

GAO@100 Highlights

Highlights of [GAO-21-579](#), a report to congressional requesters

Why GAO Did This Study

States spend billions of dollars annually in business incentives to attract and retain individual businesses or industries. EDA, HUD, and USDA administer programs that support states' economic development goals and encourage strategic planning. In previous reports, we have identified concerns related to fragmentation in these agencies' efforts to collaborate on economic development programs with each other.

GAO was asked to review issues related to these state and federal economic development efforts. This report examines the use of federal economic development programs to support state business incentives and how selected federal agencies collaborate on these programs, among other issues.

GAO reviewed information on federal economic development programs and business incentives in four states (selected because the states offer incentives of \$50 million or more and vary geographically). GAO interviewed federal and state agency officials and policy organizations.

What GAO Recommends

GAO is making five recommendations related to enhancing collaboration across the three agencies, including that EDA and HUD revisit its agreement on economic development planning, determine the extent to which USDA should be included, and monitor progress towards stated outcomes. The agencies generally agreed with the recommendations.

View [GAO-21-579](#). For more information, contact William Shear at (202) 512-8678 or ShearW@gao.gov.

July 2021

ECONOMIC DEVELOPMENT

Opportunities Exist for Further Collaboration among EDA, HUD, and USDA

What GAO Found

Federal economic development programs and state business incentives approach economic development in different ways. In GAO's review of six large state business incentive packages (\$50 million or more) in four states, federal economic development program funds were not directly used. Reasons for limited use could include differences in purposes and goals, and limitations on how federal funds can be used. For example, the goals of economic development programs administered by the Department of Commerce's Economic Development Administration (EDA), the Department of Housing and Urban Development (HUD), and the U.S. Department of Agriculture (USDA) do not completely align with the goals of state business incentives, the latter of which include attracting and retaining individual businesses.

Although these incentive packages were not funded with federal economic development program funds, some of the businesses that received a large incentive package were highlighted in federal strategic plans as opportunities for investment and job growth in the local economy. The economic development programs of EDA, HUD, and USDA each encourage or require state and local communities to conduct strategic planning, which includes obtaining input from a range of public and private stakeholders and identifying ways to leverage other available resources, such as federal and state funding. Recognizing the similarities in what they require of grantees, in 2016, EDA and HUD entered into an interagency agreement to align planning requirements under their programs. The agencies implemented certain aspects of the agreement, such as issuing joint guidance to applicants. However, they have not implemented selected leading practices for effective interagency collaboration:

- **Updating written agreements:** EDA and HUD have not regularly monitored or updated their interagency agreement to reflect changing priorities of either agency. Officials stated the agencies have prioritized other areas for coordination, such as disaster relief, instead of state and local strategic planning processes.
- **Including relevant participants:** EDA and HUD have made limited efforts to involve USDA in their collaborative efforts. USDA also encourages strategic planning for local communities.
- **Monitoring progress towards outcomes:** EDA and HUD's agreement identifies specific outcomes, including effectively aligning federal, state, and local resources for economic development. However, the agencies have not monitored progress or addressed any related challenges in meeting the stated outcomes of the collaboration.

By incorporating selected leading practices for effective collaboration, EDA and HUD can help grantees and local communities better manage fragmented efforts to meet federal requirements for strategic planning and more effectively align federal and state resources.