



**Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515**

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Chairman

Sam Graves
Ranking Member

Katherine W. Dedrick, Staff Director

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April 4, 2019

SUMMARY OF SUBJECT MATTER

TO: Members, Committee on Transportation and Infrastructure
**FROM: Staff, Subcommittee on Economic Development, Public Buildings, and
Emergency Management**
**RE: Subcommittee Hearing on “Building Prosperity: EDA’s Role in Economic
Development and Recovery”**

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Tuesday, April 9, 2019, at 2:00 p.m., in room 2253 of the Rayburn House Office Building to hold a hearing titled, “Building Prosperity: EDA’s Role in Economic Development and Recovery.”

The purpose of the hearing is to hear from stakeholders on the importance of reauthorizing the Economic Development Administration (EDA), its programs and activities supporting economic growth in distressed communities, and the role EDA plays in disaster recovery. The Subcommittee will hear testimony from the Economic Development Administration, New River Valley (VA) Regional Commission, Gunnison County (CO) Commission, the Brookings Institution, and Invest Puerto Rico.

I. INTRODUCTION

The Subcommittee has jurisdiction over economic development issues and federal agencies created to promote economic development in communities suffering economic distress. Specifically, the Subcommittee has jurisdiction over EDA (an agency within the Department of Commerce). A Senate-confirmed Assistant Secretary for Economic Development heads the EDA. The United States Senate confirmed Dr. John Fleming, a former Member of Congress from Louisiana’s 4th congressional district, to that position on March 7, 2019.

In its Fiscal Year (FY) 2020 budget request, the Administration proposed to eliminate almost all funding for the EDA as part of a 6-year agency closure plan. In each of the past three budgets, the Administration has proposed elimination of the EDA, although Congress has continued to provide appropriations to fund EDA programs.

	<u>FY19 enacted</u>	<u>FY20 proposed</u>
EDA programs	\$304 million	\$30 million

II. OVERVIEW OF THE PROGRAMS

The EDA was established in 1965 upon enactment of the *Public Works and Economic Development Act* (P.L. 89-136) to alleviate conditions of substantial and persistent unemployment in economically distressed areas. The current mission of EDA is “to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.” In particular, EDA programs are intended to help local communities attract private sector investment to maximize job creation primarily by leveraging non-Federal investments. For example, EDA’s public works program often provides the remaining infrastructure funding needed for a local community to attract a manufacturing facility to its area. As a result, EDA’s grants are used in conjunction with private and local dollars to generate economic growth and create jobs. In fact, EDA requires substantial local match – oftentimes 50% or greater – for most grant recipients.

The EDA provides grants for projects through a variety of programs, including planning, technical assistance, public works, economic adjustment, trade adjustment assistance, and research and evaluation. Projects funded by EDA are generally located in areas exhibiting economic distress. In addition, all public works and economic adjustment projects must be consistent with an EDA-approved Comprehensive Economic Development Strategy (CEDS).

Between FY2012 and FY2017, EDA invested nearly \$1.6 billion in 4,058 projects. Of that total, 789 projects, totaling \$975.4 million, are expected to create and/or retain 277,163 jobs and attract over \$39 billion in private investment.¹ Historically, about two-thirds of EDA funding has been awarded to rural areas and one-third to urban areas.

EDA administers its programs through six regional offices located in Atlanta, Austin, Chicago, Denver, Philadelphia, and Seattle. The Atlantic Territories of Puerto Rico and the U.S. Virgin Islands are administered through the Philadelphia Regional Office. The Pacific Territories of American Samoa, Guam, Marshall Islands, Micronesia, Republic of Palau, and the Northern Mariana Islands are administered through the Seattle Regional Office. A map of EDA regional offices is included as Appendix 1.

1. Key Grant Programs

Planning grants: Planning grants support the design and implementation of effective economic development policies and plans by local organizations.

Public works: Public works grants provide for infrastructure projects that foster the establishment or expansion of industrial and commercial businesses in communities experiencing high unemployment, underemployment, low per-capita income, or out-migration.

¹ EDA Performance Measurement and Program Evaluation, Website, Accessed April 1, 2019, <https://www.eda.gov/performance/>.

Economic Adjustment: Economic adjustment investments provide various types of assistance, including planning, technical assistance, revolving loan funds and infrastructure development, to help communities experiencing either a gradual erosion of or a sudden dislocation of local industry caused by natural disasters, international trade competition, or major plant closings.

Trade Adjustment: Trade adjustment assistance provides technical assistance, through a national network of 12 Trade Adjustment Assistance Centers, to certify U.S. manufacturing firms and industries economically injured as the result of international trade competition.

Disaster Recovery: When funded for this purpose, EDA facilitates delivery of Federal economic development assistance to local governments for long-term community economic recovery planning, reconstruction, redevelopment and resiliency after a disaster.

2. *EDA Authorization History*

The first authorization of EDA in 1965 expired in 1970. From 1970 through 1980, EDA continued to operate without an authorization, although Congress provided funding, including \$6 billion for public works projects in 1976 and 1977. In 1980, EDA's programs were reauthorized; however, that authorization expired in 1982, and until 1998, EDA continued without an authorization.

The Economic Development Administration and Appalachian Regional Development Reform Act of 1998 (P.L. 105-393) reauthorized EDA for a period of five years, and authorized funding levels that progressively declined from an initial amount of \$398 million for fiscal year FY1999 to \$335 million in FY2003. Additionally, this reauthorization put into place a number of management and administrative reforms, including efforts to target the most distressed areas. *The Economic Development Administration Reauthorization Act of 2004* (P.L. 108-373) reauthorized EDA for a period of five years, through FY 2008. Since that time, Congress has not reauthorized the EDA.

3. *Studies of EDA Programs*

In 2008, EDA contracted with Grant Thornton to study the costs and economic impact of EDA's construction investments. This study was similar in content to a study conducted by Rutgers University in 1997. The Grant Thornton study surveyed over 40 Federal programs and concluded that EDA investments in rural areas have a **significant impact on employment levels, generating between 2.2 and 5.0 jobs per \$10,000 in EDA funding**, at a cost per job of between \$2,001 and \$4,611. The study further concluded that EDA's investment in business incubators was worthwhile and generated significant impacts in communities where the investment was made.²

4. *EDA disaster response*

The Bipartisan Budget Act of 2018 (P.L. 115-123) appropriated \$600 million in funding to the EDA for additional Economic Adjustment Assistance Program activities. These resources are designated for disaster relief and recovery following Hurricanes Harvey, Irma, and Maria, as well as wildfires and other calendar year 2017 disasters. Eligible entities impacted by a federal-declared

² Arena, P., Adams, J.A., Noyes, K., Rhody, S. & Noonan, M. (2008). Construction Grants Program Impact Assessment Report: Volume 1 Report on Investigation and Results. Grant Thornton research report with ASR Analytics

disaster occurring in calendar year 2017 can apply for funding under a Notice of Funding Opportunity issued on April 10, 2018.³

Funding was distributed across the six regional offices based on a multi-factor calculation including impact and distress. To date, \$153.6 million of the \$587 million made available has been obligated with more awards to be announced in the near future. EDA has also reserved two percent of appropriated resources to cover salaries and expenses related to program administration and oversight.

<u>Region</u>	<u>FY 18 Disaster Funding Allocation</u>
Atlanta Regional Office	\$147,362,000
Austin Regional Office	\$129,119,000
Chicago Regional Office	\$8,005,000
Denver Regional Office	\$17,435,000
Philadelphia Regional Office	\$191,269,000
Seattle Regional Office	\$93,810,000

³ EDA-2018-Disaster: FY 2018 EDA Disaster Supplemental, Website, Accessed April 1, 2019, <https://www.grants.gov/web/grants/view-opportunity.html?oppId=302953>.

WITNESS LIST

Panel I

The Honorable (Dr.) John Fleming

Assistant Secretary of Commerce for Economic Development
U.S. Department of Commerce

Panel II

Mr. Kevin Byrd

Executive Director
New River Valley Regional Commission
On Behalf of the National Association of Development Organizations

The Honorable John Messner

Vice-Chairperson, District 1 Commissioner
Gunnison County, Colorado Board of Commissioners
On Behalf of the National Association of Counties

Mr. Mark Muro

Policy Director and Senior Fellow
Brookings Institution

Mr. Rodrick T. Miller

Chief Executive Officer
Invest Puerto Rico
On Behalf of the International Economic Development Council

Appendix 1: EDA Regional Offices

