

EDA REAUTHORIZATION ACT OF 2003

Statement of Purpose and Need

This legislative proposal reauthorizes the programs of the Economic Development Administration (EDA) within the Department of Commerce for fiscal years 2004 through 2008. EDA was established in 1965 after enactment of the Public Works and Economic Development Act of 1965 (PWEDA). EDA's mission is to help our partners across the Nation (States, regions, and communities) create wealth and minimize poverty by promoting a favorable business environment to attract private capital investment and jobs. EDA provides a wide range of assistance to carry out this mission by funding projects for capacity-building, planning, infrastructure development, research and implementation of strategic initiatives. EDA extends assistance to States, cities, Indian tribes and other eligible organizations in rural and urban areas experiencing high unemployment, low income levels, or other forms of severe economic distress.

The proposal authorizes appropriations in the amount of \$331,027,000 for fiscal year 2004 for the economic development assistance programs and such sums as may be necessary for fiscal years 2005 through 2008. In addition, the proposal recommends \$33,377,000 for salaries and expenses in FY 2004 and additional sums as necessary for the next four years. As proposed in the FY 2004 Budget, this includes –

- \$232.1 million for the Public Works Program under section 201 of PWEDA which provides grants in distressed communities in economic decline to revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies and generate or retain higher-skill, higher-wage jobs and investments;
- \$54.7 million for the Economic Adjustment Program under section 209 of PWEDA which provides grants in communities confronting economic change that is occurring suddenly or over time as a result of industrial or corporate restructuring, natural disaster, reduction in defense expenditures, depletion of natural resources, or other factors. The Economic Adjustment Program assists State and local interests in designing and implementing strategies to adjust to or bring about change to an economy. The program predominantly supports local efforts by providing funds for strategic plans, implementing those plans, and for establishing revolving loan funds.
- \$22.3 million for Partnership Planning grants, short-term planning grants, and other planning assistance for sub-State planning regions and urban areas under section 203 of PWEDA which support the formulation of local economic development strategies designed to create and retain higher-skill, higher-wage jobs and increase income for the unemployed and underemployed in areas of economic distress. Grants are intended to enhance economic development planning capability, support the formulation of development policies, and assist in building local institutional capacity. This program includes funding over 320 Economic Development Districts designated under section 401 of PWEDA, a network of multi-county development

organizations composed of various representatives of local governments, communities and the private sector within the districts.

· \$8.9 million for the Local Technical Assistance Program, the University Center Program, and the Research and National Technical Assistance Program under section 207 of PWEDA. The Local Technical Assistance Program helps fill the knowledge and information gaps that may prevent leaders in the public and non-profit sectors in distressed areas from making optimal decisions on local economic development issues, and provides funding for projects such as feasibility studies on potential economic development projects that they are considering. The University Center Program is a Federal-academic partnership that makes resources at institutions of higher education available to the economic development community. The Research and National Technical Assistance Program aims to develop a comprehensive base of information about economic development issues, disseminate information to local, State, and national economic development practitioners, and measure the performance of economic development programs.¹

In addition to reauthorizing EDA's programs, this legislative proposal recommends several improvements to program authorities. The proposal provides the Secretary with broad authority to issue regulations to improve administration of revolving loan fund (RLF) projects funded under the Economic Adjustment Program. With over \$670 million in EDA investments in such projects, EDA wants to ensure that they are administered properly and efficiently, yet in a way that gives the Federal Government the greatest return on its investment from the perspective of creating or preserving jobs in economically distressed areas of the country. Accordingly, the proposal recommends new authority to allow EDA to consolidate grant agreements governing these projects where it makes sense and to enable EDA to approve modifications to allow grantees to address the changing circumstances of borrowers in their project areas. The proposal also recommends new authority to enable EDA to execute a release of the Federal interest in the projects after 20 years upon payment of the amount of its investment or its pro rata share of the project, whichever is less. Given the nature of these projects – the RLF reuses loan repayments to make new loans – EDA potentially has a responsibility to monitor performance on an unending basis as long as performance is satisfactory in meeting program goals. With over 600 RLF projects, EDA is concerned about the burden of monitoring these projects. EDA proposes to use the new release authority to enable it to close out these projects after 20 years of successful operation upon receiving repayment. EDA will provide an incentive to current RLF operators to seek the release by accepting the lesser of the amount of the original investment or its pro rata share of the current value of the fund.

The Department also proposes new authority to establish an incentive program to reward grantees that perform the best in terms of creating jobs in distressed areas of the country. In addition, the Department proposes new special impact area authority to cover those unusual circumstances that arise

¹The remaining \$13 million of the \$331,027,000 proposed for EDA for its programs in FY 2004 will fund the Trade Adjustment Assistance program for firms under the Trade Act of 1974.

from time to time and result in special appropriations to meet unanticipated economic development problems. The proposal also recommends a number of technical amendments to remove unused authorities, to simplify the process for establishing grant rates, and to clarify several provisions.