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Issue Brief for Congress

Economic Development Administration: Overview and Issues

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Economic Development Administration: Overview and Issues

SUMMARY

The Economic Development Administration (EDA), targeted for elimination or major "reinvention" early in the 104th Congress, gained a new lease on life in the waning days of the 105th. Having been kept alive via appropriations bills since its last authorizing legislation expired in 1982, P.L. 105-393 reauthorized the EDA and its programs for 5 years

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While EDA's organizational structure, strategies and programs have undergone substantial changes during its 33 year history, its overall mission remains much the same as originally envisioned: to provide grants for infrastructure development, business incentives, and other forms of assistance to help communities alleviate conditions of substantial and persistent unemployment in economically distressed areas and regions.

Roundly and widely criticized during much of its existence by taxpayer groups and others for putting public money into questionable projects, this small agency—by Washington's standards—appears to have "transformed" itself in the past few years. Although critics remain, EDA convinced a growing number of Members and others that it has rectified a number of shortcomings, and is serving an important economic development role in an efficient and effective manner.

More specifically, during the legislative process of reauthorizing the agency, there was bipartisan recognition that EDA has been effective and successful in responding to changing national and international economic conditions, including the effects of military base closures, natural disasters, and international trade agreements.

The Economic Development Administration and Appalachian Regional Development Act of 1998 (P.L. 105-393) included a number of important provisions, and it endorsed numerous administrative reforms recently undertaken by EDA such as efforts to target assistance to the most distressed areas and encourage greater regional cooperation in economic development.

On the appropriations front, EDA has experienced a tumultuous appropriations history over the past few years. Again last year (2000), House and Senate appropriators recommended sharply differing funding levels. The House Appropriations committee recommended $26.5 million for Salaries &Expenses (S&E) and $361.9 million for Economic Development Assistance Programs (EDAP), for a total Commerce, Justice, State appropriation of $388.4 million for FY2001, or $48.5 million less than requested. The CJS bill (H.R. 4690, H.Rept. 106-680) was passed by the House on June 26, by a vote of 214 - 195, 1 present. For its part, the Senate Appropriations Committee recommended (S.Rept. 106-404) $31.5 million for S&E and $218 million for EDAP, for a total appropriation of $249.5 million for FY2001. This compares to the Administration's request of $27.7 million for S&E and $409.3 million for EDAP, for a total appropriation of $436.9 million.

On October 27, Congress approved a conference agreement recommending $286.7 million for EDAP and $28 million for S&E, for a total FY2001 appropriation of $411.9 million for EDA. It became part of the Consolidated Appropriations Act (H.R. 4942, P.L. 106-553) signed into law on December 21, 2000.

MOST RECENT DEVELOPMENTS

On December 21, 2000, the President signed into law (P.L. 106-553) a bill (H.R. 4942) which included funding for the Economic Development Administration. Previously, Congress had approved the Commerce, Justice, State (CJS) appropriations bill (H.R. 4690).[1] *H.R. 4690 is included in Conference Report approved by Congress (H.R. 4942; H.Rept. 106-1005).*[2] *The bill included $286.7 million for EDAP and $28 million for S&E, for a total FY2001 appropriation of $411.9 million for EDA. Of the amounts provided, $286.7 million is for Public Works and Economic Development, $49.6 million is for Economic Adjustment Assistance, $31.5 million is for Defense Conversion, $24 million is for Planning, $9.1 million is for Technical Assistance (including University Centers), $10.5 million is for Trade Adjustment Assistance, and $.5 million is for Research.*

Previously, the Senate Appropriations Committee approved on July 18, 2000, its version of the Commerce, Justice, State (CJS) appropriations bill (H.R. 4690) that provided EDA's funding. The Senate's version (S.Rept. 106-404) would have significantly reduced the agency's funding for its Economic Development Assistance Programs (EDAP). Specifically, it would have provided $31.5 million for Salaries and Expenses (S&E) and $218 million for EDAP, for a total appropriation of $249.5 million for FY2001, or $187.5 million less than requested and $138.9 less than the total approved by the House. This recommendation was also $138.9 million less than the level appropriated for FY2000.

BACKGROUND AND ANALYSIS

Following a review of EDA's creation, history, and performance, this issue brief provides an overview of the agency's major programs, examines its structure and budget, summarizes the important legislative changes fashioned by the 105th Congress, provides an appropriations history for the 106th Congress, and discusses prospects for the 107th Congress.

EDA's Creation and History

EDA's Creation

Often referred to as a prime example of one of President Lyndon Johnson's Great Society programs, the Economic Development Administration (EDA) — an agency within the Department of Commerce — was created by the Public Works and Economic Development Act of 1965 (PWEDA). The Act (P.L. 89-136), had three antecedents worth noting.

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[1] For detailed information, see CRS Report RL30509, *Appropriations for FY2001: Commerce, Justice, and State, the Judiciary, and Related Agencies.*

[2] The measure passed the House by 206 yeas to 198 nays and the Senate by 49 yeas to 42 nays. The floor debate in the House and Senate is contained in the *Congressional Record*, Vol. 146, October 27, 2000, pp. H11265-97: S11230-41.

First, and foremost, there was a sustained effort by Senator Paul H. Douglas (a former economics professor) and others for special federal aid to economically depressed areas, which reached fruition in 1961. Congress, with the endorsement of the Kennedy Administration, enacted the Area Redevelopment Act (ARA), authorizing $394 million over the 4-year period 1961-65 for federal aid to areas suffering chronic unemployment. The emphasis in the program was on assisting depressed communities with economic projects having long-term growth potential that would help combat unemployment.

Second, in 1962, Congress authorized $900 million for the Accelerated Public Works program. The emphasis was on creating jobs through federal public works spending aid to combat the effects of the 1960-61 recession in areas continuing to experience relatively high unemployment. The program was criticized by many as a pump-priming measure that was slow to start and that yielded relatively few benefits for the cost involved.

The third antecedent of the PWEDA was the Appalachian Regional Commission (ARC). The Appalachia-aid bill (P.L. 89-4), passed in March 1965, authorized $1.1 billion for aid to the depressed 12-state Appalachian region. The bill stressed a regional approach to economic development and provided federal aid for construction of "infrastructure" (roads, health facilities, related basic public facilities) needed as the basis for economic growth.

During the debate on the ARC, some Members of Congress made it clear that they wanted for their own districts the same type of program as was being approved for Appalachia. By the end of August 1965, PWEDA was signed into law.

The Act provided $3.25 billion over the 5 fiscal years 1966-70 for grants and loans for public works, development and technical assistance, and other projects to stimulate long-term and lasting economic growth in areas suffering chronic unemployment. PWEDA relied on three basic approaches:

- Encourage economically depressed communities to draft and carry out economic development plans that would help them produce healthy rates of economic growth. Wherever possible, such plans were to be on a regional or multi-county basis.

- Assist depressed communities to finance construction of the basic public facilities (such as harbors, sewage plants, access roads, industrial parks) that would make the community attractive to private investment.

- Provide special financial aid to private firms to encourage them to build plants and businesses in depressed areas.

EDA's History

Over the past 3 decades, two different sources have given rise to a series of legislative battles over EDA: efforts by Republican Presidents to abolish the agency and its programs, and by congressional Democrats to make it a vehicle for broader anti-recession programs.

Twice during the Nixon Administration, Congress passed legislation to transform the EDA program into a counter-cyclical program to combat joblessness. President Nixon successfully vetoed the bills. Then, in 1973, President Nixon sought to abolish EDA,

proposing that its functions be distributed to other agencies. Congress did not go along with the idea, however, and continued reauthorizing the agency.

In 1976 and 1977, Congress approved the Local Public Works program, which received a total of $6 billion for counter-cyclical public works projects to be spent by EDA. The first year, the aid was approved over a veto by President Ford; the second year, it was approved with President Carter's support. Carter later sought to expand EDA's lending power as part of his urban policy. The proposal died in Congress following the election of Ronald Reagan.

Following a period of rejuvenation and increased funding during President Carter's term, both the Reagan and Bush Administrations proposed abolishing the agency, arguing that it was limited in scope, its initiatives — if justified — should be funded by state or local governments, and it financial assistance too often based on political clout rather than on need. EDA's choice of projects seemed to sometimes be at odds with its stated goals of helping distressed areas. As recently as 1994, it awarded a $500,000 grant to Wofford College in Spartanburg, SC, for an athletic stadium that was used for training by the Carolina Panthers football team.

Prior to enactment of the Economic Development Administration and Appalachian Regional Development Act of 1998, the EDA's programs had last been authorized by Congress in 1980: that authorization expired at the end of FY1982. Both the Reagan and the Bush Administrations proposed abolishing the agency, arguing that it was limited in scope and that its initiatives should be funded by state or local governments, but Congress kept EDA alive through appropriations bills. The Clinton Administration, in contrast, has sought to revitalize the agency.

Since 1965, according to EDA, the agency has funded more than 43,000 projects, investing over $17 billion in more than 8,000 communities. It is estimated that EDA assistance has helped create 4,340,000 jobs, and leveraged more than $130 billion in private-sector investment.[3]

Agency Structure

The EDA, an agency within the Department of Commerce, is headed by the Assistant Secretary of Commerce for Economic Development. The agency has six regional directors who are responsible for coordinating with local communities about economic planning and development. EDA has economic development representatives, primarily located away from the regional offices, who are responsible for providing information about the agency's programs and activities. They also assist prospective grantees and borrowers in preparing applications for financial, planning, and technical assistance.

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[3] U.S. Dept. of Commerce, Economic Development Administration, *Economic Development in the 21st Century: FY2001 Congressional Request.*

Major EDA Programs

EDA administers programs and provides grants for infrastructure development, business incentives, and other forms of assistance designed to help communities alleviate conditions of substantial and persistent unemployment in economically distressed areas and regions. The agency provides assistance to local and state governments as well as to businesses. Major EDA programs include:

Public Works — The Public Works and Economic Development program has traditionally been EDA's largest program. Grants are provided to help distressed communities attract new industry, encourage business expansion, diversify local economies, and generate long-term private jobs. Among the types of projects funded are water and sewer facilities primarily serving industry and commerce; access roads to industrial parks or sites; port improvements; and business incubator facilities. The FY2000 appropriation for the program was $205,850,000. EDA has requested $251,200,000 for FY2001. As originally passed by the House, H.R. 4690 would have provided $251.7 million for this program for FY2001. The Senate Appropriations Committee recommended $144 million for public works grants. P.L. 106-553 provides $286.7 million for this program for FY2001.

Economic Adjustment — The Economic Adjustment Assistance program assists states and local areas design and implement strategies for facilitating adjustment to changes in their economic situation that cause or threaten to cause serious structural damage to the underlying economic base. Such changes may occur suddenly (Sudden and Severe Economic Dislocation) or over time (Long-Term Economic Deterioration), and result from industrial or corporate restructuring, new federal laws or requirements, reductions in defense expenditures, depletion of natural resources, or natural disasters. The Economic Adjustment Program receives annual appropriations for its Regular Economic Adjustment Programs and Defense Adjustment activities. The FY2000 appropriation for the regular program was $34.6 million. EDA has requested $80 million for FY2001. As originally passed, H.R. 4690 would have provided $34.6 million for this program for FY2001. The Senate Appropriations Committee recommended $10 million for economic adjustment grants. P.L. 106-553 provides $49.6 million for this program for FY2001.

Defense Conversion — For Defense Conversion activities (sometimes referred to as Defense Adjustment), the agency received $77.3 million for FY2000. EDA requested $31.4 million for FY2001. This decrease, according to EDA, reflected the continued phase down of defense adjustment activity, particularly base closures. As originally passed, H.R. 4690 would provide the full amount requested. In contrast, no funds were recommended for this program for FY2001 by the Senate Appropriations Committee. P.L. 106-553 provides $31.5 million for the program for FY2001.

Planning — The Planning Program for Economic Development Districts, Indian Tribes, and Redevelopment Areas provides grants to support the formulation and implementation of economic development programs designed to create or retain full-time permanent jobs and income for the unemployed and underemployed in areas of economic distress. The program supports 320 Economic Development Districts (EDD) and 65 Indian tribes or representative organizations that focus on long-term economic challenges. EDDs are the coordinating entities for a number of other federal and state programs. EDA's Planning, Technical Assistance and Research and Demonstration programs are designed to build the local capacity for comprehensive and collaborative economic development activities. The FY2000

appropriations for the program was $24 million. EDA requested $25.3 million for FY2001. The Senate Appropriations Committee recommended $10 million for planning assistance for FY2001. P.L. 106-553 provides $24 million for planning for FY2001, the same figure that was in H.R. 4690 when it passed the House on June 14, 2000.

Revolving Loan Fund (RLF) — The RLF program is designed to assist areas to overcome specific capital market gaps and to encourage greater private sector participation in economic development. In concert with private lenders, RLF grantees make fixed asset and/or working capital loans to area businesses. Since the program's inception in 1976, the agency has provided initial capital for more than 480 local RLFs. These locally administered funds have made more than 7,200 loans to private businesses and have leveraged over $1.9 billion in private capital, according to EDA. Upon repayment, principal and interest stay in the community for re-lending and further economic development activity.

Research and Evaluation — Under the Research and Evaluation program, grants and cooperative agreements are awarded (1) to undertake studies that will increase knowledge about emerging economic development issues, the causes of economic distress, and ways to alleviate barriers to economic development; and (2) to measure the performance and effectiveness of economic development programs. The FY2000 appropriations for the program was $500,000, the same amount provided by H.R. 4690 for FY2001, and identical to EDA's request for FY2001. The Senate Appropriations Committee has recommended no funding for this program. P.L. 106-553 provides $500,000 for FY2001.

Technical Assistance — Grants awarded under the Local Technical Assistance Program are designed to assist in solving specific economic development problems, respond to developmental opportunities, and build and expand local organizational capacity in distressed areas. The majority of local technical assistance projects focus on technical or market feasibility studies of economic development projects or programs. The FY2000 appropriations for Technical Assistance, including University Centers, was $9.1 million. EDA requested $10.3 million for FY2001. H.R. 4690 would have provided slightly more, $10.5 million, for FY2001. The Senate Appropriations Committee's recommendation provides no funding for this program. P.L. 106-553 provides $9.1 million for FY2001.

Trade Adjustment Assistance — EDA funds a network of twelve Trade Adjustment Assistance Centers (TAAC) through cooperative agreements. TAACs aid firms in applying for benefits under Chapter 3 of Title II of the Trade Act of 1974, as amended. Firms affected by import competition may petition for certification of impact. If a firm submits a petition and is certified it may apply for technical assistance in diagnosing its problems and assessing its opportunities. TAAC then helps the firm develop and adjustment proposal which outlines the firm's recovery strategy and any need for implementation technical assistance. The FY2000 appropriations for the program was $10.5 million. This is the same amount requested by EDA for FY2001, and identical to the amount provided by H.R. 4690. The Senate Appropriations Committee recommended $24 million for trade adjustment assistance. P.L. 106-553 provides $10.5 million for FY2001.

Disaster Mitigation and Economic Recovery — EDA provides post-disaster economic assistance for communities affected by declared natural disasters. The agency's assistance is separate from, yet intended to be a complement to, the disaster relief efforts of Federal Emergency Management Agency and other agencies. The Economic Development Administration (EDA) and Federal Emergency Management Agency (FEMA) have forged

a partnership to coordinate hazard mitigation programs and disaster preparedness activities designed to help communities become more resistant to natural disasters.

Difficulties in Measuring Performance: Does EDA Work?

EDA has been working to support economic development and growth for more than 30 years. Through its various programs, the agency has attempted to achieve one principle goal: alleviate the conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions by providing assistance to local and state governments as well as to businesses. Has it worked? Are taxpayers getting their money's worth? Is it deserving of continued funding? Until recently, there did not appear to be any clear-cut answers to these questions. A May 1997 performance evaluation prepared for EDA by a research team headed by Rutgers University gave the agency's Public Works Program high marks.

GAO Report: Results Are Hard To Prove

In 1996, responding to a congressional request, the General Accounting Office published a report (GAO/RCED-96-103, April 1996) about the impact of economic development assistance provided by EDA, the Tennessee Valley Authority (TVA) and the Appalachian Regional Commission (ARC), and on the "performance ratios" they calculate. Only the first issue is discussed here. Specifically, GAO was asked to review studies that evaluate the impact on economic development of these agencies' programs.

GAO — despite reviewing the available literature, and requesting that the agencies provide any internal or external studies or other documentation — was unable to find any study that established a strong causal linkage between a positive economic effect and an agency's economic development assistance.

As GAO made clear in its report, successfully completing studies of this nature would be difficult.

> A persuasive study of a program's impact would require three elements. First, it would have to document that there had been some improvement in the targeted area. Second, it would have to link specific elements in the program to the economic changes. Finally, it would have to measure the growth stemming from other influences on the region's economy in order to isolate the impact that could be attributed to the economic development program.

Thus, the absence of studies documenting the effectiveness of EDA's programs does not mean they do not work or are not effective. The lack of evidence, however, underscores an important point to keep in mind regarding virtually all economic development efforts: It is difficult to know what works.

Rutgers Study: EDA Program Said to Produce Positive Results, But Questions Remain

With a grant provided by EDA, a research team led by Rutgers University (prime contractor) evaluated 205 EDA Public Works Program projects that received their lat payment in FY1990. Thus, at the time of the research — 6 years later — the projects had been sufficiently established to make their evaluation possible. The evaluation was undertaken using performance measures developed by EDA specifically to evaluate these types of projects. Performance measures primarily involved numbers of various types of jobs created or retained and amounts of private- and public-sector funds leveraged.

The report showed that EDA assistance helped distressed communities create jobs (at a cost of $3,058 per job), expanded the local tax base (an increase of $10 for every $1 of EDA investment), and leveraged private investment ($10 for every $1 of EDA investment). Among the report's major conclusions:

- Most of EDA's public works projects achieved EDA's objectives of providing communities with the necessary infrastructure to expand their economic base.
- Jobs and private investment have occurred in many areas that would not have experienced this without EDA presence.
- EDA public-sector economic stimuli create private-sector jobs at high levels of success and low levels of cost.
- EDA offices, as an instrument of government, and EDA field representatives who interact with grantees, are well-regarded by the constituencies.

The Rutgers study's estimated effects on growth and job creation are conceptually quite straightforward: it endeavors to examine the direct jobs created by the projects, and also attempts to measure any related businesses that are deemed to have developed. Thus, as noted above, the study satisfies the first of the three elements identified by GAO that are required for a persuasive study of a program's impact., i.e., it documents improvement in the targeted areas. However, the other two elements are absent. And, their absence would tend, other things equal, to overstate the effects of the EDA grants on the projects in question.

To restate and elaborate on the missing elements: First, no account can be taken of the growth that would otherwise have occurred because there is no way to observe what would have happened in an alternative world. Second, by and large the growth is likely to have been at the expense of growth in some other areas — quite likely, ones that are also poor and underdeveloped, and ones that are in near proximity. (It is not necessary to believe, as some do, that virtually all economic development is essentially a zero-sum game, to recognize that something akin to this phenomenon is generally occurring. Also, from a federal policy perspective, it is useful to note there are usually reasons why businesses do not choose to locate in particular places. Normally, one would think that location choices are the result of a reasonably efficient market allocation. To interfere with this allocation, it may be argued, is to obtain a suboptimal allocation of resources.

105th Congress: Major Reauthorization

As part of the Administration's on-going efforts, EDA has recently implemented various management reforms, according to agency officials. Results include: streamlined staffing levels and an agency reorganization for more efficient program delivery; a re-engineering of the grants process that delegated decision making authority to field staff and simplified application forms; focusing resources to areas of highest economic distress; the implementation of a program performance evaluation system in accordance with the provisions of the Government Performance and Results Act of 1996; and, an accelerated audit resolution process with the office of the Inspector General. Agency spokespersons say reauthorization of EDA will continue the transformation process by reducing burdens on local communities, preserving valuable program tools, strengthening the focus of resources, achieving programmatic consistency, eliminating obsolete authorities and encouraging cooperation among federal agencies.

Legislation (H.R. 1430) entitled "The Economic Development Partnership Act of 1997 (EDPA)" was introduced on April 24, 1997. Pursuant to the Administration's Fiscal Year 1998 Budget, it seeks a 5-year reauthorization for EDA, retaining a number of provisions contained in legislation considered in the 104th Congress (H.R. 300). It was referred to the Committee on Transportation and Infrastructure (and, in addition, to the Committee on Banking and Financial Services). The subcommittee on Public Buildings and Economic Development held hearings on July 10, 1997.

In the Senate, nearly identical legislation (S. 1647) was introduced on February 12, 1998. The Senate Environment and Public Works Subcommittee on Transportation and Infrastructure held a hearing on July 14, 1998. During the hearing, Senator Chafee testified:

> As Chairman of the full Committee, I should be up-front about my stance on EDA: I historically have not been a big fan of the EDA. In fact, in 1985 I sponsored an amendment to eliminate the agency. But in recent years, I have taken notice of the changes at the agency and its efforts to streamline its operations and target its efforts to truly distressed communities. I have come to believe that we should move forward with a reauthorization bill that locks in some the changes that the agency has undertaken.
>
> Therefore, over the past few weeks I have been review S. 1647 (the legislation before us today), and my staff has been working intensively with the EDA staff to develop a bipartisan, common-sense substitute that can pass the Senate. I hope to circulate that draft to all members this week. It will not be easy to enact an EDA reauthorization bill this year, but I will do what I can to get it done.

On July 24, the House Transportation and Infrastructure Committee approved by voice vote a 5-year reauthorization bill (H.R. 4275) for EDA and the Appalachian Regional Commission (ARC). The new legislation, introduced by Representatives Bud Shuster, James Oberstar, Jay Kim and James Traficant, was reported to the House on August 6 (H.Rept. 105-684, Part I). The committee report endorsed EDA's reauthorization and stresses the value of the planning and technical assistance provided by Economic Development Districts (EDDs). Specifically, the report asserts:

- Funding of EDDs has been and remains an integral element of successful economic development grants awarded under this Act. Economic

Development Districts also are the coordinating entities for a number of other federal and state programs.

- Funding levels for EDDs have actually decreased from their original levels in addition to not being adjusted for inflation in over 30 years. Currently, the average planning grant to districts is approximately $54,000, the same amount as in 1966 at the start of the program. Adjusted for inflation, the value of a 1998 planning grant is only $10,800, or about 20% on the dollar, when compared to its original purchasing power.

- For the past 30 years, EDDs have leveraged and stretched these small but significant planning grants to help thousands of America's small metropolitan and rural communities forge ahead and create jobs and opportunities for their citizens.

- EDA's planning assistance program is an excellent tool for fostering local economic development efforts through EDDs, particularly in rural areas where resources are limited and regional cooperation in achieving common economic goals is difficult.

- EDA is encouraged to allow EDDs to provide funds to purchase geographic information systems and global positioning systems. By using the latest technology, EDDs can dramatically enhance their ability to map out industrial sites; local sewer lines, access roads and other infrastructure; develop enhanced overall economic development plans; and analyze local economic development trends. The agency is encouraged to provide training for EDDs that addresses the potential for the systems.

On July 29, the Senate Environment and Public Works Committee reported out a 5-year reauthorization bill (S. 2364) for EDA. The legislation was introduced by Chairman John Chafee and the committee's ranking minority member, Max Baucus. (Unlike the House version, the new Senate bill, as introduced, contained no reauthorization language regarding the ARC; a 3-year reauthorization for ARC was added during conference.)

The Economic Development Administration and Appalachian Regional Development Act of 1998 (S. 2364) passed the Senate by unanimous consent on October 12th and passed the House under suspension of the rules on October 13th. The new Act, signed into law by President Clinton on November 13th , is the first major rewrite of the authorization statutes for the EDA and for the ARC since the 1970s. The following is a summary of the major changes made by the new reauthorization legislation to existing law and current practices:

- Establishes an economic development information clearinghouse on the economic development, economic adjustment, disaster, defense conversion and trade adjustment assistance activities of federal, state and local governments. The clearinghouse is also intended to help potential applicants identify potential resources and receive technical information on how to alleviate unemployment.
- Consolidates nine separate criteria for public works and economic adjustment grants into three basic distress factors — high unemployment, low income and special need

- Limits EDA's share of all grants to 50% (with supplements that may bring the federal share to 80%), with recipients allowed to use cash and in-kind contributions to reach the cost sharing requirements. (Previously, match rates varied by program. The committees argued that this change was made to reflect the importance of local participation and investment in economic development activities.) Grant recipients are also required to submit regular evaluation reports on all projects for up to 10 years.
- Continues previous legislative language that requires approved projects to be part of an overall investment strategy. The new term "comprehensive economic development strategy" serves the purpose of an "overall economic development program" or an "economic adjustment plan" in the Public Works and Economic Development Act. The agency may accept comprehensive plans developed under another federally supported program.
- Requires EDA to conduct regular performance evaluations of university centers and economic development districts. University centers will be evaluated to determine which are performing well and deserve continued assistance whereas the district evaluation will focus on management standards, financial accountability and program performance.
- Incorporates language regularly used in the agency's annual appropriations which allows the agency to fund projects on a military or Department of Energy (DOE) installation even if the applicant does not have title to the property or a leasehold interest in the property.
- Authorizes appropriation for defense conversion and disaster economic recovery activities including pilot projects for privatization and economic development activities for closed or realigned military or DOE installations. The bill allows the federal share of disaster activities to be up to 100%.

106th Congress: Funding Issues Predominate

Appropriations for FY2000

The Economic Development Administration (EDA) has experienced a tumultuous appropriations history over the past few years. Its funding level was sharply reduced by the 104th Congress, but the cuts in funding were partially restored by the 105th. Funding for its programs was again under the knife during the 1st session of the 106th Congress; the Senate-passed version of the Commerce, Justice, State Appropriations bill for FY2000 would have reduced EDA's funding for its Economic Development Assistance Programs (EDAP) by 45%.

More specifically, the Senate Appropriations Committee completed action on its version of the CJS (Commerce, Justice, and State, the Judiciary, and other related agencies) appropriations bill (S. 1217, S.Rept. 106-76)) on June 10, 1999.[4] The Committee approved only $203.4 million for EDAP and $24.9 million for S&E — which would have provided EDA a total FY2000 appropriations of $228.3 million

[4] The full committee filed its CJS report (S.Rept. 106-76) on June 14, 1999.

On August 5, 1999, the House, following the recommendation of its Appropriations Committee, approved (H.R. 2670, H.Rept. 106-283) $364.4 million for EDAP and $24 million for S&E, for a total FY2000 appropriation of $388.4 million.

On November 22, 1999, the Consolidated Appropriations Act for FY2000 (H.R. 3194, H.Rept. 106-479) was presented to the President. The Act (P.L. 106-113) provided EDA with a total FY2000 appropriation of $388.4 million ($361.8 million for Economic Development Assistance Programs and $26.5 million for Salaries and Expenses. This amount is approximately $4 million less than the agency's FY1999 funding level.

Appropriations for FY2001

For FY2001, the Administration requested $27.7 million for S&E and $409.3 million for EDAP, for a total appropriation of $436.9 million. On June 19, the House Appropriations committee recommended $26.5 million for S&E and $361.9 million for EDAP, for a total CJS appropriation of $388.4 million for FY2001, or $48.5 million less than requested. The CJS bill (H.R. 4690, H.Rept. 106-680) was passed by the House on June 26, by a vote of 214 - 195, 1 present.

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On October 27, 2000, Congress approved the Commerce, Justice, State (CJS) appropriations bill (H.R. 4690).[5] The President threatened to veto the measure. Subsequently, on December 21, 2000, the President signed into law (P.L. 106-553) a bill (H.R. 4942) which included funding for the Economic Development Administration. Previously, Congress had approved the Commerce, Justice, State (CJS) appropriations bill (H.R. 4690). H.R. 4690 was included in a Conference Report approved by Congress (H.R. 4942; H.Rept. 106-1005).[6] The bill included $286.7 million for EDAP and $28 million for S&E, for a total FY2001 appropriation of $411.9 million for EDA. Of the amounts provided, $286.7 million is for Public Works and Economic Development, $49.6 million is for Economic Adjustment Assistance, $31.5 million is for Defense Conversion, $24 million is for Planning, $9.1 million is for Technical Assistance (including University Centers), $10.5 million is for Trade Adjustment Assistance, and $.5 million is for Research.

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Prospects for the 107th Congress

The Economic Development Administration was reauthorized by P.L. 105-393 through FY2003. Thus, the agency's reauthorization will not be an issue during the 107th Congress. Appropriations, on the other hand, are another matter. Based on recent history, as discussed earlier, it is fair to anticipate that funding process for EDA's various programs will again be contentious.

Of particular importance in the area of appropriations will be the level of funding for the agency's Salaries & Administration (S&E). The funds requested for S&E support an economic development program which includes: (1) planning assistance to local communities; (2) technical assistance in the formulation and coordination of economic development proposals and applications; (3) project monitoring and implementation assistance to assure effectiveness in project execution; (4) evaluation of EDA projects; (5) and, internal and external economic research. Some observers have expressed concerns that insufficient funding of S&E will compromise EDA's ability to perform these functions, including the agency's ability to host the Economic Development Information Clearinghouse (EDIC). The EDIC, which was considered a key component of the Economic Development Administration Reform Act of 1998, provides information of programs and resources available to assist communities across the nation with their economic development needs.

Other issues will become clearer when EDA submits its congressional request for FY2002. In the agency's FY2001 submission, the agency proposed "to address the 'Digital Divide' through an E-Commerce Initiative, to meet the needs of one of the Nation's most distressed populations through a Native American Economic Development Assistance Program, to mitigate the challenges of rapidly changing trade patterns and their uneven impact on local communities through the Community Economic Adjustment Initiative, to provide comprehensive support for economic development efforts in the highly distressed lower Mississippi Delta region and to develop economic adjustment strategies in direct response to the Northeastern states fisheries disaster."

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