



ECONOMIC DEVELOPMENT ADMINISTRATION URGE CONGRESS TO PASS MULTI-YEAR REAUTHORIZATION LEGISLATION

BACKGROUND:

Congress and the Obama administration are currently working to pass a multi-year reauthorization package for the U.S. Economic Development Administration (EDA). While EDA's previous multi-year authorization law lapsed at the end of FY2008, the agency continues to operate year-by-year through the annual congressional appropriations process.

On April 14, 2011, the U.S. Senate Environment and Public Works Committee adopted a bipartisan, five-year EDA reauthorization bill (S. 782). The bill, introduced by committee Chairman Barbara Boxer (D-CA), Ranking Member James Inhofe (R-OK) and subcommittee Chairman Max Baucus (D-MT), contains a number of NADO-supported provisions. These include codifying federal-local match rates for projects and programs in distressed areas, including restoring unnecessary regulatory changes made in 2005; clarifying in statute the responsibilities of Economic Development Districts (EDDs); increasing EDD partnership planning funding if the overall annual budget increases for the agency; and strengthening local control of Revolving Loan Fund (RLF) intermediaries.

While the EDA reauthorization bill was brought to the full Senate floor with strong bipartisan committee support in June 2011, the measure became a vehicle for highly charged political debates on mostly non-germane issues, including the federal debt ceiling and federal subsidies for the ethanol industry. After weeks of debate and filibuster delays caused by more than 90 potential amendments to EDA's 29-page reauthorization bill, Senate Majority Leader Harry Reid (D-NV) tried to end the partisan filibuster and pass a cloture motion on EDA's five-year reauthorization measure (S.782). Needing 60 votes for passage, the motion was defeated (49-51), with four Democratic Senators opposed to a policy rider related to ethanol industry joining all Republicans in opposing the motion. As a result, the EDA reauthorization bill was pulled from the Senate floor before a vote on final passage.

The U.S. House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management, chaired by Rep. Jeff Denham (R-CA), held an EDA oversight hearing on July 27. NADO Secretary Steve Etcher of the Boonslick RPC (MO) testified on behalf of the association at the House hearing. However, the House has yet to introduce or consider a formal reauthorization measure this Congress.

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NADO PRIORITIES FOR EDA REAUTHORIZATION:

- **Maintain \$500 million annual authorization level for EDA's core programs.** Public works, economic adjustment assistance, business development loan funds and regional strategic planning should remain the primary focus of EDA. Currently funded at roughly \$255 million as part of the annual appropriations process, actual funding for the agency's economic development assistance programs has decreased nearly 35 percent since FY2001. Declining resources for EDA's key economic development and infrastructure programs translates into fewer jobs created and fewer private sector dollars leveraged in our nation's distressed and underserved communities. *NADO supports an annual EDA authorization level of \$500 million.*
- **Codify local cost-share rates for projects in distressed areas.** While this issue was not raised during the 2004 reauthorization debate, the agency opted to increase its local match requirements for distressed communities during its regulation rewrite in 2005–2006. As a result, many distressed communities are now struggling to meet the new minimum match requirements for public works and economic recovery projects, especially during the current economic recession and after major natural disasters and plant closures. *NADO encourages Congress to restore EDA's local match rate requirements to the pre-2005 levels and to expand the Assistant Secretary's authority to increase the federal share in special, limited circumstances.*
- **Increase baseline funding for EDD partnership planning program.** The national network of 380 Economic Development Districts (EDDs) has established an impressive record of facilitating and implementing comprehensive development strategies that serve as the backbone of EDA's success. With the growing complexities of the global economy and the direct impact on local economies, EDDs need additional resources and expertise to assist their local officials, private sector firms and citizens in pursuing asset-based, regional innovation strategies. *NADO supports increasing the EDA partnership planning program to \$36 million annually, with the goal of increasing the minimum EDD planning grant to \$75,000 annually.*
- **Strengthen local control of Revolving Loan Funds (RLFs).** EDA's RLF program for business and entrepreneurship lending has the unique distinction of being one of the only federal grant programs that never loses its federal identity. EDA's initial RLF grant and any income and interest derived from it are considered federal property in perpetuity. As a result, RLF operators are required to comply with extensive reporting and audit requirements forever, even for those funds capitalized in the 1970s. Ownership of EDA RLFs should be fully transferred to the local intermediary once all of the initial funds have been fully revolved and a proven performance track record has been established. This would significantly reduce the oversight and management burdens on EDA, while still ensuring local accountability is maintained.
- **Federal incentives for regional collaboration.** Most economic development literature and research today stresses the importance of local communities working regionally to compete nationally and globally. *NADO strongly supports establishing new federal incentives, including through EDA, that reward and encourage local governments, businesses and communities to develop and implement regional development and innovation strategies, especially through the Comprehensive Economic Development Strategy (CEDS) process managed by EDDs.*

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A number of NADO’s priorities were incorporated in the pending Senate EDA reauthorization measure. The chart below provides specific comparisons of the Senate bill with NADO priorities:

Issue	NADO Priorities	Senate Bill (S. 782)
Overall Agency Funding Level	Maintain annual authorization level for EDA’s core programs at \$500 million annually.	\$500 million annually through FY2015 for Economic Development Assistance Program (EDAP).
Federal Cost Share / Local Match Requirements for Distressed Areas	Restore local cost-share requirements for EDA planning and project investments in distressed areas to pre-2005 levels.	Provides specific guidelines and criteria for reducing local match requirements for investments in distressed areas, similar to pre-2005 rule changes. In addition, allows agency to increase federal share in projects under special conditions, including for Indian tribes and post-disaster economic recovery.
EDA Partnership Planning Grants	Increase minimum authorization level from \$27 million to \$36 million annually, with the goal of setting a minimum annual allotment of \$75,000 for each of the nation’s 380 EDDs. By comparison, actual annual appropriations is currently \$31 million.	Increases the authorization level at a minimum of \$31 million annually, \$4 million above the current authorization level. Establishes a new program funding scale that would increase funding for planning as a percentage if the agency’s overall appropriation is increased. For example, the bill caps the planning program at \$35 million annually, or 10 percent, of EDA’s core programs if funding reached \$350 million.
Roles of Economic Development Districts (EDDs)	Clarify and codify the roles and responsibilities of EDDs in statute, based on the agency’s current regulations.	Defines EDD roles as coordinating and implementing economic development, carrying out research, planning, implementation, and advisory functions

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		identified in the comprehensive economic development strategy (CEDS) and coordinating the implementation of the CEDS with other federal, state, local and private organizations.
Revolving Loan Funds (RLFs)	Strengthen local control of Revolving Loan Funds (RLFs) for business development finance. EDA interest in RLFs should be fully released and transferred to the local intermediary once all of the initial grant funds have been loaned out and fully revolved.	RLF Conversion: Upon approval by EDA, RLF assets may be converted and reused for other EDA eligible projects or activities. This can be accomplished by either selling RLF assets to a third party or by retaining repayments of principal and interest amounts on loans and converting these monies for other EDA eligible investments.

ADDITIONAL SENATE EDA PROVISIONS

In addition to the provisions outlined above, the Senate multi-year reauthorization proposal makes a number of changes to current EDA policies, programs and guidelines.

- **Distressed Communities:** The Senate proposal encourages distressed communities to promote innovation and entrepreneurship by supporting the formation of business incubators to create higher-skill, higher-wage jobs and foster the participation of the region in the global marketplace.
- **Regional Commissions:** The Senate proposal updates the definition of “Federal-State Regional Commissions” to include the Southeast Crescent Regional Commission, the Northern Border Regional Commission, and the Southwest Border Regional Commission as authorized in the 2008 Farm Bill.
- **Economic Development Districts:** The Senate proposal clarifies that EDA may provide technical assistance and capacity building support to EDDs. It also directs EDA to promulgate regulations to ensure that EDDs are given a reasonable opportunity to review and comment on proposed EDA investment projects.
- **Statewide Planning Assistance:** Expands the responsibility of states that receive EDA planning assistance to support development practices that enhance energy and water efficiency, reduce the dependence of the U.S. on foreign oil, and encourage efficient coordination and leveraging of public and private investments.
- **Encourages Regional Collaboration:** Encourages EDA to reward EDDs that develop regional economic competitiveness strategies on a broader regional scale by increasing the Federal share of funding or

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increasing the Federal assistance to the recipients. This includes rewarding EDDs that create strategies across EDD boundaries or multiple EDDs joining together on a strategy.

- **Disaster Assistance:** The Senate proposal allows EDA to increase the Federal share of a grant up to 100 percent of the cost of the project in an area in which a major disaster or emergency has been declared.
- **Outmigration:** The Senate bill allows EDA to provide grants that would be useful in addressing outmigration.
- **EDD Peer Exchange Program:** Under the Senate proposal, grants for training, research and technical assistance may be used for a peer exchange program for EDDs to promote best practices and innovation.
- **Grants for Economic Adjustment:** Expands grants for Economic Adjustment Assistance to include areas that have lost information technology, manufacturing, natural resource-based, agricultural, or service sector jobs, for reinvesting in and diversifying the economies of the communities.
- **Revolving Loan Fund Grants:** Directs the Secretary to periodically solicit comments from revolving loan fund practitioners and other national experts related to the RLF program's guidelines, performance requirements and industry best practices as part of continual efforts to improve the performance of the program and its intermediaries.
- **Maintenance of Effort:** Under the Senate proposal, construction projects funded with EDA investment assistance must maintain the original economic development objectives unless EDA terminates the federal interest in the property or approves a conversion of use. The bill sets specific criteria that must be followed for termination or conversion.

ACTION NEEDED:

- **NADO members are asked to encourage their Senators** to reconsider final passage of S. 782, a multi-year EDA reauthorization bill that strengthens federal resources for regional and local economic development.
- **NADO members are asked to encourage their Representatives, especially those serving on the U.S. House Transportation and Infrastructure Committee,** to support a multi-year EDA reauthorization bill that strengthens federal resources for regional and local economic development.
- NADO members are asked to encourage their Representatives and Senators to support the passage of an EDA reauthorization measure that incorporates NADO's top priorities, including **increased funding for EDA's core programs, reduced local cost-share rates for projects and initiatives in distressed areas, strengthened local control of RLFs, increased funding for the EDD partnership planning grant program, and expanded federal incentives and resources for regional collaboration among local governments and communities.**

For more information, contact NADO Legislative Director Deborah Cox at 202.624.8590 or dcox@nado.org.

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Senate Committee on Environment and Public Works

Majority:

Barbara Boxer (D-CA), Chairman

Max Baucus (D-MT)*
Thomas R. Carper (D-DE)*
Frank R. Lautenberg (D-NJ)*
Benjamin L. Cardin (D-MD)*
Bernard Sanders (I-VT)*
Sheldon Whitehouse (D-RI)*
Tom Udall (D-NM)*
Jeff Merkley (D-OR)
Kirsten E. Gillibrand (D-NY)

Minority:

James M. Inhofe (R-OK), Ranking Member

David Vitter (R-LA)*
John Barrasso (R-WY)*
Jeff Sessions (R-AL)*
Mike Crapo (R-ID)*
Lamar Alexander (R-TN)
Mike Johanns (R-NE)*
John Boozman (R-AR)*

**Indicates Senator serves on the U.S. Senate Environment and Public Works Subcommittee on Transportation and Infrastructure, which has jurisdiction over EDA reauthorization.*

House Committee on Transportation and Infrastructure

Majority:

John L. Mica (R-FL), Chairman

Don Young (R-AK)
Thomas E. Petri (R-WI)
Howard Coble (R-NC)
John J. Duncan, Jr. (R-TN)
Frank A. LoBiondo (R-NJ)
Gary G. Miller (R-CA)
Timothy V. Johnson (R-IL)*
Sam Graves (R-MO)
Bill Shuster (R-PA)
Shelley Moore Capito (R-WV)
Jean Schmidt (R-OH)
Candice S. Miller (R-MI)
Duncan Hunter (R-CA)
Tom Reed (R-NY)
Andy Harris (R-MD)
Rick Crawford (R-AR)*
Jaime Herrera Beutler (R-WA)
Frank Guinta (R-NH)
Randy Hultgren (R-IL)*
Lou Barletta (R-PA)*
Chip Cravaack (R-MN)
Blake Farenthold (R-TX)
Larry Bucshon (R-IN)
Billy Long (R-MO)
Bob Gibbs (R-OH)*
Patrick Meehan (R-PA)*
Richard Hanna (R-NY)*
Stephen Fincher (R-TN)*
Jeff Landry (R-LA)
Steve Southerland (R-FL)
Jeff Denham (R-CA)*
James Lankford (R-OK)

Minority:

Nick J. Rahall, II (D-WV), Ranking Member

Peter A. DeFazio (D-OR)
Jerry F. Costello (D-IL)
Eleanor Holmes Norton (D-DC)*
Jerrold Nadler (D-NY)
Corrine Brown (D-FL)
Bob Filner (D-CA)*
Eddie Bernice Johnson (D-TX)
Elijah E. Cummings (D-MD)
Leonard L. Boswell (D-IA)
Tim Holden (D-PA)
Rick Larsen (D-WA)
Michael Capuano (D-MA)
Tim Bishop (D-NY)
Michael H. Michaud (D-ME)*
Russ Carnahan (D-MO)*
Grace F. Napolitano (D-CA)
Daniel Lipinski (D-IL)
Mazie Hirono (D-HI)
Jason Altmire (D-PA)
Tim Walz (D-MN)*
Heath Shuler (D-NC)
Steve Cohen (D-TN)
Laura Richardson (D-CA)
Albio Sires (D-NJ)
Donna F. Edwards (D-MD)*

**Indicates Representatives serving on the U.S. House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management Subcommittee, which has oversight jurisdiction over the EDA reauthorization bill.*