Kansas City)

What drives regional economic growth?

The globalization of the economy forces companies to slash costs. Public money should go to assist the new types of jobs to compete in the global economy. Public investment needs to align with private investment.

Where should the money go?
Regions, not cities and counties, are the new unit of the economy. Question is the capacity of regions to respond to challenges of global economy. City and County boundaries are increasingly irrelevant to this response. Rural counties may be better able to respond. Public policy should be focused on these new regional economies.

What are the implications for public policy?
Public investment should move from hard infrastructure to soft infrastructure. Stop looking for manufacturing companies-they have moved offshore. Look instead to entrepreneurs.

His conclusions? Regional competitiveness is good. Regions have become the central players and federal government needs to recognize that.

While they insist this is “not a stacked deck”, there is a clear direction they are heading.

- Limit any new program to “areas of impact”-severely distressed areas that meet or exceed a national poverty index Eliminate all cities and counties not meeting that index
- Require a long term plan with a time when “graduation” is expected and funding would decline or cease
- Shift in funds from urban to rural areas
- Shift from community development to economic development activities