



CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE

August 13, 1998

**S. 2364**

**Economic Development Administration Reform Act of 1998**

*As ordered reported by the Senate Committee on Environment and  
Public Works on July 29, 1998*

**SUMMARY**

S. 2364 would reauthorize and modify programs administered by the Economic Development Administration (EDA). For these purposes, it would authorize the appropriation of \$448 million in 1999 and \$1.8 billion over the 1999-2003 period. CBO estimates that \$1.1 billion of these amounts would be spent over the next five years, assuming appropriation of the authorized sums.

The bill also would allow EDA to expend certain funds that, under current law, would not be spent. CBO estimates that such authority would result in direct spending of \$10 million over fiscal years 1999 through 2002 (with no effect in fiscal year 2003). Because S. 2364 would affect direct spending, pay-as-you-go procedures would apply.

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

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 2364 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
EDA Spending Under Current Law						
Budget Authority <sup>a</sup>	351	0	0	0	0	0
Estimated Outlays	419	351	259	178	76	10
Proposed Changes						
Estimated Authorization Level	0	448	388	356	327	327
Estimated Outlays	0	52	139	214	307	362
EDA Spending Under S. 2364						
Estimated Authorization Level <sup>a</sup>	351	448	388	356	327	327
Estimated Outlays	419	403	398	392	383	372
<b>CHANGES IN DIRECT SPENDING</b>						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	0	1	3	3	3	0

a. The 1998 level is the amount appropriated for that year for the programs that would be reauthorized by S. 2364.

## **BASIS OF ESTIMATE**

For purposes of this estimate, CBO assumes that S. 2364 will be enacted by the beginning of fiscal year 1999 and that all amounts authorized or estimated to be authorized by the bill will be appropriated for each year. Estimated outlays are based on historical rates of spending for EDA programs.

### **Spending Subject to Appropriation**

S. 2364 would authorize the appropriation of \$398 million in 1999, \$338 million in 2000, \$306 million in 2001, and \$277 million in each of fiscal years 2002 and 2003 for EDA's administrative costs and economic development program. (The bill would not authorize funding for EDA's Trade Adjustment Assistance program.)

The bill also would authorize such sums as necessary for assisting communities affected by natural disasters and the downsizing of the Department of Defense and Department of Energy. Based on annual appropriations to EDA for disaster-related activities over the past five years, CBO estimates that additional funding for disaster assistance would average about \$50 million per year over the 1999-2003 period. Based on information provided by EDA, CBO estimates that additional funding would probably not be necessary to deal with the consequences of federal downsizing unless the Congress enacts legislation requiring additional closings or reductions.

## **Direct Spending**

**Expiring Funds.** S. 2364 would allow recipients of EDA grants, under certain conditions, to use funds that, under current law, would not be spent because the scope or purpose of the project that they were originally provided for has changed or the cost of the project was lower than anticipated. As is the case under current law, EDA's authority to spend funds would continue to expire five years after the date on which such funds are obligated. CBO estimates that, under current law, about \$10 million of previously appropriated funding will lapse each year over the 1999-2002 period. From those amounts, CBO estimates that, under S. 2364, about \$1 million in additional outlays would occur in 1999 and about \$3 million in additional outlays would occur for each of fiscal years 2000 through 2002.

**Expanded Use of EDA Liquidating Account.** Enacting S. 2364 also would affect direct spending because the bill would authorize EDA to use loan repayments to pay expenses associated with seizing, protecting, or conveying assets. For example, under the bill, loan proceeds would be available for taking over property that was acquired with an EDA grant but is now being used for purposes that are inconsistent with the terms of the original grant. Once the property was acquired, the funds also could be used to pay the costs of transferring the land to nonfederal ownership (for example, the costs of conducting environmental impact statements). CBO expects that this authority would allow EDA to acquire or convey additional assets and that, on average, the proceeds that would result from conveying these assets would offset any increases in spending, resulting in no significant net change in direct spending for each year.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

---

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	1	3	3	3	0	0	0	0	0	0
Changes in receipts					Not applicable						

---

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

S. 2364 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would reauthorize the Economic Development Administration, with most of the money going to grants for public infrastructure and economic development activities. The bill would tighten the eligibility criteria for grant funding and generally drop the maximum federal match from 80 percent to 50 percent, changes that would codify the current practices of the program. Finally, the bill would, under certain circumstances, expand the possible uses of grant funds provided for specific projects.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

The bill would impose no new private-sector mandates as defined in UMRA.

## **PREVIOUS CBO ESTIMATE**

On August 6, 1998, CBO provided an estimate for H.R. 4275, the Economic Development Partnership Act of 1998, as ordered reported by the House Committee on Transportation and Infrastructure on July 23, 1998. Unlike S. 2364, H.R. 4275 would reauthorize and modify programs administered by the Appalachian Regional Commission, in addition to those of

EDA. It would authorize the appropriation of \$2.4 billion for these purposes over the 1999-2003 period, of which \$2 billion would be for EDA.

**ESTIMATE PREPARED BY:**

Federal Costs: Gary Brown

Impact on State, Local, and Tribal Governments: Lisa Cash Driskill

**ESTIMATE APPROVED BY:**

Robert A. Sunshine

Deputy Assistant Director for Budget Analysis