



US COMMUNITY ADJUSTMENT AND INVESTMENT PROGRAM

Introduction

In an effort to stimulate trade between the U.S., Mexican and Canadian economies, the North American Free Trade Agreement (NAFTA) was signed in October 1992 and ratified by the three countries in 1993. In anticipation of the environmental impact that the removal of trade barriers would cause, a side agreement was reached establishing the North American Development Bank (NADBank). The *Agreement Between the Government of the United States of America and the Government of the United Mexican States Concerning the Establishment of a Border Environment Cooperation Commission and a North American Development Bank* (the Charter) was executed in November of 1993. Chapter II, Article IV of the Charter addresses the Community Adjustment and Investment Operations of the NADBank authorizing the use of grants, loans and loan guarantees for community adjustment and investment in an amount not to exceed 10 percent of the paid-in capital paid to the NADBank by the United States.

The Agreement was implemented by Executive Order 12916 on May 13, 1994 to ensure environmental protection and sustainable development. Representatives of the NADBank Board were named and the provision was made that they be instructed by the Department of Treasury for purposes of loans, guarantees or grants endorsed by the United States for community adjustment and investment. The various functions vested in the President pertaining to these regards were delegated to the Secretary of the Treasury; the Secretary of the Treasury in accordance with the recommendations of the Community Adjustment and Investment Program (CAIP) Finance Committee; and the Finance Committee in consultation with the Advisory Committee. Named to the Finance Committee were the Departments of Treasury, Agriculture, Housing and Urban Development, Labor, Commerce, the Small Business Administration and others at the discretion of the Chair, that position being assigned to the Department of the Treasury.

NADBank operations began in the San Antonio office on November 10, 1994 with the initial capital subscriptions of the U.S. and Mexican governments. The USCAIP received \$22.5 million. In August of 1995, the Department of Treasury and the NADBank entered into a memorandum of understanding regarding operations of the CAIP. Subsequently the CAIP Finance Committee worked to establish eligibility criteria and guidelines. In June of 1997, the Treasury Department entered into MOUs with USDA and SBA regarding the use of their programs to achieve the objectives of the CAIP with CAIP funds. That same year, the CAIP Direct Loan program was initiated.

The Omnibus Consolidated and Emergency Supplemental Appropriations Act for 1999, approved in October of 1998, included an appropriation of \$10 million for CAIP technical assistance, grants, loans, loan guarantees and other financial subsidies endorsed by the Finance Committee. Additional funding of \$10 million for the CAIP was approved in November of 1999 and provided with a second Congressional Appropriation in 2000.

About USCAIP

Shifts in trade that were precipitated by NAFTA impacted communities throughout the United States. CAIP assistance to areas that suffered job losses due to changing trade patterns was designed to stimulate private sector employment and growth.

The CAIP was created to help US communities that suffered significant job losses as a result of NAFTA. The NAFTA Implementation Act (Act) authorized the US to participate in the NADBank. The Act authorized the appropriation of \$225 million as paid-in capital to the Bank, of which 10 percent was earmarked for the US CAIP to provide direct loans, loan guarantees and grants. As a result, \$22.5 million of paid-in capital was available to carry out the US CAIP. In addition, between Fiscal Year 1999 and Fiscal Year 2000, \$20 million was appropriated for the US CAIP.

The CAIP provided financing through three programs: the federal agency program, the direct loan program and the grant program.

Federal Agency Program: The CAIP partnered with federal credit programs administered by the Small Business Administration (SBA) and the US Department of Agriculture to reduce the costs of borrowing. The program leveraged private sector business lending by making loans and loan guarantees available to private sector firms in CAIP eligible communities (hereafter “Designated Eligible Areas” or “DEAs”) to assist them in creating and preserving jobs.

Direct Loan Program: In the event that conventional or guaranteed financing was not available or appropriate, the CAIP sought to assist the development and operation of programs and projects designed to create and preserve private sector jobs through direct participation. The direct loan program provided financing for business expansion that resulted in the creation of jobs.

Grant Program: The USCAIP Grant Program has awarded a total of \$23,894,013 million to 75 projects in 19 different states throughout the country, from coast to coast and along the US-Mexico border resulting in the creation of over 8,400 and retention of over 7,200 jobs. These funds have been used to support revolving loan funds, real estate development, new industry attraction, workforce development, small business development, and incubator projects. Two competitive grant funding rounds were implemented in 2000 and 2001 using the appropriated funds. Approximately \$12 million was disbursed in 39 grants. Just over 5,000 private sector jobs were created and 4,200 preserved in CAIP DEAs as a result of the two competitive grant rounds. One continuation grant round was implemented in 2007 with approximately \$1 million in new grants awarded to entities that had previously received and successfully completed grants under the CAIP competitive grant program. These continuation grants resulted in the creation of 396 and preservation of 220 private sector jobs in DEAs. Based on the track record of the grant rounds, in 2008, the Finance Committee unanimously endorsed the creation of a Targeted Grant program. The Targeted Grant Program has used the remaining Allocated Funds as they became available.

USCAIP Mission

The CAIP acts as a catalyst for NAFTA-affected communities to fortify their local economies; retain and expand local businesses; and create and preserve private sector jobs.

Financial Assistance Programs

Loan Program

Federal Agency

Memorandums of Understanding were entered into with the USDA and the SBA, under which each agency agreed to use one or more of their federal direct loan or loan guarantee programs to achieve the objectives of the CAIP. In exchange, the CAIP made funds available to those agencies to pay the Federal Credit Reform Act budget subsidy costs of any loans or loan guarantee provided by the agencies for CAIP purposes and paid other costs and fees associated with the loans or loan guarantees so provided. The USDA utilized CAIP funds in its Business and Industry Guaranteed Loan Program. The SBA did so in its 7(a) Loan Guarantee Program and its 504 Program.

Direct

The CAIP Direct Loan Program was established to achieve the objectives of the CAIP beyond the federal agency program and leverage other state and federal programs. The Direct Loan Program offered direct financing for borrowers or projects that did not meet criteria for conventional financing or for a loan guarantee program of one of the participating agencies. Private entities located in DEAs with projects that resulted in job creation or preservation in DEAs participated in this program.

A total of 9 loans were made under this program. Borrowers were from 3 states. The total amount of direct loans made was \$6,752,450 which resulted in the creation and/or preservation of 466 jobs.

Grant Program

The CAIP Grant program was developed in 1998 and established under an amendment to the MOU between the Department of Treasury and the NADBank as an additional way to achieve the objectives of the CAIP. The grant program funded two types of grants: specific project grants and technical assistance grants. Project grants generally were those providing specific assistance to existing businesses and the creation of new businesses. Technical assistance grants generally were those supporting the development of projects or programs designed to create jobs and/or businesses. CAIP grant funds were used to support economic development strategy advancement, revolving loan funds, make infrastructure improvements, attract new industry, fund entrepreneurial endeavors for micro-businesses, and establish incubator projects.

Pilot Grant Program

A pilot program grant was endorsed by the Finance Committee in July 1999 for a job retraining program in New Mexico. This was the first use of the funds appropriated from the Omnibus Appropriations Act of 1999 for community adjustment and investment grants.

Competitive Grants

In October of 1999, the first solicitation for grant applications was approved, making \$6 million available on a competitive basis. Notices of Awards were issued to 19 Awardees for projects in # states.

An additional \$10 million was made available to the CAIP in the Consolidated Appropriations Act for 2000. In January 2001, the Finance Committee approved a second Solicitation for Grant Applications making approximately \$6.8 million available on a competitive basis for additional CAIP grants. Notices of Awards were issued to 21 Awardees for projects in 13 states.

Continuation Grants

At the completion of the two initial competitive grant rounds, the CAIP was in the possession of a balance of funds that had been unused or recaptured from grants in those rounds. The Finance Committee approved a CAIP competitive grant program. CAIP Guidelines were modified and the Continuation Grant program was created. In a non-competitive process CAIP financial assistance was awarded to previous successful grantees that were continuing the project activities for which they'd initially received CAIP funds and showed that additional job creation would result from additional funding. Continuation grants were awarded in the amount of \$1,060,000 to six previous CAIP grantees in six states resulting in the creation of an additional 374 and preservation of 220 full time equivalent jobs.

Targeted Grants

USCAIP Purpose

The United States Community Adjustment and Investment Program was created to help communities that suffered job losses due to changing trade patterns with Mexico and Canada following the enactment of the North American Free Trade Agreement. The CAIP promotes economic implementation of the adjustment by increasing the availability and flow of credit and providing grant funds to provide assistance to communities in revitalizing their infrastructure, workforce and economies.

The continued success of the of the CAIP Grant Program brought about the design of another program approved by the Finance Committee through which to continue providing assistance to NAFTA impacted communities. The goal of the new program was to utilize the balance of Allocated Funds in a manner that would have the greatest impact. As funds were repaid to the CAIP credit program, a targeted solicitation of projects was conducted to identify potential eligible applicants. Those that met all eligibility requirements, presented shovel-ready projects, and demonstrated sufficient organizational capacity were provided with applications for CAIP assistance which were vetted in the same manner as the previous grant programs. Targeted Grants were awarded yearly from 2009 to 2015.

Awardees

Entities eligible for CAIP financial assistance included non-profit organizations, institutions of higher education and state, local or tribal governments.

Designated Eligible Areas

Eligible Uses

CAIP grant assistance was provided for specific projects and technical assistance. Specific project grants were investments in tangible assets having potential for long-term enhancements in the DEA's employment sector. Technical assistance grants were for funding an identifiable short-term need associated with a strategy to create sustainable new jobs in the DEA.

Eligibility

The CAIP Finance Committee established criteria for making financial assistance available under the CAIP. It was determined that the focus would be on communities that experienced the greatest difficulty in adjusting to disruptions to their economies attributable to NAFTA. Communities seeking to be certified as eligible for CAIP assistance had to demonstrate 1) that significant job losses had been experienced due to NAFTA and 2) that there was a need for transition assistance to adjust economically to the job losses. Additionally, counties with any part located within 62 miles of the U.S. – Mexico border were designated as eligible. Initially 228 counties in 30 states and Puerto Rico were designated as eligible for CAIP assistance. That number grew to 262 counties as additional communities experienced NAFTA related job losses.

Designated Eligible Areas

(February 1, 2002 – August 1, 2013)

ALABAMA

Butler
Clarke
Clay
Conecuh
Covington
Creshaw
Etowah
Fayette
Geneva
Lowndes
Marshall
Monroe
Pike
Talladega
Tallapoosa
Wilcox

Poinsett
Randolph
Sharp
Woodruff

CALIFORNIA

Imperial
Los Angeles
Monterey
Riverside
San Benito*
San Diego
Santa Cruz*

ALASKA

Ketchikan Gateway Borough
Prince of Wales (Outer Ketchikan Census Area)

FLORIDA

Collier*
Hamilton
Miami-Dade

ARIZONA

Cochise
La Paz
Maricopa
Pima
Pinal
Santa Cruz
Yuma

GEORGIA

Appling
Bacon
Ben Hill
Butts
Calhoun
Cook
Emanuel
Jeff Davis
Jefferson
Jenkins
Johnson
Lincoln
Montgomery

ARKANSAS

Clay
Drew
Jackson
Lawrence
Mississippi
Monroe

Randolph

Screven
Tattnall
Telfair
Terrell
Toombs
Treutlen
Upton
Wheeler

Holmes

Jefferson Davis
Kemper
Lawrence
Lowndes
Smith

Tunica

Washington
Webster

IDAHO

Benewah
Bonner
Kootenai
Minidoka
Shoshone

MINNESOTA

Traverse

ILLINOIS

Cook
Richland
Stephenson

MISSOURI

Benton
Carter
Crawford
Dallas
Miller
Pemiscot
St. Francois
Texas
Wright

INDIANA

Fayette

NORTH CAROLINA

Alleghany
Beaufort
Catawba
Cherokee
Cleveland
Columbus
Edgecombe
Gaston
Halifax
Harnett
Hoke
Martin
Mitchell
Pitt
Richmond
Robeson
Rockingham
Rutherford
Scotland
Stanly
Surry
Wilson

KENTUCKY

Crittendon
Logan
McCreary
Monroe
Nicholas
Russell
Wolfe

LOUISIANA

Acadia
Avoyelle
Bienville
De Soto
Evangeline
Iberia
Iberville
Pointe Coupee
Red River
St. Landry
St. Martin*
Vermilion

MAINE

Aroostook

NEW JERSEY

Essex

MICHIGAN

Gogebic
Iosco
Ontonagon
St. Joseph

NEW MEXICO

Chaves
Dona Ana
Grant
Hidalgo
Luna
Otero
Sierra
Torrance

MISSISSIPPI

Alcorn
Clarke

NEW YORK
Cortland
Jefferson
Oswego
Queens

OHIO
Crawford
Guernsey
Morgan
Muskingum
Noble
Perry

OREGON
Harney
Klamath
Lane
Linn
Marion
Morrow
Multnomah
Wallowa

OREGON
Harney
Klamath
Linn
Wallowa

PENNSYLVANIA
Bedford
Clearfield
Columbia
Huntingdon
Mercer
Mifflin
Philadelphia
Schuylkill
Sullivan

PUERTO RICO
Anasco
Las Marias
Manati
Mayaguez

SOUTH CAROLINA
Barnwell
Calhoun
Chesterfield
Clarendon
Darlington
Georgetown
Greenwood
Lee
Orangeburg
Williamsburg

Marshall

TENNESSEE
Bledsoe
Carroll
Clay
Fentress
Gibson
Giles
Greene
Hardeman
Hardin
Haywood
Henderson
Jackson
Johnson
Lauderdale
Lawrence
McMinn
Morgan
Perry
Pickett

Scott
Unicoi

Wayne

TEXAS
Brewster
Brooks
Cameron
Crockett
Culberson
Dimmit
Duval
Edwards
El Paso
Frio
Hidalgo
Hudspeth
Jeff Davis
Jim Hogg
Kenedy
Kinney
La Salle
Maverick
Nueces*
Pecos
Presidio
Real
Starr
Sutton
Terell
Uvalde
Val Verde
Webb
Willacy
Zapata
Zavala

SOUTH DAKOTA

UTAH

Carbon

VIRGINIA

Bland
Carroll
Grayson
Halifax
Henry
Martinsville City
Patrick
Pulaski
Russell
Smyth
Wythe

WASHINGTON

Benton
Clark
Cowlitz*
Franklin
Lewis*
Skagit
Spokane
Walla Walla

WISCONSIN

Juneau

* Only specific zip codes are eligible for CAIP assistance
