

Testimony of Chris Fetzer, Executive Director, Northern Arizona Council of Governments

Before the Senate Environment and Public Works Committee

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Chairman Carper, Ranking Member Capito, and members of the Committee, thank you for the opportunity to testify today on the topic of the **U.S. Department of Commerce Economic Development Administration (EDA)** and its importance to my community and our nation.

My name is Chris Fetzer, and I am the Executive Director of the Northern Arizona Council of Governments (NACOG) based in Flagstaff, Arizona which serves a geographic region comprised of four counties. NACOG helps facilitate community and economic development; transportation planning; workforce training and employment assistance; housing and utility assistance; support services for older Americans; broadband connectivity; brownfields revitalization; and the provision of early childhood education through the Head Start program.

In addition to my role as the Executive Director of NACOG, I also currently serve as the President of the National Association of Development Organizations (NADO), which represents the national network of hundreds of Regional Development Organizations (RDOs) across the country which collectively serve thousands of cities, counties, and towns. Many RDOs are also federally designated by EDA as **Economic Development Districts (EDDs)**.

My organization in Arizona, NACOG, is one of more than 400 EDA-designated Economic Development Districts (EDDs) nationally. EDDs serve as EDA's core frontline partners at the local level. EDDs carry out specific EDA-mandated responsibilities, including the completion of strategic regional plans called Comprehensive Economic Development Strategies (CEDs). These plans help ensure that subsequent EDA investments are strategic and carefully stewarded, and ultimately lay the foundation for successful project implementation.

EDDs are important because they are relied upon – both by EDA and by their communities – to **help local stakeholders access and navigate EDA funding opportunities**. For example, EDDs frequently help other local entities apply for EDA grants, and also subsequently help administer EDA project funding and assist with project implementation after federal awards are made. In general, EDD staff serve as local experts who can help educate local applicants about the EDA grant application process, available sources of funding, and eligibility criteria. EDDs also play important roles in leading and leveraging local partnerships, helping to identify local projects that are eligible for EDA funding, and bringing together key partners who are instrumental to the ultimate success of those projects.

Today, I will speak about the importance of my organization's role as an EDD, as well as **the important roles of EDDs nationally**. I will explain how EDA has been a critical partner in supporting our work, and why **EDA reauthorization is imperative to our future success**.

In my region in Arizona, EDA has been an important federal partner in supporting my region's economic competitiveness. EDA's investments have catalyzed countless successful projects and outcomes in my region that would otherwise not have been possible.

For example, an ongoing challenge in Northern Arizona has been the decline of the coal-fired power industry. In late 2019, a widespread economic disruption occurred in our region when the operators of The Navajo Generating Station (NGS), a coal-fired power plant located near Page, Arizona on the Navajo Nation, abruptly ended operations years prior to the facility's anticipated closure. While operational, the power plant and the associated Kayenta Mine had employed hundreds of workers and had brought in millions in revenue for the region, the Navajo Nation, and the Hopi Tribe. For decades, the power plant helped provide both electrical power and water to many communities in Arizona, as well as job opportunities, allowing those communities to thrive. When the plant closed suddenly, it resulted in widespread and devastating losses of jobs, revenue, and energy resources. Furthermore, because the closure occurred suddenly, impacted communities were unprepared to fully cope with these impacts. The closure of the plant disproportionately impacted tribal, rural, and economically distressed communities that were already dealing with levels of poverty far exceeding the national average, and a lack of readily available job opportunities.

Fortunately, EDA not only made investments to help mitigate the economic disruption of the plant closure, but EDA is also continuing to invest in the region's economic transition. Today, drawing upon the lessons learned from the NGS closure – and determined to better anticipate similar scenarios in the future – our region is now engaging in proactive planning measures to prepare for the future closure of the three remaining coal plants that are still operational in the region. These critically important planning efforts are being supported by EDA funded grants.

EDA's success stories – as well as the important role that EDDs play in facilitating EDA's success – extend far beyond my region. **EDDs have been core institutional partners since EDA's inception**, as demonstrated in EDA's original statute – *the Public Works and Economic Development Act of 1965 (PWEDA)* – throughout which EDDs are denoted as key EDA partners. In practice, EDDs effectively serve as extensions of EDA staff at the local level, especially insofar as they are sources of extensive knowledge of EDA programs. EDDs use their expertise to help local stakeholders in applying for EDA funds and implementing EDA projects. Particularly in economically distressed and rural areas of the country, EDA investments are essential.

I commend the Committee for holding today's hearing on the topic of EDA reauthorization. As you know, EDA has not been reauthorized since 2004. That authorization lapsed in 2008, nearly 15 years ago. Reauthorization of EDA is important and long overdue. As the Committee works toward a reauthorization of the agency, **I offer the following recommendations:**

1. Invest in EDD organizational and staff capacity

Having discussed the importance of EDDs as extensions of EDA's network in local communities – and as providers of a wide variety of public services – **I first want to emphasize that in reauthorizing EDA, I strongly encourage the Committee to continue to invest in the operational capacity of EDDs**, to ensure that they remain sufficiently funded and staffed, and to preserve their historic role. Currently, a lack of adequate funding for staff capacity is an enormous challenge that many EDDs face. This is in part because, **until FY 2021, EDA funding levels for EDDs had stagnated for decades** – and, in the past few years since, those levels have increased only minimally – while other EDA accounts have grown exponentially. Just as EDA headquarters and EDA's six regional offices have needed to increase staffing recently given the increased administrative demands at EDA, so too are the EDDs in need of additional staffing and

operational capacity locally to handle increased requests from local stakeholders seeking help navigating the EDA grant application process.

2. Increase the authorized level for EDA Partnership Planning Grants to \$100 million annually

One of the key EDA funding sources that supports the work of EDDs are EDA Partnership Planning Grants. **In reauthorizing EDA, I encourage the Committee to increase the annual authorized funding level for Partnership Planning grants significantly.** Although annual appropriations for EDA’s economic development assistance programs have increased by **62%** over the last five years, funding for local EDA Partnership Planning Grants have increased by only **9%** within that same timeframe. That gap is in annual appropriations alone; the disparity is even greater when pandemic-era relief funds are taken into account. Meanwhile, EDDs are being asked to do more than ever, as we work to help our communities navigate the new national initiatives that EDA has launched over the past few years. When EDDs are asked to take on additional responsibilities without additional funding, it **places an increasingly heavy administrative burden on the very same stakeholders that EDA is designed to support.**

Furthermore, it is important to invest in EDA’s Partnership Planning grant program because it is a critical component of EDA’s success. Planning grants lay the initial foundation for subsequent federal investments into community projects. EDDs use EDA Partnership Planning funds to develop strategic Comprehensive Economic Development Strategies (CEDs), and to perform other planning and support functions in their communities. The CEDs process helps assess distressed regions’ changing economic drivers, which in turn helps communities prioritize projects that will lead to job creation in higher-growth industries. The planning process also helps leverage other sources of federal, state, and local funding into communities. EDDs have decades of experience in implementing strategic economic development planning. It is crucial for EDA to continue funding the planning process as communities are called upon – now more than ever – to reassess their long-term strategic development plans and adjust to changing economic conditions. **The planning process paves the way for successful implementation** by helping to ensure that federal investments ultimately made are more strategic, impactful, fiscally responsible, and sustainable than they might otherwise have been without a robust and thoughtful planning effort at the outset.

Currently, most EDDs receive approximately \$70,000 dollars per year from EDA in the form of Partnership Planning funds. **This amount is not enough to cover one full-time staff person** who is tasked with overseeing EDA-mandated CEDs planning responsibilities, along with the tools and equipment needed to do their work, and a budget for regional listening sessions to be held to ensure equitable public input. Furthermore, in order to access any EDA planning funds, EDDs must provide matching funds – often as much as 50% local match – in order to gain access to the federal funds that are meant to support the work that EDA has tasked EDDs with conducting. In reauthorizing EDA, I encourage the Committee to increase EDA’s investment into EDDs to strengthen and preserve this existing, historic network of EDA’s core institutional partners. **NADO recommends increasing the authorized level for Partnership Planning to at least \$100 million annually**, which would amount to roughly \$250,000 annually for each individual EDD.

3. Reduce local matching fund requirements

In tandem with an increase in authorized funding for EDA Partnership Planning grants, in reauthorizing the EDA, I also encourage the Committee to restructure cost share by **increasing EDA’s federal share to 90%, and reducing local match to 10%, for all EDA Partnership Planning Grants**. While it is true that the contribution of local matching funds can help ensure that communities have so-called “skin in the game” when a project is undertaken, I would assert that this principle is less important when the task at hand is a federally-mandated planning process. Furthermore, it is often more difficult for communities to secure matching funds for *planning* than for *projects*. **Similarly, I also encourage the Committee to reduce local match requirements for projects, to no more than 20% local match across the board**. EDA’s current local match requirements – for both planning grants and for projects – pose a significant barrier to entry for many communities in Arizona, and nationally.

4. Authorize a dedicated disaster recovery bureau within EDA, as well as an authorized annual line item for disaster response

In reauthorization, Congress should also enhance EDA’s approach to **disaster mitigation**. Disaster response work is something that EDA is already doing successfully, but Congressional reforms could help improve service delivery. Currently, EDA disaster funding is often delayed in reaching communities, in part because EDA disaster funding is typically appropriated via separate, end-of-year supplemental appropriations. In reauthorization, I encourage Congress to **instead authorize an annual line item for disaster response, as well as a dedicated disaster bureau within EDA**. This would allow EDA to deploy funds **more quickly** after a federally-declared disaster strikes.

5. Invest in EDA’s core programs, instead of creating new initiatives

It has been remarkable over the course of the past three years to see EDA receive historic funding levels through the CARES Act and the American Rescue Plan Act; **however, I implore the Committee to take steps to prevent EDA’s original mission and structure from being undermined**, as new priorities and stakeholders emerge given the agency’s elevated profile and increased funding in recent years. **In reauthorizing EDA, I encourage Congress to prioritize EDA’s traditional core partners and core programs, rather than continuing to create new programs**. Although some of the recent EDA initiatives have laid out exciting visions, it has become increasingly difficult for rural, tribal, and under-resourced communities to successfully compete in these new national competitions.

6. Direct EDA to make more smaller awards, rather than fewer large awards

Another recent trend guiding EDA’s recent national competitions – such as the Build Back Better Regional Challenge, the Good Jobs Challenge, and the Regional Technology Hubs Program – is that EDA has begun making a lower volume of high-dollar awards, rather than a higher volume of smaller awards. **In reauthorization, I encourage Congress to direct EDA to make more awards overall** – even if the amounts of each of those awards are necessarily smaller as a result – so that more communities nationally are able to benefit from EDA resources. When EDA makes a limited number of large awards, the most sophisticated applicants

tend to be the most successful in securing grant funding, whereas those communities in the greatest need of resources tend to be far less successful in challenges of this nature.

7. Include rural set-asides within some of EDA's core programs

Next, in reauthorizing EDA, **I encourage Congress to establish rural set-asides within some of EDA's existing core programs.** In keeping with EDA's commitment to equity, it is crucial to ensure that equity for **rural** communities is a key consideration. I encourage the Committee to put forth a model that levels the playing field by **creating rural set-asides to ensure that a certain percentage of some core EDA funding categories are available solely to rural applicants** below a certain population threshold. This would help "level the playing field" for rural applicants, and would help prevent challenges and inequities that tend to arise when rural communities are required to compete against larger, more urban applicants for resources. An example of this approach elsewhere in the federal arena is the Department of Transportation's RAISE grant program (formerly known as BUILD or TIGER grants) which requires that half of the program's funds must go toward rural projects, as is mandated in legislation.

Similarly, rural project applicants should be held to a fair set of metrics that are more appropriate to the size, scale, and realities of rural projects. Specifically, **Congress should direct EDA to adjust rural project metric expectations for rural communities.** For example, expectations for total numbers of jobs created and retained as a result of rural applicants' projects should be adjusted to lower thresholds for rural, tribal, and small communities.

8. Authorize pre-development as an eligible use of EDA's Economic Adjustment Assistance program

I encourage the Committee to authorize pre-development as an eligible use of EDA's Economic Adjustment Assistance program. This would help support early-stage project development activities, which would allow communities to more easily advance projects from concept to reality. Allowable uses of pre-development funding should include: securing financing and partners, preparing grant applications, conducting environmental studies, and conducting planning activities (including assessments that ultimately support grant investments, such as housing or transportation assessments). A dedicated EDA funding source for pre-development would help spark economic development projects that might otherwise never advance. Pre-development funding could also help support EDD activities that are currently unfunded. For example, since the passage of the CARES Act and the American Rescue Plan Act, EDDs are increasingly being depended upon by local community organizations, city and county governments, and prospective EDA applicants to provide assistance navigating the federal landscape. Increasingly, local stakeholders rely on EDDs for help understanding federal guidance and identifying federal resources and grant opportunities. Although EDDs continue to rise to this challenge and willingly provide this kind of support to their communities, this aspect of their work is often unfunded. For all of these reasons, I encourage the Committee to authorize a pre-development funding source.

9. Authorize the facilitation of high-speed broadband connectivity as an eligible use of EDA's Economic Adjustment Assistance program

Additionally, I recommend that the Committee **specify that EDA investments into high-speed broadband deployment are an eligible use of EDA funds**, placing an emphasis on improving sufficient broadband infrastructure in rural communities especially. EDA should make targeted investments into broadband projects that provide, expand, or improve high-speed broadband access. EDA should also support planning and technical assistance activities related to enhancing broadband access. NADO endorsed the **E-BRIDGE** legislation that was previously introduced and sponsored by some of the members of this Committee. I encourage the Committee to further pursue this reform in reauthorizing the EDA, and to elevate the role EDA plays in helping rural and economically distressed communities keep pace with technological advancements, automation, and economic shifts.

10. Increase EDA's authorized funding level to \$3 billion

Finally, in reauthorizing EDA, I encourage the Committee to **increase EDA's annual authorized funding level to at least \$3 billion annually**. EDA's current authorized funding level does not accurately reflect the importance of the role the agency plays as the leading federal economic development agency, nor does it adequately meet the existing demand for community and economic development resources. Between annual appropriations, supplemental disaster response funding, and pandemic-era relief funding, EDA has already proven its ability to successfully administer billions of dollars in funding. Furthermore, the agency continues to receive requests for funding that **far surpass** the resources EDA has available, which is indicative of both the value of EDA's programs as well as the significant and growing need for federal economic development resources.

EDA investments have been essential in my region, and I encourage the Committee to **support reauthorization of the agency** in a manner that ensures that regions and communities like mine have a **fair chance to compete in the global economy**. Thank you for the opportunity to address the Committee today, and I look forward to answering your questions.