

W 5 C

Memorandum Date: September 27, 2005
Order Date: Same

TO: Board of County Commissioners

DEPARTMENT: County Administration

PRESENTED BY: Peter Thurston, C and ED Coordinator

AGENDA ITEM TITLE: IN THE MATTER OF APPROVING A LETTER REGARDING
CHANGES IN FEDERAL ECONOMIC DEVELOPMENT
DISTRICT RULES

I. **MOTION** IT IS MOVED THAT THE LETTER TO THE US DEPARTMENT OF
COMMERCE IS APPROVED REGARDING CHANGES IN FEDERAL ECONOMIC
DEVELOPMENT DISTRICT RULES

II. **AGENDA ITEM SUMMARY**

The United States Department of Commerce proposal for final rules changing the operations of economic development districts. These rule changes will substantially unbalance the current working relationship between public and private members of the Cascades West Economic Development District.

III. **BACKGROUND/IMPLICATIONS OF ACTION**

A. **Board Action and Other History**

This is a new matter that recently came to the attention of members of the Cascades West Economic Development District. Lane County is one of four county boards of commissioners that regularly authorize the regional economic development plan for the district.

B. **Policy Issues**

Lane County actively supports private sector and public agency cooperation at all levels to accomplish economic development goals. The draft letter is consistent with letters under consideration by other public agencies opposing the proposed interim final rules.

C. **Board Goals**

Proposed rule changes directly affect the ability of local government to partner with private and public agencies to meet shared economic development goals, including Lane County's strategies for job creation, training for higher paying jobs, and improved quality of life for Lane County residents.

D. Financial and/or Resource Considerations

The greatest financial implications from this action will result from the final form the economic development district rules take.

E. Analysis

The Cascades West Economic Development District covers Lane, Benton, Lincoln and Linn counties. The district serves as a means to organize discussions with the federal government concerning economic development projects and issues. The district develops a Comprehensive Economic Development Strategy for the region (this is currently being revised). Participation in the District also allows Lane Council of Governments to offer an EDA Revolving Loan Fund, and to receive EDA funds for such projects as the business cluster support program just developing in Lane County. Lane County government provided part of the initial funding for the Lane Business Development Fund and as recently as 2004 contributed directly to the expansion of this county-wide business development fund.

The National Association of Development Organizations has put out a warning about proposed rule changes at the national level. According to NADO "The Economic Development Administration (EDA) published interim final rules that make significant policy and programmatic changes to the planning program for Economic Development Districts. The rules, published on August 11 in the *Federal Register*, are intended to implement changes made by the 2004 reauthorization act (P.L. 108-373).

"The interim final rule would significantly alter and threaten the long-standing and proven practices of the nation's 320 Economic Development Districts (EDDs). The new rules disregard the bipartisan compromise negotiated by Congress, the senior political leadership of EDA and NADO during the reauthorization process last year. While the reauthorization bill retained (and in some cases enhanced) the core mission, duties and responsibilities of EDDs, the new rules would radically change their governance structure, operational authority and prospects for future funding assistance from the agency."

NADO strongly recommends that all entities involved in an EDD send a letter such as is attached to Washington D.C. The comment deadline is October 11. More information can be found at http://www.magnetmail.net/actions/email_web_version.cfm?recipient_id=20441683&message_id=120519&user_id=NADO

F. Alternatives/Options

The Board of Commissioners may: 1) authorize the letter as written, 2) add to or modify the text of the letter, or 3) determine not to send a letter to the US Department of Commerce on this matter.

V. TIMING/IMPLEMENTATION

The deadline for comment on this rule is October 11, 2005.

VI. RECOMMENDATION

Number 1, above, is recommended, or a modification of the text, if the Board wants to emphasize a particular aspect of the opposition to rule changes.

VII. FOLLOW-UP

Upon approval of the Board, the letter will be put on Board letterhead and be mailed to the US Department of Commerce, with copies to the Oregon Delegation.

VII. ATTACHMENTS

Draft letter

\\RIB\BCC memo-order on rule changes 9-05.doc

BCC Letterhead

September 27, 2005

Economic Development Administration
Office of Chief Counsel
1401 Constitution Avenue, NW, Room 7005
Washington, DC 20230
Via Fax: 202.482.5671

Re: Comments on the Interim Final Rule

Dear EDA Chief Counsel:

The Lane County Board of Commissioners is writing to express strong opposition to the interim final rules proposed by the Economic Development Administration (EDA) on August 11, 2005. We are specifically opposed to changing the governance and operational requirements for Economic Development Districts, increasing local costs for EDA planning and project development activities, and minimizing local government participation in local planning and development activities.

In a county that is the size of the state of Connecticut, and a regional Economic Development twice that size, where we rely on public/private cooperation, we are concerned that the interim final rules minimize partnership among federal, state and local officials in advancing the economic interests of our local communities. Lane County regularly commits funds to economic development projects aimed at creating jobs that support families and train people in new skills for higher paying employment. The new rules isolate public and private-sector roles in building the economy and potentially trivialize local governments' involvement, without any appeals processes, especially with regard to the designation and future funding for Economic Development Districts (EDD). Most of the requirements for grantee performance measurements are vague and open to interpretations among the different regional offices. In addition, the interim final rule appears to severely restrict the operational flexibility, future funding, governance structure and professional services of our EDD.

Lane County government involves the broadest spectrum of public and private involvement in economic development through a variety of local public, private/public, and private non-profit agencies. Activities of these partners are coordinated with state and federal goals through our regional EDD planning process. We are specifically concerned about the new requirements that change the governing bodies of Economic Development Districts from the majority control of local government officials to private sector representatives. Our current EDD has strong participation from private partners. It is very unlikely that mandating a change in structure would increase the contribution currently being made by private partners. A change such as proposed, however, would be likely to adversely affect local government participation, which could threaten the future of the EDD, since local governments pay the 50 percent local matching

share required by EDA, are responsible for building and sustaining our public infrastructure, and have responsibility for land use and zoning issues.

We are very concerned about changes in EDA matching rates for all agency investments, including planning grants, public works investments and economic adjustment assistance. This policy has significant cost implications for local communities. Currently, each EDD must provide a 50 percent local match for their planning grant, with a potential waiver to a 75-25% rate. Our local officials provide the matching funds because they recognize the benefits of working regionally to solve local problems and the community dividends that are achieved by participating in the Economic Development District. Public agency increased costs while reducing representation in the decision-making of the EDD for both EDA planning awards and infrastructure projects will put our future economic progress in jeopardy.

In sum, we are unanimously opposed to efforts throughout the interim final rules that severely reduce the involvement and control of local government officials in strategic planning and development activities. This includes turning over the CEDS process in our region to private sector interests, removing local government control of the EDDs, restricting the operational flexibility and capabilities of our EDD, and increasing the local cost burden for EDA projects. Thank you for the opportunity to express our concerns on this important matter.

Sincerely,

Anna Morrison, Chair
Lane County Board of Commissioners

Copies:
-Oregon Delegation

\\RIB\BCC ltr on EDD changes 9-05.doc