

Regional Technology and Innovation Hubs: An Overview and Issues for Congress

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Congress is considering the establishment of a new regional technology and innovation hub program in U.S. competition legislation. The House and Senate are reconciling [H.R. 4521](#), the America COMPETES Act of 2022, as agreed to by the House on February 4, 2022, with [the version](#) as agreed to by the Senate on March 28, 2022. The Senate substituted the text of H.R. 4521 with S. 1260, the United States Competitiveness and Innovation Act.

Both bills would establish a competitive award program to plan for or implement regional consortia in an effort to advance innovation and technology-based economic development. This Insight provides a brief overview of regional innovation and technology-based economic development; describes key features of the proposed program—including differences in the House and Senate bills; and highlights potential considerations for Congress.

Background

For decades state, local, and regional stakeholders have pursued cross-sector, multidisciplinary approaches to economic development by facilitating industry clusters. Industry clusters are often defined as geographic concentrations of interconnected companies and institutions in a specific field that may both cooperate and compete. According to some [practitioners](#) and [researchers](#), business clusters are advantageous for companies as they offer opportunities to leverage talent, infrastructure, supply chains, and other spillover effects.

Congress has supported policies to prepare regions for expanded technology-based economic development through several programs, including the Economic Development Administration's (EDA's) [Build to Scale](#), [University Centers](#), and [STEM Talent Challenge](#) programs and the Small Business Administration's (SBA's) [Regional Innovation Clusters program](#), among others.

Recent executive branch actions also indicate support for regional innovation efforts. In March 2021, the Biden Administration proposed a regional innovation hubs initiative in the [American Jobs Plan](#). Additionally, in July 2021, the EDA allocated \$1 billion of supplemental funding for economic recovery activities to the [Build Back Better Regional Challenge](#), a new grant initiative to support new or existing [regional growth clusters](#).

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Recently, [researchers have proposed](#) expanding federal economic development funding for [technology and innovation investments](#) to rural, underserved, and disadvantaged communities outside of metropolitan areas and existing growth centers. According to a [2019 report](#) by the Brookings Institution and the Information Technology and Innovation Foundation, “fully one-third of the nation’s innovation jobs now reside in just 16 counties, and more than half are concentrated in 41 counties.” According to the [National Science Board](#), “Americans from every state must benefit from the progress of science and engineering [S&E]... Empowering American workers, entrepreneurs, and businesses will require strategically building S&E capacity and infrastructure across the nation and actively seeding and nurturing innovation clusters.”

Proposed Program

The regional technology and innovation hub program proposed in both the House (H.R. 4521) and Senate (S. 1260) bills would fund two types of competitive awards: *strategy development* and *strategy implementation* awards. Both bills would require that no fewer than 20 eligible consortia receive a strategy development award.

A summary of key program features and select differences between the House and Senate versions are highlighted below.

- **Purpose:** Both bills include similar statements of purpose for the program, and focus on technology development, job creation, and expanding U.S. innovation capacity, with the House bill emphasizing inclusive innovation.
 - **Program administration:** The House bill would direct the Department of Commerce to administer the program, while the Senate bill would require EDA to administer the program in coordination with the National Institute of Standards and Technology.
 - **Technology focus areas:** The Senate bill defines key technology focus areas for the technology hubs (e.g., biotechnology and robotics); the House bill does not.
 - **Number of technology hub designations:** The Senate bill does not specify the total number of technology hub designations; however, it would require the Secretary of Commerce to designate at least three hubs in each EDA region. The House bill would require the designation of no fewer than 10 technology hubs.
 - **Geographic diversity:** The bills specify different levels and types of geographic diversity to consider. Both bills include provisions to facilitate geographic diversity in innovation policy by “focusing on localities that are not leading technology centers,” and by requiring that a portion of eligible consortia designated as technology hubs serve specific types of communities. The Senate bill, however, focuses on small and rural communities while the House bill focuses on rural or underserved (e.g., minority) communities.
 - **Funding:** Both bills would authorize appropriations through FY2026. The House bill would authorize \$6.85 billion (\$50 million for strategy development and \$6.8 billion for strategy implementation) while the Senate would authorize \$10 billion (\$575 million for development and \$9.425 billion for implementation).
 - **Use of funds and limit on award sizes:** The bills identify similar activities for the use of funds, including needs assessments and workforce development. The House bill would limit the size of an initial strategy development award to \$150 million and would prohibit a single technology hub from receiving more than 15% of total strategy development funding. The Senate would set a similar limit of 10%.
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Policy Considerations

Congress may consider the following as it reconciles the two bills in conference:

- With the potential expansion in budget and program scope, is EDA adequately staffed to effectively implement the proposed program and coordinate interagency activities?
- What is the preferred allocation of funding for strategy development versus implementation awards?
- [Some](#) suggest that a holistic approach, including funding for research and development and workforce training may be needed to support the development of innovation hubs. Both bills would allow the use of program funds for these types of activities and would require coordination with other federal agencies and activities. However, coordination alone may not be sufficient to ensure effective integration of public and private sector resources and expertise. What additional investments, if any, are needed to support job creation and broad-based economic growth?
- Successful innovation and technology-based economic development generally occur over long time horizons. The proposed program appears to serve as an initial investment in launching regional technology hubs. What federal funds or resources, if any, should the regional technology hubs have access to in the long-term?

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