



NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS
LEGISLATIVE ISSUE BRIEF
PROMOTING REGIONAL APPROACHES TO ADVANCING AMERICA'S LOCAL COMMUNITIES

NADO NATIONAL SURVEY RESULTS ON EDA PROGRAM PRIORITIES:
Comprehensive Strategies, Infrastructure Investments, Workforce Links and Increased
Local Flexibility Vital to Nation's Regional Economic Development

OVERVIEW OF PURPOSE AND TARGET AUDIENCE

In September 2007, the National Association of Development Organizations (NADO) conducted a comprehensive nationwide survey to identify and analyze the critical concerns, priorities and needs of the nation's regional development organizations as related to the upcoming congressional reauthorization of the U.S. Economic Development Administration (EDA).

In total, 200 out of the nation's 520 regional development organizations responded to the 82-question survey. **Of these, 181 out of the 369 EDA funded-and-designated economic development districts (EDDs) covering 44 states participated in the survey** and provided feedback on the structure and operations of EDA's public works, planning and economic adjustment programs. Of those responding, nearly half serve rural regions, one-third represent mixed urban-rural areas and nearly 10 percent serve medium-sized metro regions.

The current authorization of EDA is set to expire at the end of Fiscal Year 2008 (September 30, 2008). The previous five-year reauthorization measure (PL 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 planning grants (a \$3 million increase) and the replacement of the 10 percent EDD bonus program with a more limited and restrictive 10 percent performance incentive program and a five-percent planning performance program.

In addition, a number of modifications were made to EDA's operations during a subsequent revision to the agency's regulations. These changes included increased private sector representation on EDD governing boards, revised federal-local match rates for planning and project investments, and modified reporting and operations requirements for EDA-funded revolving loan funds (RLFs). In addition, the new rules mandated that EDD CEDS committees be made up almost exclusively with private sector representatives instead of local public officials.

The survey was designed to serve as a preliminary road map and provide extensive grassroots input to help establish NADO's key policies and priorities for the 2008 EDA reauthorization debate. Over the next several years, EDDs cited that the most pressing needs in their regions will include: (1) Lack of infrastructure or aging infrastructure (2) Need to develop adequate workforce capacity and skills (3) Need to diversify local economies and (4) rapid growth OR declining population.

The most consistent finding throughout the NADO survey was that EDA programs work; they simply need more funding to help address the mounting backlog of quality regional and local projects. Survey respondents noted overwhelmingly that EDA is the most successful federal economic development program because the comprehensive strategic planning process that precedes project development and investments. It ensures projects have local buy-in and ownership, as well as fit into a region's overall strategy and vision. In addition, the EDA planning program provides EDDs with the flexibility and resources to provide the technical assistance and leadership needed at the local level to assist local government officials, entrepreneurs and other economic development partners in implementing quality projects.

NADO'S PRIORITIES AND PRINCIPLES

Infrastructure improvements, comprehensive development strategies, business development finance and sudden and severe dislocation response assistance made possible with EDA investments remain critical in underserved and distressed communities. EDDs cited these core EDA program tools as vital to their abilities to address the most pressing economic development challenges and opportunities within their regions. In the upcoming reauthorization bill, strengthening these primary programs were seen as a key priority for EDDs.

Specifically, EDDs identified the following programs as their highest priorities:

- **Increase Funding for EDA's Core Programs:** Public Works and Economic Adjustment Assistance programs should remain the primary focus of EDA. Since FY2002, EDA Public Works funding has declined nearly 35 percent. Declining resources for EDA's key economic and infrastructure development program translates into fewer jobs created and fewer private sector dollars leveraged in our nation's distressed and underserved communities. Over 40 percent of the survey participants indicated that increased funding for the EDA public works program was among their organization's top two priorities.
- **Increased Baseline Funding for EDD Programs and Initiatives:** Raise the planning grant program from \$27 million to \$34.4 million and allow a \$20,000 annual increase for the all EDDs. EDDs reported overwhelmingly that additional funding is desperately needed to development and carry out cutting-edge comprehensive strategies, retain highly-qualified professional staff, and provide the advanced technical services needed within their regions by local governments and private sector partners. Nearly 90 percent of respondents said that the EDD partnership planning program was either "very valuable" or valuable" to the economic future of their regions.
- **Provide Additional RLF Resources with Increased Local Flexibility:** Increase the amount of resources for EDA RLF intermediaries to support new business startups and expansions in distressed regions and increase local control and autonomy after the initial RLF grant money has been loaned out, repaid and fully revolved. A total of 30 percent of respondents said that additional resources for expanding their loan pool was the most pressing need of their RLF program.

PLANNING PROGRAM

Implementation of projects and initiatives identified in the EDA-required CEDS, technical assistance to local governments and communities and fostering regional collaboration among public, private and nonprofit sector leaders were identified as the most important functions performed by EDDs.

In total, 54 percent of respondents indicated that they were somewhat satisfied, satisfied or very satisfied with the EDA governance rules for EDDs. Almost 40 percent were already in compliance with new private sector board representation requirements and 50 percent have either added private sector representatives or were in the process of adding new representatives to come into compliance.

Over 90 percent of the respondents reported that an increase in the planning grant program is either "very important" or "important" and roughly three-fourths of those surveyed reported they currently receive an average annual grant of \$50,000-\$55,000. Over 55 percent match their planning grants dollar-for-dollar, with the majority (52 percent) of matching resources being derived from local government resources.

NADO SURVEY RESULTS: PRIORITIES FOR 2008 EDA REAUTHORIZATION DEBATE

According to survey participants, increased planning resources for EDDs are needed to:

- Expand local participation in the CEDS process and comply with the new CEDS requirements that were revised and expanded in the 2005 regulations
- Maintain the organizational capacity and expertise needed to implement projects identified in the CEDS process, as well as provide technical assistance on local projects and initiatives
- Develop capacity to incorporate GIS data into the CEDS
- Conduct in-depth regional cluster analysis of key industries
- Hire and retain “top-notch” staff

While most respondents agreed that the regional/multi-jurisdictional focus is the CEDS main strength, the rapidly declining purchasing power of the EDA share in the CEDS process makes it challenging to fully implement the process. **The overwhelming top priority identified by EDDs was the need to increase the annual baseline funding level for EDD planning grants from approximately \$53,000 to at least \$75,000.** While Congress provided a \$3 million program increase in the 2004 reauthorization bill, the agency used the bulk of the money to fund the backlog of designated-but-unfunded districts, leaving existing EDDs without a much needed funding increase to comply with extensive new agency requirements and mandates.

Several additional key policy initiatives for the EDD planning program were identified:

- **Establish Regional Development Incentives:** Establish new EDA incentives to encourage and reward new and innovative collaborations and partnerships among local government, private sector and nonprofit representatives through the involvement and leadership of EDDs. The 2004 reauthorization measure eliminated the 10 percent EDD bonus program and replaced it with two new programs that are very limited in their national reach and effectiveness. In total, 50 percent of the survey respondents said that the elimination of the 10 percent district bonus had either a “not very positive impact” or “not at all positive impact” on EDD efforts to promote regional cooperation and local involvement in the region.
- **Support Authorization of Climate Change Incentive Fund:** Proposed initiative contained in the FY 2008 House Commerce-Justice-Science Appropriations bill that provides dedicated funding to support “green-led” and sustainable economic development projects. Additional project and planning resources should be provided to enable EDDs to assist their regions and local communities in pursuing more environmentally sustainable economic development initiatives.
- **Create EDD Peer Exchange and Innovations Program:** While EDA sponsors national and regional training events, they are typically more general in scope and not specifically targeted at the needs, innovations and operations of EDDs. Building upon the lessons learned in the current EDD three-year evaluation process, EDA should dedicate new resources for EDDs to engage in peer exchanges, pursue multi-region initiatives and develop statewide and national program innovations. This is becoming increasingly important as EDDs are experiencing key staff retirements, regional and local economies are facing increasing global pressures, and economic development and infrastructure needs are becoming more complex. EDDs must have the professional development resources to stay abreast of the latest trends, practices and innovations.
- **Designate EDD CEDS as Primary Regional Plan:** EDA currently funds its national network of 369 EDDs to develop and foster the creation of regional Comprehensive Economic Development Strategies (CEDS). The EDA authorization bill should clarify that EDD-crafted CEDS should serve as the primary economic development strategy document for the region as related to identifying and prioritizing EDA project and program investments.

REVOLVING LOAN FUND PROGRAM

Survey respondents provided detailed feedback on the operations of EDA's Revolving Loan Fund (RLF) program. A total of 68 percent of those surveyed thought the RLF program was either effective or very effective in providing financing to underserved businesses and entrepreneurs. Another 59 percent stated that they were "likely" or "very likely" to apply for additional RLF capitalization grants if sufficient resources were available from EDA.

The most common perceived weakness is the lack of new resources currently devoted towards recapitalizing and capitalizing RLFs. A total of 52 percent of respondents indicated having \$2 million or less in their EDA RLFs and 30 percent of respondents said that additional funds to expand their loan pool was the most pressing issue concerning their RLF. Other pressing needs of RLF program operators cited by respondents include:

- Relief from time consuming and perpetual EDA reporting requirements
- Expanded flexibility of RLF programs to support a wider array of economic development initiatives
- Assistance with marketing of RLF program to local businesses and banks

Several policy ideas to improve the RLF program and the performance of fund operators were highlighted by survey participants to be considered as part of the reauthorization process:

- **Devolve Control of RLFs to Grantees:** Ownership of EDA RLFs should be devolved to the local intermediary once all of the initial funds have been loaned out, repaid and fully revolved. This would significantly reduce the oversight and management burdens on the EDA staff while still ensuring local accountability is maintained. In total, 86 percent of respondents indicated they were "very supportive" or "supportive" of devolving operational controls and fund accountability to local control after the funds have been lent and revolved a minimum of two times.
- **Recapitalize and Broaden the Scope of Existing RLFs:** Allocate new resources to clear EDA's backlog of RLF capitalization and recapitalization requests. Due to changes in the agency's investment priorities and recent reductions in headquarters and regional office staff, EDA has made less than a dozen new RLF grants to intermediaries in the past six years. This is despite the proven track of the RLF program in providing vital gap financing to local entrepreneurs and businesses struggling to secure traditional bank financing in underserved and distressed regions. In addition, survey respondents noted the need to streamline the requirements, as well as expedite the timing, of intermediary requests to turnover underused RLFs to those operators in need of new or additional funds. Currently, most unused RLF money is returned to EDA or the U.S. Treasury.
- **Create an RLF Users Advisory Group:** Over the years, EDA has funded over 600 individual RLFs with net assets exceeding \$700 million. Since these RLFs retain their federal nature in perpetuity, RLF operators must provide regular reports and comply with EDA guidelines forever. However, the agency has experienced significant staff cutbacks, including loss of senior management and program staff with RLF expertise, in the past six years. As a result, it has become increasingly difficult for the agency to provide the necessary oversight, management and program innovations needed to keep the program at the cutting-edge. **Based on survey respondent feedback, it is suggested that Congress require EDA to form an RLF Users Advisory Group to assist the agency in strengthening RLF program operations, reporting and management; sharing of program innovations and trends; and recommendations for modifying and expanding the use of RLFs to address the evolving finance and technical assistance needs of entrepreneurs and businesses in distressed areas.**

For more information on the NADO EDA Reauthorization Survey, please contact Legislative Director Jason Boehlert at 202.624.8590 or jboehlert@nado.org. Additional information is also available at www.nado.org.

APPENDIX: SAMPLE IMPACTS OF EDA INVESTMENTS

Survey respondents provided dozens of examples from across the nation of how EDA planning, public works, economic adjustment assistance and technical assistance investments have helped to dramatically improve and reshape local economies. These EDA investments are not only helping generate and retain local jobs, but are also helping improve the economic competitiveness and quality of life within our nation's distressed regions and communities.

The **Panhandle Area Council** (Hayden, ID) helped develop a regional airport facility to retain Empire Airlines. Empire was in the process of expanding its operations and was considering moving from its base in northern Idaho to Spokane, Washington. In order to retain the state's only regional air carrier, the Council worked in partnership with the area airport authority, water district, highway district, city and county officials, the State of Idaho and the EDA to develop the infrastructure needed for Empire to expand its operations and remain in its Idaho headquarters. As a result, 130 jobs were retained in this rural community and Empire is now planning to add another 100 jobs as part of its expansion.

The Louisiana Pacific Corporation was in need of upgrading and expanding a facility located in New Limerick, Maine to produce oriented strand lumber. However, the facility was in need of additional power that was beyond the local utility's capacity. The **Northern Maine Development Commission** (Caribou) worked with Louisiana Pacific, the Holton Water Company, the area's municipally-owned utility and the town of New Limerick to secure a \$1.2 million investment from EDA, which was matched 100 percent with private funds, to upgrade the area's electric substation, all of which leveraged an additional \$104 million from Louisiana Pacific to retrofit its facility and retain 120 jobs and create 46 new ones in this very rural region.

The **River Country Economic Development District** (Nebraska City, NE) assisted Otoe County in securing a \$470,000 investment from EDA, which was matched with an equivalent amount from state and local sources, to construct a road connecting a Cargil processing plant with a major state highway as well as a water loop to serve the facility. The investment allowed the retention of 150 jobs in this rural area and the subsequent addition of 450 new jobs with the expansion of the facility, which was made possible by the infrastructure improvements.

In response to a lack of local Internet service, the **North Central Regional Planning Commission** (Beloit, KS) approached EDA for investment assistance for the build out of a wireless broadband network. With a little over \$180,000 from EDA and more than \$400,000 from other state and local sources, the Commission deployed a wide area network throughout an 11-county region. With high-speed broadband access, a manufacturing company in a rural community of 2,500 has been able to increase its workforce by 50 percent; a local advertising company in a community of 1,000 has been able to double in size and tap into an international clientele, which includes two Fortune 500 companies; and a local bank has been able to increase its operations into a number of small rural communities that will now have increased access to financial capital.

Over the past eight years, the **Eastern Oklahoma Development District** (Muskogee, OK) has leveraged its CEDS into more than \$4.42 million in EDA investments for five different projects. These EDA grants matched \$11.32 million in other public funds while generating \$143.5 million in private investments and creating more than 1,640 new jobs in this distressed region. With the leadership of the EDD, EDA invested:

- \$1 million, matched by a \$4.5 million in state assistance, to build a state-of-the-art facility for the Indian Capital Vo-Tech Campus that offers classes in building trades, nursing and the health and business fields
- \$420,000 to help create more than 400 new jobs at a new 350,000 sq. ft. manufacturing plant for Therma-Tru Doors, a firm specializing in entry and patio doors
- \$1.5 million to secure \$10 million in private funds to restore the historic Three Forks Harbor into a mixed-use site for recreational boating, sport fishing, hiking and biking – an essential part of the region's economy
- \$1 million to help build the infrastructure needed for Dal-Tile, a ceramic tile manufacturer, to open a facility in the region, ultimately generating \$96 million in private investments and creating 600 new jobs within the region
- \$500,000 to help make the infrastructure improvements related to a new plant for American Woodmark, a major cabinet manufacturer, which resulted in over \$15 million in private investments and the creation of over 400 jobs