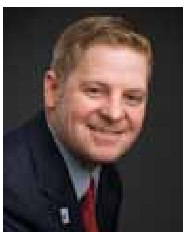
Time for Federal Economic Development Policy



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For 30 years, CDFA has worked closely with federal, state, and local government leaders to craft economic development policy and programming that catalyzes investment, creates jobs, and rewards innovation. As our country continues to struggle through an economic recession, one fact has become clear: the federal government lacks a strong and comprehensive policy for domestic economic development.

This lack of policy has resulted in a patchwork of federal offerings spread throughout agencies and institutions that have lost meaningful connections with the realities of the economy. Today, our state and local economic developers need a federal response with clear goals, tailored but flexible programs, better information sharing and networking, increased attention to education and capacity building, and greater accessibility across the board. Now is the time for a huge leap forward in federal economic development policy.

According to CDFA research, 17 federal agencies offer more than 170 federal programs to support state and local economic development efforts, or to assist with private sector capital access and business expansion. These programs provide capital, guarantees, exemptions, loans, technical assistance, market data, grants, training, and myriad resources for public and private sector participants.

Of these 170+ programs, a few have reasonable levels of both funding and participation. This is not always the case. Some programs are potentially effective but are unknown and struggle with participation. Others are, while well intended, designed or executed poorly.

In a March 2011 report, the U.S. Government Accountability Office examined 80 federal economic development programs to assess their overlap and duplicative natures. Preliminary results of the GAO's work indicate that each program appears to overlap with at least one other program. For example, 52 of the programs can fund "entrepreneurial efforts." These findings highlight the fragmented approach to federal economic development policy and programs.

Thankfully, innovation is alive in the federal government. The U.S. Department of the Treasury's new State Small Business Credit Initiative (SSBCI) is working to infuse $1.5 billion of capital access funding to the states through a groundbreaking delivery model. The overall objective of the SSBCI is for federal government investments to leverage, at a 10:1 ratio, private sector capital. However, the SSBCI allows states to craft their own capital access programs and other credit support initiatives while engaging the federal government in ongoing performance monitoring. The SSBCI is perhaps the most unique federal/state/local partnership to ever emerge within the federal economic development system and is an example of public/private partnership.

But ask yourself: did you know about the program before reading this?

My guess is that you did not, and this further underscores the need for better federal leadership and policy in the economic development industry. The 17 agencies that manage these 170+ programs are represented by numerous cabinet secretaries at the highest federal level. Throughout the federal government, various players have their hands in economic development, but nobody is leading this engagement.

So what do we need to do next? CDFA is calling on the economic development community to work with the federal government to craft an economic development policy and framework that brings federal resources in line with state and local strategies. The consolidation of redundant programs, the elimination of ineffective and obsolete offerings, and the all-around coordination of available resources needs to be assembled. Our industry needs a streamlined approach to deliver the programs in the federal economic development finance toolbox.

Crafting a new federal policy means acknowledging that economic development today is focused on innovation, entrepreneurs, technology, and small business development. Our toolbox for heavy debt financing is well established through the use of bonds, tax increment finance, and revolving loan funds. Our strategy going forward must be focused on the next 50 years of innovation and the development of our future engines of economic growth.