



Bolster EDA capacity to spur economic activity and recovery during the economic downturn and the COVID-19 public health emergency

The National Association of Development Organizations (NADO) urges policymakers to provide supplemental appropriations for the U.S. Department of Commerce Economic Development Administration (EDA) at levels that are significantly higher than EDA's annual appropriation. NADO recommends providing at least **\$1 billion** in supplemental funding to EDA, with an emphasis on the programs listed below.

EDA is well-positioned to play an important role in helping small businesses and local entities that are struggling with sudden declines in revenue and cash flow issues during the economic downturn resulting from this public health crisis. EDA is also an ideal federal partner through which to provide economic stimulus funding for community development and economic recovery.

1. EDA Economic Adjustment Assistance

- a. **Action needed:** support [recommendations](#) to provide emergency funding through the U.S. Department of Commerce **Economic Development Administration's (EDA) Economic Adjustment Assistance (EAA)** program, to help local communities manage and recover from this crisis.
- b. **How EAA can help:** through this stream of funding, EDA can make increased investments in its existing Revolving Loan Fund (RLF) program, which can quickly help small businesses struggling with cash flow issues in communities across the country. EDA's RLF program supports small businesses and entrepreneurs by providing gap financing at or below market rates. The RLF program is designed to help small businesses that are unable to gain access to other sources of capital. During this economic crisis, the RLF program can be used to quickly provide capital to small businesses that are struggling. In addition, the EAA is a more flexible program that EDA can use to make investments and target funding toward communities' locally-identified needs.
- c. **Sample legislative language:**
"Supplemental funding of up to \$X is provided for EDA Economic Adjustment Assistance (EAA). Of this, up to \$X is available for contracts, technical assistance, experts, consultants, and other procurements to support the effective use and implementation of EAA funds. In addition, up to X% of supplemental EAA funding may be used for program administration and additional staffing."

2. EDA Planning Grants

- a. **Action needed:** provide additional funding for **EDA planning grants**
- b. **How planning grants can help:** planning grants support communities in designing both short-term and long-term response strategies to contend with economic shifts and downturns. This funding will support communities in taking immediate steps to contend with locally-identified challenges resulting from this economic downturn, and also in bringing stakeholders together to discuss longer-term approaches to economic recovery.
- c. **Sample legislative language:**
“Supplemental funding of up to \$X is provided for EDA planning grants. Of this, up to \$X is available for contracts, technical assistance, experts, consultants, and other procurements to support the effective use and implementation of planning-related work in communities. In addition, up to X% of supplemental EDA planning grant funding may be used for program administration and additional staffing. Supplemental EDA planning grant funding may also be used for implementation of communities’ existing recovery plans.”

3. Defederalization of EDA Revolving Loan Funds

- a. **Action needed:** Provide additional funding for the Economic Development Administration’s (EDA) **Revolving Loan Fund (RLF)** program through EDA’s Economic Adjustment Assistance program (see item 1). In addition, support **“RLF defederalization,”** a legislative reform that would end burdensome and costly reporting requirements placed on local grant recipients. EDA leadership supports this reform, but EDA states in their most recent [regulations promulgated in December 2017](#) that EDA does not have the authority to release its interest in RLF assets. Therefore, in order to resolve this issue, legislative action is needed.
- b. **How RLF defederalization can help:** although the EDA RLF program is important and beneficial to communities across the country, the reporting requirements associated with it are particularly burdensome. Currently, EDA RLF awards stay in federal control in perpetuity. As a result, recipients are required to comply with extensive federal reporting and audit requirements, even if those funds were first capitalized decades earlier. In order to remedy this issue, ownership of EDA RLFs should be fully transferred to the local intermediary within a specified number of years after final disbursement of the grant (seven years is the suggested duration). This is a standard protocol by which other federal agencies’ RLF programs operate.
- c. **Sample legislative language:**

Section 601(d)(2) of the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. 3211), is amended,

- 1) by striking “(2) RELEASE.—” and inserting the following:
 (2) RELEASE.—
 (A) *In general*
- 2) and by adding at the end the following:

The Secretary shall release, subject to terms and conditions the Secretary determines appropriate, the Federal Government's interest in connection with a grant under section 209(d) not less than 7 years after final disbursement of the grant, if—

- (i) the recipient has carried out the terms of the award in a satisfactory manner;*
- (ii) any proceeds realized from the release of the Federal Government's interest will be used for one or more activities that continue to carry out the economic development purposes of this Act; and*
- (iii) the recipient shall provide adequate assurance to the Secretary that at all times after release of the Federal Government's interest in connection with the grant, the recipient will be responsible for continued compliance with the requirements of section 602 in the same manner it was responsible prior to release of the Federal Government's interest, and that the recipient's failure to comply shall result in the Secretary taking appropriate action, including, but not limited to, rescission of the release and recovery of the Federal share of the grant.*

4. EDA Public Works

- a. **Action needed:** provide additional funding for **EDA Public Works projects**
- b. **How public works funding can help:** EDA public works funding allows communities to invest in basic public infrastructure improvements. Supplemental funding would serve as stimulus funding to combat economic distress in the short-term while also making essential investments in communities' basic public infrastructure, which can in turn improve health, safety, and quality of life in communities.
- c. **Sample legislative language:**
“Supplemental funding of up to \$X is provided for EDA Public Works investments. Of this, up to \$X is available for contracts, technical assistance, experts, consultants, and other procurements to support the effective use and implementation of EDA Public Works funding. In addition, up to X% of supplemental EDA Public Works funding may be used for program administration and additional staffing.”