



Testimony of Cheryal Lee Hills, Executive Director, Region Five Development Commission (Minnesota)

Before the US House Select Committee on Economic Disparity and Fairness in Growth

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Chairman Himes, Ranking Member Steil, and members of the Committee, thank you for the opportunity to testify today on place-based policies that can help reduce economic disparities.

My name is Cheryal Lee Hills and I am the Executive Director of the Region Five Development Commission, a Regional Development Organization (RDO) based in a rural part of Central Minnesota that I have served for 16 years. My organization was established under the Minnesota Regional Development Act of 1969.

I am also a member of the National Association of Development Organizations (NADO), which advocates for federal policies and programs that promote equitable community and economic development. NADO represents more than 500 Regional Development Organizations like mine across the country. RDOs are multi-jurisdictional, quasi-governmental organizations that provide regional planning and local community and economic development services. RDOs serve as regional conveners, provide technical assistance, implement community projects, and administer federal, state, and local funds. Across the country, RDOs collectively assist thousands of cities and counties with community development, economic development, workforce training, transportation planning, public infrastructure, affordable housing, disaster mitigation, rural capacity-building, and more.

In Minnesota, my organization plays an important role in administering federal funds at the local level. For example, Region Five Development Commission is an Economic Development District (EDD), a designation given by the U.S. Department of Commerce Economic Development Administration (EDA). Federal designation of local entities in tandem with funding to support planning processes, such as EDA Partnership Planning Grants, can be a powerful vehicle for creating federal-local partnerships and carrying out place-based work that promotes economic growth. In my testimony today, I will reference various ways that my organization has partnered with EDA to produce better outcomes for our five-county rural region.

Today I will focus on **four recommended strategies** to promote equitable place-based community development:

**Approach #1:** Emphasize a **regional approach** that allows local partners to put forth regionally-identified priorities and bottom-up recommendations for how federal investments should be directed. Prioritize federal investments in **regional planning**.

**Approach #2:** Within the federal grantmaking process, **reduce barriers for entry** for rural, Tribal, economically distressed, heavily minority, persistent poverty, and other underserved communities. Prioritize federal investments in **pre-development**.

**Approach #3:** Create **federal interagency partnerships** and initiatives that empower regional and local partners to help drive bottom-up solutions. Invest in local practitioners who incorporate **equity and inclusion** into their community and economic development work.

**Approach #4:** Modernize federal programs in ways that prioritize rural and underserved regions. **Reauthorize** the U.S. Department of Commerce **Economic Development Administration (EDA)**, pass a new Farm Bill, and seek other opportunities to elevate the needs of disadvantaged communities.

I will begin by explaining each one of these strategies. Then, I will give examples of specific recommendations for policymaking that can help support and elevate these approaches.

***APPROACH #1: Emphasize a regional approach that allows local partners to put forth regionally-identified priorities and bottom-up recommendations for how federal investments should be directed. In tandem with this approach, prioritize federal investments in regional planning.***

To illustrate this first concept, I will use the example of how the EDA empowers federally-designated regional entities to create and implement regional economic development plans. My organization is one of nearly 400 EDA-designated Economic Development Districts (EDD) across the country that support economic development planning and project implementation in economically distressed regions.

One of our most important roles as an EDD is to write and support the implementation of a **Comprehensive Economic Development Strategy (CEDS)**. The CEDS serves as our community's roadmap for economic and community development in that it allows our community to define and elevate regional priorities and recommendations for subsequent federal project investments. In essence, the CEDS is a planning document, but it is also a tool for equity, inclusion, and empowerment of local voices. The CEDS process provides an opportunity to bring together diverse partners across our region to discuss their needs and visions for the future. For example, when my organization holds public listening sessions to solicit local input, we bring together stakeholders from all units of local government, private sector representatives, non-profit and social services agencies, and philanthropy. We ensure that our CEDS process is inclusive by hiring multi-lingual translators, offering transit passes to residents with limited mobility, and collaborating with Minnesota Ojibwe Tribal leaders, among other approaches.

The CEDS planning process is carried out by EDDs across the country. EDA provides funding in the form of **EDA Partnership Planning Grants** to help fund this regional planning work. In turn, when awarding funding for project implementation, EDA awards points for projects and initiatives that are identified in the regional CEDS and that therefore align with regional goals elevated by community stakeholders.

The entire portfolio of EDA programs – including the EDA Public Works program, the EDA Assistance to Coal Communities program, and many others – provide subsequent implementation funding that ultimately support regions in implementing projects aligned with their CEDS plans.

**POLICYMAKING RECOMMENDATIONS to support approach #1 – emphasize regional partners and regional planning:**

- **1.a)** Prioritize and invest in **regional entities** that work with diverse stakeholders and elevate local priorities, including Regional Development Organizations (RDOs), EDA-designated

Economic Development Districts (EDDs), Metropolitan Planning Organizations (MPOs), and Regional/Rural Transportation Planning Organizations (RTPOs).

- **1.b)** Encourage **regional planning processes**, including the EDA Comprehensive Economic Development Strategy (CEDS) planning process and other similar models.
- **1.c)** **Increase federal investments in EDDs** and other federally-designated regional entities. Currently, through the EDA Partnership Planning Grant program, each individual EDD only receives an average of \$70,000 per year<sup>1</sup>, which is barely enough to fund one full-time staff member to carry out EDA-mandated CEDS planning work. The EDA Partnership Planning Grant program is crucially important but is also critically underfunded. The same is true for many other similar programs. NADO recommends that Congress provide **\$50 million** for the EDA Partnership Planning Grant program in FY23.<sup>2</sup> NADO also recommends that Congress **authorize \$100 million** for the EDA Partnership Planning Grant Program in EDA reauthorization legislation.<sup>3</sup>
- **1.d)** Create other models and approaches throughout the federal government that **bring federal and local partners together**. For example, I am hopeful about the new [Rural Partners Network](#) (RPN) recently announced by the White House and the USDA.

**APPROACH #2.** *Within the federal grantmaking process, **reduce barriers for entry** for rural, Tribal, economically distressed, minority, persistent poverty, and other underserved regions and stakeholders. Prioritize federal investments in **pre-development**.*

Community and economic development practitioners who serve communities and Native nations across rural America are important sources of knowledge and innovation. Rural and underserved places have great value, but also have significant capacity-building needs that must be uniquely prioritized through an updated approach to federal investment that is not only “**fair**,” but is also **equitable**.

Most federal grant competitions are “**fair**” in the sense that all applicants are held to the same set of rules to follow within a Notice of Funding Opportunity or grant application guidelines. However, many federal grant competitions are not inherently **equitable**, because economically-disadvantaged applicants are often unable to compete with more well-resourced applicants who can more easily retain full-time grant writers, leverage more sources of matching funds, or otherwise better position themselves to compete for federal dollars.

Policymakers should strive to identify barriers to entry within the federal grantmaking process – and should take action to reduce those barriers – especially for rural, economically-disadvantaged, minority, Tribal, and capacity-constrained geographic regions and stakeholders. It is imperative to ensure that underserved applicants can compete for federal funding on a playing field where they are level with more well-resourced applicants that experience fewer systemic barriers.

One way that policymakers can address this issue is by ensuring that **pre-development expenses and activities** are eligible for federal funding. Underserved and persistent poverty regions – as well as regions with significant environmental concerns (which in many cases are the same communities) – need more federal assistance to support costs associated with early-stage project development

<sup>1</sup> Median dollar amount of EDA Partnership Planning investments is approximately \$70,000 annually as described within this [EDA NOFO](#) on page 7

<sup>2</sup> NADO [recommended EDA appropriation level](#) for FY 2021

<sup>3</sup> NADO [recommendations for EDA reauthorization](#)

activities, including fulfilling predevelopment requirements such as Environmental Narratives (ENs) and Preliminary Engineering Reports (PERs) which are often prerequisites for accessing federal funding. Many under-resourced communities do not have the capacity or funds to prepare these complex reports and must rely on engineering firms for assistance. Federal funds should be available to cover these expenses. Costs related to grant writing should also be eligible for pre-development assistance provided through federal funds. Furthermore, investments should be made directly into regional entities such as RDOs, EDDs, CDFIs, and other locally trusted entities that help local stakeholders design, prepare, and submit competitive grant applications. For example, my organization offers technical assistance to ensure that applications for federal funding submitted by stakeholders in my region fulfill predevelopment requirements and include robust and locally relevant evaluation frameworks. We also provide implementation support to help ensure that awarded local stakeholders fulfill federal grant reporting requirements and carefully steward the federal funds they receive.

Another way that policymakers can help underserved and rural applicants compete for federal funding is by increasing federal share and **reducing local matching fund requirements**, especially for economically distressed communities. Although it is true that when communities contribute local match it can help demonstrate their local commitment to a project, it is also often true that matching requirements create barriers to entry that may prevent distressed communities from applying for funds at all. Unfortunately, the communities most burdened by this dynamic are often the same communities that are in the greatest need of federal assistance.

For example, the current baseline federal investment rate for EDA Partnership Planning grants is 50 percent, which leaves some local communities responsible for providing as much as 50% local match. This baseline is far too burdensome.<sup>4</sup> NADO recommends **increasing federal share to 90% for EDA Partnership Planning Grants**.<sup>5</sup>

**POLICYMAKING RECOMMENDATIONS to support approach #2 – reduce barriers to entry in federal grant competitions; prioritize pre-development funding:**

1. **2.a) Reduce local matching fund requirements**, especially for rural and disadvantaged places, which is often a barrier that prevents under-resourced communities from being able to participate in or competitively pursue federal funding opportunities.
- **2.b) Create rural-specific competitions for grant funding** that put rural communities on a level playing field with one another when competing for federal dollars. Make certain resources available only to rural communities under a certain population threshold.<sup>6</sup>
- **2.c) Provide pre-development funding** to support early-stage project development activities, including environmental studies and grant writing assistance.

*Approach #3: Create **federal interagency partnerships** and initiatives that empower regional and local partners to help drive bottom-up solutions. Invest in local practitioners who incorporate **equity and inclusion** into their community and economic development work.*

<sup>4</sup> Match requirements for EDA planning programs described in this [EDA NOFO](#) on pages 8-9

<sup>5</sup> NADO [recommendations for EDA reauthorization](#)

<sup>6</sup> An example of this approach is the Department of Transportation's RAISE grant program (formerly BUILD or TIGER grants) which specifies in legislation that half of the program's funds must go toward rural projects.

**Interagency federal initiatives** can have a powerful impact on local outcomes, especially when an active, collaborative working relationship is fostered between federal and regional partners. In 2010, my organization received funding through the Sustainable Communities Initiative (SCI), which was created through a federal interagency partnership between HUD, EPA, and DOT known as the Partnership for Sustainable Communities. The Regional Planning Grant Program associated with this initiative supported locally led collaborative efforts that brought together diverse regional stakeholders to create a unified vision for success. Together, awarded consortia that participated in the initiative sought public input to determine how to best target housing, economic development, workforce training, and infrastructure investments to create jobs and regional economic activity. In my rural region, we used our SCI grant to convene more than 600 residents who designed a Regional Sustainable Development Plan that ultimately leveraged over \$42 million in funded projects and programs over a five-year implementation period.

In addition to fostering federal interagency partnerships and initiatives, **holistic measurement and evaluation of federal programs and their outcomes** is also critically important. Careful selection of metrics that equitably define and measure outcomes within rural, capacity-constrained, and underserved communities must be prioritized. For example, measurements that are primarily **quantitative** in nature (i.e., number of jobs created, dollars leveraged, number of residents served) may provide only a partial picture of the economic landscape, particularly in a rural or disadvantaged community. Large numeric metric goals can also be more difficult to achieve in rural areas than in urban ones. In these places, a better approach is to expand measurement beyond traditional indicators to also include **qualitative outcomes**. Indicators of economic and social mobility such as the creation of social, intellectual, natural, and other forms of community capital can also help measure the wealth and economic prosperity of a region.<sup>7</sup> Tracking quality of life improvements, system changes, and measures of inclusion can help give a more holistic picture of the overall benefit of a federal investment. Federal programs should strive to consider these types of metrics so as not to ignore important kinds of progress in underserved areas.

Furthermore, it is imperative to invest in local practitioners who emphasize **equity and inclusion** in their approaches to community development. For example, when my organization strives to address a regional need such as a workforce shortage, it is often the case that we cannot start by addressing the workforce need; instead, we must begin by addressing other underlying root causes, cultural and social dynamics, and systemic societal problems that are interrelated with our workforce needs. We must begin by recognizing that some members of our community have not been treated as equally valued members of society, and by acknowledging that to have a truly strong workforce, we must extend ownership over local decisions to historically marginalized populations and restore their faith that they will have access to safe and equitable learning and working environments.

For these reasons, policymakers should prioritize investments in local communities that are approaching place-based development through the lens of equity and inclusion. For example, under the Biden Administration, EDA took an important step when the agency updated its federal investment priorities to now include equity. As a result, promoting equity and better meeting the

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<sup>7</sup> Examples of this approach include [WealthWorks](#) and the new [Thrive Rural Framework](#) led by the Aspen Institute Community Strategies Group with the support of many partnering organizations.

needs of underserved populations and geographies is now a fundamental consideration when EDA project applications are being reviewed.

In my region, for example, we are delivering new minority lending programs and creating new initiatives such as our Welcoming Communities Program which is designed to attract and retain and diverse workforce and has trained more than 400 residents thus far. We also consider environmental justice impacts in our climate planning work. Policymakers should reward communities and grant applicants that prioritize these kinds of efforts.

**POLICYMAKING RECOMMENDATIONS to support approach #3 – interagency partnerships; equity and inclusion:**

- **3.a)** Create **more federal interagency partnership initiatives** that are similar to the HUD-EPA-DOT Partnership for Sustainable Communities. Include both planning and implementation funding sources that are tied to these types of initiatives.
- **3.b)** Instruct federal agencies to work more closely with regional and local partners by creating **advisory committees** that provide channels for community leader and grantee feedback.
- **3.c)** Revise federal **metrics** to place greater emphasis on place-based outcomes. Prioritize both quantitative and **qualitative metrics**.
- **3.d)** Work collaboratively with and reward regional and local partners who are taking steps to emphasize **equity and inclusion** in their approaches to community development.

***APPROACH #4: Modernize federal programs in ways that prioritize rural and underserved regions. Reauthorize the U.S. Department of Commerce **Economic Development Administration (EDA)**, pass a new Farm Bill, and seek other opportunities to elevate the needs of disadvantaged communities.***

For all the reasons mentioned above, it is imperative to **reauthorize the EDA**, which Congress has not reauthorized since 2004, 18 years ago. Economic, social, and environmental conditions have changed monumentally since then, and it is imperative to modernize EDA so that federal investments are more relevant to today's realities. In doing so, I recommend that the Committee review [NADO's priorities for EDA reauthorization](#), as well as the Reimagining Rural Assistance Network ([RRAN](#)) [EDA reauthorization priorities](#), and the [EDA Stakeholders Coalition's recommendations](#).

Many of the same approaches and recommendations that I have mentioned in my testimony today are reflected in these groups' recommendations for EDA reauthorization, including making enhanced investments in planning and pre-development, reducing local match, and investing in EDDs.

In addition, I also encourage Congress to take action to pass a new Farm Bill that addresses complex rural needs and strives to promote rural-urban linkages and interdependence.

More broadly, I encourage Congress to continue to seek other ways to elevate the needs of disadvantaged communities through reauthorizations and other legislative vehicles.

Thank you for the opportunity to address the Committee today, and I look forward to answering your questions.