

March 27, 2023

Economic Development Administration
U.S. Department of Commerce

Subject: Implementation of the Recompete Pilot Program

The Chips and Science Act not only provided \$52.7 billion for American semiconductor research and manufacturing but also authorized \$1 billion for the Recompete Pilot Program. The original standalone RECOMPETE (Rebuilding Economies and Creating Opportunities for More People Everywhere to Excel) Act would have provided \$175 billion to distressed communities over a decade, which makes this CHIPS authorization small by comparison. And as of fiscal year 2023, only \$200 million has been appropriated for the program, with no certainty that more funds will become available.

Despite its limited funding, the goal of the Recompete Pilot Program is to make meaningful economic improvements in labor markets and communities that have been distressed for decades, as measured by their prime-age employment gap. It provides 10-year Recompete Grants to distressed local labor markets, distressed communities, and Tribal governments. Funds can be used for a wide range of economic development projects: infrastructure, brownfield redevelopment, workforce development, small business assistance, and resources to link residents with opportunities. Given the likelihood that its funding will be stretched thin, grantee selection, program design, and performance indicators are critically important.

In this letter, we respond to an assortment of the specific prompts outlined in the RFI.

Question 1. What barriers need to be addressed in areas with high prime-age employment gaps?

Distressed local labor markets generally face multiple barriers to closing their prime-age employment gaps, and grant funds will be insufficient to address all of them. Consequently, a hierarchy of needs must be considered, and funds should be allocated to projects likely to have the most significant impact.

The underlying causes of a prime-age employment gap are complex and vary from one community to the next. EDA should encourage applicants to establish why this gap exists before settling on a suitable intervention and performance outcomes. The two principal factors that drive prime employment age gaps are:

1. **A lack of quality employment opportunities within a region.** The region needs more good-paying jobs relative to the number of prime-age workers seeking employment. The strength of the regional labor market and industrial composition are key determinants here.

2. **A lack of access to employment opportunities within a region.** A region may have a high share of good-paying jobs per capita, but a significant portion of the region's population is not able to access those jobs, either due to constraints of the physical environment or a lack of the skills needed for employment in available opportunities.

A lack of employment opportunities and a lack of access to jobs often exist in tandem. A suite of metrics that capture both is needed to identify the unique combination of strengths and weaknesses in eligible geographies to guide interventions. Ideally, to simultaneously close the prime-age employment gap and grow median household incomes, more middle-skill jobs are needed to move more people living in distressed communities into the middle class. Grantees should focus on the industry sectors most likely to generate these jobs, which ideally would not require a four-year college degree, along with more postsecondary education and training for low-income workers.

Access to employment opportunities is even more challenging to measure. Geographic barriers to employment, such as an inadequate public transportation system, which gives low-income workers [few alternatives](#) to owning a vehicle and driving long distances to employment, or excess distance between low-income households and employment centers, cannot be measured with readily available data. Skills gaps are easier to quantify and can include metrics such as the share of the population with an associate's degree or higher.

Rural counties have experienced steeper losses of prime-age workers over the last two decades compared to urban and suburban counties and face a more uphill road to regaining those workers. These more remote geographies have a greater chance of simply needing more employment opportunities. For more urban counties, even those that have done a better job holding onto prime-age workers, a lack of access to employment opportunities is more prevalent. Both rural and urban communities should be well-represented in the pilot program.

Question 3c. What features of existing block grant programs should EDA adopt or avoid?

The Recompete Grant is a flexible block grant that communities can use for a wide range of economic development goals, which may lead to different outcomes across communities. Its intent, however, as defined by statute, is "to address the economic challenges of the eligible area in a comprehensive manner that promotes long-term, sustained economic growth, lasting job creation, per capita wage increases, and reduction in the prime-age employment gap of the eligible area." These ambitious goals for the program may, at times, prove somewhat at odds with its flexibility and encouragement of community-developed solutions to community-identified challenges. The temptation with block grants is always to use the flexible funding to close the gaps in near-term needs, while the program's goals call for more transformational initiatives. When administering Recompete grants, EDA should encourage communities to use grant funds in ways that make the most sense for the community while not losing sight of the program's big-picture goals.

The benefit of block grants is that they give more local control and flexibility over the use of funds as opposed to categorical grants, which are a top-down approach that requires

communities to compete for funds that they can only apply to a specific purpose. The downside of block grants is that without correctly calibrated performance metrics, there is a risk that communities will spend funds in ways that technically meet the requirements of the Recompete Pilot Program but are not the optimal approach to achieve the program's goals. EDA needs to design the program to include well-defined follow-through and performance metrics that hold state and local governments accountable for how they spend grant funds.

The Recompete Pilot Program shares much of the same DNA as other federal block grant programs, especially the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) program. Lessons learned from that program over its 50-year history may prove relevant for the success of Recompete grants. Even with the best intentions, monitoring the impact of funds and how they are used is difficult to get right, especially when many different activities qualify as an appropriate use. A National Academy of Public Administration [study](#) on CDBG performance measures found it was challenging to create a performance measurement system for a block grant program that safeguards grantees' flexibility and holds them accountable.

The Recompete Pilot Program has much more precise geographic targeting requirements tied to the area's economic conditions than CDBG. EDA should leverage this strength to invest more strategically than CDBG. In the past, CDBG has [been criticized for poor targeting and not concentrating investments](#), leading to dilution or misalignment of funding streams that reduced effectiveness. The experience with CDBG suggests that EDA may want to be especially careful in ensuring the appropriate targeting of funds *within* qualifying geographies, too (for additional commentary, see the response to question 7 below), without which funds may gravitate from distressed areas towards better off ones within the qualifying unit or jurisdiction. However, effective program management practices will be challenging to implement. EDA will need to work closely with grantees to develop performance metrics that are implementable and appropriate for diverse geographies and interventions.

Question 6. What are some best practices for building local public capacity to prepare communities for Recompete implementation?

A lack of institutional capacity is a challenge for the typical economically distressed community. These communities may need more staff, resources, or political coordination to apply for a grant like the one offered by the Recompete Pilot Program. They also will need ongoing support to successfully implement the grant, ensure compliance, and monitor progress. The grant selection process should be designed so that these communities are not overlooked. EDA's Economic Development Districts (EDDs) have the potential to play a pivotal role here and bridge the gap between low-capacity communities and the Recompetes grant process. They can identify the highest-need communities, offer a local knowledge of potential projects, and be essential partners on the ground that will facilitate implementation and compliance with the grant.

Whether using part of the Recompetes appropriation or other resources, EDA should use this opportunity to provide technical support and build more hands-on capacity in communities with weak institutional support to apply for and administer federal grants successfully. Recompete

grants offer a chance to bolster self-sufficiency in low-capacity communities through the grant selection process. Communities that would struggle to apply for a Recompete grant independently may also struggle to administer and implement the awards. However, it would be meaningful if EDA still made inroads helping deeply distressed places break out of the “capacity catch-22” in the pilot phase.

Question 7. What are the most important considerations in calibrating interventions in differently-sized geographic areas?

The expansive geographies that qualify for the Recompete Pilot Program raise concerns that funds may need to be more targeted. Entire metropolitan areas and commuting zones can qualify for the grant; however, even among geographies with a significant prime-age employment gap, this disparity may not be uniformly shared across an eligible region. This disparity is also true within a single county, where economic distress can be concentrated in a few areas. For example, Gadsden County, Florida, the subject of a forthcoming case study EIG conducted under an EDA grant, is not uniformly economically distressed even though it registers as such in the aggregate. Several municipalities in the county are prospering even as others continue to fall further behind. Better-off corners of distressed geographies are usually better at acquiring and deploying funding, reinforcing within-area divides. EDA should work with communities throughout the process—from application to implementation to evaluation—to ensure that funds remain targeted to distressed areas locally.

This problem compounds within a multi-county region. Using funds to construct a job training center in the wealthiest county of a distressed metropolitan area may not benefit workers in the poorest county of that metro if they cannot commute to the training center. EDA should thoroughly review each grantee’s planned use of Recompete funds and identify areas of severe distress within eligible regions to verify whether projects reach the most distressed areas.

If grants are awarded to local communities or municipalities instead of local labor markets, a potential issue arises around whether the resulting jobs or benefits go to members of that local community or instead accrue to residents from outside who commute to the new jobs created, for example. Rather than try to engineer a program to circumvent such natural economic processes, EIG recommends that EDA work with communities to identify interventions that work with the flow and churn of a local labor market and take these realities into account. Getting the underemployed residents of distressed communities into good, stable employment is much harder than increasing the number of jobs in an area and a very different task.

For both labor markets and communities, a nuanced understanding of intra-regional variation in prime-age employment should be a focus in both applications and strategic planning. Census tracts or zip codes would be optimal geographies for measuring prime-age employment within labor markets and communities. This reflects the reality that spatial inequality is one of the most significant barriers to economic development in left-behind places.

Question 8. What are some interventions that have shown potential in highly distressed labor markets and communities?

Most successful interventions in distressed communities are bottom-up instead of top-down; in other words, community input and buy-in are crucial. The comprehensive strategies developed by communities selected for the Recompete Pilot Program should tailor best practices to each community's unique combination of needs and assets. Some examples of best practices from across the country are discussed here. Some other examples can be found in the excellent work of the Upjohn Institute, which has studied the concept of [Neighborhood Hubs](#) to get around some of the targeting issues mentioned above, helping distressed community residents obtain jobs. In many communities, the optimal intervention may be to scale up a program or asset already established in the community that lacks the funding needed to achieve a broad impact but has nonetheless proven to be successful on a smaller scale.

There are many examples of small-scale programs with proven track records in distressed communities across the country. EIG is an EDA RNTA grantee for a study to advance the economic development of persistently poor areas, and we have identified some examples of successful programs through that research.

1. **Business accelerator in South Phoenix, Arizona.** Small business owners in South Phoenix's low-income communities, most of whom are Hispanic or Black, tend to mistrust large financial institutions and rely on less formal banking institutions. Some businesses operate without a checking account or formal bank services, and many lack an online presence. The non-profit Local First operates two business accelerators in the community designed to help small businesses scale up, allowing those businesses to provide more employment opportunities to residents.
2. **Plan for inclusive economic growth in North St. Louis, Missouri.** Funded by the Build Back Better Regional Challenge, the St. Louis Tech Triangle is a suite of initiatives intended to foster inclusive economic growth by leveraging existing regional assets—the historical manufacturing base as well as growing bioscience and geospatial clusters—while also addressing past racial and spatial injustice. It emphasizes the role of community-based organizations, embracing the intent to ensure broad-based opportunities and benefits for residents in North St. Louis: job and business opportunities targeted for residents and underserved populations; training and apprenticeship opportunities; new spaces for community gathering and services; and streetscape improvements.
3. **Community college in Big Horn County, Montana.** Little Big Horn College (LBHC)'s work provides a solid foundation for building effective workforce development programs. Located on tribal territory in Crow Agency, the college is a valuable county-wide resource that currently enrolls about 250–300 students annually, on average. Tribal members make up most of the employees at the college, and many graduates end up working in the education sector or local government. In recent years, the school has offered several apprenticeship and trade education programs focused on local in-demand industries. However, the programs have recorded mixed results due to limited sustained enrollment, inconsistent grant funding, and placement issues.
4. **Freight Corridor in Gadsden County, Florida.** Gadsden County is well-positioned to expand its transportation and logistics sector, which will better connect it to the broader region and generate new employment opportunities for its residents. Its interstate and

highway infrastructure connects Gadsden to seaports like Port St. Joe to the south and the rest of the Eastern Seaboard. It is also served by a railway mainline and the nearby Tallahassee International Airport. A Gulf-to-Gadsden Freight Logistics Zone has been proposed by the Florida Department of Economic Opportunity that would be a transformative infrastructure project if it came to fruition. It would expand on this interconnectivity and promote economic development opportunities along the corridor.

Question 9. Are there other measures beyond prime-age employment and median household income recommended to reach persistently distressed areas?

In drawing up the list of eligible places, EIG recommends triangulating across at least two metrics. Forthcoming research from EIG assesses the level of development in persistent-poverty communities and finds that a single metric falls short of fully capturing the map of economic distress. Similarly, our first-hand experience watching governors designate Opportunity Zones off the statutory definition of a low-income community (which allows places to qualify based on either the poverty rate or the median family income) convinced us of the value of using at least two measures to engage in precision geographic targeting. The statute allows for some flexibility in determining eligibility. Including additional criteria is one option for narrowing down the list of eligible places. Prime-age employment and median household income are two of our preferred measures for identifying distressed areas, and we are confident in them. Program administrators may wish to consider adjusting MHI to account for regional differences in cost of living, much like the low-income community definition.

In addition, EIG recommends that EDA not only look at the level of prime-age underemployment in an area but also the *persistence* of low employment rates in an area over time. EIG's work in the persistent poverty space finds that places that have chronically struggled with elevated poverty rates over decades tend to be much more comprehensively economically distressed than areas that newly crossed the threshold into high poverty (or, in this case, low employment). Of course, there may be compelling reasons to try to "catch" a place just entering decline while it may remain more resilient than an area chronically struggling, but in general, time itself is an important flag of severe distress.

Question 11. What elements should Recompete plans include?

Approved Recompete plans should include information on how the desired intervention integrates into a complete, holistic strategy and how the locality plans to make it sustainable after funding ceases. For example, it is imperative that a successful workforce training program not only award certificates but also prepare people to obtain and keep jobs. In the example of Little Big Horn College mentioned above, the locality's challenge comes in motivating graduates to find and keep jobs after graduation. The high-quality programming of the community college falls short of its potential because it is not bolstered by a stronger workforce development and social support system around it. Grantees must show they have constructed an entire pipeline around the funded intervention or strategy. Similarly, grant winners should be required to begin thinking early about how they will make the awarded initiatives sustainable and not dependent on a continuous federal subsidy.

Question 13. Scaling the program to match its limited appropriation

EDA needs to determine how to realize the vision of the program's \$1 billion statutory authorization with a significantly smaller funding level; this leads to a choice between maximizing the coverage of awards or maximizing the impact of each. Limiting implementation awards to the statutory minimum of \$20 million would maximize coverage but likely dilute the program's impact in each place. Even a strategically deployed \$20 million would struggle to meaningfully alter the economic trajectory of an entire labor market or modestly-sized community suffering from long-term economic distress. EDA should consider awarding larger amounts to geographies where there will likely be a measurable impact, which in turn may offer a proof of concept that may lead to a future expansion of the program.

The pilot program's success partly depends on which communities are selected to receive a grant. Especially given that Recompete has only been authorized as a pilot, it needs to demonstrate impact if Congress is ever to authorize it in full. To do that, its awards should balance the likelihood of producing change on the ground with the goal of turning around deeply distressed local labor markets. While it is a noble goal to help communities experiencing the worst economic distress, there is also a rationale for directing funds to communities where the investment has the most potential to be catalytic.

Question 16. How should EDA measure success, and what would be indicators of successful implementation?

If the Recompete Pilot Program is to provide a successful and defensible proof of concept, then its impact needs to be comprehensively measured. Its 10-year time horizon offers an extended period to track changes in local labor markets, even if attributing those changes to the program will prove difficult. EDA should track multiple metrics throughout the implementation of each grant to fully capture the program's impact.

As stated in the statute, the Recompete Pilot Program aims to close the gap in prime-age employment. Therefore, this should be the core metric against which success is measured. However, EDA should monitor additional metrics for two reasons: a) to fully understand the knock-on effects of the policy, and b) to quantify partial success if the stated goal of closing the prime-age employment gap is unmet. The effects of the Recompete Pilot Program should be tracked both within labor markets and at the neighborhood level. There is [strong evidence](#) that increases in employment rates throughout a labor market will have spillover effects.

The Recompete Pilot Program will potentially have a wide-reaching impact on communities; a suite of different metrics offers the greatest likelihood of capturing that impact. These might include poverty rates, in-migration rates, youth employment rates, and, most importantly, assessments of *convergence* between targeted distressed communities and their wider areas (e.g., between the groups of census tracts in which prime-age employment lags furthest behind and the rest of the metro area).

Because the Recompetes Pilot Program also targets infrastructure improvements, EDA may also want to track improvements in community infrastructure, especially broadband access, which ties into access to employment opportunities. For rural communities, a lack of broadband access can be an important hindrance to economic development.

Given the pilot nature of the program, EIG recommends that EDA rely heavily on *qualitative* evaluation methods to maximize learning as well. Each Recompete award winner will be a case study. Many of the targeted communities will be swimming upstream economically, with some powerful forces weighing down their economic performance. Some successful initiatives may fail to register quantitatively at the regional scale when all the other economic trends and forces affecting a region net out. Nonetheless, the pilot program must draw on all the lessons it can, and that will only be possible with rigorous qualitative evaluation. EDA should reserve some of the authorized funding to make an award specifically for evaluation. Surveys, interviews, and other tools will help establish how the program affects individual economic and community well-being.

In measuring performance, it will be important to differentiate between evidence that a grantee has been busy and evidence that it has been impactful. Recompete award winners are not supposed to only deliver a service—they are supposed to catalyze change. Especially in workforce and economic development, it is much easier to measure what has been done (students served, certificates conferred, roundtables held, calls serviced, deals brokered) than to measure what that work accomplished for people and the economy. The ambitions of the program call for high marks on the latter, however.

Finally, the cost of monitoring performance and the institutional capacity needed to do so is a potential challenge for many distressed communities. EDA should assist low-capacity communities that cannot easily monitor project outcomes with training or resources. And as important as metrics and performance tracking are, they should not become such an administrative burden that they meaningfully detract from the business of implementation.

Conclusion

The Recompete Pilot Program has the potential to be a successful proof of concept for a new generation of economic development policies that focus on the country's left-behind communities. That success depends on a program design that counterbalances the program's flexibility with clear accountability and benchmarks. It is equally important to ensure that funds go to projects that will have the greatest impact in the highest-need communities. EDA should use carefully chosen metrics to guide grantees toward optimal interventions and track progress in meeting key benchmarks to ensure that the pilot program is demonstrably successful.