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# Economic Development Administration: FY2016 Appropriations

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## Summary

The Economic Development Administration (EDA) was created pursuant to the enactment of the Public Works and Economic Development Act of 1965, with the objective of fostering growth in economically distressed areas characterized by high levels of unemployment and low per-capita income levels. EDA, an agency within the Department of Commerce, is the primary federal agency charged with implementing and coordinating federal economic development policy.

For FY2016, the Obama Administration requested significant increases in funding for EDA activities and salaries and expenses. Under the Administration's proposal, EDA funding would increase by 9.2%, from \$250 million to \$273 million over the last fiscal year, including significant increases in funding for the following:

- salaries and expenses, from \$37 million to \$45.5 million;
- regional Innovation Program grants, from \$10 million to \$25 million;
- economic Adjustment Assistance, from \$45 million to \$53 million; and
- Planning Grants, from \$30 million to \$39.5 million.

On June 3, 2015, the House approved its version of the Departments of Commerce, Justice, Science, and Related Agencies (CJS) Appropriations Act for FY2016, H.R. 2578. The bill rejects the Administration's proposed funding increases. Instead, the bill would freeze total funding at the FY2015 level of \$250 million. The bill recommends a \$5 million increase in funding for coal mining communities (above the amount set aside under the Economic Adjustment Assistance) while recommending eliminating \$4 million in funding for Innovative Manufacturing. On June 16, 2015, the Senate Appropriations Committee reported its version of H.R. 2578. This bill also rejects the Administration's proposed increases in funding and, like its House counterpart, would freeze total funding for EDA at the FY2015 level of \$250 million. It would shift funding priorities, eliminating \$4 million in funding for Innovative Manufacturing, transferring \$10 million in Assistance to Coal Mining Communities from a set-aside under the Economic Adjustment Assistance program to a stand-alone program, and increase funding for Economic Adjustment Assistance by \$3 million, from \$45 million in FY2015 to \$48 million for FY2016.

This report will be updated as events warrant.

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The Economic Development Administration (EDA) was created pursuant to the enactment of the Public Works and Economic Development Act of 1965,<sup>1</sup> with the objective of fostering growth in economically distressed areas characterized by high levels of unemployment and low per-capita income levels. Federally designated disaster areas and areas affected by military base realignment or closure (BRAC) are also eligible for EDA assistance. EDA provides grants for public works, economic adjustment in case of natural disasters or mass layoffs, technical assistance, planning, and research.<sup>2</sup>

The Consolidated and Further Continuing Appropriations Act for FY2015 (P.L. 113-235), appropriated \$250 million in total funding for EDA, including \$213 million in support of EDA programs and activities, and \$37 million for salaries and expenses.

## Administration's Request

The Obama Administration's FY2016 budget request, which was released on February 2, 2015, proposed an increase in total EDA funding from \$250 million in FY2015 to \$273 million in FY2016, a 9.2% increase. In addition, the Administration's request called for shifts in funding priorities. Specifically, the Administration's budget request proposed the following:

- Reduced funding for what is EDA's most highly funded program, public works grants. The Administration recommended \$14 million less for these grants than the \$99 million that was appropriated in FY2015.
- Greater emphasis on projects intended to support job creation through regional innovation clusters by requesting an appropriation of \$25 million for such activities, which is \$15 million more than was appropriated for these activities in FY2015.
- Significant increases in funding for the Economic Adjustment Assistance, research and evaluation, and planning grants programs, including increases of 17.8%, 100%, and 31.7% respectively for the three programs.
- A significant increase, 23%, in funding for salaries and expenses.

The Administration's budget request for each EDA program is listed in **Table 1** along with the recommended amounts proposed by the House and Senate.

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<sup>1</sup> P.L. 89-136; 42 U.S.C. 3121, et seq.

<sup>2</sup> For additional information on EDA's statutory history, see CRS Report R41241, *Economic Development Administration: A Review of Elements of Its Statutory History*, by (name redacted).

**Table I. Funding for EDA Programs and Salaries and Expenses, FY2015 and FY2016**  
(budget authority in millions of dollars )

	<b>FY2015 Enacted</b>	<b>FY2016 Request</b>	<b>FY2016 House Passed</b>	<b>FY2016 Senate Committee</b>	<b>FY2016 Enacted</b>
<b>Economic Development Assistance Program</b>	<b>\$213.0</b>	<b>\$227.5</b>	<b>\$213.0</b>	<b>\$213.0</b>	
Public Works	(99.0)	(85.0)	(100.0)	(100.0)	
Economic Adjustment Assistance	(45.0) <sup>a</sup>	(53.0)	(32.5)	(48.0)	
Planning Assistance	(30.0)	(39.5) <sup>b</sup>	(30.0)	(30.0)	
Technical Assistance	(11.0)	(12.0)	(10.5)	(11.0)	
Research and Evaluation	(1.5)	(3.0)	(1.5)	(1.5)	
Trade Adjustment Assistance	(12.5)	(10.0)	(12.5)	(12.5)	
Innovative Manufacturing	(4.0)	0.0	0.0	0.0	
Regional Innovation Strategies and Science Parks Loan Guarantees	(10.0)	(25.0)	(11.0)	(10.0)	
Assistance to Coal Mining Communities	(0.0) <sup>c</sup>	(0.0)	(15.0)	0.0	
Prior Year Recoveries	—				
<b>Salaries and Expenses</b>	<b>37.0</b>	<b>45.5</b>	<b>37.0</b>	<b>37.0</b>	
<b>Total</b>	<b>\$250.0</b>	<b>\$273.0</b>	<b>\$250.0</b>	<b>\$250.0</b>	

**Source:** FY2015 enacted amounts, FY2016 Administration budget request and House-approved and Senate Appropriations Committee recommendations were taken from the House and Senate explanatory statements accompanying H.R. 2578.

**Notes:** Amounts may not add to totals due to rounding.

- Includes \$10 million set-aside for Assistance to Coal Mining Communities.
- The additional \$9.5 million above the amount appropriated for FY2015 would be used to fund 16 previously unfunded Economic Development Districts and to update all existing CEDS.
- Funded as a \$10 million set-aside under the Economic Adjustment Assistance Program.

The Administration's EDA budget justification document for FY2016 seeks to recast EDA assistance in the context of global economic competition and the promotion of sustainable economic development.<sup>3</sup> The Administration's emphases on promoting interagency coordination of resources and on the implementation of regional innovation strategies are among the primary reasons the Administration has requested an \$8 million increase in funding for its most flexible program, Economic Adjustment Assistance grants.<sup>4</sup> The \$9.5 million increase in requested funding for planning grants is another example of the Administration's attempt to coordinate and

<sup>3</sup> United States Department of Commerce, Economic Development Administration, *Fiscal Year 2016 Congressional Budget Request*, Washington, DC, February 2, 2015, pp. 4-5, at [http://www.osec.doc.gov/bmi/budget/FY16CJ/EDA\\_FY\\_2016\\_CJ\\_Final.pdf](http://www.osec.doc.gov/bmi/budget/FY16CJ/EDA_FY_2016_CJ_Final.pdf).

<sup>4</sup> *Ibid.*, pp. 42-45.

promote sustainable economic development. The increase in appropriations for planning grants would be used to fund 16 previously unfunded Economic Development Districts (EDD) and to “conduct a one-time refresh” of each EDD’s Comprehensive Economic Development Strategy (CEDS), which is a required element for establishing eligibility for EDA’s Public Works and Economic Adjustment Assistance grants. Additional funding for planning grants would be used help EDDs incorporate new components of the CEDS that focus on economic resiliency and coordination with other federal, state, and local resources.<sup>5</sup>

According to the Obama Administration, one manifestation of EDA’s effort to promote interagency coordination is the central role it plays in the Administration’s Partnerships for Workforce and Economic Revitalization Plus (POWER+) initiative, an interagency effort intended to coordinate competitively awarded federal grant assistance to communities experiencing economic disruption as a result of changes in the power sector and coal industry.<sup>6</sup> The effort is intended to assist affected communities diversify their economic base, create sustainable high-paying jobs, attract new economic investments, and provide job training and reemployment services to dislocated workers in affected areas.

## House Passed Bill, H.R. 2578

On May 27, 2015, the House Appropriations Committee reported an original measure, H.R. 2578, the Departments of Commerce, Justice, Science, and Related Agencies Appropriations Bill for FY2016 (CJS). On June 3, 2015, the House passed H.R. 2578 by a vote of 242-183. The bill, as passed by the House, would freeze EDA appropriations at their FY2015 levels, rejecting the Administration’s request for an increase in overall funding and a shift in funding priorities. The bill would appropriate \$250 million for EDA, including \$213 for EDA activities and programs, and \$37 million for salaries and expenses. The bill reflects slightly different funding priorities from those of the previous year. The bill would increase funding for assistance to coal communities by \$5 million and establish assistance to these communities as a stand-alone program rather than a set-aside under the Economic Adjustment Assistance program while eliminating \$4 million in funding for Innovative Manufacturing grants. (See **Table 1** for a complete breakdown by program.)

The report (H.Rept. 114-130) accompanying the bill directs EDA to allocate at least \$15 million to assist communities affected by job losses in the coal mining industry as part of the Administration’s POWER+ initiative. The report includes language directing EDA to give priority to coal mining communities that have not yet developed a CEDS when awarding POWER+ funding. The funds would be used to begin the CEDS planning process.<sup>7</sup> The report directs EDA, within 90 days of enactment of H.R. 2578, to submit to the House Committee on Appropriations a report on the government-wide effort to assist coal mining communities as part of the POWER+ initiative, including descriptions of EDA’s and other federal agencies’ past efforts and future plans to assist coal communities.<sup>8</sup>

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<sup>5</sup> Ibid., p. 22.

<sup>6</sup> Ibid., p. 5.

<sup>7</sup> U.S. Congress, House Committee on Appropriations, Subcommittee on Commerce, Justice, Science, and Related Agencies, *Commerce, Justice, Science, and Related Agencies Appropriations Bill, 2016*, report to accompany H.R. 2578, 114<sup>th</sup> Cong., 1<sup>st</sup> sess., May 27, 2015, H.Rept. 114-130 (Washington: GPO, 2015), p. 7.

<sup>8</sup> Ibid., p. 7.

In addition, the House Appropriations Committee report accompanying the bill includes language admonishing EDA on its slow implementation of the Innovative Manufacturing loan guarantee program. The report notes that although the program has received funding as far back as FY2012, EDA has not yet issued loan guarantees, but notes that the agency expects to issue its first loan guarantee during the second quarter of FY2016. The report directs EDA to provide the Committee with periodic updates on the status of the program, including a written report within 60 days following enactment of the act.<sup>9</sup> The report also includes language directing EDA to use its Regional Innovation Program (RIP) funds to support university- and state-sponsored incubator programs.<sup>10</sup>

## Senate Appropriations Committee Bill, H.R. 2578

On June 16, 2015, the Senate Appropriations Committee reported its version of H.R. 2578, the Departments of Commerce, Justice, Science, and Related Agencies Appropriations Bill for FY2016. The Senate Appropriations Committee rejected the Administration's proposed increase in funding for EDA programs and recommended freezing total funding at the FY2015 total of \$250 million, including \$213 million for EDA programs and \$37 million for salaries and expenses. The Senate bill does not include funding for coal mining communities and innovative manufacturing. Instead, the bill recommends a \$3 million increase in funding for Economic Adjustment Assistance grants. The report (S.Rept. 114-66) accompanying the bill directs EDA to set aside, within the Economic Adjustment Assistance account, up to \$10 million for regional innovation grants, \$2 million for innovative energy efficiency grants, \$3 million for Economic Adjustment Assistance grants awarded to communities within the Appalachian Regional Commission, and \$3 million in grant assistance for communities within the boundaries of the Delta Regional Authority.<sup>11</sup>

The report accompanying the Senate bill directs EDA to continue to ensure that RIP grants are awarded to multiple grantees across a diverse geographic area.<sup>12</sup> Like its House counterpart, the Senate report encourages EDA to fund university-based incubators with priority going to incubator projects where states have made a significant investment in establishing an incubator program.<sup>13</sup> The report also would set aside \$2 million in RIP funding for "cluster grants to support nonprofit, job-creating, revolving, equity-based seed capital funds."<sup>14</sup>

In addition to identifying funding priorities and set-asides within various EDA programs, the report accompanying the Senate Appropriations Committee version of the CJS bill includes two additional directives for EDA:

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<sup>9</sup> Ibid., p. 7.

<sup>10</sup> Ibid., p. 7. A business incubator may be a for-profit or non-profit entity whose primary purpose is to support start-up or early-stage companies through the development process until the company is vital enough to stand on its own. Incubators, in addition to physical facilities, provide early-stage companies with an array of shared business services, including technical assistance, business consulting, and financial services.

<sup>11</sup> U.S. Congress, Senate Committee on Appropriations, Subcommittee on Commerce, Justice, Science, and Related Agencies, *Commerce, Justice, Science and Related Agencies Appropriations Bill, 2016*, report to accompany H.R. 2578, 114<sup>th</sup> Cong., 1<sup>st</sup> sess., June 16, 2015, S.Rept. 114-66 (Washington: GPO, 2015), p. 14.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

- The Committee encourages EDA to assist communities potentially affected by nuclear power plant closures identify best practices that may be implemented to mitigate the impact of such closures.<sup>15</sup>
- The Committee also admonishes the agency for the delay in delivering a plan, mandated in FY2015, identifying how better to use existing programs to assist various types of distressed communities and encourage manufacturing investments.<sup>16</sup>

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<sup>15</sup> Ibid.

<sup>16</sup> Ibid., p. 15.



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