



Training, information and representation for regional development organizations serving small metropolitan and rural America

Final EDA Reauthorization Bill (S. 1134) Section-by-Section Analysis

Following is a brief overview and analysis of the final five-year reauthorization bill (S 1134) for the Economic Development Administration (EDA). Where appropriate, committee report language has been included. For more details, visit the NADO Command Center on EDA Reauthorization at www.nado.org/legaffair/edacenter.html.

TITLE I – GENERAL PROVISIONS

Sec. 101 Findings and Declarations

- Clarifies and updates the description of the agency’s mission and the role of the federal government and EDA in regional and local economic development.

Sec. 102 Definitions

- Adds “special purpose unit of government” to list of eligible entities.
- Adds reference to new federal-state regional commissions authorized by Congress since 1998 – Delta Regional Authority, Denali Commission and Northern Great Plains Regional Authority.
- Redefines “University Center” as “an institution of higher education or a consortium of institutions of higher education established as a University Center for Economic Development.”

Sec. 103 Establishment of Economic Development Partnerships

- Adds “nonprofit organizations” to list of entities eligible to receive technical assistance.
- Allows EDA to enter into cooperative agreements to form economic development partnerships with any two or more states. Previously, only allowed if states were adjoining.

Sec. 104 Coordination

- Provides the Secretary with the authority to convene meetings with federal agencies, state and local governments, economic development districts, Indian tribes and other planning and development organizations.

TITLE II – GRANTS FOR PUBLIC WORKS AND ECONOMIC DEVELOPMENT

Sec. 201 Grants for Planning

- Removes provision requiring states to certify that local plans and economic development district plans were considered and are consistent with statewide plans.
- Removes provision requiring states to identify inconsistencies between state plan and local and economic development district plans and to provide a justification of inconsistencies.
- Adds new section requiring the Commerce Secretary to evaluate the extent state plans will “consider” local and economic development district plans before awarding a state planning grant.
- Adds requirement that state plans encompass workforce investment strategies and promote the use of technology in economic development, including access to high-speed telecommunications.

Planning Language from Senate Committee Report: Economic Development Districts provide valuable planning and technical assistance to help communities build local capacity to focus on long-term economic challenges. This section does not change or eliminate any of the currently authorized uses of funds under this section. These uses include technical assistance, capacity building activities and administrative expenses to support the on-going formulation and implementation of comprehensive economic development strategies. Small, rural areas in particular often are unable to maintain the professional and technical capacity necessary to efficiently implement a CEDS. Technical assistance provided by the planning organizations funded under section 203 of PWEDA, therefore, is often vital to ensuring timely implementation. Additionally, to ensure that economic development and economic development plans remain locally driven, it is important for local officials to have sufficient representation on the planning boards of Economic Development Districts. Therefore, EDA is expected to continue making planning grants to existing and unfounded Economic Development Districts in a manner consistent with currently authorized uses of funds under this section.

Sec. 202 Cost Sharing

- Allows EDA to fund up to 80 percent of project cost. The proposal gives EDA ability to promulgate new regulations to establish grant rates for projects and programs.
- Allows waivers for grants up to 100 percent for tribes and states, local governments and nonprofits that have “exhausted” their effective taxing and borrowing capacity.

Cost Share Language in Senate Committee Report: This section and section 203 of the bill are primarily administrative in nature; no substantive changes are made to the Act's cost share requirements. Section 204 of PWEDA limits the Federal share of a project to not more than 50 percent of the total cost. That limitation is retained under

this bill. Section 205, which authorizes supplementary grants, allows the Secretary to provide a second, supplementary grant to an EDA grant recipient located in a particularly distressed community, in accordance with regulations established by the Secretary. The original grant and the supplementary grant together may not exceed 80 percent of the total project cost. Section 202 of this bill simply consolidates these two authorities so that the Secretary may award a single grant of up to 80 percent Federal share for projects in certain communities. Additionally, cost share provisions currently located in other sections of PWEDA are consolidated in section 204.

Sec. 203 Supplementary Grants

- Allows EDA to make supplemental grants to increase federal share in projects.

Sec. 204 Regulations on Relative Needs and Allocations

- Adds requirement that rural and distressed areas be held harmless from the establishment or implementation of any private sector leveraging goals for public works and economic development projects.

Language from Senate Committee Report: In establishing investment guidelines related to the amount of private sector investment in projects funded under this Act, the Secretary should take a balanced approach to ensure that these guidelines do not discourage investment in rural or urban economically distressed regions. These guidelines should not be used to discourage applications from such regions nor serve as the sole basis for denial of assistance under this Act to any individual project.

Sec. 205 Grants for Training, Research, and Technical Assistance

- Adds projects related to assessment, marketing and establishment of business clusters and allows Secretary to waive provision, for national and regional projects, requiring nonprofits to act in cooperation with “officials of a political subdivision” of a state.

Sec. 206 Prevention of Unfair Competition

- Repeals current provision.

Sec. 207 Grants for Economic Adjustment

- Adds the “loss of manufacturing jobs” among criteria for assistance.
- Gives EDA broad authority to promulgate new regulations to ensure the “proper operation and financial integrity” of revolving loan funds (RLF).
- Allows consolidations of RLF grants, at the request of the grantee.
- Allows EDA to transfer assets of RLF to a third party for purpose of liquidation.
- Adds provision allowing RLF operators to sell or securitize loans.

RLF Language from Senate Committee Report: The Economic Development Administration's revolving loan fund (RLF) program has proven to be an effective program that works through intermediaries to provide business development capital to new and expanding private sector industries in underserved urban and rural areas. Currently, EDA oversees more than 600 locally controlled RLF's. The size of this portfolio compared to the size of the agency has made effective oversight a challenge. This section provides EDA with tools to improve and streamline management of the RLF program. The authority to grant a request by local RLF operators to consolidate multiple RLF's should reduce the overall number of RLF's.

New audit and reporting requirements also should help reduce redundant reporting requirements and open resources for EDA staff. When developing these new requirements, EDA should ensure that new audit requirements do not alter the original intent and scope of the RLF program by imposing new cost and administrative burdens on RLF grantees. Once implemented, these administrative and management improvements should allow EDA to increase its capitalization of new RLF's and recapitalization of existing RLF's in this important economic development program.

Sec. 208 Use of Funds in Projects Constructed Under Projected Cost

- Allows grantees, at the discretion of the Secretary, to use excess funds, before closeout of the project to: improve the project or to increase the federal share of the cost of another project.
- Requires Comptroller General to submit a report on effectiveness of this practice.

Sec. 209 Special Impact Areas

- Allows EDA to designate special impact areas for project investments in an area unable to complete the CEDS requirement.

Sec. 210 Performance Awards

- Allows EDA to provide performance awards to recipients of economic development and public works grants if project meets certain performance measures. If project goals are met, the Secretary may provide a performance award to the grantee up to 10 percent of the original grant amount. The award amount may be used to pay up to 100 percent of any EDA eligible project, including planning, or it can be used to meet the non-federal match requirements of another EDA project or any other federal program.
- Requires Comptroller General to submit a report on effectiveness of the performance award program.

Performance Award Language from Senate Committee Report: The Secretary is directed to establish by regulation the performance criteria to be used in determining which grant recipients will receive performance awards and how large the awards will be. When formulating these rules, the Secretary shall consider inclusion of measures that assess the recipients performance in meeting or exceeding scheduling and job creation goals, as well as the amount of private sector investment. The performance

award may be no greater than 10 percent of the original project grant amount and may be used for any economic development purpose eligible under the Act. When used in combination with funds awarded under other provisions of PWEDA or under another Federal act, the performance award funds shall be treated as non-Federal funds.

Sec. 211 Planning Performance Award

- Replaces the current 10 percent district bonus with a new five percent planning bonus for project grantees located in an economic development district. To receive the planning bonus, grantees must be active participants in the economic development district and the project must be consistent with the district's CEDS. Award can be used to increase the federal share of the project's cost.

Planning Performance Award from Senate Committee Report: The opportunity to receive additional funds may encourage some recipients to work more closely and more efficiently with economic development districts. Therefore, the Secretary is authorized to make an award of no more than 5 percent of the original project grant to a recipient meeting the following four criteria: 1) actively participated in the economic development activities of the district; 2) the project is consistent with the district's CEDS; 3) worked with Federal, State and local economic development entities throughout the development of the project; and 4) the project was completed in accordance with the district's CEDS. The award funds may be used to increase the Federal share of a project funded under this title up to 100 percent.

Sec. 212 Direct Expenditure or Redistribution by Recipient

- Allows grant recipients to subgrant funds.

Sec. 213 Brightfields Demonstration Program

- Authorizes \$5 million for a new brightfields demonstration program. Brightfields are brownfields-related projects that use solar energy technology.

TITLE III – COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGIES

Sec. 301 Eligibility of Areas

- Clarifies federal data sources used to define eligible areas. Adds data from the Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, Bureau of Indian Affairs, or other "appropriate" sources.

Sec. 302 Comprehensive Economic Development Strategies

- Adds "workforce development" and "technology in economic development" as planning factors in local strategies.
- Requires that any other plan approved by EDA to function as a CEDS be consistent and coordinated with any strategy for the area.

CEDS Language in Senate Committee Report: This sections amends section 302 of PWEDA to clarify that the CEDS should maximize effective development and use of the workforce, consistent with any applicable State or local workforce investment strategy, and promote the use of technology in economic development. The section also requires that any other plan approved by the Secretary to function as a CEDS should be consistent and coordinated with any existing plan for the area.

TITLE IV – ECONOMIC DEVELOPMENT DISTRICTS

SEC. 401 INCENTIVES

- Eliminates 10 percent district bonus. This provision is replaced by a new 10 percent performance award program and a new five percent planning performance bonus (See Sec. 210 & 211).

Sec. 402 PROVISIONS OF COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGIES TO REGIONAL COMMISSIONS

- Updates reference requiring EDDs in areas covered by a federal-state regional commission to provide the commission with a copy of their CEDS.

TITLE V – ADMINISTRATION

Sec. 501 Economic Development Clearinghouse

- Modifies provisions related to EDA's Web-based information clearinghouse of economic development information

Sec. 502 Businesses Desiring Federal Contracts

- Repeals this section

Sec. 503 Performance Evaluations of Grant Recipients

- Adds "program performance" to the evaluation criteria for University Centers.

TITLE VI – MISCELLANEOUS

Sec. 601 Annual Report to Congress

- Updates EDA's annual reporting requirements to include: listing of all grant recipients and their projected private sector leveraging ratio, discussion of any private sector leveraging goals for grants awarded to rural and distressed areas, and after completion of project, the realized investment ratio.

Sec. 603 Brownfields Redevelopment Report

- Requires the Comptroller General to compile a report evaluating grants made by EDA for the "economic development of brownfields sites."

Sec. 605 Sense of Congress Regarding Economic Development Representatives

- Directs EDA to “maintain a sufficient number of economic development representatives” to ensure that EDA is able to provide “effective assistance to distressed communities and foster economic growth and development among the states.”

TITLE VII – FUNDING

Sec. 701 Authorization of Appropriations

- Authorizes: \$400 million for FY04, \$425 million for FY05, \$450 million for FY06, \$475 million for FY07 and \$500 million for FY08. In addition, authorizes \$33.37 million in fiscal 2004 and “such sums as necessary” thereafter for salaries and expenses.

Sec. 702 Funding for Grants for Planning and Grants for Administration

- Establishes a minimum funding level of \$27 million for planning grants and administrative expenses.

Committee report: Appropriations for the planning program have remained level at approximately \$24,000,000 for a decade. This section ensures that funding will increase following enactment of the bill. This increase should allow EDA to provide funding to designated but unfunded districts and new districts and increase funding to currently funded districts.

APPENDIX

The Committee report contains a number of project earmarks. A total of 22 individual projects spread out among seven states (Alaska, DC, Minnesota, Missouri, Nevada, Ohio, Oklahoma and Vermont) totaling \$21 million.