Economic Development Administration: A Review of Elements of Its Statutory History

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Summary

As the 112th Congress considers legislation reauthorizing the Public Works and Economic Development Act of 1965 (PWEDA; P.L. 89-136), which created the Economic Development Administration (EDA) and its programs, the PWEDA's statutory evolution may inform Congress in its deliberation. In reviewing the evolution of the PWEDA's statutory authority, several observations are worth making:

- Congress has consistently used unemployment as the primary criterion to determine eligibility for EDA assistance, but it has authorized the inclusion of other criteria, resulting in up to 80% of counties being deemed eligible for assistance.
- Although Congress has cast a wide net in terms of the criteria for EDA eligibility, it has remained focused on a singular mission: supporting private sector job creation in economically depressed areas primarily through the financing of infrastructure projects, including technology enhancements.
- Congress has continued to promote multi-jurisdictional regional planning as a core activity in support of EDA's job creation mission.
- The use of EDA public works-based assistance as an anti-recession tool has generally been opposed by some in Congress and viewed as slow and costly in generating jobs for the unemployed during a recession.

During its 46-year history, EDA has evolved from a cluster of programs targeted primarily to rural communities experiencing long-term economic depression to an agency that has also been called upon to target assistance to urban areas and to address issues confronting communities experiencing sudden economic dislocation caused by factory shutdowns, foreign competition, base closures, and disasters. Although Congress initially approved legislation that used unemployment rates as the primary determinant of eligibility, it has also used per capita income and other criteria to qualify areas for assistance. Supporters contend that this allows EDA to be responsive to areas experiencing population outmigration, natural disasters, natural resource depletion, military base closures, the sudden loss of manufacturing jobs, and other special needs, while detractors contend that this broad targeting has diffused the agency's resources.

As the programs of EDA evolved, Congress enacted legislation that standardized matching fund requirements among programs, simplified the application process, encouraged regional cooperation, established performance measures, and provided additional performance-based funding to grant recipients. The 1998 amendments standardized the federal cost share at 50% of a project's cost, but allowed EDA to provide supplemental assistance to increase the EDA contribution to no more than 80% of a project's cost. The 2004 amendments allowed EDA to waive completely the cost share requirements based on an EDA finding of insufficient taxing or borrowing capacity.

In an effort to encourage regional cooperation, Congress conditioned the receipt of public works and economic adjustment assistance on the development and implementation of a Comprehensive Economic Development Strategy (CEDS) and required each grantee's CEDS to be consistent with local and district plans. Congress also directed EDA to award additional funds for outstanding performance in the execution of grant activities. Most recently, with the passage of American Recovery and Reinvestment Act (ARRA; P.L. 111-5), Congress returned to the practice of using EDA assistance as a countercyclical tool. This report will be updated as events warrant.

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Created with the enactment of the Public Works and Economic Development Act of 1965 (PWEDA; P.L. 89-136), the Economic Development Administration has a 46-year history of supporting job creation and long-term economic recovery efforts in the nation's economically distressed areas.[1] The 112th Congress may consider legislation reauthorizing the EDA, the authorizations of which expired at the end of FY2008. At least one bill, S. 782, which would reauthorize the agency and its programs through FY2015, has been reported out of the Senate Environment and Public Works Committee and placed on the Senate calendar. Also, Congress is expected to consider funding for the agency and its programs as part of the Commerce, Justice, Science Appropriations bill. As the 112th Congress considers these and other legislative proposals that may reauthorize, amend, and fund the agency and its programs, a review of the evolution of the agency's statutory authority may inform Congress in its deliberations.[2] In considering the reauthorization of the agency and its programs, Congress will do so within the larger policy context regarding other competing national issues, including efforts to reduce federal spending in order to address federal budget deficits and the national debt, concerns about duplication and fragmentation of federal economic development assistance, and efforts to support economic recovery and job creation following the worst economic recession since the Great Depression.

Precursors to the Creation of EDA

Congress authorized the creation of EDA with the aim of addressing the problems confronting rural regions experiencing long-term economic depression. EDA and its programs were part of a larger effort to address the causes of job loss and economic decline, including physical and technological deficiencies, that hindered or detracted from an area's economic competitiveness and employment potential. When creating EDA, Congress drew on the lessons learned from three other federal economic development laws that preceded it:

- the Area Redevelopment Act of 1961 (ARA; P.L. 87-27);[3]
- the Public Works Acceleration Act of 1963 (PWAA; P.L. 87-658);[4] and
- the Appalachian Regional Development Act of 1965 (ARDA; P.L. 89-4).[5]

Collectively, the three predecessor acts targeted assistance to projects in areas experiencing long-term economic stagnation as well as projects providing temporary public works employment as an anti-recessionary measure in response to rising unemployment. Dominant themes and lessons of each of these acts became integral parts of EDA's mission of job creation and poverty reduction in economically disadvantaged regions.[6] Among the themes and issues that framed the debates authorizing EDA and its predecessor agencies and programs were the following:

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[1] 42 U.S.C. § 3121, 79 Stat. 552.

[2] For a discussion of EDA issues in the 112th Congress, see CRS Report R41162, *Economic Development Administration: Reauthorization and Funding Issues in the 111th Congress*, by Oscar R. Gonzales and Eugene Boyd.

[3] 75 Stat. 47.

[4] 76 Stat. 451.

[5] 79 Stat. 5.

[6] The three acts cited above were themselves preceded by other federal legislation intended to support broad national recovery and encourage development in economically depressed areas. President Franklin Roosevelt's New Deal initiatives included passage of the National Industrial Recovery Act of 1933 (NIRA). The act created the Public Works (continued...)

- the centralization of federal aid in contrast to decentralization and devolution of responsibilities to state and local governments,
- the allocation of funds to infrastructure development versus direct aid to the unemployed and underemployed,
- the targeting of federal funds to the most economically depressed areas versus allocation of resources geographically throughout the country,
- the use of public works as an anti-recession job creation tool,
- the use of unemployment as the dominant factor to identify counties eligible for assistance in contrast to a matrix of elements, and
- the level of aid necessary to affect job growth and economic development.

Area Redevelopment Act: Placed-Based Federal Economic Development Assistance

ARA, which was signed into law by President Kennedy on May 1, 1961, was the direct antecedent to the PWEDA. Passed by Congress in the midst of an economic recession, ARA was enacted after years of congressional debate surrounding the structure, focus, and need for targeted assistance to the nation's long-term economically depressed rural communities. Passage of the act marked one of the earlier federal efforts to support placed-based economic development strategies as a means of improving the economic well-being of persons in poverty. The act also was noteworthy for providing direct federal assistance to businesses as well as indirectly supporting job creation through infrastructure development. Similar measures had been sponsored in previous Congresses as a means of assisting rural communities, particularly those of the Midwest and Northeast, experiencing declining employment in the manufacturing and mining industries.

Two of the principal criticisms of ARA were

Area Redevelopment Act

1961-1965

Assistance was targeted to economically depressed rural communities (redevelopment areas) to implement Overall Economic Development Plans (OEDP). Assistance included venture capital loans; loans and grants for public facilities; technology and market information; and research grants to investigate the causes of, impacts of, and solutions to economic decline. Funds could also be used to facilitate access to other federal programs providing vocational retraining of workers.

Eligibility was based on whether a community's unemployment rate met or exceeded 6% and whether it met or exceeded the national average by

- 50% during the previous three years,
- 75% during the previous two years, or
- 100% during the previous year.

Assistance was also extended to rural communities with high concentrations of low-income families.

Federal contributions to the cost of projects assisted with ARA funds could not exceed 50%.

(...continued)

Administration (PWA), which spent $6 billion on the construction of public works projects in an effort to help move the country out of the economic depression of the 1930s. The PWA was abolished in 1941. The National Resource Board (NRB) was established in 1934 by E.O. 6777. The NRB included the Secretaries of Commerce, Interior, War, Labor, and Agriculture, and the Federal Emergency Relief Administrator. It provided technical assistance in the preparation of a comprehensive plan for public works. Its last successor agency, the National Resources Planning Board, was abolished in 1943.

that it was ineffective in preventing the pirating of businesses from one region to another and that it interfered with the marketplace, resulting in inefficient resource allocation. Other alleged program deficiencies included inadequate funding, inflexible rules governing direct support for businesses, and the lack of program incentives that would encourage or mandate multi-county cooperation rather than competition among individual counties in the development and execution of economic development plans.[7]

Public Works Acceleration Act: Infrastructure-Based Economic Stimulus

PWAA was another initiative of the Kennedy Administration. Approved by Congress in September 1962, the PWAA was enacted in response to an economic recession that lasted from April 1960 to February 1961, according to the National Bureau of Economic Research.[8] The recession was accompanied by a rise in unemployment from a low of 5.2% in May 1960 to 7.1% in May 1961.[9]

The act had two objectives. It sought (1) to introduce an immediate economic stimulus in response to the 1960-1961 recession by providing temporary employment through accelerated construction of public works projects and (2) to encourage long-term economic development and industrial expansion in affected communities by financing improvements to public works and facilities. The PWAA authorized an appropriation of $900 million to be allocated by the President from among federal, state, and local projects authorized by Congress and required that at least $300 million be allocated to redevelopment areas (these were longer-term economically depressed areas) as defined by ARA.[10]

PWAA

1962 Countercyclical Economic Stimulus

Funds were used to accelerate previously approved or authorized federal, state, and local government public works projects. The act limited each state to no more than 10% of the total amount appropriated and restricted the selection of projects to those that

- could be initiated immediately,
- could be substantially completed within 12 months after initiation,
- would contribute to lowering the unemployment rate, and
- would address an essential public need.

Areas eligible for assistance included those designated as redevelopment areas under ARA and communities designated by the Department of Labor has having been areas of substantial unemployment for nine of the previous 12 months.

The act limited the federal government's share of the cost of approved projects to no more than 50%. However, the federal share could cover 75% of a project's cost depending upon the economic and financial capacity of the state or local government.

One of the principal complaints lodged against the PWAA was that it dispensed funds to too many areas for projects with too little economic value or impact. The net result was that many projects

7 U.S. Congress, House Committee on Public Works, *Public Works and Economic Development Act of 1965*, report to accompany S. 1648, 89th Cong., 1st sess., June 22, 1965, H. Rept. 539 (Washington: GPO 1965), p. 3.

8 See Business Cycle Dating Committee, *U.S. Business Cycle Expansions and Contractions*, National Bureau of Economic Research, Cambridge, MA, http://www.nber.org/cycles/cyclesmain.html. The decline in economic activity was accompanied by a rise in unemployment from a low of 5.2% in May 1960 to 7.1% in May 1961.

9 See database available at U.S. Department of Labor, Bureau of Labor Statistics, *Labor Force Statistics from the Current Population Survey, Historical News Release Tables*, Table A-7, Selected Unemployment Indicators, Seasonally Adjusted, http://www.bls.gov/webapps/legacy/cpsatab7.htm.

10 P.L. 87-658, Sec. 3(d); 76 Stat. 542.

did not produce the desired results. Another criticism was that the legislation was slow to implement and that the recovery was well underway before projects produced results**.**

Appalachian Regional Development Act: Federally Chartered Multi-state Regionalism

The third act, ARDA, created a multi-state regional commission charged with developing and coordinating federal assistance to economically depressed counties within the 13 member states. Signed into law by President Johnson on March 9, 1965, only months before the passage of the PWEDA, ARDA created the Appalachian Regional Commission (ARC), a regional development entity chartered by Congress. ARDA remains current law and the ARC continues to operate.

ARDA of 1965

The ARC's mission is to address development and related issues affecting the multi-state region and its sub-state areas, particularly those experiencing long-term economic distress.

Assistance includes grants, loans, technical assistance for infrastructure, education, training, business development, health, and housing aimed at addressing one of ARC's four strategic goals: (1) improving job opportunities, (2) strengthening workforce readiness, (3) improving infrastructure; (4) expanding the reach of the Appalachian Development Highway System.

Eligibility is based on a county's distress status as measured by unemployment rates, per capita income, and poverty rates. ARC counties are grouped into five categories based on these measures of distress:

- *Distressed Counties* have poverty and unemployment rates that are at least 150% of the national averages and per capita incomes that are no more than 67% of the national average.
- *At-Risk Counties* have poverty and unemployment rates at least 125% of the national averages and per capita incomes that are no more than 67% of the national averages.
- *Transitional Counties* are those that do not meet the thresholds for distressed or at-risk designation, but have unemployment, poverty, or per capita income rates that are worse than the national averages.
- *Competitive Counties* have poverty and unemployment rates that are equal to or less than the national averages.
- *Attainment Counties* have poverty rates, unemployment rates, and per capita incomes that are at least equal to the national rates.

The federal share of a project's cost varies from 50% to 80% depending on the nature of the project and the economic distress status of the area seeking assistance.

ARDA is noteworthy for several reasons, including its federal charter and the appointment of a representative of the federal government as co-chair of the ARC. More importantly, ARDA authorized the creation of several new programs, with most being administered by other federal agencies. In so doing, it linked place-based physical and economic development policies and programs with people-oriented social, workforce training, education, and health initiatives as part of a comprehensive effort to improve an area's competitive advantages.

Another innovation of ARDA was the establishment of Local Development Districts (LDDs). These multi-county planning and development organizations help local governments identify the development needs of their communities. Among the 13 member states that make up the ARC, there are 420 counties that are divided into 72 LDDs.

Much of the criticism of the ARC is that success has occurred at the margins. That is, the ARC has not been successful at moving the most distressed communities toward prosperity, as measured by significant declines in poverty and unemployment rates and increased per capita income.[11] Other observers argue that the ARC has been successful in improving the region's overall competitiveness, wages, and general quality of life. Supporters of the ARC and its regional development approach contend that Congress recognized that issues of poverty are multi-faceted, involving not only jobs but also concerns about education, health, and other quality of life factors.

Public Works and Economic Development Act of 1965: Building on Past Lessons

Building upon the experience gained under the previously enacted statutes, Congress approved the PWEDA to address the economic development needs of distressed areas. President Johnson, when submitting his legislative proposal calling for the creation of EDA, outlined several basic principles that would guide the federal effort concerning these needs. The legislation would provide the financial support needed to improve the physical deficiencies of distressed areas; it would encourage private sector job creation in underdeveloped rural areas; and it would encourage state and local government economic development planning, including supporting multi-county regional planning entities.

As passed by Congress, the PWEDA reflected the lessons learned from previous legislation, including many of the elements of the three previously cited statutes. The act affirmed Congress's commitment to placed-based economic development policies by tying eligibility to an area's unemployment rate and funding public works projects linked to commercial and industrial development as a means of creating jobs and combating poverty. The act also established Economic Development Districts (EDDs) comprising two or more redevelopment areas (RAs) as a means of promoting regional coordination and cooperation in the formulation and execution of Overall Economic Development Plans (OEDPs). The creation of EDDs was a significant departure from the single-county approach under ARA and mirrored the role of Local Development Districts created under ARDA. The legislation limited the federal share of a project's cost, thus requiring local participating entities to share the risk. In addition, the act relied heavily on the use of unemployment data to define eligible RAs, but included alternative criteria such as median income that had the net effect of expanding the number of EDA-eligible counties.

[11] Associated Press, "Is Agency's Work to End Appalachian Poverty Done?," May 23, 2004, http://www.sullivan-county.com/nf0/june_2004/arc.htm.

PWEDA 1965

Title I, Public Works Grants, authorized grants to public agencies and nonprofit entities located in RAs to be used to develop and implement OEDPs and to finance public works and public service activities. The act limited the EDA grant to 50%-80% of a project's costs.

Title II, Public Works Loans, authorized loans for the same activities covered under Title I. Loans could be used by public entities and private businesses to cover 65% of the cost of developing land and facilities for commercial and industrial use.

Title III, Planning and Technical Assistance, authorized grants and technical assistance to designated RAs for long-term planning activities, feasibility studies, management assistance, and evaluation and research studies.

Title IV, Area Designation, established the unemployment thresholds used to designate RAs. RA designation was based on whether an area's unemployment rate met or exceeded 6% for the last calendar year and whether it was

- 1.5 times the national average unemployment rate for three of the previous four years,
- 1.75 times the national average unemployment rate for two of the previous three years, or
- two times the national average unemployment rate for one of the previous two years.

Eligibility was also extended to

- areas where median family income was less than 40% of the national average;
- economically depressed Indian reservations;
- areas that experienced the loss of a major employer or an abrupt rise in unemployment that exceeded the national unemployment rate by 50%; and
- areas designated Special Impact Areas under the Economic Opportunity Act of 1964 (EOA; P.L. 88-452), 78 Stat. 504, which directed federal anti-poverty funds principally to impoverished urban neighborhoods.

Title V, Regional Commissions, authorized the establishment of multi-state regional commissions aimed at encouraging states to establish economic development plans for depressed areas.

Title VI, Administration, created the positions of Assistant Secretary and EDA Administrator, and directed the Commerce Department to establish an Advisory Committee on Regional Economic Development.

Title VII, Miscellaneous, delineated the powers of the Secretary of Commerce to carry out the act.

One of the criticisms of EDA that has endured since its inception is the high percentage of communities that continue to qualify as economically distressed. Over the life of the program, according to estimates included in a Rutgers University study, 60%-90% of counties met the qualifications for designation as economically distressed.[12]

As passed by Congress, the PWEDA included grants to public agencies and nonprofit entities for public works projects, loans to businesses, and technical assistance and grants to redevelopment areas to be used to develop OEDPs. Title V of the act authorized the creation of five regional commissions modeled after the ARC.[13]

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[12] Robert Lake, Robin Leichenko, and Amy Glasmeier, et al., *EDA and U.S. Economic Distress: 1965-2000*, Rutgers University, New Brunswick, NJ, July 2004, pp. xiii and 18, http://www.eda.gov/PDF/2004JulyEDAandU.S.EconomicDistressReport.pdf.

[13] In both form and intent, Title V sought to recreate multi-state regional commissions similar to the ARC, including the appointment of a federal co-chair to head each regional commission. It authorized the creation of the New England Regional Commission, Upper Great Lakes Regional Commission, Ozarks Regional Commission, Coastal Plains Regional Commission, and Four Corners Regional Commission. Unlike the ARC, the responsibilities of these regional commissions were limited to planning and coordination activities. P.L. 91-123 amendments directed the Secretary of Commerce to provide technical assistance to the commissions to cover the matching grant requirements of other federal (continued...)

PWEDA Amendments of the 1970s: Wider Net, Same Mission

The 1970s were an active legislative period for EDA as Congress passed not less than six acts reauthorizing and amending the PWEDA. Three of them added new titles to the PWEDA. Congressional consideration of these measures underscored the competing philosophies regarding the federal role in economic development. On the one hand, some policymakers supported a limited federal role in economic development, arguing that government intervention distorts the marketplace, while others embraced policies that were intended to reduce regional deficiencies and improve the competitiveness of depressed areas. Congress not only embraced physical development policies and programs such as EDA assistance programs, but, as a part of President Nixon's "New Federalism" initiative, it also moved to consolidate manpower training programs, such as those authorized by the Comprehensive Employment and Training Act of 1973, and other physical development programs. They were consolidated under the Community Development Block Grant program authorized by Title I of the Housing and Community Development Act of 1974, P.L. 93-383.

PWEDA Amendments of the 1970s

Title VIII, Economic Recovery for Disaster Areas, included areas affected by disasters among those eligible for assistance.

Title IX, Special Economic Adjustment Assistance, extended assistance to areas affected by sudden and abrupt loss or anticipated loss of a major employer.

Title X, Jobs Opportunity Assistance, authorized accelerated public works spending to combat rising unemployment caused by an economic recession.

During this period, the expectations placed on EDA increased. The agency evolved from a cluster of programs targeted primarily to depressed rural communities to an agency that was also called upon to direct assistance to urban areas and to address issues confronting communities experiencing sudden and abrupt economic dislocation caused by factory shutdowns, foreign competition, base closures, and disasters. Beyond these changes, Congress also debated, and at times approved, the use of EDA funds as an anti-recessionary measure. This included providing standby authority to the President to be used to allocate additional funds for public works projects as a means of creating jobs and priming the economic pump.

By the end of the decade, Congress had approved legislation that increasingly relied on unemployment rates as the primary factor used to determine EDA eligibility and authorized EDA to provide economic adjustment and trade adjustment assistance to communities experiencing or with the potential for experiencing sudden and abrupt economic dislocation.

(...continued)

programs and to establish long-range economic development plans.

Title VIII, EDA and Disaster Recovery

As early as 1970, President Nixon proposed amending the PWEDA to include "staff support, technical advice and financial assistance to those communities affected by major disasters."[14] Four years later, Congress passed the Disaster Relief Act of 1974, P.L. 93-288. Title V of the act amended the PWEDA by adding a new Title VIII—Economic Recovery for Disaster Areas.[15] The new title made explicit the funding of disaster recovery assistance activities that EDA had undertaken in the past. Title VIII gave EDA specific authority to provide assistance to areas affected by disasters, including planning assistance, coordination of other federal grants, loans, and technical assistance in support of the restoration of an area's employment base. The act also authorized the creation of Recovery Planning Councils (RPCs) that included federal, state, and local representatives. The RPCs were charged with developing and implementing five-year recovery investment plans for the affected areas. Congress repealed this authority in 1988.

Title VIII

EDA-funded disaster recovery activities include:

- planning and technical assistance grants that support state and local efforts to develop long-term recovery plans;
- implementation of post-disaster job creation and retention strategies;
- capitalization of Revolving Loan Funds to help affected local businesses access capital;
- new construction and improvements to existing, publicly owned commercial and industrial facilities; and
- disaster mitigation activities, such as infrastructure improvements intended to reduce the impact or risk of future disasters.

At its discretion, Congress may appropriate supplemental or special funding to aid the long-term economic recovery of areas affect by major disasters. Alternatively, EDA, without prior congressional approval, may provide assistance through its regular programs, particularly economic adjustment assistance funds.

At least one evaluation of EDA's response to the 1993 Midwest floods found that EDA disaster recovery assistance was effective in responding to the longer-term recovery needs of affected communities. The report also noted that EDDs played an important role in helping local communities plan and implement recovery strategies, and that EDA should make disaster mitigation and preparedness part of the local planning process.[16]

[14] U.S. President (Nixon), "Special Message to the Congress on Federal Disaster Assistance," *Public Papers of the Presidents of the United States: Richard M. Nixon* (Washington: GPO, 1970), p. 381.

[15] 88 Stat. 160.

[16] Roger Rasnake, et al., *EDA's Response to the Midwest Floods of 1993: An Evaluation*, Aquirre International, 1998.

Title IX, Special Economic Development and Adjustment Assistance

The PWEDA Extension Act of 1974, P.L. 93-423, reauthorized EDA programs through 1976, including $175 million over two years for a new title (Title IX, Special Economic Development and Adjustment Assistance, SEAA).[17] The new title targeted funds to states and local areas experiencing or under the threat of experiencing sudden economic dislocation, including, but not limited to, rising unemployment caused by the actions of the federal government, including compliance with environmental requirements. It allowed local governments and states to undertake eligible activities directly or to distribute funds to public and private entities, although no funds could be directly awarded to private for-profit entities. Further, the act allowed EDA to transfer to the Department of Labor funds to cover unemployment compensation benefits for dislocated workers. This was one of the more controversial provisions of the act.

> **Title IX**
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> SEAA program was intended to assist eligible areas to address the special needs arising from actual or threaten severe loss of jobs.
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> Eligible areas included states and local governments, RAs and EDDS.
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> Grant applicants were required to submit to EDA a plan describing the area's needs and activities to be undertaken.
>
> Eligible activities included public facilities, public services, business development, planning, unemployment compensation, rent supplements, mortgage payment assistance, research, technical assistance, training, and worker relocation.

The Senate report (S. Rept. 93-1055) accompanying the Senate version of the authorizing legislation (S. 3641) distinguished SEAA assistance from that provided under other titles of the PWEDA and addressed the unemployment compensation issue by noting that

> The principal purpose of title IX is to reduce hardships to working individuals and their families caused by these unforeseen dislocations.… [T]itle IX as proposed addresses immediate problems and aims to maintain jobs or restore them with due haste, at once minimizing human hardship and restoring balance to local economies. Payments to the unemployed are an important and necessary part of this assistance.[18]

The report noted that two other laws, Trade Adjustment Assistance and the Disaster Relief Act, included similar provisions for unemployment compensation.

Title X and Other EDA Anti-recession Legislation

From 1971 through 1976, Congress passed and the President signed five acts extending and amending EDA's statutory authority. Two of these measures included explicit countercyclical initiatives enacted in response to economic recessions. They were

- the Job Opportunities Program of 1974 (Title X of PWEDA), and
- the Public Works Employment Act of 1976.

A third act, the 1971 PWEDA Amendments Act, included provisions that were countercyclical in intention and effect, but not in name.

[17] 88 Stat. 1164.

[18] U.S. Congress, Senate Public Works Committee, *Public Works and Economic Development*, report to accompany S. 3641, 93rd Cong., 2nd sess., August 22, 1974, S. Rept. 93-1055 (Washington: GPO, 1974), p. 12.

Special Impact Area Program, 1971

The Public Works and Economic Development Act Amendments and the Appalachian Regional Development Act Amendments of 1971, P.L. 92-65, Title I, extended EDA programs for two years, through FY1973.[19] The 1971 reauthorization act was notable for two reasons: (1) it did not explicitly include funding for an accelerated public works program intended to address high unemployment caused by the 1971 recession, and (2) it included provisions requiring EDA to allocate a minimum percentage of funds to special impact areas.

> **Special Impact Areas**
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> The act
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> - established new criteria defining "special impact areas" to include areas having large concentrations of low-income households; rural areas experiencing substantial outmigration; regions with high unemployment; areas affected by abrupt increases in unemployment, such as that caused by the closure of a factory; and areas experiencing long-term (10-year) decline in employment;
> - required that not less than 25% or more than 35% of appropriated funds be awarded to projects in special impact areas;
> - eliminated the requirements that projects in special impact areas be consistent with OEDPs and have long-term benefits, and instead required that the funded projects provide "immediate useful work to unemployed and underemployed persons in the area";
> - allowed EDA to cover 80%-100% of the public works cost share in special impact areas, depending on the financial resources of the state or local government.

The act was passed after President Nixon vetoed an earlier version of the legislation (S. 575), which included a $2 billion authorization that would have extended the PWAA program (under Title I of S. 575) in an effort to stimulate job creation during the recession. In his veto message, the President objected to PWAA extension on the grounds that the measure fell short of being an effective tool in creating jobs "when they are needed, where they are needed, for the persons who most need them."[20] When the President vetoed this measure (S. 575), he cited the experience under the 1962 PWAA. He noted that major deficiencies of the PWAA as a countercyclical job creation tool included long lead times and concerns that the program, with its heavy focus on construction, would not provide job opportunities to those most in need: veterans and unskilled labor. Instead, the President endorsed the Emergency Employment Act of 1971, which provided funding for public service jobs.[21] The President also urged Congress to support his Rural and Urban Community Development Revenue Sharing proposal.[22]

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[19] 85 Stat. 166.

[20] U.S. President (Nixon), "Veto of the Accelerated Public Works Bill," *Public Papers of the Presidents of the United States: Richard Nixon, 1971* (Washington: GPO, 1972), pp. 785-788.

[21] During the second session of the 92nd Congress, President Nixon vetoed another public works bill (H.R. 16071) that would have broadened the definition of Economic Development Districts to include areas experiencing substantial unemployment and would have provided federal unemployment compensation, mortgage, and rental assistance to eligible households. President Nixon objected to the program changes for the same reasons he had opposed S. 575, which sought to extend the PWAA; he contended that the action would not provide timely relief and would be ineffective in creating jobs or stimulating timely economic development. See President Nixon, "Memorandum of Disapproval of Nine Bills, Public Works and Economic Development Act Amendments of 1972 (H.R. 16071)," *Public Papers of the Presidents, Richard Nixon 1972* (Washington: GPO 1974), p. 376.

[22] Elements of the Rural and Urban Community Development Revenue Sharing proposal would eventually become a part of the Community Development Block Grant program enacted by Congress in 1974 as Title I of the Housing and Community Development Act of 1974, P.L. 93-383.

On August 5, 1971, after having his veto sustained by Congress, President Nixon signed a bill that, as noted above, extended EDA for two years (and the ARC for four years).[23] Under the provisions of P.L. 92-65, not less than 25% or more than 35% of total appropriations for each of FY1972 and FY1973 could be allocated for projects in special impact areas. According to the House report accompanying the bill, H.R. 9922, these limits were imposed to strike a balance between projects that were necessary for long-term economic development and projects that were undertaken to assist in providing urgently needed employment.[24] The act also included a provision that prohibited EDA from terminating an area's eligibility for assistance for three years. Many observers viewed the special impact area designation as a modest recasting of the PWAA. The House report noted that projects eligible in special impact areas "include the types of construction projects that would have been eligible under the PWAA." The report also noted, "This is to ensure that such projects would have an immediate effect on areas having high unemployment."[25]

Two years later, on June 19, 1973, President Nixon reluctantly signed P.L. 93-46, a one-year extension of EDA, stating that he was convinced that the program had not delivered on creating job opportunities for the poor and that it overlapped other federal programs. The President had previously proposed replacing the program with a more focused effort to stimulate economic development as part of a proposal calling for the creation of a rural and urban community development revenue sharing program within his "New Federalism" initiative.[26] The Administration was unsuccessful in getting congressional approval for a block grant proposal that would have consolidated EDA, the Small Business Administration, and the Farmers Home Administration rural development programs.

[23] U.S. President (Nixon), "Statement of Signing Bill Extending Special Assistance to Depressed Rural Areas," *Public Papers of the Presidents of the United States: Richard Nixon, 1971* (Washington: GPO, 1972), p. 863, http://www.presidency.ucsb.edu/ws/index.php?pid=3103&st=&st1=.

[24] U.S. Congress, House Public Works Committee, *Public Works and Economic Development Act Amendments and Appalachian Regional Development Act Amendments of 1971*, report to accompany H.R. 9922, 92nd Cong., 1st sess., July 21, 1971, H. Rept. 92-372 (Washington: GPO, 1971), pp. 2-3.

[25] Ibid., p. 1251.

[26] U.S. President (Nixon), "Statement About Signing Three Bills Providing for Health Care, Economic Development in Rural Areas, and Airport Construction," June 19, 1973, http://www.presidency.ucsb.edu/ws/index.php?pid=3873&st= public +works&st1=.

Title X, Job Opportunities Program, 1974

Title III of the Special Emergency and Unemployment Assistance Act (SEUAA; P.L. 93-567), amended the PWEDA and created the Jobs Opportunities Program (JOP), Title X of the PWEDA.[27] It directed EDA to undertake job creation activities in areas experiencing high levels of unemployment. The JOP was part of the SEUAA effort to provide countercyclical assistance to combat an entrenched recession that began in November 1973 and ended in March 1975.[28] The act also extended unemployment insurance benefits and created public service jobs under the Comprehensive Employment and Training Act (CETA).

JOP Eligible Areas

Eligible areas are

- areas with unemployment rates of 6.5% or higher for three consecutive months,
- areas eligible for CETA funding, or
- PWEDA redevelopment areas.

45% to 60% of program funds were to be allocated to urban areas with 30% to 40% of funded projects located in rural areas.

Grants could be used to cover 80% of a project's costs.

The JOP was a departure from past PWAA and EDA-based countercyclical efforts. It directed the Department of Commerce, in consultation with the Department of Labor, to fund projects that would significantly reduce an area's unemployment rate and that were labor intensive. As defined by program regulations, labor intensive projects included those projects where at least 60% of project funds were spent for direct labor costs.[29] Program regulations also required that at least 50% of the program funds were to be dispensed to projects where not more than 25% of JOP funds would be used to cover non-labor costs. In addition, JOP grants could be awarded to other federal agencies and regional commissions to finance job creation and retention activities.

Public Works Employment Act, 1976

On July 22, 1976, Congress overrode a presidential veto to enact the Public Works Employment Act of 1976, P.L. 94-369.[30] Title I, Local Public Works Capital Development and Investment Act, authorized the Department of Commerce to award grants to cover 100% of the costs of state and local public works projects, including

- the completion of plans for such projects, or
- the state or local share of federally financed public works projects.

Title I authorized EDA to award grants only to projects that could be undertaken within 90 days of approval of a grant in an effort to

Title I of PWEA

Title I authorized projects that could be undertaken within 90 days of approval of the grant.

Title I assistance was triggered when the national unemployment rate exceeded 6.5% for 3 consecutive months and made available only to states and communities whose unemployment rate exceeded the national rate.

27 88 Stat. 1853.

28 See Business Cycle Dating Committee, *U.S. Business Cycle Expansions and Contractions*, National Bureau of Economic Research, Cambridge, MA, http://www.nber.org/cycles.html.

29 U.S. Department of Commerce, Economic Development Administration, "PART 313—Job Opportunities Program," 40 *Federal Register* 25672, June 18, 1975.

30 90 Stat. 999.

stimulate employment in the construction industry. In addition, Title I directed EDA to give priority to pubic works projects of local governments. Title II, Antirecession Provision, authorized the Department of the Treasury to make payments to state and local governments for public service jobs intended to help the state and local governments maintain basic services.

President Ford, in his veto of the original bill (S. 3201), stated in his veto message that the bill was inflationary and that the measure would reduce unemployment by less than one-tenth of 1%. He argued that the bill would create fewer new jobs than his own proposals, that the recovery would be well underway when the new jobs were created, that the price of $25,000 per job created was "intolerably high," and that the bill's price tag of $3.95 billion was inflationary. Instead, he endorsed H.R. 11860, the Supplemental Community Development Employment Assistance Act, which would have provided supplemental Community Development Block Grant (CDBG) assistance using unemployment data as the basis for distributing funds during any calendar quarter to communities and states. Supplemental funds were to be used for job intensive activities that were consistent with a jurisdiction's community development plan.[31]

PWEDA Amendments of 1976

In 1976, Congress passed the Public Works and Economic Development Act Amendments of 1976, P.L. 94-487, amending and extending EDA programs for three years through FY1979.[32] The act explicitly stated that assistance provided under it was to be made available to both rural and urban areas. The act reduced from 250,000 to 25,000 the minimum population size for an area to be eligible for designation as a redevelopment area and expanded the definition of eligible area to include communities where the unemployment rate exceeded the national average during the preceding 24-month period.

Most notably, the act called for the convening of a White House Conference on Balanced National Growth and Economic Development, with a report that was to be transmitted to Congress by the President. The White House Conference on Balanced National Growth and Economic Development was held over a five-day period, from January 29, 1978, to February 2, 1978. A report on the findings and recommendations of the conference was transmitted to Congress by President Carter on January 19, 1979. In his transmittal message, the President noted that

PWEDA Amendments of 1976

Extended EDA assistance programs through FY1979.

Made mandatory the authority of EDA to reduce the state and local matching share of public works and facilities grants.

Allowed EDA to waive or reduce a community development corporation's matching fund requirement if EDA found that the organization had exhausted its borrowing capacity.

Allowed EDA to provide additional grant funds for projects experiencing cost overruns.

Allowed EDA to pay additional funds on behalf of private-sector borrowers in order to reduce interest paid by such borrowers on loan guarantees.

Allowed EDA to provide interest-free loans to redevelopment areas to be used to fund economic development activities including land acquisition and redevelopment.

Included $1 billion in standby authority for anti-recessionary job creation programs (JOP) that would be triggered during any period when the national unemployment rate exceeded 7% for three consecutive months.

[31] U.S. President (Ford), "Veto of the Public Works Employment Act of 1976," *Public Papers of the Presidents of the United States: Gerald R. Ford 1976,* Book II (Washington: GPO, 1979), pp. 1979-1980.

[32] 90 Stat. 2331.

> An important outcome of the Conference was the general agreement among the delegates that no massive new Federal spending programs were needed. Instead, they called for more effective government, more balanced decisions, and a real partnership among levels of government and the private sector in meeting persistent social and economic problems.[33]

The Carter Administration failed in its attempts to expand EDA.[34] In the waning days of his Administration, President Carter signed P.L. 96-506, a bill authorizing a three-year extension of EDA and its programs through FY1982.[35] EDA and its programs continued to be funded by annual appropriations, but were not reauthorized again until 1998.

Redrafting EDA's Authority: PWEDA Amendments of 1998

In 1998, Congress reauthorized EDA and its programs for five years. The legislation, the Economic Development Administration and Appalachian Regional Development Act of 1998, P.L. 105-393, provided little substantive change to the statute but was principally a redrafting of the act's provisions in an effort to improve clarity. The amendments tightened eligibility criteria, standardized matching fund requirements, simplified the application process, encouraged regional cooperation, and introduced performance measures.[36] The act terminated eligibility for redevelopment areas previously designated under ARA; however, it expanded the definition of eligible area to include those areas, as determined by EDA, that had experienced or were expected to experience severe unemployment or economic adjustment problems resulting from severe long-term or short-term changes in economic conditions. Under previous legislation, areas once designated as redevelopment areas were permanently grandfathered in. The act limited EDA funds to 50% of a project's cost, but included provisions that allowed EDA to cover an additional 30% of a project's cost based on a community's economic condition. In addition, the act standardized the federal minimum cost share at 50% among the types of EDA assistance provided (i.e., public works grants versus economic adjustment assistance). Under the previous legislation, the federal share varied among EDA programs. For instance, prior to the 1998 amendments, the federal share of a project's cost funded by the public works grant program could not exceed 50% of the total cost of a project, while the federal share of a project funded by the economic adjustment assistance program typically could not exceed 75% of the total cost of a project.

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[33] U.S. President (Carter), "Message to the Congress Transmitting a Report, White House Conference on Balanced National Growth and Economic Development," January 19, 1979, *Public Papers of the Presidents,* Book I, p. 69, http://www.presidency.ucsb.edu/ws/index.php?pid=32413.

[34] Congress twice rejected a 1979 proposal by the Carter Administration that would have reorganized and expanded EDA by transferring the Small Business Administration and Farmers Home Administration development programs to the agency and consolidating EDA's existing programs. The Carter Administration was able to win congressional support for another federal economic development initiative: Urban Development Action Grants (UDAGs). In 1977, Congress passed the Housing and Community Development Act of 1977, P.L. 95-128, 91 Stat. 1125, which created the UDAG program, administered by the Department of Housing and Urban Development. The new program represented a departure from previous federal efforts, including EDA programs, in support of local economic development. It provided a direct investment of public funds in private sector commercial, residential, or industrial projects. As a condition of this public assistance, private sector participants were required to commit $3 in private sector funds for every $1 in UDAG assistance. In addition, HUD was required to award funds competitively to projects based on the relative degree of distress and projected impact on a community as measured by projected tax revenues generated and private sector jobs created and retained.

[35] 94 Stat. 2745.

[36] 112 Stat. 3596.

The requirement that recipients, typically EDA-designated multi-county Economic Development Districts, develop an Overall Economic Development Plan (OEDP) as a condition for public works and economic development adjustment assistance was replaced by a requirement for a similarly structured Comprehensive Economic Development Strategy (CEDS). The act also allowed development plans and strategies developed under other federally funded programs to substitute for the CEDS requirement if that plan was consistent with EDA requirements.

PWEDA 1998

Economic Development Partnerships.

Title I, Economic Development Partnerships Cooperation and Coordination, reaffirmed Congress's commitment to address the economic development needs of the nation's distressed communities and directed EDA to provide assistance to states, local governments, and sub-state and multi-state regional organizations aimed at alleviating economic distress, encouraging public-private economic development partnerships, and promoting technological and infrastructure capacity that kept pace with the global economy.

Title II, Grants for Public Works and Economic Development, authorized EDA to award grants to eligible recipients for public works, economic adjustment assistance, planning and administrative expenses, training, research, and technical assistance. The statute limited EDA funds to 50% of a project's cost, but allowed EDA to provide supplemental assistance to increase EDA contributions to no more than 80% of a project's cost. Exceptions included research grants and grants to Native American communities, for which EDA could waive the matching requirement.

Title III, Eligibility, specified that as a condition for receiving public works or economic adjustment assistance funds, an area had to meet the following criteria:

- per capita income below 80% of the national average;
- unemployment rate at least 1% above the national average for the most recent 24-month period; or
- a demonstrated special need for assistance arising from actual or threatened severe unemployment or economic adjustment.

In addition, the eligible area had to have a Comprehensive Economic Development Strategy approved by EDA.

Title IV, Economic Development Districts, EDDs were required to establish CEDS that identified the economic development plans and strategies that would promote job creation.

Title V, Administration, established an economic development clearinghouse.

VI, Miscellaneous, included a provision requiring an annual report to Congress.

VII, Authorization, extended PWEDA authority through FY2003.

In addition, the act encouraged cooperation among EDA, other federal agencies, states, and multi-state entities, including extending technical assistance to eligible entities to improve coordinated planning efforts. To receive assistance, states were required to devise comprehensive economic development strategies consistent with local and district plans. As an incentive for projects to be located in an EDD, the act allowed EDA to cover an additional 10% of the cost of a project if the applicant was actively participating in EDD activities and the project was consistent with the EDD's CEDS. The act required all recipients of assistance to submit regular reports to the Secretary of Commerce on the effectiveness of the assistance in meeting the need it was designed to address. The creation of program performance measures was undertaken in accordance with the 1993 Government Performance and Results Act (GPRA).[37]

[37] Enacted during the first year of the Clinton Administration as part of its Reinventing Government Initiative, GPRA required federal agencies to establish standards measuring their performance and effectiveness.

Refining the 1998 Amendments: EDA Reauthorization Act of 2004

On October 27, 2004, President George W. Bush signed the Economic Development Administration Reauthorization Act (EDARA; P.L. 108-373), which amended and extended EDA authority through FY2008.[38] The amendments of 2004 were a further refinement of the 1998 reauthorization legislation. EDARA reaffirmed the federal government's commitment to assist or empower economically distressed communities experiencing chronic high unemployment and low per capita income as well as those experiencing sudden economic dislocation. The act emphasized that such assistance should be focused on promoting regionalism and increasing the capacity of regions to compete in the global economy. It also declared that assistance should be used to take advantage of opportunities created by advances in technology, to promote productive reuse of abandoned industrial facilities, and to reclaim brownfields.

Highlights of 2004 Amendments

The act

- gave RLF grantees the flexibility to amend and consolidate existing RLF grant agreements, transfer revolving loan funds, assign RLF assets to third parties for liquidation, and sell or securitize loans;
- directed EDA to award additional funds for outstanding performance in the execution of grant activities;
- retained the existing eligibility criteria allowing an area to qualify for assistance if, for the most recent 24-month period for which data were available, its per capita income did not exceed 80% of the national average, or its unemployment rate was at least 1% greater than the national average, or the Secretary of Commerce designated the area as having experienced a special need for economic assistance;
- included new provisions awarding additional funds to grantees for outstanding performance in the execution of EDA plans and activities, up to 10% for projects grants and up to 5% for planning grants;
- provided RLF increased flexibility in the management of RLF funds, including flexibility to amend and consolidate existing RLF grant agreements, to transfer revolving loan funds, to assign RLF assets to third parties for liquidation, and to sell or securitize loans;
- directed EDA to establish and maintain an Internet presence for its central information clearinghouse created with the passage of the 1998 EDA reauthorization act;
- included a provision authorizing $5 million to be used by EDA to fund Brightfields Demonstration projects where funds would be used to finance projects employing one or more solar energy technologies located on reclaimed brownfield sites; and
- required EDA to present in its annual reports the amount of aid provided to each state as well as information on projected and actual leveraging of private sector investments.

The act made no substantive changes to the federal-local cost share requirements for EDA, but it did simplify the language, allowing EDA to consolidate the provisions requiring a minimum federal cost share of 50% of project cost with the provision allowing EDA to award supplemental grants covering an additional 30% of the cost of a project based on the relative need or financial capacity of the assisted area. It also allowed EDA to waive completely the matching fund requirements for Indian tribes and for certain states, local governments, and nonprofit organizations if EDA determined that an entity had exhausted its taxing or borrowing capacity.

Although much of the act may be seen as a housecleaning effort intended to simplify the provisions of the act, there were several substantive changes, including those provisions intended

[38] 118 Stat. 1756. Legislation (S. 2778) to reauthorize the statute is pending in the 111th Congress.

to improve the administration of RLF and to provide additional funds (performance grants) for outstanding execution of plans and projects. These awards were intended to encourage collaboration among federal, state, and local partners in the development and execution of an EDD's CEDS. The act rewarded recipients whose projects were completed under budget by allowing grantees to use excess funds to improve projects or to cover the non-federal share of other projects.

Concluding Observations

During its 46-year history, EDA has remained relatively unchanged in its mission and the means of achieving it. The agency's mission is still the promotion of economic development in the nation's distressed areas, and the means of achieving that mission are primarily still regional planning and the shared financing of public works, public facilities, and technology enhancements in support of private sector commercial and industrial development projects.

Congress has acted to refine the programs' components and focus. Originally targeted to rural areas experiencing long-term economic depression associated with the decline in manufacturing and mining jobs accompanied by the outmigration of population, EDA assistance today is directed to rural and urban areas experiencing long-term economic deterioration or sudden economic dislocation caused by the loss of a major employer; foreign competition; disasters; and federal actions, including base closures and environmental actions.

The context in which EDA has carried out its mission has changed. At its inception, EDA was focused on addressing regional inequities and promoting balanced regional growth. Today, EDA views its mission as strengthening the competitiveness of regional economies and creating jobs in a global context, and as part of a larger effort involving other elements such as job training and workforce development.

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