Legislative Bulletin Part II…………………………….…October 7, 2004

Contents:

S. 1134 — Economic Development Administration Reauthorization Act of 2004 (Senator Bond)

Order of Business: The bill was considered at 1 a.m. on Thursday, October 07, 2004, under suspension of the rules and a vote has been rolled to today. Republican conference rules require that bills considered under suspension must authorize no more than $100 million over five years, unless a waiver is given from the elected House Leadership. Such a waiver has been provided to S. 1134, which authorizes $1.3 billion over five years.

NOTE: On Tuesday, October 7, 2003, the House passed H.R. 2535-Economic Development Administration Reauthorization Act of 2003, by voice vote. Yesterday, the Senate passed the bill by unanimous consent, or voice vote (details not yet available). **Though it was not noticed on the House calendar yesterday, the House took up the bill early this morning from 1:06 a.m until 1:13 a.m. A recorded vote was requested and will be held today,**

Summary: S. 1134 reauthorizes existing programs within the Economic Development Administration and creates 2 new grant programs. The authorization for the existing programs expired at the end of fiscal year 2003.

The Economic Development Administration, an agency in the U.S. Commerce Department, works with communities suffering from lack of jobs for a range of long and short-term reasons, including manufacturers heading overseas, military base closings and natural disasters. According to the Committee, since its establishment in 1965, EDA has invested more than $18.4 billion in more than 52,000 projects in all 50 States and in U.S. territories. These EDA investments have been supplemented by approximately $8.3 billion in matching funds from investment partners and have leveraged approximately $90.6 billion in private sector investment.

Authorization Levels:

Existing Authorization in Law (enacted in November of 1998):

FY 99: $397,969,000
FY 00: $368,000,000
FY 01: $335,000,000
FY 02: $335,000,000
FY 03: $335,000,000
FY04 Appropriations: $315,327

In the FY04 Omnibus Appropriations Act, the Economic Development Administration was authorized to appropriate such sums as may be necessary "which shall be transferred to the Denali Commission as a direct lump sum payment to implement this section."

Authorizations in S. 1134:
FY 04: $400,000,000
FY 05: $425,000,000 **($104.7 million over President's request])**
[President's FY05 Budget Request: $320,327,000]
[FY05 House-passed Appropriations $320,327,000]
FY 06: $450,000,000
FY07: $475,000,000
FY08: $500,000,000

New Grant Programs:

- Creates a new "Performance Award" under which the Secretary may make additional grants to recipients of funds under the Act for achieving certain goals (such as scheduling goals and job creation goals). The Performance Award may not exceed 5% of the original grant and funds may be used to pay up to 100 percent of the cost of a project authorized under the Act. (S. 1134 repeals 42 U.S.C. 3173, what is known as the "district bonus," which according to the Department, this award program will replace.)

- Creates a new "Planning Performance Award" under which the Secretary may make additional grants to recipients of funds under the Act for achieving certain planning goals (such as participating in planning activities, and working on a project consistent the economic development strategy of the area). The Planning Performance Award may not exceed 5% of the original grant and funds may be used to increase (up to 100%) the federal share of the cost of the project.

- Specifically authorizes the use of funds in this Act for Brownfields Redevelopment.

Program Changes:

- **Federal Costs share of Projects**: Repeals the current 50% cap on the federal cost share of any project (which could be increased under existing law to 80% with supplemental grants, which are subject to certain requirements) with a general 80% federal cost share cap. The bill specifically authorizes several exceptions to the 80% cap, including a cap of 100% federal-share for grants to Indian Tribes, a cap of 100% federal share for grants to States or political subdivisions which the Secretary determines have exhausted their effective tax and borrowing capacity, and a cap of 100% federal share for grants to non-profits who the Secretary determines have exhausted their borrowing capacity. In addition, the two new performance awards may be used to eliminate the non-federal match requirement of a grant.

- **Use of Excess Project Funds**: Under existing law, when a project comes in under cost, remaining federal funds may be used to improve the project or returned to the Treasury. The bill permits excess funds to be used to increase the federal share of the cost of the project or improve the project or by the Secretary to provide another grant to another recipient.

Additional Information: In its March 2004 semiannual report, DOC's Inspector General reported:

> "Our audits have identified several recurring issues, the most serious of which are unneeded funds from recapitalization grants,
> - excessive cash reserves,
> - inappropriate loans,
> - inadequate accounting for RLF assets (cash and loans), and inadequate audit coverage."

http://www.oig.doc.gov/oig/reports/sar/2004-03-sar.pdf; Page 24

According to the Department of Commerce, the bill adds provisions to address the IG report relating to the revolving loan funds.

Committee Action: On Tuesday, October 7, 2003, the House passed H.R. 2535, the Economic Development Administration Reauthorization Act of 2003, by voice vote. On October 6, 2004, the Senate passed S. 1134 by unanimous consent, or voice vote (details not yet available). The House considered the bill from 1:06 to 1:13 AM on October 7, 2004, and a recorded vote was requested.

Cost to Taxpayers: S. 1134 reauthorizes for five years and creates new programs for the Economic Development Administration (EDA) and CBO estimates implementing this legislation would cost about $1.3 billion over FY05-09 and an additional $700 million after 2009, subject to appropriations.

The House-passed version (H.R. 2535) was estimated to cost approximately $1.3 billion over the 2004-2008 period and an additional $1.2 billion after 2008, subject to appropriations, with an additional $279 million for the Appalachian Regional Commission reauthorization.

Outside Groups: According to the Citizens Against Government Waste, "The EDA was established in 1965 to generate new jobs, help protect existing jobs, and stimulate growth in economically distressed areas of the country. Unfortunately, as is typical in Washington, the EDA is another good intention gone astray. EDA grants have gone to cities such as Raleigh-Durham, N.C., and Fort Worth, Texas, even though their unemployment rates are far below the national level. Not only is EDA money poorly targeted, past funds have been used to finance pet projects for influential members of Congress. One of the most notorious examples was a $500,000 grant in 1995 to help build a practice facility for the National Football League's Carolina Panthers at the private Wofford College in Spartanburg, S.C. in what the local paper called "the most economically booming county in the state." In its March 2004 semiannual report, DOC's Inspector General (IG) noted that of 216 audits conducted by the IG, 61 (or almost 30 percent) of the IG's audits were of EDA grants. Several attempts have been made to eliminate EDA, but Congress has not been convinced. Taxpayers are currently paying an annual $394 million to keep this administration running."

http://www.cagw.org/site/PageServer?pagename=issues_trade_policystatement&printer_friendly=1

Does the Bill Expand the Size and Scope of the Federal Government?: Yes, the bill creates a new grant awards as detailed above.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Constitutional Authority: The Committee on Transportation and Infrastructure, in Report No. 108-242 found authority for the House companion legislation under Article I, Section 8, but failed to cite a specific clause.

RSC Staff Contact: Sheila Cole, sheila.cole@mail.house.gov, (202) 226-9719