



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

December 9, 2009

**S. 2778
Economic Development Revitalization Act of 2009**

*As ordered reported by the Senate Committee on Environment and Public Works
on November 18, 2009*

SUMMARY

S. 2778 would reauthorize funding for existing programs of the Economic Development Administration (EDA) through 2013. The legislation also would authorize appropriations for EDA to rebuild certain abandoned or underutilized property using solar energy technology (brightfields). Assuming appropriation of the specified amounts, CBO estimates that implementing this bill would cost about \$1.3 billion over the next five years and an additional \$760 million after 2014. Enacting S. 2778 would not affect direct spending or revenues.

S. 2778 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2778 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars					2010- 2014
	2010	2011	2012	2013	2014	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Economic Development Assistance Programs						
Authorization Level	500	500	500	500	0	2,000
Estimated Outlays	25	135	245	385	460	1,250
Brightfields Demonstration Program						
Authorization Level	5	5	5	5	0	20
Estimated Outlays	0	1	2	4	5	12
Total Changes						
Authorization Level	505	505	505	505	0	2,020
Estimated Outlays	25	136	247	389	465	1,262

Note: *= less than \$500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted near the middle of fiscal year 2010 and that amounts specified in the bill will be appropriated for each year.

Economic Development Assistance Programs

S. 2778 would authorize the appropriation of \$500 million in each of fiscal years 2010 through 2013 for EDA to provide various types of assistance to encourage economic development in distressed areas. For 2009, the Congress provided a total of \$430 million to EDA, including \$150 million that was provided by the American Recovery and Reinvestment Act of 2009 and \$40 million for the new Trade Adjustment Assistance for Communities program (see Public Laws 111-5, 111-8, and 111-32).

Of amounts authorized by the bill, \$34.5 million would be spent on grants for planning and administrative expenses (the amount would vary based on actual appropriations). Based on historical spending patterns of EDA programs, CBO estimates that assistance provided under this legislation would cost \$1.25 billion over the next five years, with residual spending of about \$750 million occurring in later years.

Brightfields Demonstration Program

S. 2778 would authorize the appropriation of \$5 million in each of fiscal years 2010 through 2013 for EDA to establish a demonstration program to develop brownfield sites (abandoned or underutilized property where redevelopment is hampered by actual or potential environmental contamination) using solar energy technologies. Based on the spending patterns of similar EDA projects, CBO estimates that implementing this program would cost \$12 million over the 2010-2014 period, with residual spending occurring in later years.

Other Changes

The legislation would increase the maximum federal cost for EDA projects. Under current law, the federal government covers 50 percent of a project's cost, plus up to an additional 30 percent based on the relative needs of the region in which the project is located (as measured by unemployment rates and per capita income). S. 2778 would lower the threshold at which additional federal assistance could be triggered due to relative need. The legislation also would increase the minimum federal share for projects of Indian tribes from 50 percent to 75 percent and increase the maximum federal share of all projects located in a Presidentially declared disaster area to 100 percent.

CBO does not expect that these changes would significantly alter the expenditures of EDA programs. As such, we estimate that implementing these provisions would have no effect on the federal budget over the next five years.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2778 contains no intergovernmental or private-sector mandates as defined in UMRA. State, local, and tribal governments would benefit from grants and technical assistance for economic development projects. Any costs to these governments, including matching funds, would be incurred voluntarily as a condition of federal assistance.

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