

ECONOMIC DEVELOPMENT PARTNERSHIP ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE

OF THE

COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

ON

S. 1647

A BILL TO REAUTHORIZE AND MAKE REFORMS TO PROGRAMS AUTHORIZED BY THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

JULY 14, 1998

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**ECONOMIC DEVELOPMENT PARTNERSHIP
ACT, S. 1647**

TUESDAY, JULY 14, 1998

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m. in room 406, Senate Dirksen Building, Hon. John Warner [chairman of the subcommittee] presiding.

Present: Senators Warner, Baucus, Lieberman, Boxer, Wyden, and Chafee [ex officio].

**OPENING STATEMENT OF HON. JOHN W. WARNER,
U.S. SENATOR FROM THE COMMONWEALTH OF VIRGINIA**

Senator WARNER. The hearing will come to order.

Good morning, everyone. This morning the subcommittee will focus on the reauthorization of the Economic Development Administration under the aegis of the Department of Commerce, and we welcome a very celebrated and well-known Secretary at the moment and I think for the indefinite future.

The Economic Development Administration has made many valuable contributions to communities throughout the Nation. EDA is a small but very, very important agency that contributes significantly to the economic growth and expansion all across our Nation.

The Economic Development Administration maintains the task of saving and creating jobs in areas that are economically distressed. To meet these objectives, EDA provides assistance to distressed States and localities through grants for public infrastructure, economic adjustment, planning, and technical assistance, all of which are intended to promote a transition to long-term employment and growth.

Through these programs EDA fulfills a key function in providing State and local Governments, nonprofit organizations, and public institutions with vital economic grants and technical assistance. These grants are given on a cost-shared basis, with the Federal/non-Federal ratio varying according to the program. EDA grants focus on a number of different programs administered by the Assistant Secretary, who will be testifying before us today as well as the Secretary. Many States, the Commonwealth of Virginia included, have benefited greatly from these programs.

Grants provided under public works programs give seed moneys for infrastructure projects intended to help these distressed com-

munities support private-sector investments. Grants allow communities to meet economic challenges in a variety of ways, making public works improvements to attract new businesses, like industrial parks, providing technical assistance and planning grants that allow a community to plan for its future.

Since 1982, the Economic Development Administration has been functioning without authorization, rather through appropriations under the Commerce/Justice/State Appropriations Subcommittee. Our hearing today will focus on the need for a reauthorization of EDA, the future mission of the EDA in helping communities help themselves.

I thank the distinguished Chairman and Ranking Member for supporting this subcommittee Chairman in recognizing we ought to try hard this year to get a reauthorization. I thank you.

Mr. Chairman?

**OPENING STATEMENT OF HON. JOHN H. CHAFEE,
U.S. SENATOR FROM THE STATE OF RHODE ISLAND**

Senator CHAFEE. Thank you very much, Mr. Chairman. I want to thank you as Chairman of this subcommittee for holding this hearing today. I'm pleased to join in the welcome that you have extended to Secretary Daley and Assistant Secretary Singerman. Secretary Daley and I go back a ways. I'll never forget when he was good enough in the fall of 1993 to come up to Providence, Rhode Island, where we conducted a rally for NAFTA in which he spoke very persuasively in one of our major plants. It was a big success. Again, Mr. Secretary, I want to thank you for having done that.

Also, I'm informed that the Secretary has not one but two children, one graduated and another one there now, at Providence College in my State. So, we look at him as—

Senator WARNER. Really? Is there a shortage of institutions in Delaware?

[Laughter.]

Senator CHAFEE. He likes to have his children get around and see different parts of the country, and we're very grateful that he's chosen Providence College.

Your testimony will be very helpful to the full committee as we consider, following the actions of this subcommittee, whether to proceed with the reauthorization of the EDA. As you all know, EDA, as the Chairman mentioned, has not been reauthorized since 1982. And although the Environment and Public Works Committee did report a bill out in 1994, it didn't clear the Senate and didn't end up becoming law.

I want to be up front with everyone here as regards my position on EDA. I have historically not been a big fan of EDA. As a matter of fact, in 1985, I'm admitting this now because somebody else will discover it if I don't, I sponsored an amendment to eliminate EDA. But in recent years, I've taken notice of the changes in the agency, under Mr. Singerman and the leadership of Secretary Daley, and it's efforts to streamline its operations, target its efforts toward truly distressed communities. I've come to believe that we should move forward with a reauthorization bill that locks in some of the changes that have been undertaken.

So over the past few weeks, I've been reviewing S. 1647, the legislation before us today, and have been working with the Chairman, and will continue to do that, with hopes that we can enact an EDA reauthorization bill this year. I'm for that and I'll do all I can to see that it gets done.

I want to thank you, Mr. Chairman, for taking the leadership here.

Senator WARNER. Thank you.

Would others care to make any opening remarks?

Senator BAUCUS. Mr. Chairman?

Senator WARNER. Senator Baucus.

**OPENING STATEMENT OF HON. MAX BAUCUS,
U.S. SENATOR FROM THE STATE OF MONTANA**

Senator BAUCUS. Thank you. Mr. Chairman, I want to thank you very much for holding this hearing. I want to particularly thank the full committee chairman for his very wise reevaluation of the program.

Senator CHAFEE. Reformation.

Senator BAUCUS. It really is a hallmark of sort of the ability of the Senator from Rhode Island to not be locked into something in an unthinking way but to look at programs on the merits and look at new evidence and new circumstances and do what's right. I really appreciate your statement, Mr. Chairman. It means a lot to me, as I know it does to many others on this committee.

I also want to thank you for holding this hearing.

Mr. Chairman, I think it's particularly important that we reauthorize EDA because the program has done so well for so many people in so many parts of the country, and because if we don't the program is no longer going to be in the jurisdiction of this committee. It's going to be basically up to the vagaries of the Appropriations Committee, particularly in years when budgets are pretty thin. For those reasons, I strongly urge this committee to report out a bill reauthorizing the Economic Development Administration.

Since its inception in 1965, Mr. Chairman, I believe EDA has established a very impressive track record of helping communities help themselves. That's what it does—it helps communities help themselves. EDA programs, whether they are grants or loans, help communities bootstrap their own efforts to meet economic challenges in a variety of ways—making public works improvements, attracting businesses, providing technical assistance, planning grants, and tailoring a whole host of various programs to meet the specific circumstances of a community.

In Montana, EDA has been a very powerful ally in responding to changes in economic conditions. One example is in the restructuring of Malmstrom Air Force Base. Through EDA, particularly with the Revolving Loan Fund grant, EDA has been helping that community undertake a defense conversion project. It was the single military facility in our State. Hundreds of jobs were lost in downsizing the Air Force Base, but the EDA Revolving Loan Grant fund provided for the Great Falls community will enable three firms to locate and employ over 750 people.

In this regard, I want to particularly thank Mr. Phil Singerman, who was in Great Falls a couple of times to see first-hand the

needs of the community. Therefore, the community is in a much better position to help provide assistance. I can tell you, Mr. Singerman, people of Great Falls are very appreciative of EDA.

I might also say, Mr. Chairman, EDA has been extremely helpful in supporting the development of a major new company in Butte, Montana. When plant construction is completed it will make the silicon used to make silicon wafers. EDA provided the seed money from the Revolving Loan Fund and enabled the community of Butte, Montana, to provide certain economic incentives. This firm will make 25 percent of all the silicon used in silicon wafers in the world. It's a huge new plant. I must say that it's not an American plant, it's a company setting up an American subsidiary. But this plant, which is much larger of the two plants—the other one will be in Idaho—will provide 25 percent of all the silicon used in silicon wafers in the world. That's largely because of EDA. EDA didn't build the plant, but provided the seed money for a revolving loan, which enabled the economic development organization in Butte to find the company. Because of EDA's help, no doubt about it, this happened.

I could go on and list other areas in the country. For example, when Hurricane Andrew devastated so much of Florida, EDA was there. In the Midwest, EDA has been helping those areas affected by disastrous floods. And one small community in Montana called Libby—the Chairman of the subcommittee might have some idea of where Libby is.

Senator WARNER. I do. Very good fishing.

Senator BAUCUS. I thought he did. Libby was a lumber town. A huge mill there is almost gone. Libby was just really struggling. EDA and the former Farmer's Home Administration provided seed money for a revolving loan fund. The community worked together and they are attracting new business. But were it not for EDA, those poor people in Libby would be facing very difficult plight.

Mr. Chairman, I thank you for holding this hearing. I strongly urge this committee to report out a bill. We need some changes, obviously, to tailor it to the 1990's and the next century, but it's a program that's very, very worthwhile.

Senator WARNER. I thank you, Mr. Baucus. Your sincerity and enthusiasm are conveyed in your remarks.

Are others wishing to speak for a minute?

**OPENING STATEMENT OF HON. JOSEPH I. LIEBERMAN,
U.S. SENATOR FROM THE STATE OF CONNECTICUT**

Senator LIEBERMAN. I do, Mr. Chairman. A minute? Thanks, Mr. Chairman. Welcome to Secretary Daley and Secretary Singerman. And thank Senator Chafee, too, for his statement. It struck me that the message there is that not only is Senator Chafee is getting older and wiser, which we all are familiar with from our service, particularly wiser, but also that EDA has gotten better. That's the cause for his change of feeling about EDA. I do think this reauthorization puts into law the expression of growing bipartisan congressional satisfaction with what EDA is doing, but also formalizes and institutionalizes some of the changes that have occurred that have been the reason for the growing support.

It is a particularly appropriate time for us to reauthorize EDA after all these years without a reauthorization because of the remarkable state that our economy is in. It's an extraordinary time of growth and optimism. But there are still parts of our country that are not sharing in that growth and they need some extra help.

I can tell you that in Connecticut we have the highest average per capita income in the country, but we've got some of the poorest cities in the country as well. I see even in those cities now the beginning of development and change and growth. And in just about every case, EDA has been there with just that additional investment that has made some critical growth possible. Secretary Singerman, I thought he only visited Connecticut that often. I'm very impressed that you've been to Montana. His in-laws live in Connecticut, so I understand why he comes there.

Senator BAUCUS. If the Senator will yield. He very wisely divides his time between the State with the highest income per capita and the State with the lowest income per capita. This way it averages out a little bit.

[Laughter.]

Senator LIEBERMAN. Got it. He was in Hartford a while ago. Here's a project called Vita Root, an old abandoned industrial facility, just a big old factory lying there just dragging down a neighborhood, and there comes along one of the Lord's true servants, Father Tom Berry, just a wonderful man, whose parents worked in that factory and he has a dream that he's going to revive it and bring it back and make it a center of economic activity and help revive the whole neighborhood. And a few weeks ago, Secretary Singerman came in and announced an EDA grant which is going to make that possible. So, thanks.

EDA happens to be, as I look across the Federal Government, the only agency of the Federal Government that is focused on, charged with stimulating industrial and commercial growth in economically distressed areas. This agency is really focused on making that great statement of President Kennedy's true, which is that a rising tide raises all boats. Well, some of those boats stuck at the bottom need a little extra help, and I think that's what EDA is all about.

So I appreciate the committee's interest in moving this reauthorization. I look forward to supporting it. Thank you, Mr. Chairman.
[The prepared statement of Sen. Lieberman follows:]

STATEMENT OF HON. JOSEPH LIEBERMAN, U.S. SENATOR FROM THE STATE OF
CONNECTICUT

I would like to thank Senators Warner and Baucus for allowing me to speak for a few minutes this morning. I'm an enthusiastic supporter of EDA and its work. Phil Singerman and I were in Connecticut just 2 weeks ago at Veeder Root Place in Hartford where, with the help of EDA grants, an old factory in a run down neighborhood is being revitalized.

Connecticut has the highest per capita income in the country, but has two of the poorest cities in America. We all have face problems with urban decay in our States. Manufacturing and industry, which used to be the centerpiece of economic activity and employment in our inner cities, have largely disappeared. Hartford has seen 30 percent of its factory and business sites disappear since 1986. With the loss of manufacturing went good jobs, wholesale trade, retail businesses and a large source of local tax revenues.

We all know of one-factory towns where the factory has closed down, destroying the economic base of the town. When Windham Mills—mills built over 100 years ago that produce thread—closed down in Windham, Connecticut, no other industry

moved in, leaving Windham with the highest unemployment rate in the State and forcing workers to look for jobs in other locales. EDA is working with the town on a \$1 million grant to help revitalize the area.

EDA is the only agency of the Federal Government that is charged with stimulating industrial and commercial growth in economically distressed areas of the United States. I have really appreciated their work in Connecticut. But most of all, I appreciate that they work with the community. They work with the community to help them develop a plan that will bring back business activity, and with it, good jobs for people in the community. They work with the local government to fill out those endless applications. They help guide them through the process—something at which the Federal Government does not always excel. With the proposed legislation, EDA is making the application process even easier by making eligibility: uniform for all programs and allowing for self-certification by applicants.

I wanted to commend Phil Singerman and the rest of the EDA staff for the job they are doing. I think its time we passed reauthorization for EDA. Thank you.

Senator WARNER. Mr. Wyden?

**OPENING STATEMENT OF HON. RON WYDEN,
U.S. SENATOR FROM THE STATE OF OREGON**

Senator WYDEN. Thank you, Mr. Chairman. I'll be very brief. I, too, want to express my appreciation to you and Chairman Chafee for holding this hearing. It is an especially important program because it deals with the Northwest economic initiative.

As you know, you recently got a letter from Senator Gorton, Senator Smith, Senator Murray, and myself expressing our concern about the funding levels for this program. In our State, we've got seven counties with unemployment at least twice the national average as a result of dislocations, particularly in timber and in salmon fishing. The Governors of our region feel very strongly that after they signed a Memorandum of Understanding indicating that there would be \$3 million in funding per year for this, there has been significantly less funding forthcoming.

In a lot of ways, this is a great compliment to all of you because they think the program has been a huge success and they've been able to use the money very well. We're very hopeful, the four Senators from the Pacific Northwest, on a bipartisan basis, that we will be able to work it out with you all to get the full funding for this program.

Finally, let me say we're especially glad to have Secretary Daley here. He does so much good work on so many issues, be it the internet or economic development, a variety of other issues, and we want to welcome him here this morning. I'm going to have to also be in an aviation subcommittee hearing this morning, Mr. Secretary, and I'll be submitting some questions to you in writing. I look forward to working with you. Thank you, Mr. Chairman.

Senator WARNER. Thank you.

Yes, indeed?

**OPENING STATEMENT OF HON. BARBARA BOXER,
U.S. SENATOR FROM THE STATE OF CALIFORNIA**

Senator BOXER. Mr. Chairman, I will speak for 1 minute, as I rush off to an appropriations markup on transportation, and would ask unanimous consent that my entire statement be placed in the record.

Senator WARNER. Without objection.

Senator BOXER. I wanted just to join the praise that my colleagues have put out here since I arrived. This is an agency that

is working. Some 99 percent of EDA projects completed as planned, 91 percent completed on time, and 52 percent under budget. It's really a remarkable story to tell; every \$1 million in EDA funding increasing the local tax base by \$10 million, and the number of jobs doubled in the 6-years after project completion. And we have story after story to tell.

In my great State which has these pockets of prosperity and pockets of problems for many of the reasons, but one reason has been the change in the Defense Department and the shut downs of so many bases in California. Mr. Chairman, I'll tell you, it has been brutal. And so the one quick case I'll put out is the case of Castle Air Force Base, the biggest employer in Merced County with more than 5,000 military personnel and 1,000 civilian workers. It pumped \$250 million into the area's economy. When the base closed in 1995 the unemployment rate skyrocketed to 17.6 percent. At that time, California wasn't doing that well anyway, but this was just out of sight.

EDA did not wait until the base was shuttered. They came in and they awarded Merced County \$1 million for a revolving fund. It may not seem like a lot, but we also pumped in \$2.6 million for sewer construction, and then another \$4.3 million for the development of the US Aviation Discovery Exposition Center on the grounds of the former base as a tourist attraction. And it is so exciting. Forty-four businesses have been lured to the base, Mr. Chairman, creating 1,900 new jobs in 2 years and more than 90 percent of the existing buildings are leased, and the aviation complex is expected to draw 300,000 visitors by the year 2000.

In my statement, I have other examples. But I'm very, very proud to have an opportunity to vote for this reauthorization. Thank you.

Senator WARNER. I thank the Senator.

[The prepared statement of Senator Boxer follows:]

STATEMENT OF HON. BARBARA BOXER, U.S. SENATOR FROM THE STATE OF CALIFORNIA

Mr. Chairman, thank you for the opportunity to comment on the reauthorization of the Economic Development Administration, or EDA. First, allow me to give you an example of how EDA has helped a community in California.

In 1991, DOD announced the closure of Castle Air Force Base, the biggest employer in Merced County, CA with more than 5000 military personnel and 1000 civilian workers. The base pumped nearly \$250 million annually into the area's economy. When the base closed in 1995, the county's employment rate skyrocketed to 17.6 percent, double that of the State of CA.

EDA did not wait, however, until the base was shuttered to begin helping with economic conversion of the facility. In 1993, EDA awarded Merced County \$1 million for a revolving fund loan to assist in business development and awarded the city of Atwater \$2.6 million for sewer construction. In 1995 and 1998, EDA awarded a total of \$4.3 million for the development of the U.S. Aviation Discovery Exposition Center on the grounds of the former base as tourist destination.

So far, 44 businesses have been lured to the base creating some 1,900 new jobs in just 2 years. More than 90 percent of the existing buildings are leased. And, the aviation complex is expected to draw up to 300,000 visitors by the year 2000.

Over the last 33 years, EDA has invested more than \$1.6 billion in needy communities throughout California, representing over 2700 projects. EDA has been instrumental in California by helping communities rebound after a military base or manufacturing plant closing. EDA has helped communities in California recover from the 1990 and 1994 earthquakes, as well as the 1992 L.A. riots. I cannot even begin to tell you how important economic recovery is to the emotional well-being of a community ravaged by natural disaster or a base closing.

What is even more compelling to me is the efficiency by which the Agency has carried out its mission:

- 99 percent of EDA projects were completed as planned;
- 91 percent were completed on time;
- 52 percent were completed under budget;
- 327 jobs were created or retained for every \$1 million in EDA investment;
- Every \$1 million in EDA funding leveraged \$10.08 million in private-sector investment;
- Every \$1 million in EDA funding increased the local tax base by \$10.13 million; and the number of jobs doubled in the 6-years after project completion;
- All government agencies should be as efficient as EDA.

It is important to note that EDA does not bail out a community. It gives the community tools by which they can create their own recovery and security.

EDA has given real help to the poorest communities of California. Mr. Chairman, I strongly support the reauthorization of the Economic Development Administration and urge everyone on the Subcommittee to support the passage of S. 1647 as well. Thank you Mr. Chairman.

Senator WARNER. Mr. Secretary, we finally come to you. I would want to once again acknowledge how memorable my experiences were working with your father in 1975–76. He left a profound influence on this very young aspiring political figure in those days. And I think you've carried the mantle with great humility and dignity.

Secretary DALEY. Thank you very much, Mr. Chairman, I appreciate those kind words.

**STATEMENT OF HON. WILLIAM DALEY, SECRETARY,
DEPARTMENT OF COMMERCE**

Secretary DALEY. Thank you, Mr. Chairman, Chairman Chafee, and Ranking Minority member Baucus, Senator Lieberman, and the other members of the committee who were here. I thank you all for scheduling this hearing.

Joining me, as you know, is Assistant Secretary of Commerce for Economic Development Administration, Phil Singerman, who I must say at this early stage in my brief remarks has done a remarkable job for the EDA and for the Department of Commerce. He represents our entire department well and we are extremely proud of him and the team that he's put together.

I'm pleased to testify on behalf of the Economic Development Partnership Act of 1998, which does reauthorize for 5 years the Economic Development Administration. My message is clear and short. This legislation is critical to our ability to efficiently help our Nation's distressed communities.

It is my goal as Secretary to run a department that is efficient, cost-effective, and productive for the American people. And EDA clearly achieves all of these goals. Ninety-nine percent of its public works projects, as has been stated, have been completed as planned. Since President Clinton took office, the agency has cut the number of political positions from 14 to 5, and has cut the number of regulations by 60 percent. This is a leaner EDA that has learned how to do more with less. But most importantly, it knows how to expand opportunities for the American citizens who need it most.

Let's be frank, there has been criticism that this program is pork. That with an economy as strong as ours, communities do not need help developing their infrastructure or attracting new businesses. The fact is that these funds are predominantly invested in areas where the unemployment rate is 40 percent higher than the

national average and per capita incomes are 40 percent below average.

The fact is that a thriving community 1 day can be a distressed one the next. All it takes is a military base closure, a defense industry downsizing, Department of Energy reduction, or a natural disaster. As Chairman Chafee knows first-hand, that happened in Narragansett overnight when suddenly an oil spill hurt the fishing and tourism industry. But within 30 days we gave a \$1 million grant to get the community back on its feet and therefore develop recovery plans.

I've also heard criticism that some of these are make-work projects; all they do is create short-term construction jobs. This is not so. These programs create permanent jobs. The fact is that 6 years after the projects are completed, on average, the number of local jobs have doubled. As Senator Boxer stated, for every \$1 million Congress authorizes to fund an EDA project, that leverages \$10 million in private-sector investment.

EDA's programs do work. Take Grand Forks, North Dakota. After those terrible floods in 1997 that devastated North Dakota, South Dakota, and Minnesota, we came in with a \$3 million grant to construct two professional buildings in downtown Grand Forks. Community leaders and political leaders have come in and told me that if it hadn't been for this investment businesses would have left downtown and the people of Grand Forks, who had already lost so much and suffered so much, would have lost their central business district and, therefore, a central part of their lives.

Or take the Center for Employment Training in Santa Clara, California. EDA grants totaling \$4 million over the last few years were used to convert an abandoned high school in a highly distressed Hispanic neighborhood into one of the most successful vocational training facilities in California. The Center has now expanded its programs to include a culinary school, medical assistant training, and every student graduates into a job.

Another example is our \$2 million grant to help Portland State University build a distance learning center. It will link the University's educational programs with rural and remote areas of Oregon so underemployed and unemployed people there can have access to academic, business, and vocational training.

I believe that in the future what we do at EDA will be even more important. In this new economy, the pace of globalization and technology development will accelerate. We will see constant restructuring of firms and industries and all this will require our Nation's communities to be more flexible, innovative in creating jobs and attracting private-sector investment. And a new EDA will be there to help.

This agency has reformed for the better, and this legislation will allow it to reform even more. It will reduce our paperwork, it encourages State and local cooperation as has never been done, it simplifies the application procedures, it provides maximum flexibility to grant recipients, and this legislation will allow us to change the eligibility requirements for EDA assistance. Gone will be the days that once you are a designated area you remain one for life. Replacing it will be a fairer process that says simply an applicant is eligible based on the needs at the time he applies.

So, Mr. Chairman, I believe that we have addressed the concerns that Congress and others have expressed over many years. As has been also stated, EDA has not been reauthorized since 1982. The time has come to do this, and I look forward to working with you, Mr. Chairman, and the entire committee to move this bill forward. Thank you.

Senator WARNER. Thank you, Mr. Secretary.

S. 1647 declares that new employment opportunities should be created by developing expanding new and existing public works and other facilities and resources rather than by merely transferring jobs from one area of the United States to another. S. 1647 further declares that the way to do this is by supporting firms and industries which add to the growth of the Nation's economy through improved technology, increased exports, and the supply of goods and services to satisfy the unmet demand.

These are worthy goals. How do we ensure that these goals are met? That is, as a practical matter, how can we be sure that EDA funds aren't simply used to entice businesses to locate in a given area or to prevent businesses from leaving, possibly enriching their business without adding to the growth of the Nation's economy? For example, section 606 of the bill identified the certification required for businesses receiving financial assistance but makes no mention of job relocation. Do you feel that the bill includes the authority you need to ensure the creation of jobs rather than the movement of existing jobs?

Secretary DALEY. Mr. Chairman, if I could ask Mr. Singerman to respond.

Senator WARNER. Certainly.

Mr. SINGERMAN. Thank you, Mr. Secretary. Thank you, Mr. Chairman. The question you raise is a very important question and it's one that EDA takes very seriously. Currently, our legislation prohibits using EDA financial assistance to assist businesses in relocating from one area to another. Although this applies to a narrow band of EDA's programs, we have applied this non-relocation requirement to all of our assistance programs. In our regulations, we further clarify the purpose and implementation of this criteria.

Every applicant has the affirmative duty to inform EDA of any employer who will benefit from such assistance, who will transfer jobs in connection with the EDA grant. EDA then determines compliance prior to award of the grant based upon the information provided by the applicant.

I'd like to put this in context. The research over the last 20 years from the economic development field demonstrates I think pretty conclusively that most job growth and loss in a community is a function of the creation of new companies, the death of companies, the expansion of companies, the contraction of companies. A very small percentage of employment growth in any community is related to the in-migration and the out-migration of firms.

I think you know from your experience that your communities in your States really are no longer competing with one another, but the regions within our country are competing with regions around the world. It's not firms moving from Rhode Island to Virginia, or from Connecticut to Montana, it's firms moving overseas or moving, as in the case of Montana, from foreign countries to locate in the

United States. So much of what we see is this normal fluctuation of the economy.

We have undertaken an independent study by the National Association of State Development Agencies to determine the effect of the incentives that States provide on firms that are moving into their areas. EDA doesn't allow it, but, as you know, many States compete with one another and we're taking a very serious look at this.

I think that the procedures that we have in place, the legislative prohibition against this, and the care with which the local partners that we work with look at these issues provides a high level of assurance that we're not using Federal money to move jobs from one jurisdiction to another.

Senator WARNER. Given that we're about to have a vote, I'll make my question period very short, Mr. Chairman and others, and we can just follow along here till the vote.

Mr. Chairman?

Senator CHAFEE. Mr. Secretary, I think we all agree that EDA alone can't turn around a community economically. It can be helpful but to have it really succeed you've got to have the community assume the primary role. Do you think that your legislation—and either you or Mr. Singerman can answer this, however you want to do it—do you think your legislation recognizes enough that the real burden is on the local community? Yes, you can help, you can put in \$2 million for a building or \$3 million, but in the long run it's going to be determined by what the community does, I believe. Do you think your legislation reflects that?

Secretary DALEY. I feel strongly, and I'll ask Phil to also comment, I feel strongly that it does. We start with the same belief, Mr. Chairman, that it is the local community that has to make this succeed. And taking the example as I used in my statement, Grand Forks, we came up with \$3 million to build the building but it was really the local community economic development group, the political structure, the community groups that came up with the tenants for the buildings and for all the development that's gone around it. That building alone would not have made a difference had it not been for the support of the local community. So there's no question. I think the legislation does, and Phil may want to jump in with particulars.

Mr. SINGERMAN. Secretary Daley is quite right. The underlying premise behind the way EDA works and what makes it unique among Federal programs is that we have a close working partnership with local economic development districts, local governments, local universities, and out of this partnership comes a strategic planning process which we support through our planning funds, a process that builds consensus within the community and identifies priorities that are necessary for the community's economic development growth and diversification.

Every project that EDA supports is a project that also receives financial support from State and local Governments and other organizations in the community. These are not grants that we kind of give to people because we think it's good for them, but these are investments that are co-invested with local communities in projects

that they determine are of the most importance to their communities.

Senator CHAFEE. OK. Thank you very much. Thank you, Mr. Chairman.

Senator WARNER. Senator?

Senator BAUCUS. Thanks, Mr. Chairman. First, I just want to tell you, Mr. Secretary, that you're doing a great job, you and Mr. Singerman.

Mr. SINGERMAN. Thank you, Senator.

Senator BAUCUS. You're doing a great job in a lot of ways, but I know particularly in this program, the EDA, you're doing a terrific job. I don't know anybody who works harder, particularly Mr. Singerman, in working in the right way to make sure EDA works and works in the right way. I've seen it many times and I'm very impressed, and I know that people in my State are very impressed, too. I wish that all public servants would work as hard as both of you do because it would make a huge difference.

My question really is this. There are some critics who think, gee, there are an awful lot of economic development programs, why do we need another one? Why is this so unique? Why is this so special? Why do we need it? Aren't there enough other economic development programs that could take care of our needs? I know that you do a lot of coordination in the communities first, but essentially I thought I'd just let you sound off and give you the opportunity to answer those critics, because, as you well know, there are some who do have that point of view.

Secretary DALEY. Let me just ask Phil to do it, because Phil ran a local economic development organization and I think it would be good if he put it in the perspective of having run that and now doing the Federal EDA.

Mr. SINGERMAN. Well, I think there are too many, and we were there first.

[Laughter.]

Mr. SINGERMAN. EDA has been around since 1965. It is the only Federal agency that has as its unique and sole mission working in a collaborative partnership with local communities to promote their economic development. There's no other Federal program that I'm aware of that has that as its sole and unique mission.

We work collaboratively with sister agencies within the Federal Government and State and local Governments to bring together the resources that are necessary for a community's economic development activity. For example, in the area of defense adjustment, we work very closely with the Office of Economic Adjustment in the Department of Defense and with the Department of Labor. In the area of disaster recovery, we work very closely with FEMA, they have the overall responsibility, and within that we collaborate closely both here in Washington and on the ground with HUD, with SBA, with the Army Corps of Engineers to help communities, such as Grand Forks, recover promptly and effectively from their disasters.

Senator BAUCUS. So you're first and you're also the only ones who really coordinates and works with all the other economic development agencies as well as with the other departments. Is that basically it?

Mr. SINGERMAN. Yes.

Senator WARNER. Senator, allow me to intervene. I think that's very important, Senator Baucus. I've observed that not only in my own State but elsewhere. I'm quite familiar with the base closure proceedings, I have responsibilities elsewhere in the Senate, and it has a superb track record of working with those agencies. I'm glad you brought it out.

Senator BAUCUS. Thank you, Mr. Chairman.

Senator WARNER. Thank you.

Senator Lieberman, if you have a question, then we can get to Mr. Singerman's testimony. Our vote has been delayed, so I believe we can wrap them up.

Senator LIEBERMAN. Great. Thanks, Mr. Chairman. Gentlemen, in the second panel we're going to hear from the National Academy of Public Administration. I want to mention two comments/criticisms I suppose I'd say, at least comments, and ask you to respond to them.

First is that, in their report, "The present multiplicity of programs imposes unnecessarily high transaction costs on States and localities." I wanted to ask you what efforts are underway, if any, to reduce the fragmentation of the Federal economic development effort.

And then the second is the comment in that same report, this is not directly, the meager Federal investment in an information sharing and technology severely constrains our Nation's economic development efforts. If you want to give a brief response to both of those.

Mr. SINGERMAN. Sure. These are very important issues. We work very closely with NAPA and found their report to be very helpful. We've tried to overcome this fragmentation in a number of ways, including some of the legislative recommendations that we've made in our proposed bill. In terms of the transaction costs, we've tried to simplify the process of working directly with EDA on the part of local communities. So we've created a single application form, and, as Secretary Daley said, we have reduced regulations by 62 percent. Our legislation allows us to accept the plans that a local community develops for another agency, such as the Department of Transportation, for EDA's economic development planning purposes. There also is in the legislation recognition of the importance and the need for the Commerce Department, through the person of the Secretary, to work closely with other Federal agencies and to encourage other Federal agencies to work with the Commerce Department in the area of economic development.

In terms of information sharing, one of the results of the NAPA study, one of the influences on us was to completely revamp our research in national technical assistance programs to focus on identifying best practices at the State and local level in economic development, and then disseminating that information widely through publications, through national organizations and associations, and through our own regional meetings and individual contacts.

So, both of those issues are important issues and we've attempted over the last 3 years to address them head-on.

Senator LIEBERMAN. Thanks for that very responsive answer.

Thanks, The CHAIRMAN.

Senator WARNER. Thank you, Senator.

Mr. Secretary, you're free to go. Thank you very, very much.

Mr. SINGERMAN, do you have some additional remarks?

Mr. SINGERMAN. Yes, sir.

Senator WARNER. I did not go to you immediately knowing of the Secretary's schedule. I wanted the opportunity for members to question. We have two options: One, I can stay for about another 6 minutes to listen to you and in time you can depart, or I can depart now and resume the hearing in a few minutes when I get back from the vote, and then go on to the second panel. Which would you prefer?

Mr. SINGERMAN. Whatever is more convenient to you, Mr. Chairman.

Senator WARNER. Whatever your preference.

Mr. SINGERMAN. OK. I will speak for 5 minutes and summarize my prepared written statement.

Senator WARNER. This is very important so I don't want to rush you. Do you believe you can do it in 5 minutes?

Mr. SINGERMAN. I can, I timed it. You're very gracious. Thank you, sir.

Senator WARNER. I think you made a very profound impact so far.

Mr. SINGERMAN. Well, everyone has left, is that why?

Senator WARNER. I've been around here 20 years. They don't leave if they've still got a problem.

[Laughter.]

STATEMENT OF HON. PHILLIP SINGERMAN, ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE

Mr. SINGERMAN. Mr. Chairman, I appreciate the opportunity to testify before this subcommittee. I would request that my statement be made a part of the record.

Senator WARNER. Without objection.

Mr. SINGERMAN. I particularly want to thank you and the other members and your staff for your many courtesies toward me and my staff at EDA.

Senator WARNER. Well, they're well earned. I think you can determine from the remarks this morning that we're going to put a head of steam behind this piece of legislation to see if we can get that authorization.

Mr. SINGERMAN. That would be so wonderful.

Senator WARNER. And to the degree we're going to have success, it is largely dependent on the record which you and others have put together. That's a strong record.

Mr. SINGERMAN. Thank you, sir.

I'd like to thank, Senator Baucus left, but I'd like to particularly thank him and Senator Snow for introducing our legislation upon request.

Senator WARNER. Some 38 cosponsors of that.

Mr. SINGERMAN. We're up to 40 now. And I want to thank Secretary Daley for coming here this morning to testify before your subcommittee.

Behind me are the EDA senior executive management team. Their names and titles are included in my prepared statement.

Senator WARNER. I think we could just take a minute to introduce them.

Mr. SINGERMAN. Thank you, sir. Ella Rusinko is our Deputy Assistant Secretary for Program Research and Evaluation; directly behind me is Chester Straub, our Deputy Assistant Secretary for Program Operations; next to him is Ed Levin, our Chief Counsel; and seated there is Mitch Laine, our new Chief Financial Officer. So this is the senior management of the agency.

Mr. Chairman, I first appeared before you and other members of the committee in late 1996 when you honored me by confirming me to this position. I'm very proud and pleased to report to you today that we've accomplished a lot at EDA since then. We have aggressively focused on improving the management and operations of the agency, including implementing a strategic planning process, developing program performance measures, and strengthening our partnerships with local organizations in economic development.

As a result of our work, EDA is administratively reformed, reinvented, and transformed, which has in place a system for ongoing program evaluation. We have, and you'll hear about this later, validation of program performance, as evidenced by numerous independent studies by objective evaluators. The management reforms that EDA has implemented are yielding more efficiency and effectiveness. And we are, I'm sure you'll be pleased to know, focused on financial operations and are working closely with the Inspector General in the Department of Commerce.

Secretary Daley mentioned the reduction in regulations by 62 percent. We have reduced our staff by 30 percent over the last 4 years, a figure that is unmatched by almost any other Federal agency, and our noncareer appointees by 60 percent. We have simplified our grants application process, and implemented an agency-wide reorganization approved by the Administration and this Congress.

We have implemented modern management and administrative practices. For example, we have completed the delegation of decisionmaking authority to the career professionals in the regional offices, the people who are closest to the communities and know their problems best. To provide seamless interaction with local communities, we have instituted a team-based approach in our field offices.

And as I mentioned, we have hired the first chief financial officer for the agency to oversee the agency's vast management responsibilities. For example, in addition to the funding that we award each year, we are responsible for well over \$1 billion of prior awards, construction awards on military bases which take between 2 and 5 years to come to fruition, and during that time we're responsible for the fiduciary management of those activities. So there's a major responsibility.

Senator WARNER. I've hit my zero mark of time to get over and get that vote. We'll just pick up when I return after this vote.

Mr. SINGERMAN. Very good.

[Recess.]

Senator WARNER. My apologies. We do our best around here. But now we have an open-ended and adequate time to receive the benefit of your further testimony and to receive the benefit of an equally important and distinguished group who will be in Panel II. We won't be rushed.

Would you kindly continue.

Mr. SINGERMAN. Thank you very much. The Economic Development Partnership Act of 1997 constitutes a reform of existing EDA authorizing legislation. The Partnership Act streamlines EDA authorities, establishes consistency among programs, and preserves the most effective tools. For example, the proposed legislation implements long needed improvements by allowing program flexibility to the Nation's distressed communities, facilitates program management and oversight, recognizes the EDA role in long-standing activities such as defense adjustment and post-disaster economic recovery, and formalizes EDA existing policy that focuses investment in areas of high distress by eliminating the outmoded designation system and replacing it with eligibility at the time of application based upon clearly defined specified economic distress criteria—targeting our resources to communities most in need.

EDA has established a record of expertise and experience in economic development, and has been an innovator in helping distressed communities create the best economic development practices, such as revolving loan funds and small business incubators. EDA's unique approach to economic development has proven itself over time.

However, the next century will host a different set of economic challenges for American communities as they strive to maintain global competitiveness in an increasingly technologically dominated society. EDA needs to be there, modernized and prepared now, to help America's distressed communities implement their own strategies and programs for economic recovery and growth.

To provide this opportunity to these deserving communities, the agency and its customers require long overdue stability of programs, flexibility of operations, and to continue to institutionalize the administrative reforms we have enacted, we request this committee's formal legislative reauthorization of EDA.

Mr. Chairman, I appreciate the opportunity to testify before you this morning, and want to express my willingness to work with you and members of the committee and your staff on behalf of America's distressed communities. I'd be glad to answer any further questions that you might have.

Senator WARNER. Thank you. I do have one or two. I want to say that Mr. Baucus, of course, introduced the Administration's bill and we have, as you say, 40 cosponsors. But by tradition, the Chairman will work on an amended type of bill in which I will join him as well as Mr. Baucus. So we will require that type of cooperation which you just proffered here in your last concluding remarks to put it together.

I just think there's a growing convergence of viewpoints here so that a bill very close I think to the Administration's approach can be crafted and expeditiously moved through this committee and be reported to the floor.

Mr. SINGERMAN. Thank you.

Senator WARNER. For that, the Secretary and yourself are deserving of a great deal of credit.

But one or two thoughts here. Realizing that one of EDA's missions is to help communities suffering due to base realignment and closure proceedings, would EDA be prepared for additional Base Realignment and Closure (BRAC) rounds? In other words, I happen to be one of those who believe that we've got to continue with the base closure process. That next round could be fairly significant. Would that require extra staff, and I would try and get it for you, particularly if it would require you to subtract some of your effort to other areas? I think, in my own judgment, that next round of BRAC will probably be in 2000, so it's in the future.

Mr. SINGERMAN. First, we need to complete, and I'm sure you're aware of this—

Senator WARNER. The past BRAC round.

Mr. SINGERMAN. That's correct. To date, only about three-quarters of the approximately 120 bases that were closed or downsized significantly have a closure date. So there is still about one-quarter that are yet to be closed and some will not close until after 2000.

Second, even after a base is closed, it takes the community 2 to 3 years to develop its reuse plans. So only now are those bases that were closed in 1995—

Senator WARNER. I just want to make this part of the record. I would suggest the following. We're finishing up this year's authorization bill for the armed forces in which there is no BRAC and there will not be one. So next year, God willing, I'll still be around to work on the next bill and we may lay the foundation, I say may, for the year 2000, 2001. At which time I would hope that you would be in your position and you could follow it and, if necessary, we would put something in the legislation establishing the next BRAC which would adequately protect your area of responsibility. You have a willing partner that would take it into consideration.

Mr. SINGERMAN. Thank you.

Senator WARNER. I think we'll conclude with that, Mr. Singserman. I have some other questions which I'll submit for the record. But the next panel has very patiently waited, and I hope that one or more of your staff can remain so they can have the benefit of this important testimony.

Mr. SINGERMAN. I will remain as well, sir.

Senator WARNER. That's fine. We may recall you to the witness table.

Senator WARNER. Now let's proceed with Panel II. We have Mr. Robert W. Burchell, Center for Urban Policy Research, Rutgers University, New Brunswick, New Jersey; R. Scott Fosler, president, National Academy of Public Administration, here in the Nation's Capital; Eric P. Thompson, National Association of Development Organizations, Aiken, South Carolina; and the Honorable Floyd Villines, on behalf of the Coalition for Economic Development, Little Rock, Arkansas. He, I take special note, is a public servant, having been elected by the people of the great State of Arkansas.

Judge VILLINES. Thank you, sir.

Senator WARNER. Why don't you lead off, Judge Villines.

**STATEMENT OF HON. FLOYD G. VILLINES, JUDGE/EXECUTIVE,
PULASKI COUNTY, ARKANSAS, ON BEHALF OF THE COALITION
FOR ECONOMIC DEVELOPMENT, LITTLE ROCK, ARKAN-
SAS**

Judge VILLINES. Mr. Chairman, thank you for holding this important hearing and for inviting us here today to discuss the long overdue reauthorization of an agency that is very important to the revitalization efforts in our economically distressed rural and urban areas.

Senator WARNER. Excuse me. Let me interrupt.

Judge VILLINES. Yes, sir.

Senator WARNER. By unanimous consent, each of your statements in their entirety will be made a part of the record. Therefore, you can summarize those portions you think are important to this hearing.

Judge VILLINES. Thank you, sir. I will do that.

I represent 15 national organizations committed to supporting the Economic Development Administration. Our coalition includes national organizations representing rural and urban economic development practitioners, professionals and academics, and local elected officials. These organizations include the American Economic Development Council, the Association of University Centers, the Council for Urban Economic Development, the National Association of Counties, and National Association of Business Incubators, the National Association of Development Organizations, the National Association of Installation Developers, the National Association of Management and Technology Assistance Centers, the National Association of Regional Councils, the National Association of State Development Agencies, the National Association of Towns and Townships, the National Congress for Community Economic Development, the National League of Cities, the Public Works and Economic Development Association, and the U.S. Conference of Mayors.

There are two reasons that we think it is very important that this be done. The first is, this agency is moving into the 21st century with authorizing legislation that goes back to the early 1980's. The agency needs reinforcement with new language that allows it to help our rural and urban communities meet the continuing and ever-changing challenges of economic revitalization. Among those challenges will be access to and expertise in information age technology. Our businesses in small cities and rural areas will simply be unable to compete in the global economy without access to these information and marketing tools.

Second, reauthorization will allow the agency to focus on its core mission and to develop multiyear plans for its programs rather than draining off its energy in an annual battle for survival.

The Coalition's support for EDA is based on a very simple concept—EDA works. It is the Federal agency that does what it was designed to do. It serves the Federal role of levelling the playing field for these communities that need to become productive parts of the national economy rather than a drain on it. It is a lean, streamlined agency with a clearly defined mission. It supports and help revitalizes our economically distressed communities. And as a local government official, it is important to me that EDA is there

to provide the seed money necessary for the infrastructure improvements we need to attract new businesses and to help existing businesses expand and grow.

I want to really emphasize the point of seed money. Without EDA and EDA's support, many of the things that we try to do, we just couldn't do them. An example in our testimony that will be filed is our community of North Little Rock. There were two census tracts in 1990 that had unemployment rates of 33 and nearly 34 percent respectively, with no industrial or other potential prospects. Working with EDA, we were able to get a grant that was matched 50-50 by the local community that put in water, sewer, streets, and out of that we ultimately got a \$9 million private investment, creating some 360 jobs. Over the years, we believe that that has helped raise the average income in our county by nearly \$10,000 a year. And that project would not have happened had it not been for EDA.

There are several other points I'll make, and then I'll let you move on to the other witnesses. First, EDA network is important to us. It provides the assistance with the economic development representatives that help watch over the project, help us put it together, and then continue with us from the very beginning. The planning process is also important. The whole issue of bottoms-up planning, of allowing people in a community to identify what their needs are and to coordinate that with other local and Federal agencies has given us impetus to do what ought to be done. Too often in the past, as anyone in local government knows, you sometimes get in a position where local communities are arguing and fighting with each other. The planning process requiring that joint planning really is an asset to us.

There are other points that are in my testimony that I could go through. But since it will be part of the record, Mr. Chairman, I will leave that to any questions that you may have.

In conclusion, Mr. Chairman and members of the committee, the Economic Development Administration has earned the respect of all of us who have worked with it. It is time the agency was recognized through reauthorization, and probably that's one of the best reforms you could do. We at the local level really need to know that there is going to be an agency there because economic development planning is more than a 1-year process. We really need the assurance that we will have a partner in the Federal Government that will assist us.

Again, thank you for the opportunity to appear before you. I also pledge our support on the part of the Coalition to work with you in the drafting of the bill, as you mentioned earlier. And if you have any questions, I'll be happy to try to answer them.

Senator WARNER. Thank you. And may I say to you and the other witnesses, it is our hope here on the committee that you will bring your expertise to bear on the Chafee revision of the Administration's bill and that you will give us your best advice. And others in the room may have some interest. We want to do a good bill, one that will go through quickly.

With that in mind, in the course of your testimony, if any of you feel there are provisions in the Administration bill which you

would like to see revised, amended, or so forth, please let us hear from you.

Now, Mr. Burchell. We thank you for traveling down from New Jersey.

STATEMENT OF ROBERT W. BURCHELL, CENTER FOR URBAN POLICY RESEARCH, RUTGERS UNIVERSITY, NEW BRUNSWICK, NEW JERSEY

Mr. BURCHELL. Thank you, Mr. Chairman. I'll be brief. My testimony and the charts which you'll see are to be made part of the record.

Senator WARNER. Do you have copies of those charts?

Mr. BURCHELL. They're appended to the testimony, yes.

Basically, what I would like to do is to report to you the numbers, some of which you've heard already, of a series of studies that Rutgers and others have undertaken on various programs of the Economic Development Administration.

We produced three 300-page reports that looked at these programs, and we spent 2 years in an in-depth look at both defense adjustment and public works programs. Each of the principals was in the field a month looking at the programs. We went across the United States. We visited 100 of the 400 programs to make sure the information was coming back to us and coming back to us correctly. We held seminars to make sure that those who were reporting information understood the concepts that we were about to ask them, the difference between a permanent job and a temporary job, between a direct job and an indirect job, between a construction job and a permanent job.

In addition to that, we went into regional offices and a variety of other places to do, we feel, a comprehensive study. The study was undertaken by Rutgers, the New Jersey Institute of Technology, Princeton University, Columbia, the National Association of Regional Councils, and the University of Cincinnati. We looked at 203 public works projects and 187 defense adjustment projects. No one got away. It's not a sample. Again, we looked at every single one of the projects. We visited—physically visited—25 percent of those 400 projects.

One of the things that we found out very quickly was that these projects are done in very economically impacted environments. The public works projects, again the figure was used here, 25 to 40 percent above the average unemployment rate of the area. These projects take place in communities where the unemployment rate is 25 to 40 percent above State and national averages. With regard to both the defense adjustment program and the public works program, per capita income is 25 to 40 percent below State and national averages. So these are really economically impacted areas.

Let me just go through very briefly the public works program first and just take a look at these performance figures with regard to the public works projects.

Senator WARNER. Let me interrupt. This is a very impressive amount of private-sector work that has been done. It will be a valuable asset to the committee. Could you refer to us any other groups that have done similar studies? We want to make sure that we have before us all the available information.

Mr. BURCHELL. We did a literature search and that's part of the information presented. In addition, there was another study, the Mount Auburn Study done in 1992, which reached similar conclusions as the kind of conclusions that I will report to you.

Senator WARNER. That was Mount—

Mr. BURCHELL. Mount Auburn. They're a research firm in Massachusetts.

Senator WARNER. Who authorized that firm to do the work? Who authorized you or funded you?

Mr. BURCHELL. We bid with a consortium of research institutions on an RFP that was put out by the Economic Development Administration.

Senator WARNER. I see. So EDA put it out, is that it?

Mr. BURCHELL. Right. And we competitively bid that process, yes.

Senator WARNER. How about the other study that you cited?

Mr. BURCHELL. I think that that was the same.

Senator WARNER. But yours then is more recent?

Mr. BURCHELL. More recent and actually we believe more encompassing in terms of the number of projects looked at.

With regard to the findings for the public works program, 99 percent of the projects completed as planned, 91 percent completed on time, 52 percent completed under budget. I would add that when a project is completed under budget, neither EDA nor the grantee keeps that money. Rather it goes back to the Treasury. So those are very, very significant figures given that particular situation.

With regard to job production—327 permanent jobs for every \$1 million of EDA money invested, about \$3,000 per job—one of the lowest costs in job creation that we have seen in all of our analysis of other programs, and \$4,800 in total cost per job, including the matching share. In addition to that, 15 construction jobs per \$1 million of EDA funding. So not only do they produce permanent jobs but also construction jobs.

Another figure that you've heard before but that has been duly documented in these reports, for every \$1 million of EDA funding, \$10 million in private-sector investment and \$10 million in terms of local tax base added to the community.

With regard to defense construction projects, and they're different in that if you were to view a hospital, the EDA public works program would be the normal portion of the hospital, the EDA defense adjustment program is the emergency room. The EDA public works program operates in typically long-term distress areas, both urban and rural, the defense adjustment in sudden shock areas. And these are newer projects, funded only from 1992 to 1995, and not expected to have the kinds of results of the public works projects. But, again, their performance is admirable.

In terms of projects moving to completion—97 to 100 percent. Projects that are on time—60 to 80 percent. Projects that are at or under budget—90 to 100 percent. Jobs produced—124 for defense construction per million of EDA investment. For revolving loan funds, moneys given out to create businesses—304 per million. Almost equivalent to the bread and butter public works projects. So on both sides, the defense adjustment and the public works, about a \$3,000 figure per job created.

With regard to private-sector leverage, \$2.2 million for every \$1 million of EDA investment on the defense construction. And with regard to the revolving loan funds, about \$2.5 million.

We also asked the grantees to evaluate how EDA was doing its job with regard to training and technical assistance. These are in what they call the capacity-building efforts—the planning, the training, technical transfer, technological transfer, product development, et cetera. We asked them to rate EDA on a scale of 1 to 10 in terms of the quality of the project that they helped deliver and the impact of that project. And for the defense adjustment strategy, EDA was given a rating of 8 out of 10. For technical assistance, close to 9 out of 10. And for market analyses, feasibility studies, and base reuse studies, also a rating of approximately 9 out of 10.

Our conclusions are very simple. EDA projects get done on time and efficiently. EDA projects create permanent jobs in the locations that they're found. EDA projects create significant amounts of private-sector leverage. And EDA also creates a multiplier effect of about 1.5. So all of the numbers that I have given you before, add 50 percent for its ripple effects to the economy type of impact. We did that study with a very sophisticated input/output model. And then finally, EDA has an independent effect. In other words, if somebody were asked the question, "Would those jobs be created in those locations without EDA presence?" The answer is, "no." Through very, very heavy regression analysis, we determined that EDA has an independent effect in terms of creating jobs in local areas. Our overall conclusion is that EDA programs are having their intended effect in the locations in which they're operable.

Senator WARNER. In one sentence, it works.

Mr. BURCHELL. It works.

Senator WARNER. I suppose if it ain't broke, don't try and fix it. But did you look at possible revision of some provisions of the President's bill?

Mr. BURCHELL. We didn't, but we looked at EDA procedures. There, again, what is going on is very commendable. We made some recommendations, and one of the recommendations we had is that there should be ongoing monitoring of the public works projects. There is incredible monitoring of the revolving loan funds because a loan is given out and they monitor almost forever. With regards to the public works projects, there is informal monitoring after the project is built out. But in order for them to keep track of jobs created on a regular basis, and since those jobs increase over time, they should monitor those on a regular basis.

Senator WARNER. But you will follow the work of the committee as we move ahead with this?

Mr. BURCHELL. Absolutely.

Senator WARNER. We appreciate it, because you've got a remarkable corporate knowledge of this entire thing. Thank you very much.

Next, Mr. Fosler, President, National Academy of Public Administration.

**STATEMENT OF R. SCOTT FOSLER, PRESIDENT, NATIONAL
ACADEMY OF PUBLIC ADMINISTRATION**

Mr. FOSLER. Thank you very much, Mr. Chairman. I'm here to testify on behalf of the Academy's panel on economic development. This panel was chaired by former Governor Dick Thornburgh, a Fellow of the Academy, and he had hoped to be here and was sorry that he could not come. He is out of the country in South Korea this week.

As you know, the Academy is an independent, nonpartisan, non-profit organization chartered by Congress to identify emerging issues of governance and to provide practical assistance to Federal, State, and local Government on how to improve their performance.

Two years ago, the Economic Development Administration asked the Academy to take a fresh and independent look at the basic question, What is the appropriate future role of the Federal Government in economic development activities?

The Academy convened a panel, chaired by Governor Thornburgh, with a diverse group of experts from local, State, and Federal Government and the private sector, and it reviewed the economic development policies and programs of all Federal agencies, not just of the EDA. It did not specifically address the question before this committee, the reauthorization of EDA, nonetheless, its findings and recommendations may prove useful to the committee in its deliberations.

I have a copy of the panel's report, "A Path to Smarter Economic Development: Reassessing the Federal Role," and I would ask that it be entered into the record.

Senator WARNER. Without objection.

[A copy of the executive summary of the referenced report follows:]

A DIALOGUE ON THE REPORT: A PATH TO SMARTER ECONOMIC DEVELOPMENT:
REASSESSING THE FEDERAL ROLE, NOVEMBER 22-23, 1996

On November 22-23, 1996, the National Academy of Public Administration convened a conference to review its recently released report on the Federal role in Economic Development. A Path To Smarter Economic Development: Reassessing the Federal Role resulted from a 1-year study by an Academy panel chaired by former Pennsylvania Governor Richard Thornburgh. The U.S. Economic Development Administration (EDA) and the Annie E. Casey Foundation funded the study.

The goal of the conference was to solicit feedback on the report and to stimulate a national debate about the Academy panel's recommendations. The conference brought together more than 100 invited guests from across the country, representing all facets of economic development: State, regional local and neighborhood-based practitioners; Federal policy and program officials; private-sector leaders; and university researchers. Participants debated the panel's findings about the appropriate Federal role in economic development and its recommendations for improvements.

The discussion was organized around four topics, each of which was addressed during a set of break-out sessions. The first topic was a broad review of the panel's findings and recommendations. The other three topics focused on the panel's specific findings and recommendations concerning reaming, leveraging and linking.

General Comments on the Report

Participants strongly endorsed the panel's finding that the primary Federal role in economic development should be to support State, regional, and local economic development efforts. They further agreed that the current Federal system does not fulfill that role well—little, if any, Federal leadership exists, and there is considerable fragmentation and duplication among Federal program activities.

There also was strong agreement on the panel's recommendation to focus the Federal role on the concepts of reaming, leveraging and linking. There was, however,

considerable support for expanding these concepts to encompass the idea of leadership. Many believed that together all four concepts would provide a national vision for economic development, especially by promoting a better understanding and application of effective economic development practices and fostering the use of new technologies for communication and sharing of ideas among development practitioners. Many of the specific ideas for a stronger Federal leadership in economic development echoed the panel's discussion on recommendations about reaming.

Considerable discussion centered on defining economic development. The panel's report defined the scope of its work around a specific set of Federal economic development programs—those that clearly bear the label of economic development and are focused on specific places or businesses. The panel was not asked to review Federal policies that focus on the national economy in general (such as monetary, fiscal, or trade policy). Nor was the panel asked to review the large number of policies or programs which, while contributing to economic opportunity, are directed toward goals that are separate national pursuits themselves (such as transportation, defense, and environmental protection).

The panel also noted that the diversity among local economies precluded any single definition of effective economic development. The panel did acknowledge the importance for the Federal Government to coordinate the very broad range of Federal programs that impact directly or indirectly upon State and local economic conditions.

The focus of the panel on Federal economic development programs per se generated lively debate. Some participants believed this approach fostered an unfortunate separation between economic and community development, while others believed it did not go far enough in distinguishing between the two. Others argued that without a broader Federal definition of effective economic development, it was impossible to define the Federal role in reaming, leveraging, linking and leadership; in essence, it was difficult to advance the practice of economic development without knowing which direction to take. For example, many participants said the report should have examined more closely the technology programs as well as the role of universities in economic development.

The issue of the proper definition of economic development was not resolved during the conference, although all acknowledged that it must be more clearly addressed as steps are taken to implement the panel's recommendations.

Reaction to Findings and Recommendations About Learning

The most strongly supported recommendations in the panel's report were those concerning the Federal role in advancing the knowledge base of economic development. Many argued that this should be the most important Federal role. An important element of the discussion was the belief of some that the Federal role in learning must be driven by a benchmark definition of economic development, which should be used to change the habits or practices of economic development practitioners.

Regarding specific panel recommendations, there was:

- strong agreement with the need to advance the state-of-the-art by giving a higher priority to federally financed research, evaluation and demonstrations. As important, however, was the identified need to build reaming networks across the country to convey information about economic development. Participants noted that economic development practices are more often driven by anecdotes than by data, and that learning networks are an effective tool for conveying the lessons derived from such experiences, anecdotes, and information.
- lively debate regarding increasing attention to the costs and benefits of recruitment. Some believed the report did not go far enough in pointing out the negative consequences of recruitment, such as overly generous subsidies, while others thought the report unfairly singled out this strategy. The issue clearly provoked strong feeling among participants and divergent views on how it should be addressed at the Federal level. Most agreed, however, that excessive expenditures on recruitment deals is an embarrassment to economic development professionals and that, in general, the public and elected officials need better information.
- strong agreement with the panel's recommendations about the need to improve Federal data collection and analysis. Participants were particularly concerned that Federal data be more useful for State and local practitioners. There was some skepticism among the group, however, about consolidating Federal data organizations. Most participants did not believe this is politically feasible and did not want to expend the political capital on a very uncertain outcome.

Reaction to Findings and Recommendations About Leveraging

Conference participants endorsed the panel's idea that Federal economic development resources generally should be used to influence policy directions at the State and local level. Considerable discussion, however, ensued around the panel's critique of short-term deals and its concern that projects rather than strategies drive the development process. Many participants supported the panel's criticism of "projectitis," and there was broad agreement that strategic analysis and planning are essential. However, panel members and participants agreed that such criticism should not undermine the importance of projects per se, which can be a central element of many economic development activities.

Although many participants believed that project decisions are best made at the State and local level some felt that the Federal Government—both executive and legislative branches—would continue to earmark funds for specific projects. Other participants, however, supported the panel's call for a reduced Federal role in making individual project.

Regarding specific panel recommendations, there was:

- agreement with the idea of using Federal resources to encourage State and local development organizations to focus their development efforts on regional solutions. It also was suggested that the Federal Government should make a concerted effort to identify and remove Federal barriers to local cooperation.
- strong endorsement of targeting Federal resources to the development needs of distressed places, both urban and rural. Participants also noted the need to ensure linkages between Federal policies that target distressed areas and those that target distressed populations.
- firm support for Federal assistance for capacity building. They noted that Federal policy efforts depend on the implementation abilities of local development professionals and public and private leaders. The group supported allowing institutional frameworks to evolve from the bottom up rather than being imposed from the top down.

Reaction to Findings and Recommendations About Linking

As noted earlier, there was strong agreement among conference participants that the current Federal approach to economic development did not support State and local economic development well. Most participants agreed with the panel's finding that the duplication and fragmentation among Federal programs imposed high transaction costs for State and local development efforts.

There was lively debate on how to address this issue. Some participants believed State, regional and local efforts were solving the problem of fragmentation. Development officials have become proficient at coordinating efforts and packaging various program resources. Other participants noted that although there were many positive examples of effective local coordination and resource packaging, it was unfortunate that practitioners spent so much time on grant and administrative entrepreneurship rather than on innovative problem solving for their communities. These same participants further noted that although Federal administrative waivers had gained great currency, the need for waivers represented a failure in policy and program design. Participants vigorously debated whether fragmentation could be addressed better at the Federal level or whether current coordination models, such as the State Rural Development Councils and the new performance partnerships of the Metropolitan Planning Organizations under the Department of Transportation, were the more appropriate solutions to the problem of fragmented Federal programs.

Regarding specific panel recommendations:

- many participants strongly disagreed with the panel's recommendation for wholesale consolidation of Federal economic development programs. Instead, they suggested an incremental approach that would involve restructuring Federal program activities around a geographical focus—rural programs and urban programs—or around substantive development areas such as business development, international trade, or infrastructure development. Others advocated focusing on administrative consolidation, such as eliminating duplicative planning requirements, conflicting grant cycles, or repetitive reporting requirements. A key concern about consolidation was the perceived difficulty of overcoming the vested authorities and interests of congressional subcommittees and executive branch agencies. Most participants were wary of expending political capital for what they believed would be a futile effort.
- although most participants supported the panel's recommendation for overall Federal policy guidance, most did not see a viable mechanism for such effort or the political feasibility of one group asserting authority over others in the Federal system. Participants regretted that the National Performance Review's rec-

ommendation for a Federal coordination council for economic development was never implemented. Many participants believed that the most viable option for policy coordination was at the State level through a mechanism similar to the rural development councils.

- there was general agreement on the panel's recommendations to foster interfirm linkages by forming industry associations and reducing legal and regulatory barriers to collaborations among firms.

Although participants agreed with the panel's findings that the current Federal approach to economic development did not support State and local development efforts, there was no consensus on the best ways to improve the system. Many participants expressed concern that efforts to reform could open the door to cuts in funding for Federal programs.

A Strategy for Implementing the Report

Conference participants were asked to consider next steps beyond the Academy report. A key issue is whether the economic development community will seek to influence the nature of that change or simply let it happen. Two levels of response followed: EDAs reaction to the panel's findings and recommendations, and the suggestions by conference participants for implementing the study results.

EDA's Agenda

Philip Singerman, assistant secretary of commerce for economic development, addressed the conference at its end, presenting his personal reaction to the panel's study. Overall, he felt very positive about the panel's findings and supports the spirit and intent of all the recommendations. He noted that he and other staff had the opportunity to observe the panel's deliberations over the past year and, as a result, already had taken actions consistent with several key panel recommendations.

Of particular note is the agency's commitment to focus its research and technical assistance efforts on producing better information about economic development issues identified by the panel. Specifically, EDA is already focusing on:

- measurement and evaluation, by supporting a national study to develop a methodology for evaluating its economic development programs
- distressed areas, by supporting a study to examine the effectiveness of State science and technology strategies on the needs of disadvantaged communities
- clusters, by examining the Federal role in cluster development
- recruitment, by sponsoring research to develop legitimate methodologies that will enable local communities to assess better the costs and benefits of such economic activities
- infrastructure finance, by cooperating with the Office of Economic Adjustment and the Department of Defense, the agency is identifying innovative approaches for financing the infrastructure critical for areas responding to a base closure or defense industry downsizing.

Assistant Secretary Singerman concluded by encouraging the Academy to make the results of this study known to national policymakers and noted that this is a special opportunity to engage the administration as it defines policy agendas for the next 4 years.

Suggestions for Next Steps by Conference Participants

Conference participants stressed the necessity of an aggressive campaign to have the report taken seriously and its recommendations adopted. Noting the Academy's institutional prohibition against lobbying, participants identified steps that they, State and local officials and other interested parties, could take including:

- distributing the report widely to leaders in Washington, DC, States, regions, and communities convening associations of practitioners, policymakers and interest groups to develop a coalition to pursue implementation
- identifying champions/groups to pursue specific recommendations
- bringing "bottom-up" pressure on legislators to implement the recommendations
- encouraging the National Economic Council, the Office of Management and Budget, the National Performance Review, or a similar entity, to embrace the panel's recommendations
- educating business associations on the panel's findings and encourage their active involvement in pursuing its recommendations asking EDA to take the lead in building demand for better data
- encouraging agencies to work cooperatively to address the fragmentation and duplication of program planning and reporting requirements, as well as other administrative barriers to more efficient performance.

The Academy agreed to distribute its report broadly, as well as to make panel members available for presentations and testimony on the study findings and recommendations. A number of conference participants agreed to present the study to their respective colleagues and to pursue efforts to implement the panel's recommendations.

EXECUTIVE SUMMARY OF A PATH TO SMARTER ECONOMIC DEVELOPMENT: REASSESSING THE FEDERAL ROLE

Over the past three decades, Federal agencies have invested hundreds of billions of dollars to help States and communities create jobs and economic opportunities. In light of severe pressures on the Federal budget and new economic opportunities and challenges, Members of Congress, citizens and economic development professionals are asking, "What is the appropriate future role of the Federal Government in economic development activities?"

The following report of a panel of experts recommends rethinking the basic premises for Federal economic development activities at the State, local, and regional levels. It offers a coherent and experience-based conception of how our national government might organize and carry out genuinely effective development assistance to regions, States, and communities.

Historically, Federal development efforts have tried to increase overall national productivity and to help economically distressed and poor communities gain a share of the country's general prosperity. Toward these ends, the Federal Government has built and sustained a variety of organizations involved in economic development at every level of society. They include development agencies at the State and local level, multi-county development districts, and community based development corporations, not to mention various non-profit organizations, banks, industrial associations, and other private-sector partners.

The panel met over the course of a year, interviewed economic development experts and Federal officials, and closely examined eight communities (both rural and urban) for insights into what works and why.

Among the panel's findings:

- The fundamental economic influences of the private sector and market forces must be incorporated into successful economic development plans.
- Federal investments in development efforts are critical to many States and localities, but not all.
- No single Federal program is appropriate in all communities; however, the present multiplicity of programs imposes unnecessarily high transaction costs on States and localities and exacerbates inherent weaknesses in their approaches.
- The meager Federal investment in information sharing and technology severely constrains our nation's economic development efforts.

In response, the panel has proposed a new approach to meet economic development needs. It urges the Federal Government to help States and localities learn through better information, leverage all available resources, and link multiple Federal initiatives to assist local communities.

The panel's report concluded with 10 specific recommendations for improving economic development programs and practices in America. The Federal Government should:

- Help States and communities learn about state-of-the-art economic development practices;
- Act to reduce the economic losses resulting from unrestrained bidding war among States and localities to recruit or retain businesses;
- Improve the quality of economic development decisionmaking and the assessment of policies and programs at all levels by gathering and disseminating State, regional, and local economic statistics and by reducing the fragmentation of the nation's statistical system;
- Give States and communities incentives to design and implement effective regional or inter-jurisdictional development strategies;
- Encourage investment in development strategies that offer opportunities to generate jobs and income over the longer term, rather than in high-visibility projects;
- Give special assistance to States and communities seeking to create economic opportunities in distressed communities;
- Substantially reduce the fragmentation of the Federal economic development effort;
- Establish a permanent mechanism to provide overall policy-level guidance to other Federal activities such as work force training, environmental protection, technology and research, and other endeavors that contribute to economic development outcomes;

- Reorient Federal programs, especially business finance programs, toward strategies that address the underlying obstacles to obtaining credit; and
- Encourage States and localities to stimulate links among businesses to enhance overall economic performance.

The nation's economic development programs will be a critical factor in two of the most significant domestic policy challenges of the coming decades: America's adjustment and response to an increasingly competitive global economy, and the recent transformation of social policy from one based on dependency to one that stresses opportunity and personal responsibility. A reformed Federal approach to economic development will help States and communities make real and far greater contributions to addressing these issues.

Mr. FOSLER. Briefly, the report recommends a rethinking of the basic premise of Federal economic development activities at the State, local, and regional levels. The panel felt strongly that economic development programs should be grounded in the fundamental influence of the market, geared toward engaging the power of the private sector, and tailored to specific conditions of regions and communities. And to this end, it proposed a three-pronged approach by which the Federal Government could best support State and local economic development efforts that were designed by the States and localities themselves.

First, the Federal Government should help States and localities learn about state-of-the-art economic development practices in order to improve the quality of economic development decisionmaking and the effective implementation of policies and programs. They could do this, in part, also by gathering and disseminating State, regional, and local economic statistics and by reducing the fragmentation of the Nation's statistical system.

Second, the Federal Government should leverage resources committed to economic development by giving States and communities incentives to design and implement effective regional or interjurisdictional development strategies, and by encouraging strategies that emphasize long-term pay-off over high visibility projects.

And third, the panel felt that the Federal Government should make it easier for States and localities to link Federal resources by substantially reducing the fragmentation of Federal economic development efforts. For example, it might establish a mechanism to provide overall policy level guidance to other Federal activities, such as work force training, environmental protection, and technology and research that contribute to economic development outcomes.

EDA does not have authority to implement all of the panel's recommendations. For example, it would take an action by the Congress and leadership by the President to substantially reduce the fragmentation of Federal economic development programs. However, the Academy has been pleased at many of the steps EDA has taken to implement the panel's recommendations. Assistant Secretary Singerman recently sent us a letter detailing these steps, and I would ask that a copy of his letter be entered into the record.

Senator WARNER. Without objection.

[A copy of the referenced letter follows:]

U.S. DEPARTMENT OF COMMERCE,
ECONOMIC DEVELOPMENT ADMINISTRATION,
Washington, DC 20230, July 7, 1998.

DEWITT JOHN,
National Academy of Public Administration,
1120 G Street, NW, Suite 850,
Washington, DC 20005.

DEAR DEWITT: I want to give you an update on EDA's activities in regard to the NAPA Report, "A Path to Smarter Economic Development: Reassessing the Federal Role" (November, 1996). First, let me once again thank Panel Chair Dick Thornburgh, the members of the panel, Scott Foster, and the NAPA staff for their excellent work on this important subject. As you will see from the following, NAPA's report had a substantial influence on the development of EDA's policy and reformulation of its programs.

Attachment I is the fiscal year 1998 Policy Guidance for the Economic Development Administration, issued in March 1998. The Guidance highlights NAPA's findings, stating that "EDA recognizes that economic development is a local process and understands the importance of sound local economic development planning."

EDA's new mission statement stresses the importance of Federal assistance to distressed communities through local partnerships: "EDA's mission is to stimulate employment and increased income in distressed communities. EDA's role is to assist local communities to develop and diversify their economies through effective partnerships and strategic investments of resources."

NAPA's recommendations were organized in terms of learning, leverage and linkage.

A. Learning

Recommendation 1 was that the Federal Government should help States and communities learn about state-of-the-art economic development practices.

Perhaps the most significant result of the NAPA study was the revitalization of EDA's national technical assistance and research programs. Influenced by the NAPA process, EDA reformed its process through focussed solicitations, competitive reviews, careful management, and targeted efforts. Independent, recognized research institutions were selected for analytic evaluations. Emphasis was placed upon evaluations of economic development programs and dissemination of results. Major studies included:

- Public Works Program: Performance Evaluation—Rutgers University et al.
- Defense Adjustment Program: Performance Evaluation—Rutgers University et al.
- The Impact of Incubator Investments—University of Michigan, et. al.
- Performance Measurement and Evaluation of Economic Development Initiatives: An Annotated Bibliography—Nexus Associates

Dissemination efforts included presentations at EDA regional conferences and support of information outreach through the Council for Urban Economic Development, National Association of Development Organizations, the National Association of Regional Councils, Public Works and Economic Development Association, and other national associations.

Recommendation 2 directed the Federal Government to address bidding wars by States to recruit or retain businesses.

As a first step, EDA has commissioned an evaluation of State incentives, conducted by the National Association of State Development Agencies, to develop a methodology to assess the costs/benefits of State incentives. The hope is to institutionalize this effort in a joint Federal-local effort.

Recommendation 3 addressed the need for useful economic statistics to support local decisionmaking.

EDA has commissioned Andrew Reamer & Associates to review the socioeconomic data needed for economic development practitioners, and to prepare a list of recommendations for the Federal statistical agencies, with the long-term goal of facilitating ongoing dialog between data users and the statistical agencies.

B. Leverage

Recommendation 4 was Federal encouragement of regional development strategies.

EDA has reaffirmed its commitment to its local partners for capacity building for economic development. To support this commitment EDA has recommended additional funding to stabilize and enhance its local partnership network of planning districts, university centers, trade adjustment assistance centers, State and local planning organizations, and Native American tribes.

To ensure quality performance, EDA is undertaking the first comprehensive review of its local planning and technical assistance programs in years:

- Evaluation of the Overall Economic Development Program Planning Process—Corporation for Enterprise
 - Performance Measures for EDA's Planning and Local TA Programs—Applied Development Economics
 - Peer Review of EDA University Centers—National Association of Management and Technical Assistance Centers
 - Evaluation of Trade Adjustment Assistance Program—The Urban Institute
- In addition, EDA has commissioned studies of "cluster-based" economic development by Information Design Associates as a vehicle for regional cooperation.

Finally, as part of EDA's proposed reauthorization legislation, cooperative agreements between States are encouraged.

Recommendation 5 is to encourage investments in development strategies that offer opportunities to generate jobs and income over the longer term.

The results from the evaluations already completed are being utilized by EDA in development of program priorities. In addition to the studies already completed, EDA is looking at the following programs:

- Microenterprise as an Economic Adjustment Tool—Rutgers University
- Impact of Revolving Loan Fund Investments—TBD
- Cutting-Edge and Innovative Techniques in Economic Development—TBD
- Technology Transfer and Commercialization Efforts—TBD
- Effective Indian Economic Development Projects and Practices—TBD

Recommendation 6 is to give special assistance to distressed communities.

EDA has explicitly reaffirmed its policy of focussing its resources on distressed communities.

EDA's Policy guidance states that "EDA programs will give priority to projects that address the economic needs of highly distressed communities." During fiscal years 1996 and 1997 EDA Public Works Projects were concentrated in communities with high unemployment and low per capita income.

In order to further refine its understanding of distress, EDA commissioned a study of outmigration/population loss as an indicator of economic distress by the University of North Carolina. In addition, EDA asked the State Science and Technology Institute to assess how State technology strategies were addressing the needs of distressed communities, and to recommend how States and the Federal Government could leverage science and technology investments to benefit distressed areas.

In its proposed reauthorization legislation, EDA has prescribed specific quantitative measures of distress to determine eligibility of communities for Federal assistance, to be determined at the time of application.

C. Linkage

Recommendation 7 proposes substantial reduction of the fragmentation of the Federal economic development effort.

Within its area of responsibility, EDA has attempted to ensure collaboration among Federal agencies. In 1997, EDA was asked to take a leading role in assisting communities affected by international trade. Accordingly, EDA has convened meetings with the Departments of Labor and Treasury to ensure a coordinated response in trade impacted areas. EDA has 17 Memoranda of Understanding with other Federal agencies to support joint efforts; in particular, EDA has been an active participant in overall Federal efforts to assist disaster affected localities and base closure communities. On July 21, 1998, EDA will convene a meeting of representatives of Federal agencies who have a direct interest in community economic development planning, to discuss greater coordination of community planning requirements between Federal agencies.

In its proposed reauthorization, EDA includes specific language ensuring that the agency actively coordinates its activities with other organizations, and restates the importance of the National Public Advisory Committee on Regional Economic Development, to include representatives of other Federal agencies.

Recommendation 8 suggests a permanent mechanism to provide overall policy-level guidance, linking work force training, technology, and research to economic development.

EDA has reached out to the Commerce Department's Technology Administration and National Institute of Standards and Technology to bring together economic development and technology deployment. A number of joint activities are currently under consideration.

Recommendation 9 addressed the need to overcome obstacles to obtaining credit in Federal business finance programs.

EDA is exploring a number of innovative financing techniques to ensure optimal use of Federal funds for business finance. Commonwealth Development Associates is studying ways to leverage capital for defense adjustment infrastructure. In addition, EDA is working closely with the Corporation for Enterprise Development in their study of local revolving loan funds, and as mentioned above, is studying the impact of EDA revolving loan fund investments. Finally, EDA is examining the use of "securitization" techniques to bring private capital into loan funds for distressed communities.

Recommendation 10 suggests the encouragement of States and localities to stimulate links among businesses.

This recommendation is not one that falls squarely within EDA's traditional area of responsibility.

Next Steps: Fulfilling the Promise

NAPA recommended that as a next step interested parties engage in a serious and extended conversation about their recommendations. In response to this suggestion, in January 1997, EDA convened the first national economic development forum at the Department of Commerce, where the concepts proposed by NAPA were discussed. EDA is currently organizing the second forum, scheduled for January 1999.

I cannot emphasize enough the positive influence and reinforcement that NAPA has had on EDA's perspectives regarding economic development. We thank you for your efforts and look forward to continuing our productive relationship.

Sincerely,

PHILLIP A. SINGERMAN.

Mr. FOSLER. While we have not formally studied or assessed EDA's actions in this regard, it is clear that the agency has taken the panel's recommendations seriously and has taken very useful steps, especially in the area of technical assistance and training. For example, Mr. Singerman's letter informs us that EDA is working to develop a methodology to assess the cost and benefits of State incentive programs, they've engaged a contractor to assess how Federal statistical agencies can better serve the needs of economic development practitioners, and, as you've heard here, they've commissioned independent evaluations of the agency's own programs.

Hopefully, this will be a step toward encouraging States, localities, and regions to do similar kinds of evaluations of their own efforts. Thoughtful, sound evaluations can be tremendously useful to economic development efforts in sifting the wheat from the chaff, sharing good ideas, and finding better ways that EDA and other Federal agencies can support their work.

For many years EDA has been at risk of being terminated. When we were doing the research for our study we were told repeatedly about the chilling affect that this had on the moral and the capability of the agency. EDA is now working hard to revitalize itself. We're pleased that the Academy report has been of some use to the agency in this process, and hope that the committee will also find the report useful in its own deliberations.

Thank you, Mr. Chairman. I would be happy to answer any questions.

Senator WARNER. Thank you very much.

Last, now Mr. Thompson. We thank you for making the trip up from South Carolina to provide us with your views.

**STATEMENT OF ERIC P. THOMPSON, EXECUTIVE DIRECTOR,
LOWER SAVANNAH COUNCIL OF GOVERNMENTS AND PRESI-
DENT, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANI-
ZATIONS, ON BEHALF OF THE COALITION FOR ECONOMIC
DEVELOPMENT**

Mr. THOMPSON. Thank you, Mr. Chairman, and thank you for the opportunity to testify before the committee on the extremely important subject of reauthorization of EDA. I am testifying on behalf of the Coalition for Economic Development. I am, as you mentioned, Eric Thompson, Executive Director of the Lower Savannah Council of Governments, a economic development district headquartered in Aiken, South Carolina. In other words, I'm out there where the rubber hits the road when it comes to economic development and EDA. As President of the National Association of Development Organizations, I'm pleased to join with other members of our coalition in offering strong support for EDA reauthorization.

Incidentally, it's good be among friends here this morning. We've heard some very good comments and very good support. My fellow coalition member Judge Villines has given an excellent overview of the importance of EDA programs to rural and urban communities. I would like to focus on an issue of greater importance to my region, the State of South Carolina and other places throughout the country affected by defense industry contract cuts and base closures.

Despite the small size of EDA, the agency has always provided flexible programs and funding needed in times of sudden economic distress. EDA's defense adjustment programs help communities impacted by base closures and/or defense contract reductions to rebuild and diversify their economies and move further away from defense related dependency.

In the State of South Carolina there have been two major base closings and significant cutbacks at the Department of Energy Savannah River Site, a DOE facility located in my region. In the Lower Savannah region, the Savannah River Site produced material for nuclear weapons used in the U.S. defense program. It is the largest single employer in the State of South Carolina. With the end of the cold war, the Department of Energy downsized the facility, resulting in a loss of over 10,000 jobs in the last 5 years, increasing unemployment causing real estate values to stagnate and essentially halting new home starts.

In 1997, a majority of the counties of the Lower Savannah region, which there are six, had unemployment rates above the State average. Three of those were listed one, two, and three in the State as far as having the highest unemployment rate.

In order to help the Lower Savannah region adjust to this drastic cutback, the Department of Energy needed a Federal agency to administer DOE funds which are provided for community transition projects. Using the existing EDA system and grant process, DOE transferred funds to EDA to administer and now requires that EDA approve all requests for community adjustment assistance from DOE's Office of Work and Community Transition. DOE is not in the economic development business. It needed an agency who was and EDA was that agency.

One of EDA's greatest strengths is the ability to use the existing networks of 320 economic development districts, such as the Lower Savannah COG, for defense adjustment, disaster relief, and overall economic development assistance. These regional development organizations provide local governments with professional and technical assistance. Districts, the core of EDA's delivery systems, are multi-county public-private partnerships whose boards are composed of local elected officials, private sector, and minority representatives. They are critically important in small metropolitan and rural regions where professional and technical assistance is limited or nonexistent.

Of the Nation's 39,000 units of general local government, 33,000 have populations of less than 3,000 people, and 11,500 local governments have no employees. Larger cities and counties have professional staffs including engineers and planners to assist elected officials in the decisionmaking process. However, in most of the counties' small and rural communities, economic development district employees are the only professional staff who are able to navigate the mountains of red tape, regulations, and application forms necessary to apply for Federal and State assistance.

It is through EDA's planning grants to the districts that distressed communities gain access to professional capacity and technical expertise to plan for the future. Today, EDA's small planning grants to districts support an overall economic development program for the communities served. OEDPs are blueprints providing a comprehensive plan for sustainable community growth and economic development.

I have with me today a map of our six county region. This map indicates the location of EDA assisted projects which have resulted in over 11,000 new jobs. That map has 6 counties and 45 incorporated areas, almost every one of which has been assisted by EDA projects.

EDA is extremely effective both in helping communities cope with long-term economic disasters and natural disasters. It is important to remember that not all of the base alignment and closure of BRAC listed installations are yet closed. It takes several years to actually shut down a facility, so the need for EDA's defense adjustment programs will continue. We strongly urge EDA to once again assume the leadership role in the transition. How can we best help America's poor and disadvantaged? By providing them a job so that they can buy their own shelter, their own food, their own clothing. It's hard to pull yourself up by your bootstraps when you have no boots. EDA has helped provide the bootstraps.

On behalf of the members of the Coalition for Economic Development, I urge the committee to work with EDA to update the authorizing legislation so that the Nation's distressed communities will continue to have this vital Federal partner as we move into the next century. I can assure you that those of us who work in economic development at the local level will do everything we possibly can to help make EDA more effective and more efficient.

In the South, Senator, as you said earlier, we have a saying, "If it ain't broke, don't fix it." Well, the only thing broke with EDA is that it needs to be legitimized through authorization legislation. So

I urge you to fix EDA and reauthorize this very needed and very much appreciated Federal agency. Thank you, sir.

Senator WARNER. That's very helpful. All of the contributions by this panel are very helpful.

I would just summarize my own views on this. And that is people in communities like yours, Mr. Thompson, and elsewhere cannot cope with the extraordinary weather changes we've had now and disasters. I read this morning of I've forgotten now how many inches of rain in Tennessee in 48 hours. The stories are extraordinary. I think the Government has a role coming through the Federal disaster programs to help victims as a consequence of our unusual weather patterns. I don't recall, and I've lived on Planet Earth I think a little longer than about everybody in this hearing room, I just don't remember hearing of El Ninos as a small person.

The second thing is that as we downsize Government and particularly downsize the U.S. military, therein again communities that have loyally and faithfully supported their local military bases are suddenly faced with extraordinary readjustment. On the whole, I think most of those situations have worked out for the ultimate benefit of the community.

I was one of the coauthors of the first BRAC bill, the second BRAC bill, so I've been pretty close to this process. I know how strongly Members of Congress defend their communities and hope that the bases will stay open, but it just doesn't happen in many instances. Somebody has got to accept the fact that we don't have the need for the large base structure that's currently in place to support the level of men and women serving in the Armed Forces.

All of that to say that I think there's a vital need for this EDA to continue, and you have my support.

I once again thank this panel and those others in attendance who have come to indicate their support for this program.

Thank you very much. The hearing is concluded.

[Whereupon, at 11:30 a.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

[Additional statements and the text of S. 1647 follow:]

STATEMENT OF SECRETARY WILLIAM M. DALEY, U.S. DEPARTMENT OF COMMERCE

Chairman Chafee, Subcommittee Chair Warner, Ranking Minority Member Baucus, and distinguished members of the subcommittee: thank you for scheduling this hearing.

Joining me today is the Assistant Secretary of Commerce for Economic Development Phillip Singerman. Following my brief testimony, Dr. Singerman will make a statement and be available to answer any technical questions.

I am pleased to testify on S. 1647, the Economic Development Partnership Act of 1998, which would reauthorize, for 5 years, the Economic Development Administration. My message is clear: this legislation is critical to our ability to efficiently help our nation's distressed communities.

It is my goal as Secretary to run a department that is efficient, cost-effective, and productive for the American people.

EDA clearly achieves all of these goals.

Ninety-nine percent of its public works projects have been completed as planned. Since President Clinton took office, the agency cut the number of political positions from 14 to 5, and reduced regulations by 60 percent.

This is a leaner EDA that has learned how to do more with less.

Most importantly, it knows how to expand opportunities for Americans who need it most.

Let me be frank. I have heard the criticism that this is pork, that with an economy as strong as ours, communities do not need help developing their infrastructure or attracting new business.

The fact is these funds are predominantly invested in areas where the unemployment rate is 40 percent higher than the national average and per capita incomes are 40 percent below average.

The fact is a thriving community one day can be a distressed one the next. All it takes is a military base closure, a defense industry downsizing, a Department of Energy reduction, or a natural disaster. As Chairman Chafee knows first hand that happened in Narragansett, overnight, when suddenly an oil spill hurt the fishing industry. But within 30 days, we gave a \$1 million grant to get the community back on its feet and develop recovery plans.

I also have heard the criticism that some of these are make work projects: all they do is create short-term construction jobs. That is not so. They create permanent jobs.

The fact is 6 years after projects are completed, on average, the number of local jobs have doubled. And for every \$1 million Congress authorizes to fund an EDA project, that leverages \$10 million in private-sector investment.

EDA's programs work.

Take Grand Forks, North Dakota, after those terrible floods in 1997 that devastated North Dakota, South Dakota, and Minnesota. We came in with a \$3 million grant to construct two professional buildings in downtown Grand Forks. Community leaders have told me, if it hadn't been for that investment, businesses would have left downtown. And the people of Grand Forks, who had already lost too much, would have lost their central business district.

Or take the Center for Employment Training in Santa Clara County, California. EDA grants totaling \$4 million over the past few years were used to convert an abandoned high school in a highly distressed Hispanic neighborhood into one of the most successful vocational training facilities in California. The Center has now expanded its programs to include a culinary school and medical assistant training—and every student graduates into a job.

Another example is our \$2 million grant to help Portland State University build a distance learning center. It will link the university's educational programs with rural and remote areas of Oregon. So underemployed and unemployed people there can have access to academic, business, and vocational training.

I believe that in the future, what we do at EDA will be even more important. In this new economy, the pace of globalization and technology development will accelerate. We will see constant restructuring of firms and industries. All of this will require our nations communities to be more flexible and innovative in creating jobs and attracting private-sector investment.

And a new EDA will be there to help. This agency has reformed for the better, and this legislation will allow it to reform even more.

It lets us reduce paperwork. It encourages State and local cooperation. It simplifies the application procedures. It provides maximum flexibility to grant recipients.

And this legislation will allow us to change the eligibility requirements for EDA assistance. Gone will be the days that once you are a designated area, you automatically remain one for life. Replacing it will be a fairer process that says simply: an applicant is eligible based on needs at the time it applies.

So, Mr. Chairman, I believe we have addressed the concerns that Congress and others have expressed over the years.

EDA has not be reauthorized since 1982. The time has come. And I look forward to working with you, as the bill moves forward.

Thank you.

STATEMENT OF PHILLIP A. SINGERMAN, ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE

Chairman Chafee, Senators Warner and Baucus, and distinguished Members of the Subcommittee, thank you for convening this important hearing. I appreciate the opportunity to testify before this subcommittee. Know of my sincere appreciation for the many courtesies and considerations that you and Members and staff of the Committee have extended to me and my staff. In particular, we acknowledge Senators Max Baucus and Olympia Snowe for introducing the Administration's legislation by request. We are grateful for the opportunity of working with you to reauthorize the Economic Development Administration (EDA).

Allow me to next thank Secretary of Commerce William M. Daley for his testimony today on behalf of EDA reauthorization and for his exemplary leadership at the Department of Commerce. Leadership that has resulted in a comprehensive management review of the operations of the Department, implementation of improved communications throughout the Department, focus on a Department-wide strategic planning effort, and guidance that set forth Departmental themes, goals and objectives that integrate bureau missions.

The Secretary and I are accompanied today by the EDA Executive Management Team and I take this opportunity to introduce them to you: Chester Straub, Jr., Deputy Assistant Secretary, Office of Program Operations; Ella M. Rusinko, Acting Deputy Assistant Secretary for Program, Research and Evaluation and Director, Office of Communications and Congressional Liaison; Mitchell L. Laine, Chief Financial Officer, Edward M. Levin, Chief Counsel, and, Kimberly Cain, my Special Assistant.

A Case for EDA

Mr. Chairman, the first time I appeared before you and Members of the Committee was at a confirmation hearing in late 1996. Since then, I am proud and pleased to report to you today that we have accomplished a great deal at EDA. We have aggressively focused on:

- the management and operations of the agency,
- implementing a strategic planning process that complements the Department's plan,
- ensuring that our mission combines with Departmental themes, developing and implementing program performance measures in compliance with the Government Performance and Results Act of 1993 with validated results; and,
- partnerships in economic development.

Our outcomes are tangible and EDA is an administratively reformed and reinvented Federal agency.

Distressed communities across America face tremendous economic development challenges as we approach the year 2000 and a new age of technology. As Secretary of Commerce William M. Daley has stated, "We continue to make trade and the development of our economy the most important piece of the Department." The EDA mission fully supports that objective as EDA remains focused on assisting rural and urban distressed communities in developing a sustainable economic base which will be both competitive in tomorrow's world marketplace and productive in the creation of local jobs and in the leveraging of private-sector investment. EDA continues to operate under the fundamental principle that economic development is a local process. EDA provides strategic assistance with which local communities in a public/private process build the capacity to understand their economic challenges, develop the consensus strategies necessary to create positive economic change and implement their plans with specific actions or milestones for economic growth. EDA cooperates with and fosters partnerships with State and local governments, regional economic development districts, public and private nonprofit organizations, and Indian tribes to sustain and promote economic development across the country. EDA programs continue to be needed to assist local, State and regional efforts to improve economic conditions.

The Reform and Transformation of EDA

EDA is doing more with less and is a leaner, streamlined Agency having:

- to reduced regulations by over 60 percent;
- over a 2-year period reduced Agency staff by 30 percent and the number of non-career positions from 14 to 5, or by 60 percent;
- reduced Washington staff by 25 percent in Fiscal year 1996;
- simplified the grants application process, including its pre-application and application forms to better serve EDA customers; and,
- implemented an agency reorganization approved by the Administration and the Congress.

EDA has implemented sound management and administrative practices that include:

- continued delegation of authority to Regional Offices for the approval of grants;
- instituted a team-based approach to program delivery in the field with remaining Economic Development Representatives in individual States receiving greater support from Regional offices;
- moved toward an automated on-line application process;
- focused Headquarters staff on policy direction and program evaluation;

- developed a Strategic Plan that reflects Administration Initiatives and Department of Commerce themes and sets forth goals and objectives for EDA's economic development program;
- implemented program performance measures to comply with the Government Performance and Results Act of 1993 (GPRA);
- accelerated resolution of outstanding Inspector General audit issues;
- hired a Chief Financial Officer to oversee the agency's financial management responsibilities; and,
- utilized resources in an optimum manner to reduce its contingent liability for past program activity as well as to manage increasing workloads, many the result of recent supplemental appropriations. The agency currently manages close to a \$1 billion portfolio of approved construction projects that require monitoring, servicing and accounting before closeout.

EDA Evaluations and Program Performance Measures

EDA has validated, robust results of the public works and defense economic adjustment programs. In the public works evaluation, researchers found that:

- 99 percent of the projects were completed as planned;
- 91 percent were completed on time;
- 52 percent were completed under budget;
- 327 jobs were created or retained for every \$1 million in EDA investment (an EDA job cost of \$3,058);
- every \$1 million in EDA funding leveraged \$10.08 million in private-sector investment;
- every \$1 million in EDA funding increased the local tax base by \$10.13 million;
- the number of local jobs doubled in the 6-years after project completion; and, at project locations the unemployment rate was 30 percent higher than the State average unemployment and 40 percent higher than the national average unemployment, per capita income was 40 percent less than the State and national averages, and 40 percent more were below the poverty level than in the State or nation.

We plan to continue evaluating the balance of our programs. Thus far, completed studies include:

- Post-Disaster Assistance: Hurricane Andrew conducted by Aguirre International;
- The Impact of Incubator Investments conducted by the University of Michigan, National Business Incubator Association, Ohio University and the Southern Technology Council;
- Public Works Program: Performance Evaluation conducted by Rutgers University, the New Jersey Institute of Technology, Columbia University, Princeton University, the National Association of Regional Councils and the University of Cincinnati;
- Defense Adjustment Program: Performance Evaluation conducted by the Rutgers University-led consortia of research entities; and
- Public Works Program: Multiplier and Employment—Generating Effects conducted by the Rutgers University-led consortia of research entities.

Studies Underway or for which a Request for Proposal has been announced include:

- Evaluation of the Midwest Flood Program Implementation by Aguirre International;
- Evaluation of the Overall Economic Development Program by the Corporation for Enterprise Development;
- Evaluation of the Trade Adjustment Assistance Program by the Urban Institute; and, Evaluation of EDA Revolving Loan Fund Program.
- EDA plans to apply research information to our continued, evolving analyses of program performance. We continue to focus on refining reporting requirements established under the Government Performance and Results Act of 1993 (GPRA).

The Department of Commerce Inspector General's March 1998 Semiannual Report to Congress states, "In examining the overview of EDA's financial statements, we found that it appropriately (1) links EDA's programs with the Department's strategic plan, (2) identifies management actions taken to address internal control deficiencies, and (3) reflects EDA's progress in meeting GPRA requirements."

The report also cites areas where EDA can improve reporting results and presentation of performance data, and we are committed to implementing changes that comply with the Inspector General's observations.

Why Reauthorize EDA

As EDA looks to the future, we continue to focus on our mission and how to better serve the Nation's distressed communities in an expanding global economy that is more technology oriented. Many of America's communities are leaders in global competitiveness, but for every community in this category, antitheses exist. Lagging areas of the country may lack the technical prowess and expertise yet possess untapped, unique and marketable resources. American communities need to reap the benefits that local resources offer, and to do so requires viable strategies for economic sustenance, growth and prosperity that creates jobs. Community strategies for economically needy areas will require thoughtful investments in infrastructure and technology capacity in order to effectively keep pace with the rapidly changing environments of a world economy. And, EDA is facing the economic challenges of today for a better tomorrow.

To maintain and continue the EDA momentum in helping the Nation's distressed communities, to complete the agency's reform process, and for national public policy purposes, the agency needs reauthorization. EDA has not been reauthorized since 1982 and the Public Works and Economic Development Act, as amended, needs to be updated, streamlined and brought into the fast-approaching 21st Century.

The Economic Development Partnership Act

The Administration's proposal (S. 1647), the Economic Development Partnership Act (EDPA) of 1997 was transmitted to Congress on March 31, 1997 and seeks a 5-year reauthorization of EDA. The legislative proposal was drafted over the course of more than a year and thoughtfully weighed and considered reauthorization legislation previously considered by the 103d and 104th Congresses. EDPA adheres to the reform principles developed in legislation considered during the 104th Congress. EDPA constitutes an entire rewrite of the agency's current authorizing legislation, the Public Works and Economic Development Act of 1965, as amended. It encourages cooperation among Federal agencies and complements EDA management initiatives focused on the efficiency and effectiveness of the EDA mission.

EDPA facilitates program management and oversight by allowing transfers of funds from other Departments and Agencies; requiring grant recipients to maintain records that adhere to sound financial record keeping practices that are available for audit; adding the Inspector General for the Department of Commerce to the list of authorized individuals with access to records for examination and audit; and, permitting self-certification by applicants, as appropriate. Also, the proposed legislation eliminates duplication through the establishment of an overall economic development strategy for economic adjustment and public works projects.

EDPA provides for long-needed improvements that strengthen EDA economic development tools through changes that lessen burdens on applicants, facilitate program delivery and enhance program flexibility to address the needs of the Nation's most distressed communities. The proposed legislation eliminates the designation system which under current law means once an area is designated as "distressed" it retains that designation regardless of improving economic conditions. S. 1647 replaces the process with one that requires eligibility for EDA assistance at time of application based on clearly defined economic distress criteria that includes high unemployment riotously per capita income levels, or out-migration.

Other improvements include:

- updating the requirement for the preparation and adoption of a comprehensive economic development strategy as a basis for EDA development assistance;
- allowing minor changes to the purpose and scope of projects which allow recipients to enhance the economic development area;
- permitting recipients of EDA approved grants to use project underrun funds for same project enhancements as a recognition of grantees' prudent management of Federal dollars;
- enabling assistance for projects on military or energy installations without requiring that the recipient have title or a leasehold interest in the property for a specified term which solves a current legal obstacle to the implementation of projects in affected areas; and,
- affirmation of the EDA role in other long-standing activities or programs, such as in defense conversion, post-disaster economic recovery and support of University Centers.

EDPA makes many Improvements, but it carefully preserves safeguards and protective provisions, such as prohibiting EDA assistance that would (1) promote or extend unfair competition or tend to create excess capacity in a given industry or (2) relocate firms from one part of the country to another.

Conclusion

Mr. Chairman, in conclusion, EDA has transformed itself and instituted a system for on-going self-analyses. As such, EDA has a tremendous opportunity to actively utilize public policies and public investments to promote American ingenuity that culminates in economic growth and job creation. EDA has validation of program performance as evidenced by recent studies. The management reforms that EDA has implemented are yielding more efficiency and effectiveness in program management and delivery. EDA is focused on its financial management operations and is working closely with the Inspector General for the Department of Commerce to achieve an unqualified financial statement, which we were just shy of obtaining for 1998.

EDA has an established record of expertise and experience in economic development and has been a pioneer helping distressed communities create economic development best practices, such as revolving loan funds and small business incubators. EDA works. EDA programs work.

The next millennium will host a different set of economic challenges for American communities: How to maintain and improve global competitiveness in an increasingly information-dominated, technology-oriented society where distance is becoming obsolete. EDA needs to be there, helping America's distressed communities implement their own targeted strategies and programs for economic recovery and growth. In so doing, we continue to strengthen the Nation's economy which is a product of innovation rooted in American creativity and spirited by the American Dream.

Mr. Chairman, I reiterate my appreciation for this hearing and take the opportunity to express our willingness to work with you on behalf of America's rural and urban distressed communities. I would be glad to respond to any questions which you and Members of the Subcommittee may have on EDA. Thank you.

RESPONSES BY PHILLIP SINGERMAN TO ADDITIONAL QUESTIONS FROM SENATOR WARNER

Question 1: In an era of greater accountability and insistence on results, many agencies are struggling with devising ways to meaningfully measure the outcome of their programs. EDA is no exception. Indeed, GAO has reported that no definitive conclusions can be reached from the limited research that has been done to assess the overall impact of EDA's assistance on economic development.

More recently, the GAO noted that there are no measurable performance goals for four of the seven strategic objectives listed for the EDA in its annual performance plan.

What can you tell the committee about recent analysis to measure the impact of EDA's programs on economic development?

With regard to performance goals, what is EDA doing to ensure that it has measurable performance goals for all of its strategic objectives? Could you describe how you plan to measure performance for each? Can all of these be measured in the upcoming year? I understand that for several measures, the plan does not allow for assessment for 6 to 10 years.

Response: In April, 1996, GAO issued a report entitled Limited Information Exists on the Impact of Assistance Provided by Three Agencies that included the Economic Development Administration, the Appalachian Regional Commission, and the Tennessee Valley Authority. Since the issuance of that report, EDA has undertaken systematic, rigorous evaluations of EDA program activities to develop, test and refine performance measures and to establish benchmarks for program performance. In addition, EDA research and national technical assistance studies are focused on different types of activities supported by EDA programs. Recently completed evaluations and studies include:

- Public Works Program Performance Evaluation (Rutgers university, et al.)—1997
 - Defense Adjustment Prog. Performance Eval. (Rutgers university, et al.)—1997
 - Science and Technology Strategic Planning (State Science & Tech. Inst.)—1997
 - Impact of Business Incubator Investments (University of Michigan, et al.)—1997
 - Cluster-based Economic Development (Information Design Associates)—1998
 - Evaluation of the Midwest Flood Recovery (Aguirre International)—1998
 - Public Works Program: Multiplier& Employment Effects (Rutgers, et al.) —1998
- Studies underway and planned include:
- Overall Economic Development Prog. Eval. (Corp. for Enterprise Dev.)—1998
 - Planning Performance Measures (Applied Development Associates)—1998
 - Trade Adjustment Assistance Program (Urban Institute)—1998
 - Microenterprise Development (Rutgers University)—1998
 - Univ. Center Peer Review (Natl. Assoc. of Manuf. & Tech. Asst. Ctrs.)—1998
 - State Incentive Programs (Natl. Assoc. of State Development Agencies)—1998

- Revolving Loan Fund Program—Proposed for fiscal year 1998
- Technology Transfer & Commercialization—Proposed for fiscal year 1998
- Brownfields/Air Quality—Proposed for fiscal year 1998
- Native American Program—Proposed for fiscal year 1998
- State International Trade Programs—Proposed for fiscal year 1999
- Trade-Impacted Communities—Proposed for fiscal year 1999

Recently completed evaluations of the performance of EDA's Public Works and Defense Adjustment programs were conducted by Rutgers University with the New Jersey Institute of Technology, Columbia University, Princeton University, and the National Association of Regional Councils and the University of Cincinnati. The Public Works Program Performance Evaluation, completed in May, 1997 shows:

For every \$1 million invested by EDA:

- 327 jobs created or retained
 - \$10 million private-sector investment
 - \$1 million in other public/non-profit investment
 - \$10 million increase in local tax base \$3,058 cost per job
- EDA investments target distressed communities:
 Unemployment of 9.6 percent (median 24-month average)
 Per capita income of \$7,666 (median) Residents 18 percent below poverty level (median)

Residents 11 percent minority

Quality Project Results

- 99 percent of projects completed as planned
- 91 percent of projects completed on time
- 52 percent of projects completed under budget
- Permanent private-sector jobs doubled within 6 years of completion.

In 1996, EDA developed core performance measures for all EDA programs (public works, economic adjustment, planning and technical assistance, and trade adjustment). These core performance measures, first applied to fiscal year 1997 grant awards, focus on important program outcomes such as job creation, private-sector investment, increased tax base, local planning and community participation, and partnerships with State and regional economic development organizations.

EDA established performance goals for EDA programs as part of the fiscal year 1999 Congressional Budget submission. Measurable goals were developed by analyzing research findings (e.g., Rutgers) and adjusting for variables that effect performance in different years, such as variations in the mix of project types and changes in economic conditions. EDA will continue to use research and program evaluations—such as those now underway for planning, university centers, and trade adjustment assistance centers—to improve the way EDA measures performance and manages programs.

EDA will use recent research findings (see list above) to develop measurable goals for all strategic objectives, including technology-based economic development, disaster assistance, conversion of military installations to civilian uses, and sustainable development. EDA will solicit feedback from grantees, Agency stakeholders and other development practitioners prior to implementing new performance goals and measures in fiscal year 2000.

Consistent with guidance from GAO, EDA performance goals and measures focus on program outcomes, rather than outputs. The Rutgers studies show that outcomes for economic development projects increase over time and, typically, are not fully realized until 6 to 10 years following project completion for infrastructure projects. Such projects may require 3 years to complete construction and, once completed, continue to create jobs, attract investment, increase tax base, and diversify local economies as businesses locate and expand in EDA funded industrial parks, incubators, and areas served by road, water and sewer, technology and training facilities.

For revolving loan funds, jobs are generated shortly after project approval, but projects continue to generate jobs and investment as new loans are made from principal repayments in subsequent years. EDA tracks the cumulative results for revolving loan fund projects, including increases in the capital base.

EDA established requirements to report on performance (e.g., jobs created and saved, private dollars invested, additional public and private dollars leveraged, increased tax base) starting with fiscal year 1997 grant awards. Public works grantees will report at project completion and 3 and 6 years following completion. Revolving loan fund grantees will report at 3, 6 and 9 years following project approval. Planning and technical assistance grantees will report annually or at project completion.

As stated above, some program activities will require from 6 to 10 years following project completion to fully realize projected outcomes. To address this gap, EDA will review the performance of construction and revolving loan projects that are at least 6 years old. During fiscal year 1999, EDA will review projects completed in 1993

(6 years ago) to validate findings from the Rutgers studies for public works and revolving loan fund projects. This process will be repeated to test benchmarks, validate performance goals and measures, and provide a more accurate and complete understanding of the performance of EDA programs.

Question 2: Section 202 of the bill allows the amount of grants to be increased to help cover increases in construction costs. This provision would not increase the percentage of EDA provided to a project. How would EDA implement this provision?

Do you believe that the provision could result in applicants initially underestimating construction costs knowing that later EDA will cover increases in construction costs?

How would EDA guard against such practices?

Response: EDA would implement the provisions of proposed section 202 in a manner consistent with its current practice of awarding funds for construction cost increases in public works projects, authorized by section 107 of the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. 3137), as implemented by regulation in 13 CFR 305.10. EDA has averaged less than six such amendments per year over the last 2 years.

Based on EDA's experience, there appears to be little risk that applicants would underestimate costs in anticipation of obtaining a cost increase award amendment later. Such amendments are not automatic, they are in EDA's discretion and would assuredly be denied if it appeared an applicant had misstated its estimated costs in its initial application. Applicants could never "know" that later EDA would cover cost increases. EDA would guard against the risk that an applicant nevertheless might attempt to obtain an increased award through such an exercise, by confirming from documentation submitted by the applicant that the cost of the project has in fact increased, and that an increase of the amount of the grant is in fact necessary for the satisfactory completion and operation of the project.

Question 3: I understand that about 90 percent of the nation's population resides in EDA designated eligible areas. Once an area has been added to the EDA list, it cannot be dropped from it even if it no longer meets the designation criteria.

However, EDA has the discretion to direct assistance to areas that need it most. How does EDA determine which areas are most needy?

Are legislative changes needed in the eligibility criteria for EDA programs?

Response: EDA currently determines which areas will receive major EDA assistance according to the same criteria as appears in the proposed legislation—low per capita income (80 percent or less of the national average), a high unemployment rate (a rate for the previous 24 months 1 percent or more higher than the national average), or severe sudden or long term economic dislocation (e.g., defense conversion, loss of a major employer, natural or other disaster). Areas that remain designated as redevelopment areas because they were once (but no longer are) economically distressed, and are therefore technically eligible for public works grant assistance, do not receive such assistance.

Legislative changes are not necessary to continue this EDA practice, but they would confirm this policy, give it Congressional blessing, and preclude misunderstandings on the part of prospective applicants that might otherwise expect to receive assistance?

RESPONSES BY PHILLIP SINGERMAN TO ADDITIONAL QUESTIONS FROM SENATOR BOXER

Question 1: As you know, California has been hard hit by military base closings. EDA has funded over 90 defense conversion projects in California so far, but much more is still to be done. Some military bases are not scheduled for closure until the year 2001. Does EDA plan to increase the number and scope of these vital projects?

Response: Of the 115 base closures/realignments, EDA has actual closure dates for 115. Of the 115 scheduled base closures 83 have already closed including 20 bases in California. Over the course of 1999 (9) bases will close, 2000 (10) bases will close and 2001 (6) base will close. Of the 15 bases scheduled to close, we have assisted 90 through 206 EDA grants (as of 9/30/97).

Based on EDA experience, it takes communities an average of 2 years to put a together an economic adjustment strategy, usually funded by DoD's Office of Economic Adjustment. Many of the subsequent community strategy/reuse plans call for as much as 3-5 year initial implementation phases, with total redevelopment in 10 or 20 years. Therefore, EDA expects many BRAC 95 bases to begin to implement their conversion strategies in fiscal year 1998, along with the other BRAC bases

that will be coming to EDA for additional funds to complete their initial implementation strategies.

EDA expects that the bulk of its defense adjustment efforts will continue to be associated with closing military bases and the vast majority of that activity such as you are well familiar with in California will be concentrated on base reuse infrastructure projects. Such projects may range in size from several hundred thousand dollars to several million dollars.

Question 2: How does EDA interact with other Federal agencies Such as the Department of Defense, the Department of Labor, and the Department of Housing and Urban Development) that are working on base closure and what can be done to increase communication and cooperation with these agencies to better help local communities?

Response: The Economic Development Administration (EDA) is the experienced economic development agency of the Federal Government. EDA works in partnership with State and local governments, regional economic development districts, public and private non-profit organizations, and Indian tribes. EDA has had an ongoing partnership with The Department of Defense Office of Economic Adjustment (DoD) which operates as the lead agency for the formation of local reuse organizations and the funding of such plans. Similarly, EDA partners with the Department of Energy in assisting communities affected by downsizing of Energy facilities, and the FAA's Military Airports Program with jointly funded projects at closing bases.

Question 3: California has, in recent history, been hard hit by several natural disasters including the earthquakes of 1990 and 1994, and El Nino storms of the past year. What has EDA been doing to help communities to recover from natural disasters and how does EDA interact and coordinate with the Federal Emergency Management Agency (FEMA)?

Response: In the last 5 years, EDA's Disaster assistance program has received over \$500 million in supplemental appropriations for long-term economic recovery assistance in 30 States and 4 territories and commonwealths. Overall, over 80 percent of the EDA funds were used for infrastructure construction projects, about 15 percent were for revolving loan funds and less than 5 percent were used for economic recovery planning and technical assistance.

EDA has worked cooperatively with FEMA for some time in post-disaster program operations at the field level with EDA often co-locating in FEMA disaster field offices. More recently, EDA has been involved more closely in partnership with FEMA at the policy level in headquarters in updating the Federal Response Plan to incorporate a recovery component, serving on FEMA-lead Federal Recovery Task Force groups in response to specific disasters, and supporting the economic components of new FEMA mitigation initiatives such as "Project Impact" Building Resistance Communities" to encourage local actions to make communities safer and to reduce the cost and impact of future disasters.

In support of this FEMA mitigation initiative, EDA has continued its economic focus and is committing resources to safeguard jobs and insulate economic growth from the impacts of future disasters in disaster-prone areas of the country to help create "Disaster Resistant Jobs". On June 29, 1998 EDA and FEMA announced a Memorandum of Agreement to cooperatively develop and deliver a "Disaster Resistant Jobs Training" to help communities safeguard existing jobs and accelerate post-disaster economic recovery. In addition, EDA and FEMA are finalizing a Memorandum of Understanding to formalize the Project Impact partnership which will help outline the form and structure of cooperative activity for each agency in support of the Project Impact Initiative and Project Impact communities.

EDA has been tasked by FEMA with a Mission Assignment for the Florida fires to conduct analyses of the economic impact on the local communities, and an analysis of the insurance coverage in meeting the residents/businesses needs.

RESPONSES BY PHILLIP SINGERMAN TO ADDITIONAL QUESTIONS FROM SENATOR WYDEN

Question 1: The Administration committed to provide \$3 million for the Northwest Economic Adjustment Initiative under a memo of understanding with the Northwest Governors. Does the Administration plan to live up to that commitment?

Response: EDA has proposals in the fiscal year 1998 pipeline totaling approximately \$5.8 million responding to timber impacted communities which are competing for funding this fiscal year. EDA's forest initiative awards for FY 98 are expected to exceed \$3.0 million. Between 1994 and 1997 EDA has funded timber related projects totaling approximately \$42.0 million.

Question 2: Congress provided \$2 million more for the Title IX program in FY 98 than the Administration requested. You can't say a shortage of funds is preventing you from fully funding the NW Initiative. What's the holdup in providing the funding?

Response: EDA's Seattle regional office has received \$2.0 million in addition to its regular formula base allocation for Title IX to assist the timber impacted communities—all of which is expected to be awarded in fiscal year 1998.

Question 3: Although this is supposed to be the fast year of the NW Initiative, Oregon still has 7 counties in the State with unemployment at least twice the national average as a result of dislocations of workers in timber and salmon fishing (Coos, Harney, Hood River, Jefferson, Lake, Morrow and Wallowa). What continuing commitment does EDA plan to provide the Northwest to help these workers and communities get back on their feet?

Response: EDA has been and will continue to be supportive in its efforts in assisting timber impacted communities. EDA's intent is to continue normal levels of assistance to these communities to help guide them through the planning and adjustment process. EDA's participation in the Memorandum of Understanding was intended to help offset immediate economic impacts and to begin a short-term development strategy. EDA maintains that the remaining long-term economic development needs related to the Forest Initiative, are best handled through its regular programs.

STATEMENT OF ROBERT W. BURCHELL, PH.D., DISTINGUISHED PROFESSOR, PRINCIPAL INVESTIGATOR, CENTER FOR URBAN POLICY RESEARCH, RUTGERS UNIVERSITY, NEW BRUNSWICK, NEW JERSEY

SECTION I: PUBLIC WORKS PROGRAM PERFORMANCE EVALUATION

Study Overview

The purpose of the research described here was to evaluate all 205 Economic Development Administration (EDA) Public Works Program projects that received their last payment in fiscal year 1990. This means that, as of that date, the projects were completed and structures associated with them either occupied or soon to be occupied. Thus, at the time of this research—6 years later—these projects had been sufficiently established to make their evaluation possible.

Since 1965, EDA's mission has been to promote the long-term recovery of economically depressed areas by assisting local governments via public works project grants in generating and retaining jobs and in stimulating commercial and industrial growth.

Study Procedures

The study was undertaken from November 1996 through March 1997 by research teams from five universities and a major professional organization. All principals of the research teams have extensive experience in both economic development and infrastructure studies. Each principal spent significant time in the field researching individual projects and talking to grantees. Each principal and affiliated staff participated in some aspect of research analysis and in writing the final report. All concur with the findings presented below.

The research team contacted by mail and telephone 205 grantees of public works projects. To help the grantees better understand the purpose and types of information necessary to undertake the evaluation, all grantees were invited to attend seminars conducted by the research team at 13 locations nationally. Sixty (60) project sites were visited to conduct in-depth discussions with grantees to learn more about their individual projects' impacts and to validate the information that they were in the process of providing.

The analysis uses performance measures developed by EDA specifically to evaluate public works projects. Performance measures relate primarily to numbers of various types of jobs created or retained and amounts of private- and public-sector funds leveraged.

Project Type and Context

From a universe of 205 EDA public works projects receiving a closeout payment in fiscal year 1990, all 205 were successfully contacted.

The composition of the 203 completed¹ public works projects is as follows:

¹Two projects aborted and were not constructed because of local financial or market reasons.

Distribution of Projects

	Number	Percent
Buildings	27	13.3
Industrial Parks	59	29.1
Roads	17	8.4
Water/Sewer	87	42.8
Marine/Tourism	13	6.4
TOTAL	203	100.0

In terms of the context of the above projects, EDA public works projects take place in locations where levels of unemployment and percents of the population below the poverty level are 40 percent higher than State and national averages. These are also locations where per capita income is typically 40 percent lower than averages at the State and national levels.

Project Completion

Of those public works projects contacted by the research team, 99 percent (203) were completed as planned. Ninety-one percent (185) of the projects were completed on time.

Fifty-two percent (105) were completed under budget.

*Project Impacts**Project-Related Direct Impacts*

Ninety-six percent (195) of the public works projects produced permanent jobs 6 years after completion. Eighty-four percent (171) leveraged private-sector investment over the period. On average, each public works project produced 327 direct permanent jobs for every \$1 million of EDA funding.

Based on average EDA funding of \$660,557 per project, \$3,058 in EDA funds was spent per job created or retained. Total cost (all sources of funding, including EDA) per job created or retained was \$4,857.

Not including public projects, for every \$1 million of EDA funding, \$10.08 million was leveraged in private-sector investment.

For all projects, for every \$1 million of EDA funding, another \$1 million was leveraged in Federal, State or local investment.

15.0 FTE (full-time-equivalent) construction jobs were created per \$1 million of EDA funding, carrying out solely the grant-supported component of capital infrastructure.

Nonproject-Related Direct and Indirect Impacts

Nonproject-related direct or indirect jobs (those that occur because of the project or the project's jobs) were found to be present in 30 and 35 percent, respectively, of all public works projects.

Considering all projects' ability to generate nonproject-related direct or indirect effects, for every \$1 million of EDA funding, an additional 50 jobs and \$1.18 million in private-sector investment were generated in nonproject-related direct effects, and an additional 64 jobs and \$126,180 were generated in indirect effects.

Except in cases where the project was tax-exempt, public works projects increased the local tax base at a level of \$10.13 million per \$1 million of EDA funding.

Project Impacts (General)

Public works projects' economic impacts generally increase with time. Jobs resulting 6 years after completion were, on average, twice the number witnessed at project completion.

EDA public-sector economic stimuli create private-sector jobs at high levels of success and low levels of cost.

Conclusions

Most of the public works projects achieved EDA's objective of providing communities with the necessary infrastructure to expand their economic base.

Jobs and private investment have occurred in many areas that would not have experienced these benefits without EDA assistance.

EDA offices as an instrument of government, and EDA field representatives who interact with grantees, are well-regarded by their constituencies.

SECTION II

DEFENSE ADJUSTMENT PROGRAM PERFORMANCE EVALUATION

Study Overview

The purpose of the research described here is to evaluate all (190) Economic Development Administration (EDA) Defense Adjustment Program grant projects approved during the period fiscal year 1992 through fiscal year 1995. The primary objective of this program and its projects is the restructuring of local economies to diversify away from dependence on former defense bases or defense contractors impacted by closure or cutback.

Direct appropriated funding to EDA for the Defense Adjustment Program began in fiscal year 1994. From 1992 to 1994, EDA received transfers of funds for defense projects from the Department of Defense's Office of Economic Adjustment (OEA). The program, therefore, is relatively young, and as of 1997, the defense construction, capacity building (planning and technical assistance), and revolving loan fund (RLF) projects analyzed here were just taking hold. While their relative recency does not allow for an evaluation of these projects at full maturity, their accomplishments at this early phase can certainly be quantified.

As indicated above, the Defense Adjustment projects, even if completed, have had only a short time to mature. With time, the permanent jobs that they create will increase and the cost per job created will decrease. The present evaluation provides a snapshot view of the projects' effects during an early phase of their existence. A concurrent EDA study of the Public Works Program and other similar studies have shown that the effects (both direct and indirect) of these projects will increase substantially over time.

Study Procedures

The study was undertaken from November 1996 through September 1997 by research teams from five universities and a major professional organization. All principals of the research teams have extensive experience in both economic development and infrastructure studies. Each principal spent significant time in the field researching individual projects and talking to grantees. Each principal and affiliated staff participated in some aspect of research analysis and in writing the final report. All concur with the findings presented below. The research team contacted by mail and telephone 190 grantees of defense adjustment projects. To help the grantees better understand the purpose and types of information necessary to undertake the evaluation, all grantees were invited to attend seminars conducted by the research team at 13 locations nationally. Forty-two project sites were visited to conduct in-depth discussions with grantees to learn more about their individual projects' impacts and to validate the information that they were providing.

The evaluation is undertaken using performance measures developed by EDA specifically to assess the productivity of defense adjustment projects. Performance measures for defense construction and revolving loan fund projects primarily involve numbers and types of jobs created or retained and amounts of private-sector funds leveraged. For capacity-building projects, the performance measure is a grantee self-rating of the quality and impact of the EDA capacity-building effort.

Project Type and Context

From a universe of 190 EDA defense adjustment projects that were approved from fiscal year 1992 through fiscal year 1995, all 190 were contacted.

The 187 grant-funded projects analyzed in this study² include 162 single-element projects, 20 double-element projects, and 5 triple-element projects. These sum to 217 total project elements funded via the 187 EDA grants.

Since 1987, approximately 2.5 million defense-dependent jobs have been lost due to defense downsizing. EDA's Defense Adjustment Program is a direct response to base closures, base downsizing, and/or reduced defense contracting. Cutbacks are often sudden and severe for their host communities. In addition, projects are in locations where minority populations and percents of the population below the poverty level are 20 percent higher than State and national averages. These are also locations where per capita income is 25 percent lower than averages at State and national levels.

Project Completion

Of those 190 defense adjustment projects contacted by the research team, 98.5 percent (187) were initiated as planned.

²Three projects were never funded due to grantee financial problems (2) or cross purposes between the grantee and the EDA regional office (1).

Of those undertaken, about 97 and 98 percent of defense construction and capacity-building projects, respectively, moved to completion; 100 percent of the RLFs moved to completion.

Context of Projects

At Time of Application (Medians)(187 Initiated Projects)

	Median	Ratio to State	Ratio to Nation
Unemployment Rate (percent)	7.0	0.98	1.02
Per Capita Income (\$)	13,034	0.72	0.73
Below Poverty Level (percent)	15.5	15.5	1.18
Minority (percent)	27.3	1.21	1.39

Of those undertaken and completed, 80 and 81 percent of the defense construction and RLFs, respectively, were completed on time. About 56 percent of the capacity-building projects were completed on time.

Of those undertaken and completed, about 90 percent of defense construction projects came in at or under budget; the figures for capacity building and RLFs are 97 percent and 100 percent respectively³.

Project Impacts⁴

Project-Related Direct Impacts: Defense Construction On average, completed defense construction projects (49) have produced 30,870 permanent jobs to date, or 124 jobs per \$1 million of EDA funding. These jobs were produced at an EDA cost of \$8,052 per job and a total cost (all sources of funding) of \$12,045 per job.

Defense construction projects produced 18.0 FTE⁵ construction jobs per \$1 million of EDA funding.

Completed defense construction projects (43)⁶ leveraged \$722 million in private-sector investment, or \$2.2 million per \$1 million of EDA funding.⁶ Forty-three of 49 defense construction projects have private-sector investment. Six projects are public sector and have no private-sector investment.

Defense Construction and Capacity-Building Projects: Permanent Jobs: (Medians)

(49 Completed Defense Construction and 31 Completed TA* Capacity-Building Projects)

	Defense Construction	Capacity Building (TA)
Jobs Per \$1M EDA	124	63
EDA Cost Per Job	\$8,052	\$13,633
Construction/Professional Jobs	18.0 FTE	13.7 FTE
Private-Sector Investment Per \$1M of EDA Funding	\$2.2 M	N/A

*Technical Assistance

Capacity Building

Capacity-building projects, by their definition and design, are not intended to create jobs directly, but to increase the planning, organizational, and technical skills needed for local economic development. Nevertheless, some jobs result as an indirect byproduct of those project goals. Completed capacity-building (technical assistance) projects (31) have produced 63 permanent jobs per \$1 million of EDA funding at an EDA cost of \$13,633 per job and a total cost of \$19,393 per job⁷.

Permanent jobs coming from capacity-building technical assistance projects reflect developments such as stalled businesses being matched with new markets, workers being more employable due to training, and businesses generating more money because they have been made more efficient.

Completed capacity-building (technical assistance) projects have produced 13.7 FTE professional consultant jobs for every \$1 million of EDA funding.

³ RLFs, by their nature, cannot come in over budget. They lend what they have.

⁴ As projects age and mature, project accomplishments will likely increase over time.

⁵ Full-time-equivalent.

⁶ Forty-three of 49 defense construction have private-sector investment. Six project are public sector and have no private-sector investment.

⁷ Direct job creation is an incidental benefit of capacity-building projects, which generally support subsequent projects having direct job creation.

Completed capacity-building projects have, in addition, produced adjustment strategies, heightened community involvement and planning, created workable implementation strategies, and undertaken market/feasibility studies. EDA capacity-building efforts have been rated by grantees as seen in the following table:

Grantee Rating of Capacity—Building Projects (Means)
(70 Completed Capacity-Building Projects)*(Scale of 1–10; 10 = best)

Quality of Adjustment Strategy	8.2
Extent of Community/Business/Government Participation	8.5
Consistency of Implementation Efforts and the Adjustment Strategy	7.8
Quality of Technical Assistance Effort	8.8
Impact of Technical Assistance Effort	8.9
Quality of Feasibility/Market Study	9.1
Impact of Feasibility/Market Study	8.7

*These include all types of capacity-building projects, not just technical assistance.

Grantee Observations:

Across the board, grantees report that the products they are delivering with EDA oversight are both well done and have a significant impact.

Capacity building empowers local areas to respond in a proactive and forward-moving way to the adverse impacts on their economies.

Grantees further report the following:

Capacity-building projects are responsible for significant networking among various forms and levels of economic development agencies. This enables greater use and leveraging of public and nonprofit funds.

Capacity-building projects comprise technology transfer efforts wherein sophisticated methods of enhanced productivity are used to measure business adjustment to new technology.

Revolving Loan Funds

With regard to revolving loan funds (RLFs), 304 jobs have been created per \$1 million of EDA funding for 16 completed projects (fully loaned); for those projects in process (21), there are 247⁸ jobs created. EDA cost per job is \$3,312 for completed RLF projects and \$4,079 for projects that are in process.

Completed RLF projects have leveraged \$115 million in private-sector investment, or \$2.5 million per \$1 million of EDA funding. In-process RLF projects have leveraged \$42 million in private-sector investment, or \$2.8 million per \$1 million of EDA funding.

Other statistics for RLFs include combined default and write-off rates for completed projects of 13 percent and for RLF projects in process of 1.9 percent⁹. For both completed and in-process projects, jobs produced per business assisted are about 22 and 24, respectively. In 50 percent of the cases the RLF involves a business expansion (as opposed to startup or retention), and in 67 percent of the cases it involves the funding of manufacturing firms (as opposed to commercial or service firms).

Project Impacts (General)

Due to the recency of defense adjustment projects, their results are just beginning to become evident. Most will likely contribute significant additional employment growth in the long term.

Defense construction, as well as RLF projects, are nonetheless producing permanent jobs at relatively low costs; capacity-building technical assistance projects are producing smaller numbers of permanent jobs at somewhat higher costs. Capacity-building planning efforts and market/feasibility/reuse studies are perhaps more importantly laying the groundwork for both defense construction and RLF projects. Capacity-building projects could easily be given credit for jobs produced under these two other types of implementation activities.

⁸In-process RLF projects can be analyzed in the same fashion as completed projects because they behave similarly from the time of their first loan onward.

⁹A 12–15 percent combined default and write-off rate is well within industry standards for this type of loan.

Revolving Loan Fund Projects (Medians)

(16 Completed and 21 In-Process RLFs)

	Completed	In Process
Jobs Per \$1M EDA	304	247
EDA Cost Per Job	\$3,312	\$4,079
Private-Sector Leverage Per \$1M EDA	\$2.5 M	\$2.8 M
Default/Write-off Rates	13 percent	1.9 percent
Jobs Created/Business	22	19

Conclusions

As reported by grantees, EDA defense adjustment projects are one of the few avenues of flexible assistance available to communities faced with base closures.

EDA funding is critical to most of these types of activities and is usually the primary source of initial funding.

The lower rate for in-process loans reflects almost no write-offs at this stage of the loan.

SECTION III

MULTIPLIER AND EMPLOYMENT-GENERATING EFFECTS OF PUBLIC WORKS PROJECTS

Study Overview

The research described here evaluated the job-producing results of public works investments. It employed nearly 200 input-output and regression analyses to document the effects of Economic Development Administration (EDA) public works projects on the employment growth of their host counties. Comparisons were also made to counties where EDA projects did not take place. Both the input-output and regression analyses sought similar answers: Did public works projects produce attributable permanent jobs in counties where these projects took place? Did the resulting jobs, in turn, produce other jobs? The two analyses are different in that the input-output analysis is constrained by current conditions, whereas the regression analysis allows the current structure of economic activities to change. The first presents a static view of job-creation impacts; the second, a more dynamic view. Both types of analyses are rigorous and standard econometric procedures for determining relationships between public investment and permanent job growth.

Input-Output Analysis Findings

This research examined the role of EDA-funded direct permanent employment and private-sector investment in producing total (direct, indirect, and induced) permanent employment and private-sector investment in counties throughout the United States. In other words, what are the direct employment and private-sector investment multiplier effects? The analysis was undertaken using the IMPLAN Model to generate indirect and induced effects from direct effects, the latter obtained from a national survey of public works grantees. Thus, the national survey generates direct permanent employment and private-sector investment; the IMPLAN Model generates indirect and induced permanent employment and private-sector investment. The sum of direct, indirect, and induced employment and private-sector investment yields total employment and private-sector investment.

Total employment and private-sector investment divided by direct employment and private-sector investment produce "multipliers" of the two direct effects.

Two sets of multipliers are shown in Table 1. These relate to two forms of direct effects—project-related and nonproject-related. The set of lower multipliers expresses total permanent employment and private-sector investment as a function of both forms of direct permanent employment and private-sector investment. The set of higher multipliers expresses total permanent employment and private-sector investment as a function of the solely project-related form of direct permanent employment and private-sector investment. The lower multiplier for permanent employment and private-sector investment is the multiplier effect of permanent employment and private-sector investment at the site that the EDA grant specified, as well as other direct employment that located nearby; the higher multiplier for permanent employment and private-sector investment is the multiplier effect of permanent employment and private-sector investment solely at the site that the EDA grant specified.

The multipliers shown in Table 1 are medians for five categories of projects and a weighted median for all projects. The overall median ratio for total permanent employment to both forms of direct permanent employment (project and nonproject re-

lated) is 1.50; the equivalent median for total private-sector investment is 1.44. Thus, if an EDA public works project creates 200 direct permanent jobs and \$6 million in direct private-sector investment, total permanent jobs (direct, indirect, and induced) amounts to 300 and total private-sector investment to \$8.64 million. For employment, there is some minor variation by type of project: Industrial parks exhibit the highest multipliers; water/sewer projects exhibit the lowest. For private-sector investment, there is much more variation by type of project: Buildings have by far the highest multipliers; tourism/marine projects, the lowest multipliers.

Project Type	Project and Nonproject-Related Direct Employment	Project and Nonproject-Related Total Employment	Ratio: Total Employment to All Direct Employment	Ratio: Total Employment to Project-Related Direct Employment	Project and Nonproject-Related Private-Sector Investment	Project and Nonproject-Related Total Private-Sector Investment	Ratio: Total Private-Sector Investment to All Direct Private-Sector Investment	Ratio: Total Private-Sector Investment to Project-Related Direct Private-Sector Investment
Buildings	84	133	1.53	1.53	568,000	1,715,952	2.61	2.89
Industrial Parks	310	464	1.56	1.63	6,300,000	13,622,184	1.54	1.66
Roads	430	641	1.51	1.57	11,448,000	20,716,364	1.37	1.44
Tourism/Marine	125	199	1.56	1.59	1,320,000	3,043,315	1.21	1.93
Water/Sewer	300	467	1.47	1.56	6,362,342	9,489,237	1.37	1.50
All Projects	250	416	1.50	1.57	4,800,000	7,769,567	1.44	1.58

Findings: The overall median ratios of total permanent employment and private-sector investment to direct permanent employment and private-sector investment are approximately 1.50 and 1.44, respectively.

Specification	Increase in County Employment	Change in Annual Compensation per Employee
1	10 – 14	-\$1.21 to +\$1.17
2	7 – 10	-\$0.01 to +\$0.01
3*	7 – 10	NA

Findings: For EDA funding of \$10,000 in a public works project in a typical U.S. county, permanent employment in that county will increase between 7 and 10 jobs. This includes direct, indirect, induced, and intangible effects.

*Preferred specification

The multipliers for total permanent employment and private-sector investment versus only project-related direct permanent employment and private-sector investment are 5 percent higher for employment and 10 percent higher for private-sector investment. This finding indicates the relatively small amount of nonproject-related direct permanent employment and investment compared to project-related direct permanent employment and investment identified in the grantee survey.

Regression Analysis Findings

This research evaluated the role of EDA public works investments in the creation of permanent private-sector employment and in enhancing employee compensation in U.S. counties.

Current models of the effect of infrastructure investment on private-sector productivity have yet to establish a firm connection between the two. Studies using these models often fail to control for the potentially important effect of variations in factor prices, especially wages, in response to public investments. A comprehensive model of county employment effects is provided in this study as a basis from which to view impacts.

The analysis reported here was undertaken using information from the Public Works Program—Performance Evaluation to specify the level of EDA investment in a public works project in a county. The resulting jobs produced in a county reflect the numbers of jobs counted annually as reported by County Business Patterns. Additional regression variables, taken from both County Business Patterns and the

U.S. Census of Population and Housing, were used to help identify the independent effect of EDA investment on county employment growth.

The analysis employed multiple regression as the primary econometric technique, with separate equations constructed for both employment and compensation. Variables are expressed in their logarithmic form, reducing the influence of extreme values and enabling a closer fit of the regression planes and higher R²s in both equations. Regressions explain between 80 and 85 percent of the variation in county employment and about 70 percent of the variation in compensation levels.

Empirical results include the following:

EDA investments have a statistically significant and positive effect on county total employment levels (see Table 2).

EDA investments have no statistically discernible effect on compensation per employee. Thus, the resulting EDA jobs are produced at the average wage of all jobs locally.

The elasticity of total employment with respect to EDA investment is estimated at approximately .0074: that is, a 10 percent increase in EDA investment in a typical county (\$4,650) is estimated to be associated with an increase of 4.2 jobs. Thus, a \$10,000 EDA investment produces approximately 9 permanent jobs.

The cost per job for the EDA program is estimated at just over \$1,100 (in 1997 dollars), counting all permanent jobs generated by the facility or the increase in productivity that the facility offers (direct, indirect, induced, and intangible). This estimate is comparable to the findings in both the Public Works Program—Performance Evaluation and the input-output analysis, which found that the cost of a direct permanent job was about \$3,000 and that the multiplier for total jobs was about 1.5. But the input-output analysis considered only jobs created by the EDA facility. There are also other jobs created by the new assets themselves, leading to changes in the structure of county economies. Thus, the overall jobs multiplier might be even higher, bringing the cost per job more in line with the regression analysis.

Conclusions

This study found that EDA's Public Works Program does indeed produce permanent private-sector employment at a relatively low cost. The estimates clearly suggest that the program is having its intended effect. EDA appears to have converted its resources into permanent jobs at prevailing wages in its target counties. These counties are better off than similar counties where this type of effort is not taking place.

PERFORMANCE EVALUATION
—
PUBLIC WORKS
AND
DEFENSE ADJUSTMENT PROJECTS

RESEARCH PERIOD: NOVEMBER 1996–JUNE 1998

RESEARCH TEAM

- Rutgers University
- New Jersey Institute of Technology
- Princeton University
- Columbia University
- National Association of Regional Councils
- University of Cincinnati

RESEARCH SUBJECTS

- A. 203 Public Works Projects (finished FY 1990)
187 Defense Adjustment Projects (started FY 1992–95)
- B. All projects surveyed – not a sample
- C. 100% of projects contacted (phone, mail, visit)

RESEARCH PROCEDURE

- Principals spent one month each in field
- Held 13 seminars on information required
- Visited 25% of sites to check information
- Verified all information obtained with grantees

RESEARCH ENVIRONMENT

Projects took place in rural and urban locations where:

- A. The unemployment rate was 30–40 percent above state and national averages (Public Works)
- B. Per capita income was 25–40 percent below state and national averages (Defense Adjustment and Public Works)

RESEARCH RESULTS
—
DEFENSE ADJUSTMENT PERFORMANCE EVALUATION
(187 MULTIPURPOSE PROJECTS)

PROJECT COMPLETION

(Capacity building; Defense construction; Revolving loan funds [RLFs])

- 97-100% Moving to completion
- 56-81% On-time
- 90-100% At or under budget

FOR DEFENSE CONSTRUCTION AND RLF PROJECTS:

	Defense Construction	RLFs	
Jobs Produced	124	304	Per \$1M EDA funding
Job Cost	\$ 8,052 \$12,045	\$3,312 \$4,079	EDA cost per job Total cost per job
Private-Sector Leverage	\$2.2 million invested	\$2.5 million invested	Per \$1M EDA funding

FOR CAPACITY-BUILDING PROJECTS:

Ratings of EDA Project by Grantees (Scale of 1-10; 10 = Best)	<u>Quality of Project</u>	<u>Impact of Project</u>
	Defense Adjustment Strategy	
	8.2	7.8
	Technical Assistance	
	8.8	8.9
	Feasibility/Market/Base Reuse Studies	
	9.1	8.7

STATEMENT OF R. SCOTT FOSLER, PRESIDENT, NATIONAL ACADEMY OF PUBLIC
ADMINISTRATION

Mr. Chairman and Members of the Subcommittee: I am R. Scott Foster, President of the National Academy of Public Administration. I am here to provide testimony on behalf of the Academy's panel on economic development. Former Governor Dick Thornburgh, the chair of this panel and an Academy Fellow, wished to be here, but he is on a trip to South Korea.

National Academy of Public Administration

The Academy is an independent, nonpartisan, nonprofit organization chartered by Congress to identify emerging issues of governance and provide practical assistance to Federal, State, and local government on how to improve their performance.

To carry out this mission, the Academy draws on the expertise of more than 400 Fellows, who include current and former Members of Congress, cabinet secretaries,

senior Federal executives, State and local officials, business executives, scholars, and journalists. Our congressional charter is one of two granted to research organizations. The other is held by the National Academy of Sciences which specializes in scientific research. The Academy's emphasis is on the design and management of government operations and programs.

The Academy Report

Two years ago, the Economic Development Administration of the Department of Commerce asked the Academy to address the question, "What is the appropriate future role of the Federal Government in economic development activities?" The Annie E. Casey Foundation also provided support for the project.

The Academy convened a diverse panel of experts from the local, State and Federal levels and also from the private sector. Some members of this panel have had distinguished careers specifically in economic development, and others have had experience in economic policy or related areas.

We reviewed the economic development policies and programs of all Federal agencies, not just the programs of the Economic Development Administration. Our staff conducted field work in eight communities, including rural and urban areas. We interviewed economic development experts and studied the extensive literature on economic development including evaluations of Federal and State programs. The panel then prepared its report, and convened a national meeting of economic development professionals from all parts of the country to discuss it.

I have brought copies of the report today, and ask for it to be entered into the record.

The panel did not address the specific issue before this Committee—reauthorization of the Economic Development Administration. Nonetheless, its findings and recommendations may provide useful information for the Committee as it considers such legislation.

Briefly, the report recommends a rethinking of the basic premises for Federal economic development activities at the State, local, and regional levels.

Historically, Federal development efforts have tried to increase overall national productivity and to help economically distressed and poor communities gain a share of the country's general prosperity. Toward these ends, the Federal Government has built and sustained a variety of organizations involved in economic development at every level of society. They include development agencies at the State and local levels, multicounty development districts, and community-based development corporations, not to mention various nonprofit organizations and working relationships with banks, industrial associations, and other private-sector partners.

Among the panel's findings are the following:

The fundamental economic influences of the private sector and market forces must be incorporated into successful economic development plans.

Federal investments in development efforts are critical to many States and localities, but not all.

No single Federal program is appropriate in all communities; however, the present multiplicity of programs imposes unnecessarily high transaction costs on States and localities and exacerbates inherent weaknesses in their approaches.

The meager Federal investment in information sharing and technology severely constrains our nation's economic development efforts.

The panel proposed a new approach to meet economic development needs. It urges the Federal Government to help States and localities learn through better information, leverage all available resources, and link multiple Federal initiatives to assist local communities.

In order to promote learning, the Federal Government should:

Help States and communities learn about state-of-art economic development practices.

Act to reduce the economic losses resulting from unrestrained bidding wars by States and localities to recruit or retain businesses.

Improve the quality of economic development decisionmaking and the assessment of policies and programs at all levels by gathering and disseminating State, regional, and local economic statistics and by reducing the fragmentation of the nation's statistical system.

In order to leverage State and local efforts, the Federal Government should:

Give States and communities incentives to design and implement effective regional or interjurisdictional development strategies.

Encourage investment in development strategies that offer opportunities to generate jobs and income over the longer term, rather than in high-visibility projects.

Give special assistance to States and communities seeking to create economic opportunities in distressed communities.

In order to make it easier for States and localities to link Federal resources, the Federal Government should:

Substantially reduce the fragmentation of the Federal economic development efforts.

Establish a permanent mechanism to provide overall policy-level guidance to other Federal activities such as work force training, environmental protection, technology and research, and other endeavors that contribute to economic development outcomes.

Reorient Federal programs, especially business finance programs, toward strategies that address the underlying obstacles to obtaining credit.

Encourage States and localities to stimulate links among businesses to enhance overall economic performance.

The nation's economic development programs will be a critical factor in two of the most significant domestic policy challenges of the coming decades: America's adjustment and response to an increasingly competitive global economy and the recent transformation of social policy from one based on dependency to one that stresses opportunity and personal responsibility. A reformed Federal approach to economic development will help States and communities make real and far greater contributions to addressing these issues.

EDA does not have the authority to implement all of the panel's recommendations. For example, it would take action by the Congress and leadership by the President to substantially reduce the fragmentation of the Federal economic development effort.

However, EDA has taken the panel's recommendations to heart. On an informal basis, we have been watching EDA's actions to implement the recommendations under its statutory authority and have been pleased at many of the steps they have taken. Phillip Singerman, Assistant Secretary for Economic Development, recently provided to us a detailed list of these steps, and I ask that a copy of his letter be entered into the record. While we have not formally studied or assessed EDA's actions, it is clear that the agency has taken the panel's recommendations seriously and has taken some useful steps -- especially in the area of technical assistance and training, or as the panel put it, learning.

For example, Mr. Singerman's letter informs us that EDA is working to develop a methodology to assess the costs and benefits of State incentive programs. EDA has engaged a contractor to assess how Federal statistical agencies can better serve the needs of economic development practitioners. EDA is seeking to strengthen the planning processes of the States and regions that it works with. And EDA has commissioned independent evaluations of its own programs, hopefully as a step toward encouraging the States and regions with which it works to evaluate their own efforts. Thoughtful, sound evaluations can be tremendously useful to economic development efforts in sifting the wheat from the chaff, sharing good ideas, and finding better ways that EDA and other Federal agencies can support their work.

For many years, EDA has been at risk of being terminated. When we were doing the research for our study, we were told repeatedly about the chilling effect this had on the morale and the capabilities of the agency. EDA is now working hard to revitalize itself. We are pleased that the Academy report has been of some use to the agency in this process and hope that the Committee will also find the report useful in its work.

Conclusion

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions. Thank you.

STATEMENT OF FLOYD G. "BUDDY" VILLINES, JUDGE/EXECUTIVE, PULASKI COUNTY,
ARKANSAS

Mr. Chairman, distinguished members of the Panel: Thank you for holding this important hearing and for inviting us here today to discuss the long overdue reauthorization of an agency that is very important to revitalization efforts in our economically distressed rural and urban areas.

My name is Floyd Villines. I'm Judge/Executive of Pulaski County, Arkansas and a former Mayor of Little Rock. I'm here today on behalf of the Coalition for Economic Development, a group of fifteen (15) national organizations committed to supporting the Economic Development Administration.

Our coalition represents national organizations representing rural and urban economic development practitioners, professionals and academics, and local elected officials. These organizations include the American Economic Development Council, the Association of University Centers, the Council for Urban Economic Development, the National Association of Counties, the National Association of Business Incubators, the National Association of Development Organizations, the National Association of Installation Developers, the National Association of Management and Technology Assistance Centers, the National Association of Regional Councils, the National Association of State Development Agencies, the National Association of Towns and Townships, the National Congress for Community Economic Development, the National League of Cities, the Public Works and Economic Development Association and the U.S. Conference of Mayors.

Members of the coalition applaud your efforts and the efforts of Committee Chairman John Chafee to produce a reauthorization bill that continues the reforms that have been underway at the Economic Development Administration for several years. We also pledge our support to work with you to reauthorize EDA.

Members of the coalition believe that reauthorization of the Economic Development Administration is critical because:

The agency is moving into the 21st Century with authorizing legislation that goes back to the early 1980's. The agency needs reinforcement with new language that allows it to help our rural and urban communities meet the continuing and ever-changing challenges of economic revitalization. Among those challenges will be access to and expertise in information age technology. Our businesses in small cities and rural areas will be unable to compete in the global economic without access to these information and marketing tools.

Reauthorization will allow the agency to focus on its core mission and to develop multi-year plans for its programs, rather than draining off its energy in an annual battle for survival.

The coalition's support for EDA is based on a very simple concept: EDA works. It is a Federal agency that does what it was designed to do. It serves the Federal role of leveling the playing field for those communities that need to become productive parts of the national economy, rather than a drain on it. It is a lean, streamlined agency with a clearly defined mission. It supports and helps revitalize our economically distressed communities. As a local government official, it is important to me that EDA is there to provide the seed money necessary for the infrastructure improvements we need to attract new business and help existing businesses expand and grow.

I emphasize "seed money" because that is what EDA support is. It's a boost, a leg up. It requires local governments to provide as much as 50 percent in matching funds, although for extremely distressed communities, this match can be reduced. Often, however, EDA funds are the linchpin that allows us to leverage other financial resources and to buy down loans, making those loans affordable for particularly distressed areas. For example, in my own county, two census tracts in the vicinity of North Little Rock were facing a 33.4 percent and a 36.7 percent unemployment rate. There was no industrial park in the area and no attractive place to locate industry that could provide jobs to these unemployed residents.

Through the efforts of the North Little Rock Industrial Development Corporation and the Central Arkansas Planning and Development District, an appropriate site was found. With a \$462,000 grant from EDA and a \$300,000 plus match from North Little Rock, water, sewer and an access road were constructed to reach the industrial park site.

Soon after completion, three companies moved in, providing 323 new jobs, a payroll in excess of \$3.1 million, with private investments of approximately \$4.4 million. We now have 13 tenants, employing 365 people, with an annual payroll of \$4.1 million and private investments totaling \$9.5 million.

We believe economic development efforts in this area contributed significantly to a \$10,000 average household income increase in Pulaski County between 1990 and 1995.

This project could not have been completed without the assistance of EDA.

Following are but a few examples, selected from across the country, of what EDA investments have meant to our distressed communities.

A project in cooperation with the State of Maine to build a Fish Pier at Stonington, on Deer Isle in East Penobscot Bay. As a result of the new pier, 100 new jobs were created and 262 jobs retained in the fishing community. Since its completion, a seafood company with three trailers has opened, along with smaller businesses for fish sorting. The city has benefited as owner of the Pier through user fee charges. The pier, called "the Cadillac of piers", is expected to last for 300 years.

Increase in sewage treatment capacity for the Borough of Berwick, Pa., enabled the town to retain 506 jobs, part of a plant operation that was a heavy user of the sewage facility. The company has expanded its work force, creating about 450 new jobs. Cost to EDA was \$1 million; cost to the community was \$4.5 million. Private sector investment was \$14.250 million.

The Rochester Science Park in Rochester, N.Y., helped boost a sagging economy that had few jobs for entry level workers. The Science Park, funded at \$1 million by EDA and \$2.12 million from other sources, has created 534 jobs and retained another 55 jobs and resulted in a private-sector investment of \$13.175 million.

The Martin Luther King Industrial Park in St. Louis is completely filled and has generated a total of 600 new jobs while retaining 600 more. The park has attracted \$50 million in private-sector investments.

—A regional business development system created by the Association of South Central Oklahoma Governments, Duncan, in cooperation with the city of Lawton. This is an example of a rural area taking a model developed by a metropolitan area. The program integrated a “going into business and business plan preparation” courses and seminars in conjunction with a Vocational Technical School. The development district worked with its member communities to pull together twelve revolving loan funds. The program provided course work for Fort Sill employees when the defense facility was going through a reduction in force; has helped hundreds of individuals in their business creation and expansion efforts and has helped course graduates that have gone into business.

A project in a deteriorating area in inner Philadelphia that has brought back to life the old American Bandstand Building and turned it into a center for business incubation. The center is the brain child of the Wharton Small Business Development Center at the University of Pennsylvania. The center’s 10 year goal is to create 200 new businesses, 3,500 new jobs and leverage \$660 million in private investment.

Esperanza Unida (New Hope) business incubator center that serves a predominantly Hispanic area in southside Milwaukee has been in existence since 1971, but its efforts were redoubled in the early 1980’s when all of the factories in which people worked in the neighborhood closed down. In response, the center started an auto repair training business, but over the years, it has expanded into 11 different training centers, all starting around market niches where there were jobs and wages adequate to support a family.

These are but a few of the successful economic revitalization projects in which the Economic Development Administration has played a major role. Numerous other successful efforts can also be documented.

As I mentioned earlier, EDA is an agency that works. We believe there are several reasons why:

The EDA network EDA’s regional offices and State economic development representatives assist local governments and other recipients of funding. These regional office people and EDRs are available to assist with any problems that arise. They watch over the projects, make sure there are no problems and help us get projects completed on time.

The EDA planning process. EDA requires an overall economic development strategy that engages the community, various organizations and local governments in a process to assess needs and to determine goals. That plan is a realistic road map that keeps us focused. That plan is developed on a regional basis, with specific input from local governments in the economic development district, citizens and others. The process allows us to identify our strengths and weaknesses and work to build on those strengths and eliminate or reduce our weaknesses. It allows us an opportunity to look at where we, as local governments, can be working together, rather than competing, for economic growth.

The academic connection. EDA has a network of university centers that can provide economic development practitioners with academic research to assist them in planning and project management. In our State, the center at the University of Arkansas-Little Rock is currently collecting and acting as the repository for a consistent set of data that can be used by all economic development districts in developing their overall plans. These university centers can also operate over a broader base than one economic development district.

The revolving loan fund program. EDA’s revolving loan fund has assisted thousands of entrepreneurs in establishing their businesses and has kept thousands of other small businesses in operation. These loan funds serve those that do not meet the criteria for loans from traditional lending institutions. We all know that small businesses are providing the majority of new jobs in America. The EDA loan fund allows us at the local and regional level to invest in our communities by assisting businesses that are home grown and are more likely to stay at home.

EDA's Trade Adjustment Program. EDA's network of 12 Trade Adjustment Assistance Centers provide vital help to businesses impacted by our changing trade policy and the growing global competition. The program is designed to help those businesses that receive certification as truly impacted businesses to develop an adjustment proposal that includes the firms recovery strategy and technical assistance needs.

EDA's eligibility criteria. The agency's emphasis is on the most economically distressed areas in rural and urban America and on the most viable projects. The criticism that too much of America is eligible to receive EDA finding is not valid. While many areas that were designated as economic development districts over the years remain as "designated" districts, they receive no finding because they no longer meet the eligibility criteria.

EDA's job creation focus. The emphasis in EDA programming is on job creation. EDA grants are tied to job retention and the creation of new jobs, either through new companies or expansion of existing companies.

EDA's willingness to listen. EDA has demonstrated a willingness to change. EDA has listened to its grantees about the timeframe for processing grant applications and for simplifying the process and has corrected many of the problems of the past by moving decisionmaking to the regional level. EDA has demonstrated a willingness to reform. EDA, in actuality, has been reforming itself. The agency has listened and responded to criticism and suggestions from Congress and from its grantees.

All of you are aware, I'm sure, that many communities that are struggling to comply with welfare reform. That means we must find ways to increase the number of jobs available, and in many parts of the country, communities are faced with an ongoing struggle to attract enough job opportunities. EDA is the one Federal agency that places all its program emphasis on job creation and job retention, and it is the agency already positioned to help those rural and urban communities struggling to respond to welfare reform requirements. In my own county, EDA assistance has meant that we have been able to add living wage jobs for many of our citizens. EDA has been there through the years to assist us with our struggle for economic revitalization.

In conclusion, Mr. Chairman and members of the Panel, the Economic Development Administration has earned the respect of all of us who have worked with it. It is time the agency was recognized through reauthorization for the lasting benefits it has contributed—and will continue to contribute—to our communities.

Again, thank you for the opportunity to appear before you today. The longer coalition testimony submitted for the record includes numerous examples of the investments EDA has made in America's economically distressed rural and urban areas. We have also included a tabulation of the investments EDA has made in every State since the agency started in 1965.

In addition, we have included a list of coalition member contacts. Please feel free to call any of them with any questions you may have specific to their areas of expertise.

I'll be happy to answer any questions. And again, I want to assure you, Mr. Chairman, and other members of the panel that you may rely on members of the coalition to assist you in any way we can.

EDA SUCCESS STORY

Project Name: North Little Rock I-440 Industrial Park
Infrastructure (road, water & sewer)

Project Location: North Little Rock, Arkansas
Interstate 440 & Faulkner Lake Road
(Eastern edge of city)

Economic Development Problem Being Addressed:

The City of North Little Rock had no industrial park. Nearby industrial parks are located in Little Rock and Maumelle; each was at/near capacity and an in-depth survey by the North Little Rock Industrial Development Corporation, (IDC) a non-profit organization, revealed that prepared industrial acreage was in short supply in the Central Arkansas area. Industrial developments in the city were sparse and sporadic. There were some large tracts of land but these were lacking in basic infrastructure. When recruiting new employers, prospects viewed these areas as simply "bean fields" and moved on. The city had no concentrated area with which to recruit new employers in order to expand the tax base or to offer existing employers a prepared site for necessary expansions.

This project proposed to bring water, sewer, and roads into a strategically located area adjacent to an interstate and within a fifteen-minute drive to a regional airport and water port in nearby Little Rock. The respective companies would provide other utilities, i.e., gas and telecommunications. North Little Rock, owning its own electric company, would provide redundant electric systems to the proposed park as well as streetlights and other amenities. All utilities would be underground to enhance the recruitment processes.

Distress Levels in the Community:

The project was located in a census tract that had a 36.7% to 33.4% unemployment rate. When the project was initiated, employment outreach areas included some Delta counties where the unemployment rates were much above the national average and some of the highest in the nation. Adjacent census tracts had unemployment rates from 9.9% to 33.4%. In 1991, these areas had a combined average unemployment rate of 14.5% and Pulaski County in which North Little Rock is located had the

highest concentration of unemployed persons in the State of Arkansas. The unemployment rate has greatly decreased to only 3.7% in the county and 3.8% in the city, since 1990.

The 1990 census showed that North Little Rock had lost 3,514 in population since 1980. This decreased turnback percentages of state revenues and sales taxes. The city had already noted an annual revenue loss of \$615,000 and sales tax decrease of \$66,000. Welfare enrollees and food stamp recipients increased proportionally. However, since 1990, population has begun to increase in both the city and county.

Population Increases*

	1990	1998 (estimate)
Pulaski County	360,000	63,567
City of N. Little Rock	363,808	63,994

*U.S. Dept. of Commerce, Economic Development Admn.

Strategic Planning Process Used:

The North Little Rock Industrial Development Corporation (IDC) formed a Core Response Team, which spent a year in research and study to determine what resources were available to bolster the economic development of North Little Rock. The team conducted an in-depth survey of existing industry and found that local manufacturers were needing to expand; a number were unable to do so at current locations and were exploring other areas and other states to move these much needed jobs. The team identified problem areas and determined a land mass suitable for development.

By providing a prepared site for these companies, the city would be able to retain its existing employers and also increase inventory of existing buildings and sites for new industry needing smaller facilities. The next step determined funding resources and what moneys could be provided locally.

When a suitable site of 262 acres was identified, the Central Arkansas Planning and Development District was contacted to oversee efforts and prepare the 101P and 101A to secure a federal infrastructure grant. The decrease in growth and revenues limited North Little Rock's funding resources and additional aid was a necessary ingredient.

The team recruited three local industries needing to expand and willing to become part of the process of securing federal aid. With the aid and resources of the CAPDD, utilizing the

OEDP Process, and many months of effort a 101P (pre-application) was prepared and forwarded to the Economic Development Administration (EDA).

Neither the city nor the IDC had resources to purchase outright a parcel of land suitable for improvements. A unique plan was devised; seventeen individuals owned the selected landmass. These landowners formed a consolidated group and an agreement was reached that the owners would donate a certain percentage of acreage to the IDC for a public industrial park. The IDC chose a site at the rear of the property adjacent to a necessary rail line. The agreement was that the IDC and the City of North Little Rock would provide the 40% (\$308,037) match required to receive a 60% (\$462,730) grant from EDA for a total project cost of \$770,767, for infrastructure (water, sewer, roads) to reach the IDC property. The property owners signed an agreement with EDA that they would sell the improved land at pre-assessed level for four years following the award of the grant.

EDA Resources used; How EDA Played a Critical Role:

EDA approved the 101P and authorized submission of the 101A. The grant in the amount of \$462,730 was awarded in the spring of 1993. Without this funding the industrial park would not have become a reality, with its resulting jobs and improvement to the tax base of the city of North Little Rock.

Other Federal, State and Local Resources, Public and Private, Committed:

The city and the IDC committed funds of \$378,037 for a total project cost of \$770,767 to construct water, sewer and roads. The respective companies agreed to provide other utilities, i.e., gas and telecommunications. North Little Rock, owning its own electric company, provides redundant electric systems (approximately \$2.3 million) to the proposed park as well as streetlights and other amenities. Additional costs were borne by the IDC. Seventeen individuals owned the selected landmass. These landowners formed a consolidated group and an agreement was reached that the owners would donate a certain percentage of acreage to the IDC for a public industrial park. The private property owners signed an agreement with EDA that they would sell the improved land at pre-assessed level for four years following the award of the grant. The infrastructure was completed in the fall of 1994.

Direct Results of Investment:

The project funded by EDA definitely met the objectives of EDA's special initiatives of exporting, technology innovation and entrepreneurial development. The three (3) primary beneficiaries to the project were RAM Industries, RDC Sales, Inc., and Audio International, Inc. These three (3) firms committed to expanding their operations within the initial 57.92 acres creating 323 new jobs, with a combined annual payroll in excess of \$3.1 million and private investments of approximately \$4.4 million. Current employment in the I-440 Industrial Park, (13 tenants), is 365 persons, with a combined annual payroll of \$4.1 million and private investments totaling \$9.5 million.

Per capita income in 1990 was only \$12,390 within the city of North Little Rock and \$13,760 within Pulaski County. These industries have had a tremendous impact in that average household income within the county has increased from \$26,823 in 1990 to \$36,400 in 1995 (latest figure available).

Audio International, Inc.

Audio International, Inc. (AI) was acquired by DeCrane Aircraft Holdings, Inc. (DAH) at \$30 million in November 1997. Capital investments have exceeded over \$5 million over the past two- (2) years. Audio International employed 21 persons in 1992. The company projected 28 new jobs would be created as a result of this project, for total employment of 49. Current employment is 146 full-time and 4 temporary employees. These employees travel to work from 52 zip code areas.

Exporting

AI exports to France, Israel, Canada and England.

Technology Innovation

AI is an aviation industry related company manufacturing airplane cabin modification systems. AI is constantly streamlining its products using the latest technologies to make sure that it meets the most demanding customer and environmental requirements. In the aviation industry, the weight of a product is extremely important. Each ounce must be accounted for. Increased weight results in increased maintenance and fuel costs. Some figures project that each pound in savings is equivalent to \$1000+ in reduced fuel costs. Knowing the impact reduced weight savings, AI is constantly updating its line of products to reduce weight and space. This need has led to the development of a new series

of aircraft passenger cabin control switch products called the SPS series. This series incorporates traditional switch and electronic module controller technologies into one switch bezel housing. This system is like no other in the industry and is highly regarded in many of the systems it has already been installed. This new switch series is the answer to many customer cosmetics, field maintenance, replaceability, weight, space, and delivery dilemmas. It is a switch system that is definitely on the leading edge of technology in the aviation cabin passenger control field.

Entrepreneurial Development

The founders of Audio International took the concept of car stereo and put it into the sky, literally, offering customers hi-fi stereo options for their aircraft. This beginning has expanded into markets and products that were not even thought of seven years ago. This entrepreneurial spirit has spread to its suppliers and vendors as well. AI has given many companies in Arkansas the chance to profit from its success. Sheetmetal shops, manufacturing plants, engravers, silk-screen shops, print shops, tooling and milling shops have all benefited from the increased productivity. As AI expands it continues to look for companies who can provide the quality and service it can be proud of. AI's dedication to steady growth has certainly brightened the current and future growth of many Arkansas companies. The company uses as many Arkansas industries as possible. A partial list is attached.

Ram Industries and RDC Sales, Inc.

RDC Sales, Inc. and RAM Industries manufacture message and communications boards. The companies export to Canada, Mexico, and South America. Day Runner acquired RAM Industries October 1, 1997. RDC Sales, Inc. owns the building, which houses Day Runner. Day Runner currently employs 55 full time persons and 30 part time persons. This company has been forced to become more automated, due to the lack of needed employees. A vast increase in sales is expected. 2,500 sq. ft. of an existing warehouse building will be converted to manufacturing. The company is planning an expansion, which will include construction of a 3,000 sq. ft. building to be utilized for maintenance. The expansion will cost approximately \$137,000. Thirty (30) new jobs will be created as a result of the expansion. Private investments in the past three (3) months amounted to \$250,000 and projected private investment over the next 9 months will be approximately \$500,000.

Day Runner sells to many businesses throughout the State of Arkansas, including Sam's Wholesale and Wal-Mart.

Further Economic Development Spawned by the EDA Project:

In addition to location of the three (3) primary beneficiaries to the project, the following tenants are located in the I-440 Industrial Park as a result of the EDA project:

Palmer Johnson Distribution
 B & S Construction
 Arkansas Packaging
 Applied Technologies
 Blue Bell Creameries
 General Packaging
 Heritage Building System
 Tech Mark
 McJunkin Distribution
 Adleta Carpets
 DeCrane Aircraft Holdings, Inc. (Audio International, Inc.)
 Day Runner
 RDC Sales, Inc.
 Arkansas Equipment (under construction)
 Gibbs HVC (under construction)

Establishment of the industrial park has attracted additional industries looking at North Little Rock. In November of 1994, a major announcement was made by Rank Video Services of America. Rank America is part of The Rank Organization, a \$5 billion international company headquartered in London. Rank is involved principally in film, video and entertainment industries in North America and Europe. Rank holds contracts with major movie studios and produces videotapes for resale and rental. Rank America, headquartered in Deerfield, Ill., has plants in Illinois and in California. Rank America needed 100 acres to construct their \$36 million, 235,000 square foot plant at Interstate 440 and Faulkner Lake Road. There was not 100 contiguous acres available in the industrial park; therefore, Rank purchased 100 acres across the Interstate from the park. In the fall of 1995, Rank held their grand opening. Instead of the 250 employees initially announced, about 450 people would be hired. The plant has been expanded and currently employs over 1000 people.

J. A. Riggs Tractor Company of Little Rock has purchased more than 66 acres in the park.

Grady W. Jones Company of North Little Rock, a caterpillar dealership, purchased a seven-acre tract for construction of a caterpillar lift-truck dealership.

Several small businesses, as well as large trucking companies have located on property north of the park, along I-440, as a result of this project.

Return on Investment:

Private investments were estimated at \$4,440,000 with annual payrolls of \$3.1 million for the three primary beneficiaries. The job cost ratio based on the EDA investment was 1:\$1,432. The additional private investments, as a result of this project, far exceed this ratio.

Assessment of the Impact of the Project on the Community beyond Dollars and Cents, beyond Business and Jobs:

The proclamation of the pending Industrial Park and its tenants and the future addition of 323 new jobs inspired an attitude of progress, which, in turn, stimulated other investments. This industrial project spawned new retail growth, restaurants, and a corporate headquarters location. The attached list of the businesses benefiting from Audio International, Inc., alone, demonstrates the impact this project had on the economy of North Little Rock, Pulaski County and the State of Arkansas. The announcement that a new state-of-the-art hospital would be built, also on the eastern side of the city, will, in turn, spawn more expansion.

Considering economic study indicators, which stipulate the impact of 100 new manufacturing jobs in a community, this project will have significant long-range potential. Economist for the U.S. Chamber of Commerce states that 64 additional manufacturing jobs will be added to a community for every 100 new jobs. The proposed job creation for this project was to create 323 jobs; therefore, based on this established formula for job creation, subject project would have generated additional 207 jobs.

Applying the above formula, 100 new manufacturing jobs would create a population increase of 202 people. Considering this project proposal would create 323 new jobs, it is projected that the North Little Rock area population would increase by 652 persons. In addition, 23 new retail establishments would be created with a private investment of \$3.1 million. Retail sales will exceed \$4.7 million. School enrollment would increase by 197 students.

Basically, more income means more sales, more new businesses, new housing and more needed services for the community.

The assistance of CAPDD personnel and the area director of EDA were vital to this project. This is, in no small way, indicative of what an investment by the Economic Development Administration can accomplish.

EDA Investment History by State

Investments Between FY65 - 97 by Categories; Annual Average, 30 Year Aggregate, and FY 97 Investment

State	Infrastructure Development	Community Investments	Technical Support	Planning	Special Initiatives	Annual Average	30 Year Aggregate	FY97 Investment
Alabama	\$185,918,176 (346 projects)	\$33,884,341 (34 projects)	\$5,336,763 (103 projects)	\$13,579,718 (188 projects)	\$22,628,859 (56 projects)	\$8,712,000	\$261,347,857 (727 projects)	\$6,902,260 (19 projects)
Alaska	\$142,915,412 (306 projects)	\$3,715,867 (7 projects)	\$4,384,900 (110 projects)	\$11,576,683 (167 Projects)	\$7,345,662 (18 projects)	\$5,665,000	\$169,938,524 (608 projects)	\$4,913,489 (22 projects)
Arizona	\$184,527,594 (374 projects)	\$5,176,221 (12 projects)	\$4,799,891 (119 projects)	\$11,112,525 (149 projects)	5,675,717 (15 projects)	\$7,043,000	211,291,948 (669 projects)	\$7,735,275 (14 projects)
Arkansas	\$193,903,842 (467 projects)	\$23,645,542 (20 projects)	\$6,161,667 (117 projects)	\$16,998,138 (235 projects)	\$23,191,294 (32 projects)	\$8,797,000	\$263,900,483 (871 projects)	\$7,869,000 (24 projects)
California	\$1,135,307,760 (1678 projects)	\$96,523,238 (92 projects)	\$40,761,105 (495 projects)	\$23,283,091 (267 projects)	\$334,676,004 (201 projects)	\$54,352,000	\$1,630,551,198 (2734 projects)	\$53,385,675 (62 projects)
Colorado	\$86,764,529 (220 projects)	\$19,324,263 (23 projects)	\$12,943,580 (123 projects)	\$9,200,006 (136 projects)	\$23,688,669 (27 projects)	\$5,064,000	\$151,921,047 (529 projects)	\$4,266,000 (10 projects)
Connecticut	\$173,419,560 (234 projects)	\$28,939,143 (21 projects)	\$3,092,545 (56 projects)	\$3,564,014 (31 projects)	\$28,555,141 (20 projects)	\$7,919,000	\$237,570,403 (362 projects)	\$2,881,000 (4 projects)
Delaware	\$52,240,279 (105 projects)	\$30,544,506 (2 projects)	\$363,780 (9 projects)	\$2,021,656 (19 projects)	\$950,000 (2 projects)	\$2,871,000	\$86,120,221 (137 projects)	\$90,000 (1 project)
District of Columbia	\$57,608,921 (35 projects)	\$10,451,329 (17 projects)	\$61,892,650 (533 projects)	\$1,732,321 (13 projects)	\$13,400,103 (20 projects)	\$4,836,000	\$145,085,324 (618 projects)	nothing reported
Florida	\$362,946,080 (500 projects)	\$41,185,660 (50 projects)	\$5,767,876 (131 projects)	\$12,674,672 (141 projects)	\$91,121,810 (65 projects)	\$17,123,000	\$513,696,098 (887 projects)	\$6,647,500 (19 projects)

State	Infrastructure Development	Community Investments	Technical Support	Planning	Special Initiatives	Annual Average	30 Year Aggregate	FY97 Investment
Georgia	\$238,760,126 (518 projects)	\$44,799,091 (45 projects)	\$23,546,475 (221 projects)	\$28,560,930 (446 projects)	\$57,760,464 (61 projects)	\$131,142,000	\$393,427,086 (1291 projects)	\$5,714,500 (25 projects)
Hawaii	\$50,476,699 (91 projects)	\$2,443,680 (4 projects)	\$3,768,503 (36 projects)	\$2,142,317 (27 projects)	\$14,016,721 (18 projects)	\$2,428,000	\$72,847,920 (176 projects)	\$291,000 (2 projects)
Idaho	\$115,353,009 (209 projects)	\$13,464,248 (17 projects)	\$2,875,024 (65 projects)	\$12,609,404 (204 projects)	\$21,837,885 (37 projects)	\$5,538,000	\$166,139,570 (532 projects)	\$7,855,434 (22 projects)
Illinois	\$306,219,632 (456 projects)	\$194,013,560 (35 projects)	\$25,536,052 (223 projects)	\$13,560,275 (188 projects)	\$50,308,536 (84 projects)	\$19,655,000	\$589,638,055 (986 projects)	\$3,874,000 (21 projects)
Indiana	\$143,588,738 (274 projects)	\$18,754,096 (29 projects)	\$3,831,229 (80 projects)	\$27,802,488 (183 projects)	\$37,136,462 (47 projects)	\$7,704,000	\$231,113,013 (613 projects)	\$9,508,250 (17 projects)
Iowa	\$80,256,039 (214 projects)	\$7,525,000 (2 projects)	\$2,144,044 (45 projects)	\$8,392,569 (136 projects)	\$51,381,231 (80 projects)	\$4,890,000	\$149,698,883 (477 projects)	\$2,021,000 (20 projects)
Kansas	\$76,358,988 (191 projects)	\$197,340 (3 projects)	\$2,597,547 (37 projects)	\$6,950,034 (113 projects)	\$25,403,065 (37 projects)	\$3,717,000	\$111,506,974 (381 projects)	\$2,537,000 (12 projects)
Kentucky	\$233,559,040 (406 projects)	\$17,631,371 (43 projects)	\$6,373,604 (138 projects)	\$19,632,423 (69 projects)	\$26,971,474 (51 projects)	\$10,139,000	\$304,167,912 (707 projects)	\$11,357,633 (23 projects)
Louisiana	\$170,652,406 (347 projects)	\$20,824,571 (31 projects)	\$4,773,063 (91 projects)	\$14,759,577 (192 projects)	\$19,455,297 (30 projects)	\$7,682,000	\$230,464,914 (691 projects)	\$3,838,000 (16 projects)
Maine	\$93,419,066 (234 projects)	\$53,469,894 (50 projects)	\$4,577,408 (130 projects)	\$10,916,578 (148 projects)	\$35,818,521 (44 projects)	\$6,607,000	\$198,201,467 (606 projects)	\$4,479,000 (12 projects)
Maryland	\$99,099,728 (158 projects)	\$8,996,537 (10 projects)	\$5,846,940 (95 projects)	\$6,237,829 (65 projects)	\$35,031,002 (24 projects)	\$5,174,000	\$155,212,036 (352 projects)	\$5,153,400 (12 projects)

State	Infrastructure Development	Community Investments	Technical Support	Planning	Special Initiatives	Annual Average	30 Year Aggregate	FY97 Investment
Massachusetts	\$310,329,092 (365 projects)	\$38,677,856 (58 projects)	\$31,389,787 (283 projects)	\$11,538,163 (147 projects)	\$41,075,940 (41 projects)	\$14,434,000	\$433,010,838 (894 projects)	\$5,390,122 (19 projects)
Michigan	\$549,354,240 (896 projects)	\$42,352,938 (36 projects)	\$16,659,730 (180 projects)	\$30,460,238 (320 projects)	\$50,059,446 (54 projects)	\$22,963,000	\$688,886,592 (1,486 projects)	\$10,779,700 (25 projects)
Minnesota	\$176,482,006 (410 projects)	\$16,046,006 (56 projects)	\$5,188,889 (167 projects)	\$17,822,894 (200 projects)	\$33,077,536 (52 projects)	\$8,287,000	\$247,617,331 (885 projects)	\$5,030,900 (26 projects)
Mississippi	\$204,697,586 (450 projects)	\$21,767,149 (26 projects)	\$26,054,592 (121 projects)	\$18,344,163 (277 projects)	\$19,615,971 (24 projects)	\$9,683,000	\$290,479,461 (898 projects)	\$5,183,350 (20 projects)
Missouri	\$143,967,230 (304 projects)	\$13,038,583 (22 projects)	\$12,018,070 (163 projects)	\$16,527,457 (272 projects)	\$88,243,322 (115 projects)	\$9,126,000	\$273,794,662 (876 projects)	\$8,522,900 (23 projects)
Montana	\$95,263,325 (200 projects)	\$9,164,532 (16 projects)	\$3,668,717 (128 projects)	\$12,218,698 (228 projects)	\$10,097,053 (24 projects)	\$4,347,000	\$130,412,325 (596 projects)	\$2,022,000 (7 projects)
Nebraska	\$63,544,301 (100 projects)	\$5,073,400 (2 projects)	\$1,932,705 (36 projects)	\$4,705,206 (77 projects)	\$6,020,054 (19 projects)	\$2,709,000	\$81,275,666 (234 projects)	\$876,060 (10 projects)
Nevada	\$70,293,197 (156 projects)	\$298,800 (1 project)	\$1,364,945 (33 projects)	\$3,299,534 (40 projects)	\$1,947,075 (5 projects)	\$2,573,000	\$77,203,551 (235 projects)	\$1,342,000 (6 projects)
New Hampshire	\$77,269,891 (124 projects)	\$11,282,520 (14 projects)	\$2,523,823 (57 projects)	\$1,795,407 (29 projects)	\$16,577,677 (8 projects)	\$109,000,000	\$109,449,318 (232 projects)	\$2,202,000 (5 projects)
New Jersey	\$404,658,304 (651 projects)	\$101,718,434 (91 projects)	\$13,025,744 (136 projects)	\$5,737,984 (68 projects)	\$45,697,261 (18 projects)	\$19,028,000	\$570,837,727 (964 projects)	\$6,996,000 (11 projects)

State	Infrastructure Development	Community Investments	Technical Support	Planning	Special Initiatives	Annual Average	30 Year Aggregate	FY97 Investment
New Mexico	\$159,505,594 (362 projects)	\$9,631,405 (12 projects)	\$5,237,246 (125 projects)	\$15,977,077 (270 projects)	\$8,275,811 (10 projects)	\$6,621,000	\$198,627,133 (779 projects)	\$4,073,000 (19 projects)
New York	\$965,648,920 (1,210 projects)	\$362,617,364 (277 projects)	\$36,843,029 (403 projects)	\$23,561,790 (304 projects)	\$85,593,304 (77 projects)	\$49,142,000	\$1,474,264,407 (2,271 projects)	\$14,412,750 (32 projects)
North Carolina	\$218,473,964 (389 projects)	\$42,089,325 (36 projects)	\$7,292,954 (135 projects)	\$13,396,932 (217 projects)	\$21,338,149 (31 projects)	\$10,000,000	\$302,591,324 (808 projects)	\$12,094,673 (31 projects)
North Dakota	\$88,864,975 (232 projects)	\$2,214,032 (3 projects)	\$3,851,702 (88 projects)	\$11,699,553 (206 projects)	\$14,619,389 (28 projects)	\$4,041,000	\$121,249,651 (537 projects)	\$10,459,150 (25 projects)
Ohio	\$373,031,316 (644 projects)	\$62,326,723 (31 projects)	\$9,330,478 (157 projects)	\$14,949,092 (155 projects)	\$28,517,446 (50 projects)	\$16,272,000	\$488,155,055 (1037 projects)	\$4,485,500 (15 projects)
Oklahoma	\$220,018,852 (456 projects)	\$19,802,248 (33 projects)	\$5,387,385 (164 projects)	\$17,286,372 (266 projects)	\$8,201,407 (25 projects)	\$9,023,000	\$270,696,264 (944 projects)	\$4,322,000 (18 projects)
Oregon	\$179,991,028 (332 projects)	\$9,500,047 (7 projects)	\$3,860,349 (106 projects)	\$15,877,748 (218 projects)	\$30,679,070 (103 projects)	\$7,997,000	\$239,908,242 (766 projects)	\$6,824,398 (46 projects)
Pennsylvania	\$446,611,112 (742 projects)	\$293,967,428 (118 projects)	\$31,655,566 (367 projects)	\$13,864,725 (199 projects)	\$77,128,120 (64 projects)	\$28,774,000	\$863,226,951 (1490 projects)	\$12,196,850 (29 projects)
Rhode Island	\$81,691,061 (84 projects)	\$9,271,849 (8 projects)	\$2,664,675 (37 projects)	\$2,604,567 (23 projects)	\$26,006,133 (19 projects)	\$4,075,000	\$122,238,285 (171 projects)	\$3,415,000 (6 projects)
South Carolina	\$177,188,634 (338 projects)	\$22,475,066 (23 projects)	\$3,205,584 (75 projects)	\$16,926,809 (254 projects)	\$47,820,396 (55 projects)	\$8,921,000	\$267,616,489 (745 projects)	\$10,817,890 (25 projects)

State	Infrastructure Development	Community Investments	Technical Support	Planning	Special Initiatives	Annual Average	30 Year Aggregate	FY97 Investment
South Dakota	\$75,034,453 (298 projects)	\$2,181,754 (4 projects)	\$1,916,788 (57 projects)	\$12,535,687 (240 projects)	\$10,855,432 (16 projects)	\$3,417,000	\$102,524,114 (615 projects)	\$4,234,904 (23 projects)
Tennessee	\$210,741,512 (412 projects)	\$51,187,204 (32 projects)	\$5,034,022 (108 projects)	\$15,420,541 (244 projects)	\$24,400,106 (33 projects)	\$10,226,000	\$306,783,385 (829 projects)	\$7,340,200 (19 projects)
Texas	\$449,787,316 (762 projects)	\$43,939,040 (58 projects)	\$18,988,733 (268 projects)	\$28,278,036 (431 projects)	\$57,043,946 (70 projects)	\$19,935,000	\$598,037,071 (1589 projects)	\$27,631,836 (53 projects)
Utah	\$77,584,516 (178 projects)	\$6,632,265 (11 projects)	\$1,232,838 (26 projects)	\$7,910,217 (125 projects)	\$9,015,906 (17 projects)	\$3,413,000	\$102,375,742 (357 projects)	\$775,000 (11 projects)
Vermont	\$64,215,251 (179 projects)	\$2,576,305 (6 projects)	\$799,353 (28 projects)	\$2,758,769 (45 projects)	\$3,943,323 (5 projects)	\$2,476,000	\$74,293,001 (263 projects)	\$1,857,000 (3 projects)
Virginia	\$126,272,523 (240 projects)	\$37,263,872 (24 projects)	\$6,450,514 (95 projects)	\$11,674,809 (197 projects)	\$33,942,207 (42 projects)	\$7,187,000	\$215,603,925 (598 projects)	\$5,870,801 (21 projects)
Washington	\$274,288,616 (486 projects)	\$30,641,296 (30 projects)	\$16,426,716 (205 projects)	\$23,401,144 (388 projects)	\$25,994,501 (74 projects)	\$12,358,000	\$370,752,273 (1,183 projects)	\$11,014,168 (51 projects)
West Virginia	\$210,048,640 (343 projects)	\$21,876,701 (29 projects)	\$5,217,591 (129 projects)	\$12,612,020 (209 projects)	\$28,664,072 (51 projects)	\$9,281,000	\$278,419,024 (761 projects)	\$9,407,000 (25 projects)
Wisconsin	\$160,949,908 (380 projects)	\$20,455,682 (25 projects)	\$4,887,609 (117 projects)	\$20,699,017 (188 projects)	\$27,526,766 (45 projects)	\$7,817,000	\$234,518,982 (755 projects)	\$9,407,000 (25 projects)
Wyoming	\$47,897,935 (114 projects)	\$2,113,316 (3 projects)	\$201,021 (15 projects)	\$1,721,916 (39 projects)	\$766,892 (5 projects)	\$1,757,000	\$52,701,080 (176 projects)	\$309,500 (6 projects)

Coalition for Economic Development

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Chris Mattson	Association of University Centers	.887-5599	223-8608
	National Association of Management and Technology Assistance Centers	(same)	
Lisa Itamura	National Council for Urban Economic Development	223-4735	223-4745
Eugene Lowe	U.S. Conference of Mayors	293-7330	293-2352
Bill Garber	Public Works and Economic Development Association	488-1937	863-9361
Matt Chase	National Association of Development Organizations	624-7806	624-8813
Bev Nykwest	National Association of Regional Councils (Chair)	457-0710x20	296-9352
Cameron Whitman	National League of Cities	626-3023	626-3043
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Carol Wayman	National Congress for Community Economic Development	234-5009	234-4510
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STATEMENT OF ERIC P. THOMPSON, EXECUTIVE DIRECTOR OF THE LOWER SAVANNAH COUNCIL OF GOVERNMENTS, AIKEN, SOUTH CAROLINA, AND PRESIDENT OF THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS ON BEHALF OF THE COALITION FOR ECONOMIC DEVELOPMENT

Mr. Chairman and Mr. Baucus, thank you for inviting me to testify on reauthorization of the Economic Development Administration (EDA) on behalf of the Coalition for Economic Development. I am Eric Thompson, Executive Director of the Lower Savannah Council of Governments headquartered in Aiken, South Carolina. As President of the National Association of Development Organizations (NADO), I am pleased to join the other members of our coalition in offering strong support for EDA reauthorization.

My fellow coalition member Judge Villines has given an excellent overview of the importance of EDA programs to rural and urban communities. I would like to focus on an issue of great importance to my region, the State of South Carolina and other

places throughout the country affected by defense industry contract cuts and base closures.

Despite the small size of EDA, the agency has always provided flexible programs and funding needed in times of sudden economic dislocation. EDA's Defense Adjustment Program helps communities impacted by base closures and/or defense contract reductions to rebuild and diversify their economies and move away from defense dependency.

EDA is the only Federal agency with flexible program tools to help communities implement base reuse plans. The agency allows local communities to establish their own priorities and use EDA grants to fill funding gaps. EDA investments require local commitment and funding. This creates a true public-private partnership to address long term strategic needs. Working with their local partners, economic development districts, EDA funds are highly leveraged and targeted to areas of greatest need.

In the State of South Carolina there have been a number of base closings and significant cutbacks at the Department of Energy (DOE) Savannah River Site located in the Lower Savannah region.

In April 1996 the Charleston Naval Base was closed resulting in the loss of 21,902 direct jobs with \$644 million in annual payroll. When a base closes, there is a need for a regional approach to provide a transition to other jobs for dislocated workers and to increase economic diversity for long-term sustainability. Military base reuse is important, but meaningful defense adjustment must focus on the structural recovery of defense impacted communities and not just base reuse. EDA's programs and funding are critical in order to achieve structural adjustment because they allow local communities to establish their own priorities. Working with the local Economic Development District, the Berkeley-Charleston-Dorchester Council of Governments, EDA funds have been invested in infrastructure, a revolving loan fund and a regional marketing plan to create and retain jobs in the region. EDA funds significantly leveraged private-sector investment and have resulted in the creation and retention of 12,800 jobs.

In the Lower Savannah region the Savannah River Site produced material for nuclear weapons used in the US defense program. It is the largest employer in the State of South Carolina. With the end of the cold war, the Department of Energy (DOE) downsized the facility, resulting in a loss of over 10,000 jobs, increasing unemployment, causing real estate values to stagnate and essentially halting new home starts. In 1997, all six counties in the Lower Savannah COG—Aiken, Allendale, Bamberg, Barnwell, Calhoun and Orangeburg—had unemployment rates above the State average. The rural counties of Allendale, Bamberg, and Orangeburg have almost twice the State average and are the three highest unemployment counties in the State.

In order to help the Lower Savannah region adjust to this drastic cutback, the Department of Energy needed a Federal agency to administer DOE funds provided for community transition. Using the existing EDA system and grant process, DOE transferred funds to EDA to administer and now requires that EDA approve all requests for community adjustment assistance from DOE's Office of Worker and Community Transition.

While defense spending cuts appear to be bottoming out, the defense adjustment challenge remains. Consolidation and mergers in the defense industry and additional base closures will continue to require EDA's support and participation in defense adjustment activities. Used for a variety of purposes, EDA funds are tailored to meet the needs of local communities; they are not based on rigid Federal directives and guidelines.

One of EDA's greatest strengths is the ability to use the existing network of 320 Economic Development Districts, such as the Lower Savannah COG, for defense adjustment, disaster relief and overall economic development assistance. These regional development organizations provide local governments with professional and technical assistance. Districts, the core of EDA's delivery mechanism, are multi-county public-private partnerships whose boards are composed of local elected officials, private-sector and minority representatives. They are critically important in small metropolitan and rural regions where professional and technical assistance is limited or nonexistent. Of the nation's 39,000 units of local government, 33,000 have populations of less than 3,000 and 11,500 governments have no employees.

Larger cities and counties have professional staff including engineers and planners to assist elected officials in the decisionmaking process. However, in most of the country's small and rural communities, Economic Development District employees are the only professional staff who are able to navigate the mountains of red tape, regulations and application forms necessary to apply for Federal and State assistance. It is through EDA planning grants to districts that distressed communities

gain access to professional capacity and technical expertise to plan for the future. Today, EDA's small planning grants to districts support an Overall Economic Development Program (OEDP) for the communities served. OEDPs are blueprints providing a comprehensive plan for sustainable community and economic development.

EDA is extremely effective both in helping communities cope with long-term economic disasters such as resource-dependent economies facing the decline of coal or timber industries or sudden economic crises caused by plant and base closings and natural disasters. It is important to remember that not all of the Base Realignment And Closure (BRAC) listed installations are yet closed. It takes several years to actually shut down a facility so the need for EDA's defense adjustment programs will continue.

EDA has demonstrated its effectiveness and has earned the right to be reauthorized. Under the leadership of Assistant Secretary Phillip Singerman, EDA has streamlined its operations and significantly reformed and reinvented itself. Now is the time to provide the agency with legislative tools and congressional guidance to bring EDA into the 21st century. It is particularly important that America's distressed communities be prepared to compete in the global marketplace through state-of-the-art technology. We strongly encourage EDA to once again assume a leadership role during this transition.

On behalf of the members of the Coalition for Economic Development, I urge the committee to work with EDA to update the authorizing legislation so that the nation's distressed communities will continue to have this vital Federal partner as we move into the next century. I can assure you that those of us who work in economic development at the local level will do everything we can to help make EDA more efficient and effective.

STATEMENT OF NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS (NADO)

The members of the National Association of Development Organizations (NADO), strongly support reauthorization of the Economic Development Administration (EDA). EDA is the only Federal agency that has the program tools necessary to address the broad range of economic development challenges facing America's distressed communities. Whether through infrastructure grants, strategic planning or economic adjustment assistance, EDA helps distressed communities compete economically and enter the mainstream. During the past 30 plus years, the agency has created or retained more than 2.8 million jobs resulting from 39,000 assistance projects throughout the country; generated \$1.9 billion in private-sector capital through revolving loan funds that have supported more than 7,000 businesses; and leveraged more than \$10 in private-sector investment for every Federal dollar invested.

The National Association of Development Organizations is a public interest group founded in 1967 to help professionals and local elected officials build communities and create jobs. The association is the leading advocate for a regional approach to economic and community development in America's small metropolitan and rural communities. Economic distress and development needs transcend jurisdictional boundaries, and solutions to rural distress are most effective when implemented at the substate regional level. NADO members provide community, economic and rural development technical assistance to local governments and the private sector. The members of NADO directly serve over 1,800 counties and 15,000 cities and towns.

NADO members are regional development organizations, known variously as economic development districts, planning and development councils, councils of governments, area development districts and regional councils. Regional development organizations draft long-term strategic economic development plans, offer a wide range of technical assistance and provide small business financing. EDA supports these regional planning and development efforts through the economic development district program.

There are four major reasons why Congress should pass reauthorization legislation for the Economic Development Administration this year.

1. Public Investment in Infrastructure Is Essential for Private Sector Job Creation

For distressed communities outside the economic mainstream, EDA's public works grants are the major source of infrastructure funding for projects related directly to the creation of private-sector jobs. Among the projects funded are water and sewer facilities serving industry and commerce; access roads to industrial parks or sites; port investments; and business incubator facilities. While these are not glamorous projects, they play an essential role in the process of upgrading and expanding the nation's aging public infrastructure which directly impacts communities' ability to

develop new businesses, retain and expand existing companies and generate local tax revenues. Since 1965, EDA public works investments have assisted in the creation of more than 1.5 million jobs.

The Economic Development Council of Northern Vermont (EDCNV) an economic development district serving six counties where dairy farming is important, created a regional dairy industrial park with EDA funding. The focus of this industrial park is on using dairy by-products such as whey for pharmaceutical products and fertilizer. This kind of careful investment based on local planning continues to pay substantial returns to the economy and builds on and adds value to existing resources.

EDA funding for infrastructure improvements to the Mallord Fox Creek Industrial Park in Decatur, Alabama through the North-central Alabama Regional Council of Governments has resulted in bringing more than 4,000 jobs to the area. This includes the recent announcement by the Boeing Company to employ between 2,000 and 3,000 people to build the common booster core for the new Delta IV rocket.

2. Planning Is Essential for Long Term Sustainable Development

EDA provides support for a network of 320 Economic Development Districts (EDDs) that serve local communities with professional and technical assistance. EDDs are multi-county public-private partnerships whose boards are composed of local elected officials, private-sector and minority representatives. EDDs are the core of EDA's delivery mechanism. Districts have evolved into the central planning and service coordination mechanism for many other Federal programs in rural areas including job training, housing, environmental protection, aging services, emergency management and small business assistance.

As former Representative Bill Clinger (R-PA) stated during the debate on the Economic Development Reauthorization Act of 1994 (HR 2442), "EDA has established a network of regional development organizations throughout its service areas, and I cannot stress too much their importance. EDA is directed toward rural areas of distress, rural communities that are having trouble competing in a wide variety of ways. What this program does is provide an expertise that would not otherwise be available to these communities." NADO members heartily agree with this analysis.

The districts are providers of professional capacity and technical assistance. In the current fiscal year, Congress appropriated \$24 million for EDA's Title III planning grants. Of this, EDA provides slightly more than \$17 million for EDD planning grants. Districts receive an average of \$53,000 from EDA. Like all EDA funds, these planning grants leverage additional funding from non-Federal sources, including State and local funds. EDA's planning grants support a staff person in each EDD who prepares an Overall Economic Development Program (OEDP) for the communities they serve. OEDPs are blueprints providing a comprehensive plan for community and economic development. They are developed with, and approved by, the local elected officials from all the participating communities.

It is important to note that the real purchasing power of the planning grants has been greatly diminished over the past 30 years by inflation. The average planning grant to districts was approximately \$54,000 at the start of the program in 1966. Today, the average planning grant remains only \$54,000. Adjusted for inflation, the value of a 1998 planning grant is only \$10,800, or 20 cents on the dollar, when compared to its original purchasing power in 1966. While districts have leveraged and stretched these small but significant dollars to help thousands of America's small metropolitan and rural communities forge ahead and create jobs, NADO members strongly encourage Congress to dramatically increase the authorization levels for the planning grant program.

Larger cities and counties have professional staff including engineers and planners to assist elected officials in the decisionmaking process. However, in most of the country's small and rural communities, district employees are the only professional staff that are able to navigate the mountains of red tape, regulations and application forms necessary to apply for Federal assistance. It is through EDA grants to districts for planning assistance that many distressed communities gain access to professional capacity and technical expertise. Of the 39,000 general purpose local governments in the US, 33,000 have populations of less than 3,000 and 11,500 have no employees.

EDDs are also the local institution that facilitates the flow of Federal assistance to rural and small metropolitan communities. Districts help smaller communities prepare applications for Federal and State assistance and often administer EDA infrastructure and economic adjustment grants. Districts are critically important in obtaining aid for rural counties and towns from other State and Federal agencies including: the US Department of Agriculture's rural development grants and loans, Department of Housing and Urban Development Community Development Block Grants, Department of Health and Human Service Welfare to Work and Older

Americans programs, Department of Labor job training, Small Business Administration micro-loan and Certified Development Company programs.

Economic Development Districts are entrepreneurial, extremely flexible and provide assistance far greater in scope than that provided by EDA or the Federal Government programs. Because they serve local communities and are governed by a majority of local elected officials, they respond to the needs of the communities and deliver a variety of services to meet locally identified needs.

The Lower Savannah Council of Governments (LSCOG) headquartered in Aiken, South Carolina was officially established on June 20, 1967 with an EDA grant of \$31,450 and local funds of \$10,500. Today, LSCOG's base has broadened to include not only economic development but also law enforcement assistance programs, comprehensive local and regional planning, services to older Americans, health planning and historic preservation. During the past 31 years, the Lower Savannah Council of Governments has worked with EDA on a number of successful projects, including:

Creation of the Aiken Technical Education Center and the Denmark Area Trade School which have helped increase both the number of jobs and the qualified persons to fill those positions.

Testing the effectiveness of exporting goods produced by small businesses or farmers. The council identified current exporters and industries with the potential to export goods and assisted in developing the capacity of persons who had never participated in the export process.

LSCOG planning staff provides mapping services which facilitate environmental, land use and economic planning, as well as the preparation of custom census and other data reports, using a Geographic Information System (GIS). GIS is an organized collection of computer hardware, software, geographic data and personnel designed to efficiently capture, store, update, manipulate, analyze and display all forms of geographically referenced information. A Global Positioning System (GPS) which allows locations to be mapped with satellite technology is also being used by LSCOG.

3. Small Business Assistance Through Revolving Loan Funds Helps Fill Credit Gaps

EDA's revolving loan fund (RLF) program is one of the most successful and powerful economic development tools for addressing the credit gaps that exist in many distressed communities, particularly in underserved rural areas. RLFs provide financing when standard lending institutions will not fund smaller, riskier or unconventional business ventures. These funds are lent to businesses that cannot obtain financing through traditional lending institutions. RLFs are managed by public or private nonprofit lending institutions as part of an overall economic development program by lending their initial capital and then relending funds as payments are made.

The Mount Rogers Planning District Commission (PDC), an EDA Economic Development District, headquartered in Marion, Virginia offers an excellent example of the impact EDA's revolving loan fund program has in distressed communities. The commission has been a major beneficiary of EDA grants and special funding that have provided the critical infrastructure and site development for several industrial parks and facilities. Established in 1986, the commission's revolving loan fund has developed an outstanding track record with \$1,368,000 loaned for 12 loans that range from \$25,000 to \$150,000. Over 840 jobs have been created or saved via the commission's RLF program with a cost per job portfolio of \$1,622 per job. Of the loans, approximately 28 percent went to industry and business startups and 81 percent to manufacturers. The RLF also targeted 4 percent of the firms that were women or minority owned.

One of the Mount Rogers RLF's most successful borrowers, Jack Galyean, President and Entrepreneur of Printed Circuit Solutions, recently received the Appalachian Regional Commission (ARC) Entrepreneur of Virginia Award. With the assistance of Mount Rogers PDC, Mr. Galyean established one of the region's most technically advanced/leading edge manufacturing facilities, specializing in the printed circuit board industry. Following a successful career in technology at Rockwell & Honeywell, he brought his expertise and business experience home to realize his dream of establishing a manufacturing operation in Galax, Virginia which would provide technically advanced, much needed jobs with above average wages. Printed Circuit Solutions Manufacturing, Inc. has grown to 30 employees with at least 50 percent of the work force having 2 years of college or more. The company provides wages 20 to 30 percent above the industry average in the Galax area.

Based on the success of the RLF program, NADO members strongly encourage Congress to help strengthen the program. The agency should be strongly encouraged to continue to allocate resources to capitalize or recapitalize RLFs, to review their regulations to allow more flexibility and responsiveness to local priorities and make

use of existing training programs such as the NADO Research Foundation's Economic Development Finance Service to ensure top level performance of new and existing RLFs.

4. Assistance Is Needed for Communities Facing Long Term and Sudden Economic Decline

EDA is extremely effective in helping communities cope with long-term economic disasters, such as resource-dependent economies facing the decline of coal or timber industries or sudden economic crises caused by plant closings and natural disasters. The agency is also a major player in the Federal Government's efforts to assist communities and industries struggling with defense conversion to shift their emphasis from military-based to private-sector economies.

NADO members applaud EDA for its past success and encourage the agency to continue using economic development districts as part of its defense conversion strategy. In distressed communities, the districts are prepared to respond to and meet needs identified at the local level. The districts have the flexibility and expertise to respond to challenges, as well as the capacity to provide rural communities with the ability to react to new causes of economic distress, such as base or industry closure due to military downsizing. Through the overall economic development program, districts can help communities plan for defense conversion related problems and prepare a regional strategy to counter these obstacles.

The South Western Oklahoma Development Authority (SWODA), an EDA Economic Development District, converted a former B-52 Strategic Air Command Base into the Clinton-Sherman Industrial Air Park owned by the city of Sherman. Employing 500 people, the industrial park is a small town in itself, with an airport, and commercial and industrial operations. Currently the State of Oklahoma has formed a team with SWODA to compete for a launch site for the next generation space shuttle.

EDA Has Earned the Right to Be Reauthorized

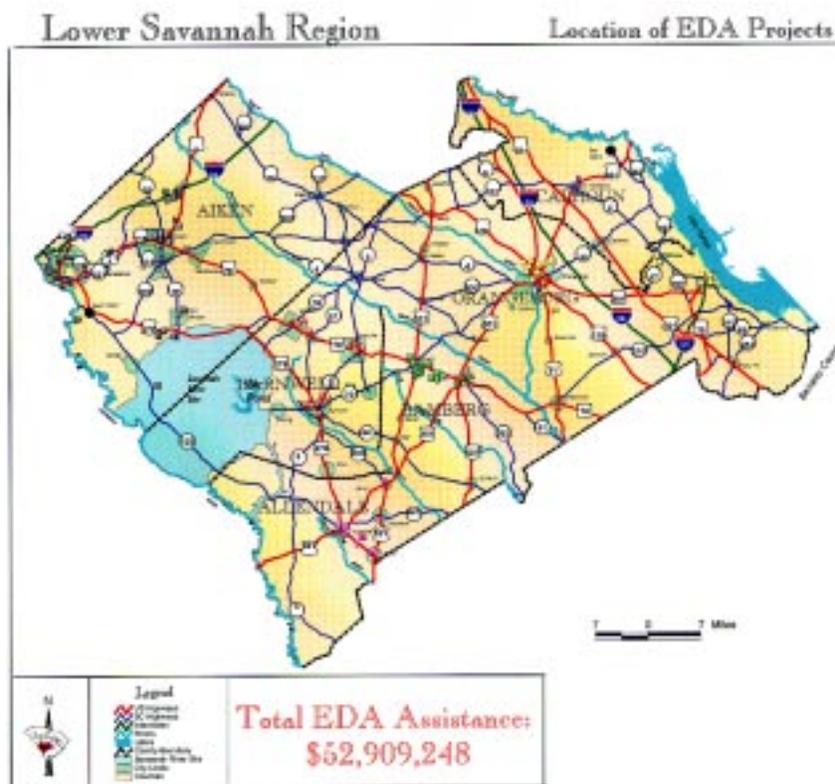
The Economic Development Administration has demonstrated its effectiveness and deserves the stability in programmatic structure and funding that reauthorization would provide. During the past 30 plus years, the agency has created or retained more than 2.8 million jobs resulting from 39,000 assistance projects throughout the country; generated \$1.9 billion in private-sector capital through revolving loan funds that have supported more than 7,000 businesses; and leveraged more than \$10 in private-sector investment for every Federal dollar invested.

Under the leadership of Assistant Secretary Phillip Singerman, EDA has streamlined its operations and significantly reformed and reinvented itself. Now is the time to provide the agency with legislative tools and congressional guidance to bring EDA into the 21st century.

EDA infrastructure grants are not only necessary, they are extremely successful and cost effective investment of Federal resources. The Federal Government receives a return on their investment far greater than the size of the Federal share of EDA infrastructure grants. As Assistant Secretary Singerman testified during House hearings last summer, a May 1997 performance evaluation of the EDA Public Works Program conducted by Rutgers University shows that EDA assistance helps distressed communities create jobs (at a cost of \$3,058 per job), expands the local tax base (an increase of \$10 for every \$1 of EDA investment), and leverages private investment (\$10 for every \$1 of EDA investment). The results of this evaluation were gathered from a study of 203 public works projects that received their final payment from EDA in fiscal year 1990.

In addition to EDA legislation, NADO members support reauthorization of the Appalachian Regional Commission (ARC) which provides assistance to distressed areas in this 13 State region. ARC, working with Local Development Districts, has focused its resources on their most distressed counties and should also be reauthorized.

To restate briefly the main reasons why Congress should reauthorize the Economic Development Administration this year. EDA is the only Federal agency that has the array of program tools needed to meet the challenges facing America's distressed communities including: public works, revolving loan funds, planning and economic adjustment. The Economic Development Administration supports a network of 320 Economic Development Districts (EDDs) that serve small metropolitan and rural communities as vital providers of professional and technical assistance. EDA has demonstrated its effectiveness and has earned the stability in programmatic structure and funding that reauthorization would provide.



EDUCATIONAL ASSOCIATION OF UNIVERSITY CENTERS,
Cullowhee, North Carolina 28723, July 14, 1998.

SENATOR JOHN WARNER *Chairman,*
Subcommittee on Transportation and Infrastructure,
Senate Office Building,
Washington, DC 20510.

SENATOR MAX BAUCUS RANKING *Minority Member,*
Committee on Environment and Public Works,
Senate Office Building,
Washington, DC 20510.

DEAR CHAIRMAN WARNER AND RANKING MINORITY MEMBER BAUCUS: The Educational Association of University Centers, a member of the Coalition for Economic Development, is pleased to provide comments for the record in strong support of the reauthorization of the Economic Development Administration (EDA).

As we all know, there are a myriad of different reasons why a particular geographical area may fall behind the economic development level of other regions of the country. Once this slide begins, however, standards of living further erode and poverty increases. EDA stands alone as our national resource to stem and hopefully reverse the economic decline in many distressed communities. By working through grants and local resource partners, EDA brings investment and critical technical expertise to create sustainable economic development in the most cost-effective manner possible.

The University Center program, funded by EDA through its technical assistance account, provides the technical expertise component in the menu of EDA services. As you know, there are 69 university centers nationwide that uniquely link the knowledge, expertise, and resources of the nation's higher education system with

the private sector and communities to solve economic development problems. By providing the feasibility studies, community economic development planning, data collection and dissemination, regional economic development studies, work force competitiveness training, non-profit development and local government official training, the university center program offers the technical expertise underpinning any successful economic development strategy.

University centers are often the vital link between a community's economic development plan and the capital investment to make that plan reality. In fact, in 1995 alone the university center program, which is currently funded by EDA at \$6.9 million, secured \$200 million in capital investments. That means that this one small EDA program leverages \$26 for every one Federal dollar EDA invests in the program. This extraordinary level of success is indicative of the value EDA brings to our nation's communities.

But, the university center program is only one small part of EDA's economic development arsenal. The planning process, EDA's network of regional offices and State economic development representatives, the revolving loan fund, the trade adjustment assistance program are all available to insure eligible communities get the help they need, when they need it. In the end, EDA and all of its partners focus on creating the jobs that are so crucial to the long-term viability of a community. Job creation remains job one.

Under the excellent leadership of Assistant Secretary Phillip Singerman, EDA has also instituted a number of measures to insure the highest possible quality from all of its programs. Several years ago, for instance, the university center program in conjunction with EDA developed a peer review process conducted by EDA staff and experienced University Center Directors to strengthen the overall program delivery. These onsite program assessments seek to correct instances of unsatisfactory performance and to proscribe new strategies for better serving our communities. The result has been a stronger, more efficient university center program.

While this is only one example, EDA's commitment to quality, cost-efficient programs shines through in its strategies to prepare itself for the 21st Century. While EDA has planted and nurtured the seedlings of a long term and highly effective presence in America's economy, it will take reauthorization to ensure these strategies take root and develop the strength to resist the political winds of change. Economic development is critical to the overall prosperity of our nation. Perhaps it is a tired cliché, but it still holds true: we are only as strong as our weakest link. EDA works to strengthen us all.

Reauthorization of EDA is vital to distressed communities nationwide. The Educational Association of University Centers urges you to act favorably and expeditiously to reauthorize EDA.

Thank you for your time and consideration of this vital matter.

Sincerely,

THOMAS MCCLURE,
Educational Association of University Centers.

105TH CONGRESS
2D SESSION

S. 1647

To reauthorize and make reforms to programs authorized by the Public Works and Economic Development Act of 1965.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 12, 1998

Mr. BAUCUS (by request) (for himself, Ms. SNOWE, Mr. LIEBERMAN, Mr. KEMPTHORNE, Mr. DASCHLE, Mr. DODD, Mr. DURBIN, Mr. LAUTENBERG, Ms. COLLINS, Mr. JOHNSON, and Mr. KENNEDY) introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

A BILL

To reauthorize and make reforms to programs authorized by the Public Works and Economic Development Act of 1965.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; EFFECTIVE DATE.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Economic Development Partnership Act of 1998”.

6 (b) **EFFECTIVE DATE.**—Except as otherwise ex-
7 pressly provided, the provisions of this Act and the amend-
8 ments made by this Act shall take effect as determined

1 by the Secretary of Commerce (hereinafter referred to as
2 the Secretary), but not later than three months after the
3 date of the enactment of this Act.

4 **SEC. 2. REAUTHORIZATION OF PUBLIC WORKS AND ECO-**
5 **NOMIC DEVELOPMENT ACT OF 1965.**

6 The Public Works and Economic Development Act of
7 1965 (42 U.S.C. 3131 et seq.) is amended by striking all
8 after the first section and inserting the following:

9 **“SEC. 2. FINDINGS AND DECLARATION.**

10 “(a) FINDINGS.—Congress finds that—

11 “(1) the maintenance of the national economy
12 at a high level is vital to the best interests of the
13 United States, but that some of our regions, coun-
14 ties, and communities are suffering substantial and
15 persistent unemployment and underemployment that
16 cause hardship to many individuals and their fami-
17 lies, and waste invaluable human resources;

18 “(2) to overcome this problem the Federal Gov-
19 ernment, in cooperation with the States, should help
20 areas and regions of substantial and persistent un-
21 employment and underemployment to take effective
22 steps in planning and financing their public works
23 and economic development;

24 “(3) Federal financial assistance, including
25 grants for public works and development facilities to

1 communities, industries, enterprises, and individuals
2 in areas needing development should enable such
3 areas to help themselves achieve lasting improve-
4 ment and enhance the domestic prosperity by the es-
5 tablishment of stable and diversified local economies,
6 sustainable development, and improved local condi-
7 tions, if such assistance is preceded by and consist-
8 ent with sound, long-range economic planning; and

9 “(4) under the provisions of this Act, new em-
10 ployment opportunities should be created by develop-
11 ing and expanding new and existing public works
12 and other facilities and resources rather than by
13 merely transferring jobs from one area of the United
14 States to another, and by supporting firms and in-
15 dustries which add to the growth of the nation’s
16 economy through improved technology, increased ex-
17 ports, and the supply of goods and services to satisfy
18 unmet demand.

19 “(b) DECLARATION.—Congress declares that, in fur-
20 therance of maintaining the national economy at a high
21 level—

22 “(1) the assistance authorized by this Act
23 should be made available to both rural and urban
24 areas;

1 “(2) such assistance should be made available
2 for planning for economic development prior to the
3 actual occurrences of economic distress in order to
4 avoid such condition; and

5 “(3) Such assistance should be used for long-
6 term economic rehabilitation in areas where long-
7 term economic deterioration has occurred or is tak-
8 ing place.

9 **“TITLE I—ECONOMIC DEVELOPMENT**
10 **PARTNERSHIPS COOPERATION AND**
11 **COORDINATION**

12 **“SEC. 101. ESTABLISHMENT OF ECONOMIC DEVELOPMENT**
13 **PARTNERSHIPS.**

14 “(a) IN GENERAL.—In providing assistance under
15 this Act, the Secretary shall cooperate with States and
16 other entities to assure that, consistent with national ob-
17 jectives, Federal programs are compatible with and fur-
18 ther the objectives of State, regional and local economic
19 development plans and comprehensive economic develop-
20 ment strategies.

21 “(b) TECHNICAL ASSISTANCE.—The Secretary shall
22 provide such technical assistance to States, local govern-
23 mental subdivisions of States, sub-State regional organiza-
24 tions (including organizations which cross State bound-
25 aries, and multi-State regional organizations as the Sec-

1 retary determines may be necessary or desirable to allevi-
2 ate economic distress, encourage and support public-pri-
3 vate partnerships for the formation and improvement of
4 economic development strategies which promote the
5 growth of the national economy, stimulate modernization
6 and technological advances in the generation and commer-
7 cialization of goods and services, and enhance the effec-
8 tiveness of American firms in the global economy.

9 “(c) INTERGOVERNMENTAL REVIEW.—The Secretary
10 shall prescribe regulations which will assure that appro-
11 priate State and local governmental authorities have been
12 given a reasonable opportunity to review and comment
13 upon proposed projects which the Secretary determines
14 may have a significant direct impact on the economy of
15 the area.

16 “(d) COOPERATIVE AGREEMENTS.—The Secretary
17 may enter into a cooperative agreement with any two or
18 more adjoining States, or an organization thereof, in sup-
19 port of effective economic development. Each such agree-
20 ment shall provide for suitable participation by other gov-
21 ernmental and nongovernmental parties representative of
22 significant interests in and perspectives on economic devel-
23 opment in the area.

1 **“SEC. 102. COOPERATION OF FEDERAL AGENCIES.**

2 “Each Federal department and agency, in accordance
3 with applicable laws and within the limits of available
4 funds, shall exercise its powers, duties and functions, and
5 shall cooperate with the Secretary in such manner as will
6 assist the Secretary in carrying out the objectives of this
7 Act.

8 **“SEC. 103. COORDINATION.**

9 “The Secretary shall actively coordinate with other
10 Federal programs, States, economic development districts,
11 and other appropriate planning and development organiza-
12 tions the activities relating to the requirements for com-
13 prehensive economic development strategies and making
14 grants under this Act.

15 **“SEC. 104. NATIONAL ADVISORY COMMITTEE.**

16 “The Secretary may appoint a National Public Advi-
17 sory Committee on Regional Economic Development which
18 shall consist of twenty-five members and shall be com-
19 posed of representatives of labor, management, agri-
20 culture, State and local governments, Federal agencies,
21 and the public in general. From the members appointed
22 to such Committee the Secretary shall designate a Chair-
23 man. Such Committee, or any duly established subcommit-
24 tee thereof, shall from time to time make recommenda-
25 tions to the Secretary relative to the carrying out of the
26 Secretary’s duties under this Act, including the coordina-

1 tion of activities as provided in section 103. Such Commit-
2 tee shall hold not less than two meetings during each cal-
3 endar year, and shall be governed by the provisions of the
4 Federal Advisory Committee Act.

5 **“TITLE II—GRANTS FOR PUBLIC WORKS**
6 **AND ECONOMIC DEVELOPMENT**

7 **“SEC. 201. PUBLIC WORKS GRANTS.**

8 “(a) Upon the application of any eligible recipient the
9 Secretary may make direct grants for acquisition or devel-
10 opment of land improvements for public works, public
11 service, or development facility usage, and the acquisition,
12 design and engineering, construction, rehabilitation, alter-
13 ation, expansion, or improvement of such facilities, includ-
14 ing related machinery and equipment.

15 “(b) The Secretary may provide assistance under this
16 section only if the Secretary finds that—

17 “(1) the project for which financial assistance is
18 sought will directly or indirectly—

19 “(A) tend to improve the opportunities, in
20 the area where such project is or will be lo-
21 cated, for the successful establishment or ex-
22 pansion of industrial or commercial plants or
23 facilities;

1 “(B) otherwise assist in the creation of ad-
2 ditional long-term employment opportunities of
3 such area;

4 “(C) primarily benefit the long-term unem-
5 ployed and members of low-income families; or

6 “(D) in the case of projects within areas
7 described in section 302(a)(8), the project will
8 enhance the economic growth potential of the
9 area or result in additional long-term employ-
10 ment opportunities commensurate with the
11 amount of Federal financial assistance re-
12 quested;

13 “(2) the project for which a grant is requested
14 will fulfill a pressing need of the area, or part there-
15 of, in which it is, or will be, located; and

16 “(3) the area for which a project is to be under-
17 taken has a satisfactory comprehensive economic de-
18 velopment strategy as provided by section 303 and
19 such project is consistent with such strategy.

20 “(c) In the case of an area described in section
21 302(a)(4), the Secretary may provide assistance only if the
22 Secretary finds that the project to be undertaken will pro-
23 vide immediate useful work to unemployed and under-
24 employed persons in that area.

1 “(d) Not more than 15 per centum of the appropria-
2 tions made pursuant to this section may be expended in
3 any one State.

4 **“SEC. 202. CONSTRUCTION COST INCREASES.**

5 “In any case where a grant (including a supplemental
6 grant) has been made by the Secretary under this title
7 or made, before the effective date of the Economic Devel-
8 opment Partnership Act of 1998, under title I of this act,
9 as in effect before such effective date, for a construction
10 project and after such grant has been made but before
11 completion of the project, the cost of such project based
12 upon the designs and specifications which were the basis
13 of the grant has been increased because of increases in
14 costs, the amount of such grant may be increased by an
15 amount equal to the percentage increase, as determined
16 by the Secretary, in such costs, but in no event shall the
17 percentage of the Federal share of such project exceed
18 that originally provided for in such grant.

19 **“SEC. 203. PLANNING AND ADMINISTRATIVE EXPENSES.**

20 “(a) Upon the application of any eligible recipient the
21 Secretary may make direct grants for economic develop-
22 ment planning and the administrative expenses of organi-
23 zations undertaking such planning.

24 “(b) The planning for cities, other political subdivi-
25 sions, Indian tribes, and sub-State planning and develop-

1 ment organizations (including areas described in section
2 302(a) and economic development districts) assisted under
3 this title shall include systematic efforts to reduce unem-
4 ployment and increase incomes.

5 “(c) The planning shall be a continuous process in-
6 volving public officials and private citizens in analyzing
7 local economies, defining development goals, determining
8 project opportunities and formulating and implementing
9 a development program.

10 “(d) The planning assistance authorized under this
11 title shall be used in conjunction with any other available
12 Federal planning assistance to assure adequate and effec-
13 tive planning and economical use of funds.

14 “(e) Any State plan prepared with assistance under
15 this section shall be prepared cooperatively by the State,
16 its political subdivisions, and the economic development
17 districts located in whole or in part within such State, as
18 a comprehensive economic development strategy. Upon
19 completion of any such plan, the State shall (1) certify
20 to the Secretary that in the preparation of the State plan,
21 the local and economic development district plans were
22 considered and, to the fullest extent possible, the State
23 plan is consistent with the local and economic development
24 district plans, and (2) identify any inconsistencies between
25 the State plan and the local and economic development

1 district plans, with the justification for each inconsistency.
2 Any overall State economic development planning shall be
3 a part of a comprehensive planning process that shall con-
4 sider the provisions of public works to stimulate and chan-
5 nel development, economic opportunities and choices for
6 individuals, to support sound land use, to foster effective
7 transportation access, to promote sustainable develop-
8 ment, to enhance and protect the environment including
9 the conservation and preservation of open spaces and envi-
10 ronmental quality, to provide public services, and to bal-
11 ance physical and human resources through the manage-
12 ment and control of physical development. Each State re-
13 ceiving assistance for the preparation of a plan according
14 to the provisions of this subsection shall submit to the Sec-
15 retary an annual report on the planning process assisted
16 under this subsection.

17 **“SEC. 204. COST SHARING.**

18 “Subject to section 205, the amount of any direct
19 grant under this title for any project shall not exceed 50
20 percent of the cost of such project. In determining the
21 amount of the non-Federal share of costs or expenses, the
22 Secretary shall give due consideration to all contributions
23 both in cash and in kind, fairly evaluated, including con-
24 tributions of space, equipment, and services.

1 **“SEC. 205. SUPPLEMENTARY GRANTS.**

2 “(a) IN GENERAL.—Upon the application of any eli-
3 gible recipient, the Secretary may make a supplementary
4 grant for a project for which the applicant is eligible but,
5 because of its economic situation, for which it cannot sup-
6 ply the required matching share. Included therein may be
7 supplementary grants made to enable the States and other
8 entities within areas described in section 302(a) to take
9 maximum advantage of designated Federal grant-in-aid
10 programs (as defined in subsection (b)(4) of this section),
11 direct grants-in-aid authorized under this title, and Fed-
12 eral grant-in-aid programs authorized by the Watershed
13 Protection and Flood Prevention Act (68 Stat. 666), and
14 the 11 watersheds authorized by the Flood Control Act
15 of December 22, 1944 (58 Stat. 887).

16 “(b) REQUIREMENTS APPLICABLE TO SUPPLE-
17 MENTARY GRANTS.—

18 “(1) AMOUNT OF SUPPLEMENTARY GRANTS.—

19 The amount of any supplementary grant under this
20 title for any project shall not exceed the applicable
21 percentage established by regulations promulgated
22 by the Secretary, but in no event shall the non-Fed-
23 eral share of the aggregate cost of any such project
24 (including assumptions of debt) be less than 20 per-
25 cent of such cost, except as provided in subsection
26 (b)(6).

1 “(2) FORM OF SUPPLEMENTARY GRANTS.—
2 Supplementary grants shall be made by the Sec-
3 retary, in accordance with such regulations as the
4 Secretary may prescribe, by increasing the amounts
5 of direct grants authorized under this title or by the
6 payment of funds appropriated under this act to the
7 heads of the departments, agencies, and instrumen-
8 talities of the Federal Government responsible for
9 the administration of the applicable Federal pro-
10 grams.

11 “(3) FEDERAL SHARE LIMITATIONS SPECIFIED
12 IN OTHER LAWS.—Notwithstanding any requirement
13 as to the amount or sources of non-Federal funds
14 that may otherwise be applicable to the Federal pro-
15 gram involved, funds provided under this subsection
16 may be used for the purpose of increasing the Fed-
17 eral contribution to specific projects in areas de-
18 scribed in section 302(a) under such programs above
19 the fixed maximum portion of the cost of such
20 project otherwise authorized by the applicable law.

21 “(4) DESIGNATED FEDERAL GRANT-IN-AID
22 PROGRAMS DEFINED.—In this section, the term ‘des-
23 ignated Federal grant-in-aid programs’ means such
24 existing or future Federal grant-in-aid programs as-
25 sisting in the construction or equipping of facilities

1 as the Secretary may, in furtherance of the purposes
2 of this Act, designate as eligible for allocation of
3 funds under this section.

4 “(5) CONSIDERATION OF RELATIVE NEED IN
5 DETERMINING AMOUNT.—In determining the
6 amount of any supplementary grant available to any
7 project under this title, the Secretary shall take into
8 consideration the relative needs of the area and the
9 nature of the project to be assisted.

10 “(6) EXCEPTIONS.—In the case of a grant to
11 an Indian tribe, the Secretary may reduce the non-
12 Federal share below the percentage specified in sub-
13 section (b)(1) or may waive the non-Federal share.
14 In the case of a grant to a State or a political sub-
15 division of a State which the Secretary determines
16 has exhausted its effective taxing and borrowing ca-
17 pacity, or of a grant to a nonprofit organization
18 which the Secretary determines has exhausted its ef-
19 fective borrowing capacity, the Secretary may reduce
20 the non-Federal share below the percentage specified
21 in subsection (b)(1) or may waive the non-Federal
22 share for (i) a project in an area described in section
23 302(a)(4), or (ii) a project the nature of which the
24 Secretary determines warrants the reduction or
25 waiver of the non-Federal share.

1 **“SEC. 206. REGULATIONS TO ASSURE RELATIVE NEEDS ARE**
2 **MET.**

3 “The Secretary shall prescribe rules, regulations, and
4 procedures to carry out this title which will assure that
5 adequate consideration is given to the relative needs of eli-
6 gible areas. In prescribing such rules, regulations, and
7 procedures for assistance under section 201 the Secretary
8 shall consider among other relevant factors—

9 “(1) the severity of the rates of unemployment
10 in the eligible areas and the duration of such unem-
11 ployment;

12 “(2) the income levels of families and the extent
13 of underemployment in eligible areas; and

14 “(3) the out-migration of population for eligible
15 areas.

16 **“SEC. 207. TRAINING, RESEARCH, & TECHNICAL ASSIST-**
17 **ANCE.**

18 “(a) Upon the application of any eligible recipient the
19 Secretary may make direct grants for training, research,
20 and technical assistance, including grants for program
21 evaluation and economic impact analyses, which would be
22 useful in alleviating or preventing conditions of excessive
23 unemployment or underemployment. Such assistance may
24 include project planning and feasibility studies, dem-
25 onstrations of innovative activities or strategic economic
26 development investments, management and operational

1 assistance, establishment of university centers, establish-
2 ment of business outreach centers, and studies evaluating
3 the needs of, and development potentialities for, economic
4 growth of areas which the Secretary finds have substantial
5 need for such assistance. The Secretary may waive the
6 non-Federal share in the case of a project under this sec-
7 tion, without regard to the provisions of section 204 or
8 205.

9 “(b) In carrying out the Secretary’s duties under this
10 Act, the Secretary may provide research and technical as-
11 sistance through members of the Secretary’s staff; the
12 payment of funds authorized for this section to depart-
13 ments or agencies of the Federal Government; the employ-
14 ment of private individuals, partnerships, firms, corpora-
15 tions, or suitable institutions under contracts entered into
16 for such purposes; or the award of grants under this title.

17 **“SEC. 208. RELOCATION OF INDIVIDUALS AND BUSINESSES.**

18 “Grants to eligible recipients shall include such
19 amounts as may be required to provide relocation assist-
20 ance to affected persons, as required by the Uniform Relo-
21 cation Assistance and Real Property Acquisition Act 1970,
22 as amended.

23 **“SEC. 209. ECONOMIC ADJUSTMENT.**

24 “(a) Upon the application of any eligible recipient the
25 Secretary may make direct grants for public facilities,

1 public services, business development (including a revolving loan fund), planning, technical assistance, training,
2 and other assistance which demonstrably furthers the economic adjustment objectives of this Act, including activities to alleviate long-term economic deterioration, and sudden and severe economic dislocations.

3 “(b) The Secretary may provide assistance under this
4 section only if the Secretary finds that—

5 “(1) the project will help the area meet a special need arising from—

6 “(A) actual or threatened severe unemployment arising from economic dislocation, including unemployment arising from actions of the Federal Government or from compliance with environmental requirements which remove economic activities from a locality; or

7 “(B) economic adjustment problems resulting from severe changes in economic conditions (including long-term economic deterioration);
8 and

9 “(2) the area for which a project is to be undertaken has a satisfactory comprehensive economic development strategy as provided by section 303 and
10 such project is consistent with such strategy. This

1 subsection (b)(2) shall not apply to planning
2 projects.

3 “(e) Assistance under this section shall extend to ac-
4 tivities identified by communities impacted by military
5 base closures, defense contractor cutbacks, and Depart-
6 ment of Energy reductions, to help the communities diver-
7 sify their economies. Nothing in this section is intended
8 to replace the efforts of the economic adjustment program
9 of the Department of Defense.

10 “(d) Assistance under this section shall extend to
11 post-disaster activities in areas affected by natural and
12 other disasters.

13 **“SEC. 210. DIRECT EXPENDITURE OR REDISTRIBUTION BY**
14 **RECIPIENT.**

15 “Amounts from grants under section 209 of this title
16 may be used in direct expenditures by the eligible recipient
17 or through redistribution by the eligible recipient to public
18 and private entities in grants, loans, loan guarantees, pay-
19 ments to reduce interest on loan guarantees, or other ap-
20 propriate assistance, but no grant shall be made by an
21 eligible recipient to a private profit-making entity.

22 **“SEC. 211. CHANGED PROJECT CIRCUMSTANCES.**

23 “In any case where a grant (including a supplemental
24 grant) has been made by the Secretary under this title
25 (or made under this Act, as in effect on the day before

1 the effective date of the Economic Development Partner-
2 ship Act of 1998) for a project, and after such grant has
3 been made but before completion of the project, the pur-
4 pose or scope of such project which were the basis of the
5 grant has changed, the Secretary may approve the use of
6 grant funds on such changed project if the Secretary de-
7 termines that such changed project meets the require-
8 ments of this title and that such changes are necessary
9 to enhance economic development in the area.

10 **“SEC. 212. USE OF FUNDS IN PROJECTS CONSTRUCTED**
11 **UNDER PROJECTED COST.**

12 “In any case where a grant (including a supplemental
13 grant) has been made by the Secretary under this title
14 (or made under this Act, as in effect on the day before
15 the effective date of the Economic Development Partner-
16 ship Act of 1998) for a construction project, and after
17 such grant has been made but before completion of the
18 project, the cost of such project based upon the designs
19 and specifications which was the basis of the grant has
20 decreased because of decreases in costs, such underrun
21 funds may be used to improve the project either directly
22 or indirectly as determined by the Secretary.

23 **“SEC. 213. BASE CLOSINGS AND REALIGNMENTS.**

24 “(a) LOCATION OF PROJECTS.—In any case in which
25 the Secretary determines a need for assistance under this

1 title due to the closure or realignment of a military or
2 Department of Energy installation, the Secretary may
3 make such assistance available for projects to be carried
4 out on the installation and for projects to be carried out
5 in communities adversely affected by the closure or re-
6 alignment.

7 “(b) INTEREST IN PROPERTY.—Notwithstanding any
8 other provision of law, the Secretary may provide to an
9 eligible recipient any assistance available under this Act
10 for a project to be carried out on a military or Department
11 of Energy installation that is closed or scheduled for clo-
12 sure or realignment without requiring that the eligible re-
13 cipient have title to the property or a leasehold interest
14 in the property for any specified term.

15 **“SEC. 214. PREVENTION OF UNFAIR COMPETITION.**

16 “No financial assistance under this Act shall be ex-
17 tended to any project when the result would be to increase
18 the production of goods, materials, or commodities, or the
19 availability of services or facilities, when there is not suffi-
20 cient demand for such goods, materials, commodities, serv-
21 ices, or facilities, to employ the efficient capacity of exist-
22 ing competitive commercial or industrial enterprises.

23 **“SEC. 215. REPORTS BY RECIPIENT.**

24 “Reports to the Secretary shall be required of recipi-
25 ents of assistance under this Act. Such reports shall be

1 at such intervals and in such manner as the Secretary
2 shall prescribe by regulation, not to exceed ten years from
3 the time of closeout of the assistance award, and shall con-
4 tain an evaluation of the effectiveness of the economic as-
5 sistance provided under this Act in meeting the need it
6 was designed to alleviate and the purposes of this Act.

7 **“TITLE III—DEFINITIONS, ELIGIBILITY**
8 **AND COMPREHENSIVE ECONOMIC DE-**
9 **VELOPMENT STRATEGIES**

10 **“SEC. 301. DEFINITIONS.**

11 “In this Act, unless the context otherwise requires,
12 the following definitions apply:

13 “(a) **ECONOMIC DEVELOPMENT DISTRICT.**—The
14 term ‘economic development district’ refers to any
15 area within the United States composed of cooperat-
16 ing areas described in section 302(a) and, where ap-
17 propriate, designated economic development centers
18 and neighboring counties or communities, which has
19 been designated by the Secretary as an economic de-
20 velopment district. Such term includes any economic
21 development district designated by the Secretary
22 under section 403 of this Act, as in effect on the day
23 before the effective date of the Economic Develop-
24 ment Partnership Act of 1998.

1 “(b) ECONOMIC DEVELOPMENT CENTER.—The
2 term ‘economic development center’ refers to any
3 area within the United States which has been identi-
4 fied as an economic development center in an ap-
5 proved comprehensive economic development strat-
6 egy and which has been designated by the Secretary
7 as eligible for financial assistance under this Act in
8 accordance with the provisions of this section.

9 “(c) ELIGIBLE RECIPIENT.—The term ‘eligible
10 recipient’ means an area described in section 302(a),
11 an economic development district designated under
12 section 401, an Indian tribe, a State, a city or other
13 political subdivision of a State or a consortium of
14 such political subdivisions, an institution of higher
15 education or a consortium of such institutions, or a
16 public or private nonprofit organization or associa-
17 tion acting in cooperation with officials of such polit-
18 ical subdivisions. For grants made under section
19 207, ‘eligible recipient’ also includes private individ-
20 uals and for-profit organizations.

21 “(d) GRANT.—The term ‘grant’ includes coop-
22 erative agreement, as that term is used in the Fed-
23 eral Grant and Cooperative Agreement Act of 1977.

24 “(e) INDIAN TRIBE.—The term ‘Indian tribe’
25 means an Indian or Alaska Native tribe, band, na-

1 tion, pueblo, village, or community that the Sec-
2 retary of the Interior acknowledges to exist as an In-
3 dian tribe pursuant to 25 U.S.C. section 479a-1.

4 “(f) STATE.—The terms ‘State’, ‘States’, and
5 ‘United States’ include the several States, the Dis-
6 trict of Columbia, the Commonwealth of Puerto
7 Rico, the Virgin Islands, Guam, American Samoa,
8 the Republic of the Marshall Islands, the Federated
9 States of Micronesia, the Republic of Palau, and the
10 Commonwealth of the Northern Mariana Islands.

11 **“SEC. 302. AREA ELIGIBILITY.**

12 “(a) CERTIFICATION.—In order to be eligible for as-
13 sistance for activities described under section 201 or 209,
14 an applicant shall certify, as part of an application for
15 such assistance, that the project is located in an area
16 which on the date of submission of such application meets
17 one or more of the following criteria:

18 “(1) The area has a per capita income of 80
19 percent or less of the national average.

20 “(2) The area has an unemployment rate one
21 percent above the national average percentage for
22 the most recent 24-month period for which statistics
23 are available.

24 “(3) The area has experienced or is about to
25 experience a sudden economic dislocation resulting

1 in job loss that is significant both in terms of the
2 number of jobs eliminated and the effect upon the
3 employment rate of the area.

4 “(4) The area is one in which the Secretary de-
5 termines that any activities authorized to be under-
6 taken under section 201 or 209 will provide imme-
7 diate useful work to unemployed and underemployed
8 persons in that area, and the area is a community
9 or neighborhood (defined without regard to political
10 or other subdivisions or boundaries) which the Sec-
11 retary determines has one or more of the following
12 conditions:

13 “(A) A large concentration of low-income
14 persons;

15 “(B) Areas having substantial out-migra-
16 tion; or

17 “(C) Substantial unemployment.

18 “(5) The area has demonstrated long-term eco-
19 nomic deterioration.

20 “(6) The area has an unemployment rate, for
21 the most recent 12 month period for which statistics
22 are available, above a rate established by regulation
23 as an indicator of substantial unemployment during
24 conditions of significantly high national unemploy-
25 ment.

1 “(7) The area is one which the Secretary has
2 determined has experienced, or may reasonably be
3 foreseen to be about to experience, a special need to
4 meet an expected rise in unemployment, or other
5 economic adjustment problems (including those
6 caused by any action or decision of the Federal Gov-
7 ernment).

8 “(8) The area contains a population of 250,000
9 or less and is identified in a comprehensive economic
10 development strategy as having growth potential and
11 the ability to alleviate distress within an economic
12 development district.

13 “(9) The area is experiencing severe outmigra-
14 tion.

15 “(b) DOCUMENTATION.—A certification made under
16 subsection (a) shall be supported by Federal data, when
17 available or, in the absence of recent Federal data, by data
18 available through the State government. Such documenta-
19 tion shall be accepted by the Secretary unless the Sec-
20 retary determines the documentation to be inaccurate. The
21 most recent statistics available shall be used.

22 “(c) SPECIAL RULE.—An area which the Secretary
23 determines is eligible for assistance because it meets 1 or
24 more of the criteria of subsection (a)(4)—

1 “(1) shall not be subject to the requirements of
2 sections 201(b) or 303; and

3 “(2) shall not be eligible to meet the require-
4 ment of section 401(a)(1)(B).

5 “(d) **PRIOR DESIGNATIONS.**—Any designation of a
6 redevelopment area made before the effective date of the
7 Economic Development Partnership Act of 1998 shall not
8 be effective after such effective date.

9 **“SEC. 303. COMPREHENSIVE ECONOMIC DEVELOPMENT**
10 **STRATEGY.**

11 “(a) **IN GENERAL.**—The Secretary may provide as-
12 sistance under section 201 or 209 (except for section 209
13 planning) to an applicant for a project only if the appli-
14 cant submits to the Secretary, as part of an application
15 for such assistance, evidence satisfactory to the Secretary
16 of a comprehensive economic development strategy
17 which—

18 “(1) identifies the economic development prob-
19 lems to be addressed using such assistance;

20 “(2) identifies past, present, and projected fu-
21 ture economic development investments in the area
22 receiving such assistance and public and private par-
23 ticipants and sources of funding for such invest-
24 ments; and

1 “(3) sets forth a strategy for addressing the
2 economic problems identified pursuant to paragraph
3 (a) and describes how the strategy will solve such
4 problems.

5 “(b) OTHER PLAN.—The Secretary may accept as a
6 comprehensive economic development strategy a satisfac-
7 tory plan prepared under another Federally supported
8 program.

9 **“TITLE IV—ECONOMIC DEVELOPMENT**

10 **DISTRICTS**

11 **“SEC. 401. DESIGNATION OF ECONOMIC DEVELOPMENT**
12 **DISTRICTS AND ECONOMIC DEVELOPMENT**
13 **CENTERS.**

14 “(a) IN GENERAL.—In order that economic develop-
15 ment projects of broader geographic significance may be
16 planned and carried out, the Secretary may—

17 “(1) designate appropriate ‘economic develop-
18 ment districts’ within the United States with the
19 concurrence of the States in which such districts will
20 be wholly or partially located, if—

21 “(A) the proposed district is of sufficient
22 size or population, and contains sufficient re-
23 sources, to foster economic development on a
24 scale involving more than a single area de-
25 scribed in section 302(a);

1 “(B) the proposed district contains at least
2 1 area described in section 302(a);

3 “(C) the proposed district contains 1 or
4 more areas described in section 302(a) or eco-
5 nomic development centers identified in an ap-
6 proved district comprehensive economic develop-
7 ment strategy as having sufficient size and po-
8 tential to foster the economic growth activities
9 necessary to alleviate the distress of the areas
10 described in section 302(a) within the district;
11 and

12 “(D) the proposed district has a district
13 comprehensive economic development strategy
14 which includes sustainable development, ade-
15 quate land use and transportation planning and
16 contains a specific program for district coopera-
17 tion, self-help, and public investment and is ap-
18 proved by the State or States affected and by
19 the Secretary;

20 “(2) designate as ‘economic development cen-
21 ters’, in accordance with such regulations as the
22 Secretary shall prescribe, such areas as the Sec-
23 retary may deem appropriate, if—

24 “(A) the proposed center has been identi-
25 fied and included in an approved district com-

1 comprehensive economic development strategy and
2 recommended by the State or States affected
3 for such special designation;

4 “(B) the proposed center is geographically
5 and economically so related to the district that
6 its economic growth may reasonably be expected
7 to contribute significantly to the alleviation of
8 distress in the areas described in section 302(a)
9 of the district; and

10 “(C) the proposed center does not have a
11 population in excess of 250,000 according to
12 the most recent Federal census; and

13 “(3) provide financial assistance in accordance
14 with the criteria of this Act, except as may be herein
15 otherwise provided, for projects in economic develop-
16 ment centers designated under subsection (a)(2),
17 if—

18 “(A) the project will further the objectives
19 of the comprehensive economic development
20 strategy of the district in which it is to be lo-
21 cated;

22 “(B) the project will enhance the economic
23 growth potential of the district or result in ad-
24 ditional long-term employment opportunities

1 commensurate with the amount of Federal fi-
2 nancial assistance requested; and

3 “(C) the amount of Federal financial as-
4 sistance requested is reasonably related to the
5 size, population, and economic needs of the dis-
6 trict.

7 “(b) AUTHORITIES.—The Secretary may, under reg-
8 ulations prescribed by the Secretary—

9 “(1) invite the several States to draw up pro-
10 posed economic development district boundaries and
11 to identify potential economic development centers;

12 “(2) cooperate with the several States—

13 “(A) in sponsoring and assisting district
14 economic planning and development groups;
15 and

16 “(B) in assisting such district groups to
17 formulate district comprehensive economic de-
18 velopment strategies; and

19 “(3) encourage participation by appropriate
20 local governmental authorities in such economic de-
21 velopment districts.

22 **“SEC. 402. TERMINATION OR MODIFICATION.**

23 “The Secretary shall by regulation prescribe stand-
24 ards for the termination or modification of economic devel-

1 opment districts and economic development centers des-
2 ignated under the authority of section 401.

3 **“SEC. 403. BONUS.**

4 “Subject to the 20 per centum non-Federal share re-
5 quired for any project by subsection 205(b)(1) of this Act,
6 the Secretary is authorized to increase the amount of
7 grant assistance authorized by sections 204 and 205 for
8 projects within designated economic development districts
9 by an amount not to exceed 10 per centum of the aggre-
10 gate cost of such project, in accordance with such regula-
11 tions as the Secretary shall prescribe if—

12 “(1) the project applicant is actively participat-
13 ing in the economic development activities of the dis-
14 trict; and

15 “(2) the project is consistent with an approved
16 district comprehensive economic development strat-
17 egy.

18 **“SEC 404. STRATEGY PROVIDED TO APPALACHIAN RE-**
19 **GIONAL COMMISSION.**

20 “Each economic development district designated by
21 the Secretary under this title shall provide that a copy
22 of the district comprehensive economic development strat-
23 egy be furnished to the Appalachian Regional Commission
24 established under the Appalachian Regional Development

1 Act of 1965, if any part of such district is within the Ap-
2 palachian region.

3 **“SEC. 405. PARTS NOT WITHIN AREAS DESCRIBED IN SEC-**
4 **TION 302(a).**

5 “The Secretary is authorized to provide the financial
6 assistance which is available to an area described in sec-
7 tion 302(a) under this Act to those parts of an economic
8 development district which are not within an area de-
9 scribed in section 302(a), when such assistance will be of
10 a substantial direct benefit to an area described in section
11 302(a) within such district. Such financial assistance shall
12 be provided in the same manner and to the same extent
13 as is provided in this Act for an area described in section
14 302(a).

15 **“TITLE V—ADMINISTRATION**

16 **“SEC. 501. ASSISTANT SECRETARY FOR ECONOMIC DEVEL-**
17 **OPMENT.**

18 “The Secretary will administer this Act with the as-
19 sistance of an Assistant Secretary of Commerce for Eco-
20 nomic Development to be appointed by the President by
21 and with the advice and consent of the Senate. The Assist-
22 ant Secretary of Commerce for Economic Development
23 will perform such functions as the Secretary may prescribe
24 and will serve as the administrator of the Economic Devel-

1 opment Administration within the Department of Com-
2 merce.

3 **“SEC. 502. ECONOMIC DEVELOPMENT INFORMATION**
4 **CLEARINGHOUSE.**

5 “It shall be a duty of the Secretary in administering
6 this Act—

7 “(a) to serve as a central information clearing-
8 house on matters relating to economic development,
9 economic, adjustment, disaster recovery, and defense
10 conversion programs and activities of the Federal
11 and State governments, including political subdivi-
12 sions of the States;

13 “(b) to help potential and actual applicants for
14 economic development, economic adjustment, disas-
15 ter recovery, and defense conversion assistance
16 under Federal, State, and local laws in locating and
17 applying for such assistance, including financial and
18 technical assistance; and

19 “(c) to aid areas described in section 302(a)
20 and other areas by furnishing to interested individ-
21 uals, communities, industries, and enterprises within
22 such areas any technical information, market re-
23 search, or other forms of assistance, information, or
24 advice which would be useful in alleviating or pre-

1 venting conditions of excessive unemployment or
2 underemployment within such areas.

3 **“SEC. 503. CONSULTATION WITH OTHER PERSONS AND**
4 **AGENCIES.**

5 “(a) CONSULTATION ON PROBLEMS RELATING TO
6 EMPLOYMENT.—The Secretary is authorized from time to
7 time to call together and confer with any persons, includ-
8 ing representatives of labor, management, agriculture, and
9 government, who can assist in meeting the problems of
10 area and regional unemployment or underemployment.

11 “(b) CONSULTATION ON ADMINISTRATION OF ACT.—
12 The Secretary may make provisions for such consultation
13 with interested departments and agencies as the Secretary
14 may deem appropriate in the performance of the functions
15 vested in the Secretary by this Act.

16 **“SEC. 504. ADMINISTRATION, OPERATION, AND MAINTENANCE.**
17

18 “No Federal assistance shall be approved under this
19 Act unless the Secretary is satisfied that the project for
20 which Federal assistance is granted will be properly and
21 efficiently administered, operated, and maintained.

22 **“SEC. 505. FIRMS DESIRING FEDERAL CONTRACTS.**

23 “The Secretary may furnish the procurement divi-
24 sions of the various departments, agencies, and other in-
25 strumentalities of the Federal Government with a list con-

1 taining the names and addresses of business firms which
2 are located in areas of high economic distress and which
3 are desirous of obtaining Government contracts for the
4 furnishing of supplies or services, and designating the sup-
5 plies and services such firms are engaged in providing.

6 **“SEC. 506. AMENDMENT TO TITLE 5, U.S.C.**

7 “Section 5316 of title 5, United States Code, is
8 amended by striking ‘Administrator for Economic Devel-
9 opment.’

10 **“TITLE VI—MISCELLANEOUS**

11 **“SEC. 601. POWERS OF SECRETARY.**

12 “(a) IN GENERAL.—In performing the Secretary’s
13 duties under this Act, the Secretary is authorized to—

14 “(1) adopt, alter, and use a seal, which shall be
15 judicially noticed;

16 “(2) subject to the civil-service and classifica-
17 tion laws, select, employ, appoint, and fix the com-
18 pensation of such personnel as may be necessary to
19 carry out the provisions of this Act;

20 “(3) hold such hearings, sit and act at such
21 times and places, and take such testimony, as the
22 Secretary may deem advisable;

23 “(4) request directly from any executive depart-
24 ment, bureau, agency, board, commission, office,
25 independent establishment, or instrumentality infor-

1 mation, suggestions, estimates, and statistics needed
2 to carry out the purposes of this Act; and each de-
3 partment, bureau, agency, board, commission, office,
4 establishment, or instrumentality is authorized to
5 furnish such information, suggestions, estimates,
6 and statistics directly to the Secretary;

7 “(5) consistent with the Debt Collection Im-
8 provement Act of 1996, under regulations prescribed
9 by the Secretary, assign or sell at public or private
10 sale, or otherwise dispose of for cash or credit, in
11 the Secretary’s discretion and upon such terms and
12 conditions and for such consideration as the Sec-
13 retary determines to be reasonable, any evidence of
14 debt, contract, claim, personal property, or security
15 assigned to or held by the Secretary in connection
16 with assistance extended under the Act, and collect
17 or compromise all obligations assigned to or held by
18 the Secretary in connection with such assistance
19 until such time as such obligations may be referred
20 to the Attorney General for suit or collection;

21 “(6) deal with, complete, renovate, improve,
22 modernize, insure, rent, or sell for cash or credit,
23 upon such terms and conditions and for such consid-
24 eration as the Secretary determines to be reasonable,
25 any real or personal property conveyed to or other-

1 wise acquired by the Secretary in connection with
2 assistance extended under this Act;

3 “(7) consistent with the Debt Collection Im-
4 provement Act of 1996, pursue to final collection, by
5 way of compromise or other administrative action,
6 prior to reference to the Attorney General, all claims
7 against third parties assigned to the Secretary in
8 connection with assistance extended under this Act;

9 “(8) acquire, in any lawful manner, any prop-
10 erty (real, personal, or mixed, tangible or intangi-
11 ble), whenever necessary or appropriate in connec-
12 tion with assistance extended under this Act;

13 “(9) in addition to any powers, functions, privi-
14 leges, and immunities otherwise vested in the Sec-
15 retary, take any action, including the procurement of
16 the services of attorneys by contract, determined by
17 the Secretary to be necessary or desirable in making,
18 purchasing, servicing, compromising, modifying, liq-
19 uidating, or otherwise administratively dealing with
20 assets held in connection with financial assistance
21 extended under this Act;

22 “(10) employ experts and consultants or organi-
23 zations as authorized by section 3109 of title 5,
24 United States Code, compensate individuals so em-
25 ployed, including travel time, and allow them, while

1 away from their homes or regular places of business,
2 travel expenses (including per diem in lieu of sub-
3 sistence) as authorized by section 5703 of title 5,
4 United States Code, for persons in the Government
5 service employed intermittently, while so employed,
6 except that contracts for such employment may be
7 renewed annually;

8 “(11) establish performance measures for
9 grants and other assistance provided under this Act,
10 and use such performance measures to evaluate the
11 economic impact of economic development assistance
12 programs; the establishment and use of such per-
13 formance measures to be provided by the Secretary
14 through members of his staff, through the employ-
15 ment of appropriate parties under contracts entered
16 into for such purposes, or through grants to such
17 parties for such purposes, using any funds made
18 available by appropriations to carry out this Act;

19 “(12) sue and be sued in any court of record
20 of a State having general jurisdiction or in any
21 United States district court, and jurisdiction is con-
22 ferred upon such district court to determine such
23 controversies without regard to the amount in con-
24 troversy; but no attachment, injunction, garnish-
25 ment, or other similar process, mesne or final, shall

1 be issued against the Secretary or the Secretary's
2 property; and

3 “(13) establish such rules, regulations, and pro-
4 cedures as the Secretary considers appropriate in
5 carrying out the provisions of this Act.

6 “(b) DEFICIENCY JUDGMENTS.—The authority
7 under subsection (a)(7) to pursue claims shall include the
8 authority to obtain deficiency judgments or otherwise in
9 the case of mortgages assigned to the Secretary.

10 “(c) INAPPLICABILITY OF CERTAIN OTHER RE-
11 QUIREMENTS.—Section 3709 of the Revised Statutes of
12 the United States shall not apply to any contract of haz-
13 ard insurance or to any purchase or contract for services
14 or supplies on account of property obtained by the Sec-
15 retary as a result of assistance extended under this Act
16 if the premium for the insurance or the amount of the
17 insurance does not exceed \$1,000.

18 “(d) PROPERTY INTERESTS.—The powers of the Sec-
19 retary, pursuant to this section, in relation to property ac-
20 quired by the Secretary in connection with assistance ex-
21 tended under this Act, shall extend to property interests
22 of the Secretary in relation to projects approved under the
23 Public Works and Economic Development Act of 1965,
24 title I of the Public Works Employment Act of 1976, title
25 II of the Trade Act of 1974, and the Community Emer-

1 gency Drought Relief Act of 1977. Property interests in
2 connection with grants may be released, in whole or in
3 part, in the Secretary's discretion, after 20 years from the
4 date of grant disbursement.

5 “(e) POWERS OF CONVEYANCE AND EXECUTION.—

6 The power to convey and to execute, in the name of the
7 Secretary, deeds of conveyance, deeds of release, assign-
8 ments and satisfactions of mortgages, and any other writ-
9 ten instrument relating to real or personal property or any
10 interest therein acquired by the Secretary pursuant to the
11 provisions of this Act may be exercised by the Secretary,
12 or by any officer or agent appointed by the Secretary for
13 such purpose, without the execution of any express delega-
14 tion of power or power of attorney.

15 **“SEC. 602. MAINTENANCE OF STANDARDS.**

16 “The Secretary shall continue to implement and en-
17 force the provisions of section 712 of this Act, as in effect
18 on the day before the effective date of the Economic Devel-
19 opment Partnership Act of 1998.

20 **“SEC. 603. ANNUAL REPORT TO CONGRESS.**

21 “The Secretary shall transmit a comprehensive and
22 detailed annual report to Congress of the Secretary's ac-
23 tivities under this Act for each fiscal year beginning with
24 the fiscal year ending September 30, 1999. Such report
25 shall be printed and shall be transmitted to Congress not

1 later than July 1 of the year following the fiscal year with
2 respect to which such report is made.

3 **“SEC. 604. USE OF OTHER FACILITIES.**

4 “(a) DELEGATION OF FUNCTIONS TO OTHER FED-
5 ERAL DEPARTMENTS AND AGENCIES.—The Secretary
6 may delegate to the heads of other departments and agen-
7 cies of the Federal Government any of the Secretary’s
8 functions, powers, and duties under this Act as the Sec-
9 retary may deem appropriate, and authorize the redelega-
10 tion of such functions, powers, and duties by the heads
11 of such departments and agencies.

12 “(b) TRANSFER BETWEEN DEPARTMENTS.—Funds
13 authorized to be appropriated under this Act may be
14 transferred between departments and agencies of the Gov-
15 ernment, if such funds are used for the purposes for which
16 they are specifically authorized and appropriated.

17 “(c) FUNDS TRANSFERRED FROM OTHER DEPART-
18 MENTS AND AGENCIES.—In order to carry out the objec-
19 tives of this Act, the Secretary may accept transfers of
20 funds from other departments and agencies of the Federal
21 Government if the funds are used for the purposes for
22 which (and in accordance with the terms under which) the
23 funds are specifically authorized and appropriated. Such
24 transferred funds shall remain available until expended,
25 and may be transferred to and merged with the appropria-

1 tions under the heading ‘salaries and expenses’ by the Sec-
2 retary to the extent necessary to administer the program.

3 **“SEC. 605. PENALTIES.**

4 “(a) FALSE STATEMENTS; SECURITY OVER-
5 VALUATION.—Whoever makes any statement knowing it
6 to be false, or whoever willfully overvalues any security,
7 for the purpose of obtaining for such person or for any
8 applicant any financial assistance under this Act or any
9 extension of such assistance by renewal, deferment or ac-
10 tion, or otherwise, or the acceptance, release, or substi-
11 tution of security for such assistance, or for the purpose
12 of influencing in any way the action of the Secretary or
13 for the purpose of obtaining money, property, or anything
14 of value, under this Act, shall be fined under title 18,
15 United States Code, imprisoned for not more than 5 years,
16 or both.

17 “(b) EMBEZZLEMENT AND FRAUD-RELATED
18 CRIMES.—Whoever, being connected in any capacity with
19 the Secretary in the administration of this Act—

20 “(1) embezzles, abstracts, purloins, or willfully
21 misapplies any moneys, funds, securities, or other
22 things of value, whether belonging to such person or
23 pledged or otherwise entrusted to such person;

24 “(2) with intent to defraud the Secretary or
25 any other body politic or corporate, or any individ-

1 ual, or to deceive any officer, auditor, or examiner,
2 makes any false entry in any book, report, or state-
3 ment of or to the Secretary or without being duly
4 authorized draws any orders or issues, puts forth, or
5 assigns any note, debenture, bond, or other obliga-
6 tion, or draft, bill of exchange, mortgage, judgment,
7 or decree thereof;

8 “(3) with intent to defraud, participates or
9 shares in or receives directly or indirectly any
10 money, profit, property, or benefit through any
11 transaction, loan, grant, commission, contract, or
12 any other act of the Secretary; or

13 “(4) gives any unauthorized information con-
14 cerning any future action or plan of the Secretary
15 which might affect the value of securities, or having
16 such knowledge invests or speculates, directly or in-
17 directly, in the securities or property of any com-
18 pany or corporation receiving loans, grants, or other
19 assistance from the Secretary, shall be fined under
20 title 18, United States Code, imprisoned for not
21 more than 5 years, or both.

22 **“SEC. 606. EMPLOYMENT OF EXPEDITERS AND ADMINIS-**
23 **TRATIVE EMPLOYEES.**

24 “No financial assistance shall be extended by the Sec-
25 retary under this Act to any business enterprise unless

1 the owners, partners, or officers of such business enter-
2 prise—

3 “(1) certify to the Secretary the names of any
4 attorneys, agents, and other persons engaged by or
5 on behalf of such business enterprise for the purpose
6 of expediting applications made to the Secretary for
7 assistance of any sort, under this Act, and the fees
8 paid or to be paid to any such person; and

9 “(2) execute an agreement binding such busi-
10 ness enterprise, for a period of 2 years after such
11 assistance is rendered by the Secretary to such busi-
12 ness enterprise, to refrain from employing, tendering
13 any office or employment to, or retaining for profes-
14 sional services, any person who, on the date such as-
15 sistance or any part thereof was rendered, or within
16 the 1-year period ending on such date, shall have
17 served as an officer, attorney, agent, or employee,
18 occupying a position or engaging in activities which
19 the Secretary determines involves discretion with re-
20 spect to the granting of assistance under this Act.

21 **“SEC. 607. MAINTENANCE OF RECORDS OF APPROVED AP-
22 PPLICATIONS FOR FINANCIAL ASSISTANCE;
23 PUBLIC INSPECTION.**

24 “(a) MAINTENANCE OF RECORD REQUIRED.—The
25 Secretary shall maintain as a permanent part of the

1 records of the Department of Commerce a list of applica-
2 tions approved for financial assistance under this Act,
3 which shall be kept available for public inspection during
4 the regular business hours of the Department of Com-
5 merce.

6 “(b) POSTING TO LIST.—The following information
7 shall be posted in such list as soon as each application
8 is approved:

9 “(1) The name of the applicant and, in the case
10 of corporate applications, the names of the officers
11 and directors thereof.

12 “(2) The amount and duration of the financial
13 assistance for which application is made.

14 “(3) The purposes for which the proceeds of the
15 financial assistance are to be used.

16 **“SEC. 608. RECORDS AND AUDIT.**

17 “(a) RECORDKEEPING AND DISCLOSURE REQUIRE-
18 MENTS.—Each recipient of assistance under this Act shall
19 keep such records as the Secretary shall prescribe, includ-
20 ing records which fully disclose the amount and the dis-
21 position by such recipient of the proceeds of such assist-
22 ance, the total cost of the project or undertaking in con-
23 nection with which such assistance is given or used, and
24 the amount and nature of that portion of the cost of the

1 project or undertaking supplied by other sources, and such
2 other records as will facilitate an effective audit.

3 “(b) ACCESS TO BOOKS FOR EXAMINATION AND
4 AUDIT.—The Secretary, the Inspector General of the De-
5 partment of Commerce, and the Comptroller General of
6 the United States, or any of their duly authorized rep-
7 resentatives, shall have access for the purpose of audit and
8 examination to any books, documents, papers, and records
9 of the recipient that are pertinent to assistance received
10 under this Act.

11 **“SEC. 609. PROHIBITION AGAINST A STATUTORY CON-**
12 **STRUCTION WHICH MIGHT CAUSE DIMINU-**
13 **TION IN OTHER FEDERAL ASSISTANCE.**

14 “All financial and technical assistance authorized
15 under this Act shall be in addition to any Federal assist-
16 ance previously authorized, and no provision of this Act
17 shall be construed as authorizing or permitting any reduc-
18 tion or diminution in the proportional amount of Federal
19 assistance which any State or other entity eligible under
20 this Act would otherwise be entitled to receive under the
21 provisions of any other Act.

22 **“SEC. 610. ACCEPTANCE OF APPLICANTS’ CERTIFICATIONS.**

23 “The Secretary may accept, when deemed appro-
24 priate, the applicants’ certifications to meet the require-
25 ments of this Act.

1 **“TITLE VII—FUNDING**

2 **“SEC. 701. AUTHORIZATION OF APPROPRIATIONS.**

3 “There is authorized to be appropriated to carry out
4 this Act \$397,969,000 for fiscal year 1999 and such sums
5 as may be necessary for each of fiscal years 2000 through
6 2002, such sums to remain available until expended.

7 **“SEC. 702. DEFENSE CONVERSION ACTIVITIES.**

8 “In addition to the appropriations authorized by sec-
9 tion 701, there are authorized to be appropriated to carry
10 out this Act such sums as may be necessary to provide
11 assistance for defense conversion activities. Such funding
12 may include pilot projects for privatization and economic
13 development activities for closed or realigned military or
14 Department of Energy installations. Such sums shall re-
15 main available until expended.

16 **“SEC. 703. DISASTER ECONOMIC RECOVERY ACTIVITIES.**

17 “In addition to the appropriations authorized by sec-
18 tion 701, there are authorized to be appropriated to carry
19 out this Act such sums as may be necessary to provide
20 assistance for disaster economic recovery activities. Such
21 sums shall remain available until expended.”

22 **SEC. 3. SAVINGS PROVISIONS.**

23 (a) EXISTING RIGHTS, DUTIES, AND OBLIGATIONS
24 NOT AFFECTED.—This Act shall not be construed as af-
25 fecting the validity of any right, duty, or obligation of the

1 United States or any other person arising under or pursu-
 2 ant to any contract, loan, or other instrument or agreee-
 3 ment which was in effect on the day before the effective
 4 date of this Act.

5 (b) CONTINUATION OF SUITS.—No action or other
 6 proceeding commenced by or against any officer or em-
 7 ployee of the Economic Development Administration shall
 8 abate by reason of the enactment of this Act.

9 (c) LIQUIDATING ACCOUNT.—The Economic Devel-
 10 opment Revolving Fund hitherto established under section
 11 203 of the Public Works and Economic Development Act
 12 of 1965 shall continue to be available to the Secretary as
 13 a liquidating account as defined under section 502 of the
 14 Federal Credit Reform Act of 1990 for payment of obliga-
 15 tions and expenses in connection with financial assistance
 16 extended under this Act, said Act of 1965, the Area Rede-
 17 velopment Act, and the Trade Act of 1974.

18 (d) ADMINISTRATION.—The Secretary shall take
 19 such actions as authorized before the effective date of this
 20 Act as necessary or appropriate to administer and liq-
 21 uidate existing grants, contracts, agreements, loans, obli-
 22 gations, debentures, or guarantees heretofore made by the
 23 Secretary or the Secretary's delegatee pursuant to provi-

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1 sions in effect immediately prior to the effective date of
 2 this Act.

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