Economic Development Administration Announces Phase 1 of New Tech Hubs Program

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In reaction to concerns about widening socioeconomic and regional disparities, as well as the capacity of small, rural, and underserved communities to be competitive in the global economy, Congress expanded support for regional innovation policies. Through the CHIPS and Science Act (P.L. 117-167), Congress established the Regional Technology and Innovation Hubs (Tech Hubs) program, a place-based, technology-focused initiative, designed to facilitate economic growth, create jobs, and contribute to national competitiveness. Congress appropriated $500 million for the program in FY2023 (P.L. 117-328). For additional information, see CRS Report R47495, *Regional Innovation: Federal Programs and Issues for Consideration*.

On May 12, the Economic Development Administration (EDA) released the first of two planned Notices of Funding Opportunity (NOFOs) for the Tech Hubs. This Insight provides an overview of the programand considerations for Congress. It does not cover application instructions, which are included in the NOFO.

Program Overview and Structure

According to the NOFO, the purpose of the Tech Hubs program is to

> strengthen U.S. economic and national security through place-based investments in regions with the assets, resources, capacity, and potential to become globally competitive Tech Hubs, within approximately ten years, in the technologies and industries of the future, and for those industries, companies, and the good jobs they create to start, grow, and remain in the United States.

Many existing federal economic development programs focus on a single strategy (e.g., workforce, capital access, or infrastructure). In contrast, the Tech Hubs program is designed to support the development of a region's overall innovation ecosystem.

EDA plans to administer two Tech Hubs funding awards:

- **Strategy development awards**—to help a consortium prepare to apply for an implementation award and/or Tech Hub designation by supporting planning, coordination, and pre-development activities; and

- **Strategy implementation awards**—to support economic development activities such as workforce development, business and entrepreneur development, technology maturation, and infrastructure.

EDA plans to administer the program in two phases. In Phase 1, an applicant can apply for a strategy development award, a Tech Hub designation, or both. Only entities that are *already designated* as Tech Hubs in Phase 1 will be permitted to apply for implementation awards under the Phase 2 NOFO. Designated Tech Hubs, however, will not be required to receive a strategy development award to apply for an implementation award. EDA is statutorily required to designate at least 20 Tech Hubs and indicates that designation is a strong signal of a region's potential. There is no funding associated with the designation. Each hub is encouraged to identify its key technology focus area(s) from an established list of 10 focus areas.

Most applicants seeking a strategy development award are required to provide matching funds. However, the percent of matching funds may be lowered for projects led by or benefitting tribal communities or communities that are small and rural or otherwise underserved.

EDA plans to award $15 million in strategy development funds under Phase 1 (award sizes ranging between $400,000-$500,000) and anticipates funding 5 to 10 strategy implementation grants under Phase 2 (award sizes ranging between $50 million-$75 million).

Eligible Applicants

EDA plans to award grants to eligible consortia. In addition to other entities, an eligible consortium must include one or more representatives from:

- Institutions of higher education;

- State, territorial, local, or tribal governments or other political subdivisions of a state;

- Industry groups or firms in relevant technology, innovation, or manufacturing sectors;

- Economic development organizations or similar entities; and

- Labor or workforce training organizations.

The NOFO encourages the participation of at least two private firms in an eligible consortium, and notes that other entities may be part of the consortium. One of the consortium members will be the lead applicant.

Selection Criteria

Strategy development applications are to be reviewed based on three equally weighted selection criteria:

- The extent to which the project will strengthen engagement and collaboration among regional stakeholders, whether or not they are consortium members;

- The consortium's organizational and leadership capacity, including financial and management capacity; and

- The project's potential to increase the capacity of the region to achieve designation as a hub.

Hub designation applications are to be reviewed against seven selection criteria:

- Technology-based potential of the region for global competitiveness;
- Role of the private sector;
- Regional coordination and partnerships;
- Equity and diversity;
- Composition and capacity of the regional workforce;
- Innovative "lab-to-market" approaches; and
- Impact on the economic and national security of the entire United States.

Applications are to be scored out of 51 points, with a maximum of six points for each criteria, except the "technology-based potential of the region for global competitiveness" criteria which is worth a maximum of 15 points.

The NOFO indicates that it will focus on regions that demonstrate potential—but are not yet fully developed—for designations and awards. It also notes that "EDA will not fund basic and fundamental research nor activities intended to increase capacity to conduct such research … EDA will also not fund a region that, absent EDA funding, is on a clear path to global competitiveness."

Policy Considerations

Congress may consider the following as EDA implements the first phase of the Tech Hubs program:

- P.L. 117-167 authorized $10 billion over five years for the program. Will Congress continue providing appropriations and at what level of funding?

- In addition to the selection criteria described above, will EDA consider other factors (e.g., the extent to which a hub will benefit rural communities or leverages minority-serving institutions) in awarding funds and making designations? If so, how will EDA weigh such factors? What does a balanced portfolio, in terms of geography and technology focus areas, look like?

- What metrics will EDA use to measure the performance and success of designated hubs and the program as a whole? Should such metrics vary over time, and if so, how?

- Will EDA provide additional technical assistance to designated hubs, and if so, how?

- Does EDA have the staff and technical expertise necessary to appropriately administer and oversee the program?

- How will EDA coordinate its efforts and awards with other agencies supporting regional innovation activities, including other Commerce agencies?

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