



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

### BACKGROUND:

The current authorization of the U.S. Economic Development Administration (EDA) expired at the end of Fiscal Year 2008 (September 30, 2008). The five-year reauthorization measure (P.L. 108-373) made a number of significant reforms to the agency's operations and programs. These changes included revisions to the Comprehensive Economic Development Strategy (CEDS) process, a mandatory minimum of \$27 million each year for the planning program (an increase of \$3 million) and the replacement of the 10 percent Economic Development District (EDD) bonus program with a more limited 10 percent performance incentive programs and five percent planning performance program.

A number of modifications were also made during subsequent revisions to the agency's regulations, including increased private sector representation on EDD governing boards; increased local match rates for planning and project investments; modified reporting and operating requirements for EDA-funded revolving loan funds (RLFs); and a mandate that EDD CEDS committees be composed of private-sector representatives, with unnecessary limits on the involvement of local government officials.

On April 8, 2011, the Senate Environment and Public Works Committee introduced legislation (S. 782) reauthorizing the agency for five years. On April 14, the Committee approved the legislation. The bill, supported by committee Chairman Barbara Boxer (D-CA) and Ranking Member James Inhofe (R-OK), contains a number of NADO-supported provisions, including codifying federal-local match rates for projects and programs; establishing in statute the roles and responsibilities of EDDs; and increasing funding for the planning program if overall appropriations for the agency increase.

### NADO PRIORITIES FOR EDA REAUTHORIZATION:

- **Maintain current authorization funding levels for EDA's core infrastructure and economic adjustment programs.** Public works, economic adjustment assistance and regional strategic planning should remain the primary focus of EDA. Currently funded at roughly \$255 million, 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 authorization level of \$500 million for the agency.*
- **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

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struggling to meet the new minimum match requirements for public works and economic recovery projects, especially during the current economic recession. *NADO encourages Congress to restore EDA's local match rate requirements to the pre-2005 levels and to expand the Assistant Secretary's authority and flexibility to increase the federal share in special circumstances.*

- **Increase baseline funding for EDD planning program.** The national network of 383 Economic Development Districts (EDDs) has established an impressive record of facilitating 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 planning program to \$36 million, with the goal of increasing the average 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. 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 and rewards, 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 Senate EPW reauthorization measure. The chart below provides specific comparisons of the Senate bill with NADO priorities:

Issue	NADO Priorities	Senate Bill S. 782
<b>Overall Agency Funding Level</b>	Increase funding for core agency programs to \$500 million annually.	\$500 million annually through FY2015 for Economic Development Assistance Program (EDAP).
<b>Local Match Requirements / Cost Sharing</b>	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.
<b>EDA Planning Grants</b>	Increase funding from \$27 million to \$36 million and allow a \$20,000 annual increase for each of the nation’s 383 EDDs.	Supports an authorization level at \$31 million, a \$4 million increase above the current authorization level, with additional increases possible depending on annual appropriations. Possible increase as high as \$35 million.
<b>Revolving Loan Funds (RLFs)</b>	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.	<p><b>RLF Conversion:</b> Upon approval by EDA, RLF assets may be converted and reused for other EDA eligible projects or initiatives by selling them to a third party or by retaining repayments of principal and interest amounts on loans provided through the RLF.</p> <p><b>Release of Federal Interest:</b> Does not defederalize.</p>

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<p><b>Economic Development Districts (EDDs)</b></p>	<p>Define and clarify roles and responsibilities of EDDs in statute.</p>	<p>Defines EDD roles as coordinating and implementing economic development, carrying out economic development research, planning, implementation, and advisory functions identified in the comprehensive economic development strategy (CEDS) and coordinating the development and implementation of the CEDS with other federal, state, local and private organizations.</p>
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**ADDITIONAL PROVISIONS**

In addition to the provisions outlined above, the Senate 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 expands the definition of “Regional Commissions” to include the Southeast Crescent Regional Commission, the Northern Border Regional Commission, and the Southwest Border Regional Commission.
- **Economic Development Districts:** The Senate proposal elevates the role of the Economic Development Districts (EDDs) by specifying that EDA may provide technical assistance to EDDs, and by directing EDA to promulgate regulations to ensure that EDDs have been given a reasonable opportunity to review and comment on proposed projects.
- **Comprehensive Planning:** 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.
- **Addresses Severe Need:** The Senate proposal directs the EDA Secretary to consider for planning assistance recipients located in regions that are eligible for an investment rate of 80 percent or higher or experiencing severe need due to long-term economic deterioration or sudden and severe economic distress.
- **Encourages Regional Planning:** Encourages EDA to reward EDDs that develop regional economic competitiveness strategies on a broader regional scale by increasing the Federal share of funding or 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.

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- **Outmigration:** The Senate proposal allows the agency to provide grants that would be useful in alleviating or preventing 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 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 on the guidelines and performance requirements and recommendations for improving the performance of the program from revolving loan fund practitioners and other national experts.
- **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, especially those serving on the Senate Environment and Public Works Committee,** to support full Senate 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 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 planning grant program, and expanded federal incentives and resources for regional collaboration among local governments and communities.**

For more information, contact NADO Associate Legislative Director Deborah Cox at 202.624.8590 or [dcox@nado.org](mailto:dcox@nado.org).

## 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.