FOIA Number: 2017-0401-F

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Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: National Economic Council

Series/Staff Member: Dorothy Robyn

Subseries:

OA/ID Number: 21497

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Folder Title:
Fast Track/Community Adjustment Initiative [2]

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Russell W. Horwitz
01/25/98 02:32:02 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: Background Paper For State Of the Union

REMINDER: IF YOU HAVEN'T DRAFTED YOUR PARAGRAPH YET, PLEASE DO SO ASAP. THANKS

---------------------- Forwarded by Russell W. Horwitz/OPD/EOP on 01/25/98 02:31 PM ---------------------------

Russell W. Horwitz
01/22/98 12:50:48 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP
Subject: Background Paper For State Of the Union

MEMO TO NEC AND DPC STAFF

FROM: PAUL WEINSTEIN
RUSSELL HORWITZ

SUBJECT: STATE OF THE UNION BACKGROUND PAPER

Below is a sample paragraph for the State of the Union Backgound Document as well as a list of the policy ideas currently in the speech. Please draft a paragraph for each initiative in the SOTU that falls in your policy area. These paragraphs are due to Paul Weinstein and Russell Horwitz by 9:00 AM Monday 26th. There are absolutely no extensions on these paragraphs.

These paragraphs should include budget figures, the number of people who benefit., and a brief description of the major elements of the program-initiative. This document will only be 8 to 10 pages, so be short but substantive. Paragraphs should not be longer than five sentences. Please edit your materials liberally.

SAMPLE PARAGRAPH

"Racial Disparities In Health Care

This initiative will address racial disparities in six areas of health care: infant mortality, breast and cervical cancer, heart disease and stroke, diabetes, AIDs, and immunization. The proposal includes additional funding ($50 million) to establish public health programs to adapt and apply their prevention and education strategies to eliminate racial disparities. The initiative also includes funding ($30 million) for up to thirty local pilot projects to test innovative approaches to reach this goal."

LIST OF INITIATIVES

Education
Class Size
Teacher Competency Tests
School Construction
Mentoring
Social Promotion

Workforce & Training
Tripled Budget For Dislocated Workers
GI Bill For Workers

Health Care
Consumer Bill Of Rights
Medicare Pre-65
Tobacco Settlement

Children & Families
Child Labor
Extension of Family & Medical Leave Act
Expanding CCDBG
Expanding CDCTC
Creating Early Learning Fund
Expanding After-School Programs
Strengthening State Child Care Provider Standards
Research and Evaluation Fund

Welfare Reform
Increasing Child Support Collections
Welfare-to-Work Housing Vouchers

Crime & Drugs
Juvenile Justice Crime Bill
Bar under 21s from buying Guns
Sex Offender Sentencing

Campaign Finance Reform and Reinventing Government
McCain-Feingold
Free TV Petition
IRS Reform

Environment
Clean Water Initiative
Climate Change
Food Safety (?)

Race Initiative
EEOC Initiative

Technology

21st Century Research Fund
Human Cloning Ban
Internet Initiatives (global free trade zone, no taxes, no tariffs)
Internet and Children
Restoration of Declaration of Ind., Constitution, Star Spangled Banner

Message Sent To:

Thomas A. Kalil/OPD/EOP
Jonathan A. Kaplan/OPD/EOP
Jeanne Lambrew/OPD/EOP
Charles R. Marr/OPD/EOP
Anne H. Lewis/OPD/EOP
Peter R. Orszag/OPD/EOP
Emil E. Parker/OPD/EOP
Dorothy Robyn/OPD/EOP
Jake Siewert/OPD/EOP
Malcolm R. Lee/OPD/EOP
BRAINARD_L @ A1 @ CD @ LNGTWY
Robert M. Shireman/OPD/EOP
Jonathan Orszag/OPD/EOP
Marc A. Silverman/OPD/EOP
Christopher C. Jennings/OPD/EOP
Sara Bianci
Diana Fortuna/OPD/EOP
Andrea Kane/OPD/EOP
Neera Tanden/WHO/EOP
Cynthia A. Rice/OPD/EOP
Jennifer L. Klein/OPD/EOP
Nicole R. Rabner/WHO/EOP
Michael Cohen/OPD/EOP
William R. Kincaid/OPD/EOP
Tanya E. Martin/OPD/EOP
Thomas L. Freedman/OPD/EOP
Mary L. Smith/OPD/EOP
Jose Cerda III/OPD/EOP
Leanne A. Shimabukuro/OPD/EOP
Todd A. Summers/OPD/EOP
Christa Robinson/OPD/EOP
Julie A. Fernandes/OPD/EOP
Wesley P. Warren/CEQ/EOP
Bradley M. Campbell/CEQ/EOP
Sarah A. Bianchi/OPD/EOP
Brian A. Barreto/OPD/EOP

Message Sent To:

REEMPLOYMENT ZONES

Draft Jan 22

DESCRIPTION:
We would designate certain suddenly and severely distressed communities as Reemployment Zones. Inside these zones our current UI, job training and trade adjustment programs would be amended to create a seemless reemployment system with a strong connection to federal, state and local economic development resources.

DEMO AREAS & TRIGGERS:
Rather than set specific trigger formulas we could initially design this as competition and ask communities to apply. Among the factors we could consider would be sudden and severe economic dislocation -- rising unemployment, rising TAA certs etc. The goal would be to include some communities which have been adversely affected by changes in the global marketsbu not include communities like EC/EZs which have a long-term problem.

COMPREHENSIVE SERVICES:
Inside Reemployment Zones we would combine flexible and comprehensive reemployment services, a committment to capacity building for successful training systems, economic development assistance from EDA and resources from the Office of Community and Economic Assistance. We could also seek to leverage the federal commitment with state and local partnerships. This is especially important in the economic development arena where the federal government is likely the smallest player.

ELIGIBLE WORKERS:
Inside reemployment zones we would seek to eliminate the artificial categorical designations which trigger different benefits and services for different workers depending on the reasons for unemployment. For example, *all workers* who could benefit from long term training would be eligible for two years of training and income support (if necessary). Short term income support -- for unemployed workers not eligible for UI -- would be available to all displaced workers. To sort out who would benefit from long term training, versus wage insurance versus short term training, we could use a profiling approach.

INNOVATIVE PROGRAMS:
Reemployment Zones would also enable us to experiment with innovative approaches to getting people reemployed. These approaches might include wage insurance, reemployment bonuses, skill grants (for TAA workers). We could insist that federal economic development & training resources be leveraged with state and local resources. We would also want to include Capacity building, and expanded profiling.

GEOGRAPHIC DESIGNATION:
If we create this as a demonstration program for which communities compete, we would not specify precise geographic designations. As a general matter, bigger is more effective but more expensive (especially with income support).

COST :
TBD. Can assume $50 million for training and related issues. How much EDA commitment do we want?

ZB/Gene
What about this, tied to a renewed FT effort?
BC

Memorandum to President Clinton

From Benjamin Barber

December 6, 1997

THE PRESIDENT HAS SEEN
1-5-98

Mr. President:

A quick follow-up to my November memo suggesting that the defeat of Fast Track originated in deep anxieties about globalism not directly related to free trade.

Why not **LINK** whatever tax reduction/tax incentives you are considering, to relieve those adversely affected by McWorld's global ~~markets and~~ its free trade policies? This would simultaneously target tax breaks to working Americans who most need it and make clear your sensitivity to the special problems globalism creates for workers.

For example: a tax credit for transitional living assistance and retraining (say for a six month period) for anyone who can show they have been disemployed by downsizing and/or the emigration of jobs to foreign labor markets.

This strategy justifies a discretionary domestic tax reduction by using it to ameliorate the costs of global trade; it also models an approach that frames domestic and foreign policy in a larger bridging vision (that critics wrongly keep saying is absence in current policy-making).

Ben Barber

copied
Bowles
Sperling

December 4, 1997

EB | cc Sid
Gene S
Rahm

There's really something to this —

MEMORANDUM

To: The President

From: Nancy Hernreich
Justin Coleman

Re: Memo from Benjamin Barber

Benjamin Barber writes that the defeat of Fast Track points to far deeper American anxieties rather than simple notions of neo-protectionism, anti-business sentiment, or resurgent Union power. He believes many Americans have reservations about the new global marketplace being governed by undemocratic forces that are unconcerned with American values.

He suggests that asserting leadership to fill this void could be the hallmark of the second half of your second term. He recommends a government-business-labor-NGO partnership aimed at democratizing the international environment of global business and trade.

agree

Copied
Bowles
Sid
Gene S
Rahm

~~Confidential~~ **Memorandum to President Clinton**
From: Benjamin Barber
Date: November 12, 1997

THE PRESIDENT HAS SEEN
1-5-98

Mr. President:

I regret the defeat of Fast Track, but want to suggest that it points to far deeper American anxieties than are captured by easy political phrases like "neo-protectionism" or "anti-business sentiment" or "resurgent Union power" in the face of the Democratic Party's funding crisis.

I believe many Americans, including businessmen, have deep and well-grounded reservations about a global system (my "McWorld") that seems to be governed by nondemocratic, even anarchic, forces wholly unconcerned with American values or, indeed, the values of global responsibility and democracy. These are not fears about having to move out and compete beyond America's borders without protectionist shields; they are fears about a marketplace that is increasingly impervious to democratic governance at home and abroad.

The Democratic Party cannot and should not be protectionist or antibusiness: it needs to support entrepreneurship, market competition and the productivity of capitalism, and it must trust its capacity to flourish in international competition. But it must be anti-monopolistic, anti-cartel and anti-anarchy -- values that responsible business people and corporate CEOs can share -- and it has to support business in the context of humane and just values.

Pat Buchanan in this country as well as right-wing populists abroad (LePen in France, Haider in Austria) have demonstrated how easy it is to play on the fears of ordinary people about a global economy out of control and ignite a pernicious and irrresponsible but highly effective politics of fear. But in the absence of a responsible politics of corporate accountability and global democracy, such fear-mongering can only become more and more successful.

Is this not the time to really consider how we can "get beyond McWorld" without reverting to Jihadic reaction? Protectionism is not an adequate response to globalism, but it is what we get in the absence of an adequate response. The politics of fear cannot meet the needs of the new interdependence, but without a politics of humane hope built around democratic interdependence, we will get a vicious and cloistered paranoia built around undemocratic exclusion, a politics of exclusion and scape-goatism aimed at immigrants, minorities, guest workers and foreigners. Protectionism only succeeds when other approaches to protecting American interests and values fail.

THE PRESIDENT HAS SEEN
1-5-98

My own conversations with corporate leaders persuade me that many of them are also concerned with the untoward consesequences of runaway global markets, and would not view a thoughtful government strategy as "anti-business." Especially if they were included in the discussions to design such a strategy.

Leadership in this domain, filled with the promise of global prosperity and democratic interdepedence but simultaneously stalked by the most dangerous kinds of totalistic profit-mongering on the one hand, and reactionary parochialism on the other, could be the hallmark of your leadership in the second half of your second term.

Linking domestic and foreign policy, speaking to business and labor alike, you could overcome the false divisions that enemies of the Democratic Party are trying to "discover" in the Congressional and White House branches of the Party. Responding with affirmative strategies of international democratization to America's deepest fears, you can offer a theme for the Millennium and an opportunity for Democratic successes in the 1998 and 2000 elections.

"Fast track" was an unfortunate phrase, because people fear that the global economy already is moving too fast, getting too big; and because they want to slow down and deliberate and assure that changes are not taking place that will be irreversible. The Justice Department's confrontation with Microsoft is the opening round in a worthy battle with "too big." Perhaps the defeat of fast track can be turned from a disaster into an opportunity by making it the opening round of a worthy battle with "too fast" -- whether it's too fast food, too fast computers or too fast trade treaties that invite changes whose consequences we haven't fully considered.

"Slow" here may mean more deliberative, better able to understand and assuage fears, more ready to think about untoward consequences. We rightly embrace "cooling off" periods in labor disputes. How about a "slow" down in economic and trade policy concerned with McWorld aimed at really considering the long-term consequences of processes over which, all too quickly, we will inevitably lose control? How about a government-business-labor-NGO partnership aimed at democratizing the international environment of global business and trade?

Every defeat is also an opportunity. Surely, this is one worth seizing.

THE PRESIDENT HAS SEEN
1-5-97

THE STATE UNIVERSITY OF NEW JERSEY
RUTGERS

Department of Political Science
Hickman Hall • Douglass Campus
New Brunswick • New Jersey 08901-1568
(732) 932-6861, Fax: (732) 932-1922

Walt Whitman Center for the Culture and Politics of Democracy

Director:
Benjamin R. Barber
Whitman Professor of Political Science

Melanne Verveer
Deputy Assistant to the President
And Deputy Chief of Staff to the First Lady
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

November 12, 1997

Fax: 202-456-6244

Dear Melanne:

Enclosed is a confidential memo for the President that treats the Fast Track defeat as on opportunity. I would be grateful if you could get it to him. At his (and your) discretion it could also go to others, including Sid Blumenthal.

I will be seeing Ellen next month on the Millenium Project.

I hope all is well.

Best wishes,

Ben

Benjamin R. Barber
Director

BRB:nab

Enclosure: Confidential memorandum to President Clinton

dempsepj @ acq.osd.mil
11/20/97 03:52:00 PM

Record Type: Record

To: Dorothy Robyn

cc:
Subject: Trade Adjustment

Was disappointed in the meeting today although I felt that it was clearly productive. Will work with Chester but he's obviously working to please the Regional Directors (and Phil is afraid to challenge him). When Chester rejected Kim's suggestion to adjust the amount allocated to the Regional Offices because his appropriators needed to know how much money was going to their areas, I said to myself that this is going to be more difficult than it need be.

By way of background, for the first 15 years of the 22 yr. life of the Title IX program, there was no allocation of funds to the Regional Offices. It was intended to be a rapid response program to the most severe dislocation wherever they happened to occur. When the Agency had some life, the Regions would compete for the funds working to put together the best possible proposals for dislocations in their regions. By the late 80s/early 90s, the Agency had atrophied so much that the Regions had a hard time coming up with viable projects for their allocations of Title I and III dollars much less expend the additional effort to compete for a national pool of funds. An allocation was viewed by Hdgts. as a means of making sure that every region would shoulder some of the responsibility for getting what little money they had out of the door.

While I realize (I hope) that the $9 million of planning funds would not be allocated to the Regions, it does reflect a certain stale rigidity which are not synonyms for the terms David was using at the meeting.

Kimberly A. Newman

11/20/97 04:33:30 PM

Record Type: Record

To: Dorothy Robyn/OPD/EOP

cc: jonathan orszag/opd/eop, louisa koch/omb/eop
Subject: Re: Trade Adjustment

I agree with Paul's assessment. I have been talking about the "irrational" allocation method of Title IX funds with Jon and Phil. It seems ridiculous that a program, whose sole purpose is to respond to sudden and severe economic downturns, has any pre-set regional allocations at all. I am fully supportive of a more discretionary approach to spending Title IX money. Let me know what I can do.

Community Assistance Grp.

Name	Agency	Phone
Anne Lewis	NEC	6-5368
Kim Newman	OMB / Commerce EDA	395 4936
LARRY JACOBSON	OMB / Econ Policy	395 3940
Mark WASSERMAN	" "	395 3824
[illegible]	OMB / Labor Branch	395-3262
Cathy [illegible]	OMB / Treasury	395-1087
[illegible]	DOL / ILAB	219-7610 x138
B[illegible] B[illegible]	DOL / ILAB	219-6100 x135
Mary Cassell	OMB Education Branch	395-5881
Annie Noe	OMB / ED	395-7765
JON ORSZAG	NEC	456-5367
Mary Ann Wyrsch	USDOL	219-6050
Shirley Smith	USDOL	219-5334.
[illegible]	OMB-LABOR	395-3262 x112
Barry White	OMB	395-4532
Nancy Schwartz	OMB - Intl Aff	395-3720
Seth Harris	DOL / Policy	219-6181
ED MONTGOMERY	DOL / CHECO	219-5108
Dorothy Robyn	NEC	456-2801
[illegible]	OMB - Housing	395-7482
Lael Brainard		

Community Assistance Grp.

Name	Agency	Phone
Anne Lewis	NEC	6-5368
Kim Newman	OMB/Commerce/EDA	395 4936
LARRY JACOBSON	OMB/Econ Policy	395 3940
Mark WASSERMAN	" "	395 3824
Carole Kitti	OMB/Labor Branch	395-3262
[illegible]	[illegible] Treasury	395-1087
[illegible]	[illegible]	219-7610 x138
B[illegible]	[illegible]	[illegible] x135
Mary Cassell	OMB Education Branch	395-5881
Annie Noe	OMB/ ED	395 -7765
JON ORSZAG	NEC	456-5367
Mary Ann Wyrsch	USDOL	219-6050
Shirley Smith	USDOL	219-5334.
[illegible]	[illegible]	395-3262 x112
Barry White	OMB	395-4532
Nancy Schwartz	OMB - IntC Aff	395-3720
Seth Harris	DOL/Policy	219-6181
ED MONTGOMERY	DOL/CHECO	219-5108
Dorothy Robyn	NEC	456-2801
[illegible]	[illegible]	[illegible]
Lael Brainard		

Dorothy Robyn
09/30/97 10:11:47 AM

Record Type: Record

To: Gene B. Sperling/OPD/EOP

cc: Ann F. Lewis/WHO/EOP, Lael Brainard/CEA/EOP, Jonathan Orszag/OPD/EOP, Russell W. Horwitz/OPD/EOP

Subject: Trade & Community Economic Development Adjustment Initiative

Attached is a quick update of the community-adjustment proposal I wrote up last week but which you had not seen; it puts more flesh on the bones of OEA and EDA, which to me are the key to this approach. Based on our conversation of last evening, I will flesh out the OEA piece still more; expand on the NADBank component; and add in some of the other suggestions, such as additional Export Assistance Centers and expanded SBA assistance.

TRADE & COMMUNITY ECONOMIC ADJUSTMENT INITIATIVE
September 30, 1997

Background: The Administration has had considerable success in helping regions hurt by defense downsizing through its coordinated, community-based approach to providing economic adjustment assistance. Initially developed to respond to communities experiencing a military base closure, this approach has been used effectively as well in regions suffering from defense industry cutbacks. Three features distinguish the approach:

- ***Focus on community organization and planning:*** Staff from DoD's superb Office of Economic Adjustment intervene early to help a community organize itself and develop a credible economic adjustment strategy. In addition to providing generous planning grants, OEA staff help communities access other sources of federal assistance as well as state, local and private resources.

- ***Targeted support for implementation:*** Defense-impacted regions have received dedicated funds for worker training/assistance from the Department of Labor, and for economic development (primarily infrastructure grants and revolving loan funds) from Commerce's Economic Development Administration. Other sources of support include: DOT funds for converting military airports to civilian use, SBA loan guarantees, and competitively awarded R&D grants from DoD and elsewhere.

- ***Close interagency coordination:*** Although the NEC coordinates the Administration's defense economic adjustment ***policy***, day-to-day implementation is coordinated through an interagency committee established in 1970 and formalized by executive order in 1992. OEA effectively chairs this group, and each OEA staffmember is responsible for coordinating with one or more participating agencies.

Proposal: Undertake a Trade & Community Economic Adjustment Initiative modeled after the Administration's defense economic adjustment effort. At a minimum, the initiative would a) establish a mechanism for better interagency coordination of trade adjustment assistance and b) detail OEA staff to the Department of Commerce and give them the resources to award planning grants and provide on-site expertise and help in accessing federal funds for implementing the adjustment plan. Existing programs such as EDA grants, SBA loan guarantees and NADBank would be part of any community-adjustment option. A more ambitious initiative would make additional, dedicated EDA resources available for trade-impacted communities.

- ***Interagency Coordination:*** Establish a President's Interagency Trade and Economic Adjustment Committee, chaired by the Secretaries of Commerce and Labor and staffed by OEA project managers on detail to and funded by the Commerce Department. (To avoid delay, this should be done by executive memorandum rather than EO.) The committee's mandate would be to improve outreach to and assistance for trade-impacted regions.

- ***Planning Grants and Expertise to Help Communities Develop an Economic Adjustment Strategy:*** Provide funds to allow detailed OEA project managers to award planning grants and help trade-impacted communities bring the appropriate local groups to the table to develop a credible economic adjustment plan. Project managers also would help communities tap into federal funds for worker training, economic development and other implementation activities. (Estimated cost: $10 million/year) [See OEA attachment for more detail.]

- ***Targeted Support for Worker Training, Business Assistance and Economic Development:*** Trade-impacted communities currently can receive funds for economic adjustment activities under several programs dedicated to trade adjustment, including DOL's Trade Adjustment Assistance (TAA) and NAFTA-TAA programs; the North American Development Bank (NADBank); the Community Adjustment & Investment Program (CAIP); and Commerce's Trade Adjustment Assistance Centers (see program descriptions, attached).

  Trade-impacted communities also can apply for EDA Title IX funds (technical assistance, revolving loan funds, infrastructure grants) and SBA loans and loan guarantees. EDA is the single most valuable source of federal assistance for implementing an economic development plan. However, EDA's funds (which have been critical to defense adjustment) are heavily oversubscribed.

Options: The Administration could pursue the Trade-Impacted Community Adjustment Initiative in one of three ways. The key difference has to do with the level of funding for EDA.

- Option 1 would request no new funds for EDA; the Administration would simply try to do a better job of serving trade-impacted communities using existing resources (and the steps described in the first two bullets above).

- A second option would be to give trade-impacted communities priority in the allocation of scarce economic development funds -- notably EDA Title IX funds.

- A third option would be to request additional, **dedicated** EDA funds for trade-impacted communities. (Estimated cost: $10-50M/year)

EDA's appropriators would oppose Option 2, as borrowing from Peter to pay Paul. Thus, realistically, the choice is between Options 1 and 3.

ATTACHMENTS

1. Office of Economic Adjustment

2. President's (Defense) Economic Adjustment Committee

3. Selected Program Descriptions

    a. NADBank/CAIP
    b. Trade Adjustment Assistance Centers
    c. EDA economic adjustment programs

4. Details on Option 3 (EDA funds dedicated to trade economic adjustment)

    a. Budget
    b. Community Assistance Scenario
    c. Communities Assisted per Year

5. Eligibility Criteria

Office of Economic Adjustment

A key ingredient in the Administration's successful defense economic adjustment strategy has been DoD's Office of Economic Adjustment. OEA was created in 1961 to help communities cope with military base closures, and that has been its traditional role. Typically, OEA helps communities organize a planning group, provides a planning grant, guides the group through government requirements for base closures, and helps it develop a "reuse" plan for redevelopment of the base.

With the end of the Cold War, OEA's responsibilities have expanded to include help for communities hit by closings and cutbacks of defense plants. For example, in St. Louis, where McDonnell Douglas laid off 30,000 workers, OEA was instrumental in helping the region develop a broad strategy for worker adjustment and firm diversification.

OEA's superb reputation is due to several factors:

- Intervention typically comes early, before serious impact has occurred;

- OEA staff catalyze a local, grassroots adjustment planning process, using planning grants as financial carrot to get all key stakeholders at the table;

- OEA's 30 project managers are economic adjustment experts, with skill at helping communities create an appropriate economic adjustment strategy or vision;

- OEA is at center of network of federal adjustment specialists, and skilled at helping communities tap into JTPA, EDA and other programs at the appropriate time.

Because OEA's focus is on the planning stage, it does a lot with relatively few resources: a single OEA project manager oversees 3-4 communities simultaneously. And planning grants (which are typically staggered over several years) are in the range of $500,000-$3 million per community.

As part of a Trade & Community Economic Adjustment Initiative, [6-8] OEA staff would be "detailed" (either physically or in a virtual sense) to the Department of Commerce. Although Commerce would host and pay for them, OEA staff would retain the key characteristics that make their organization so effective within DoD: small, flexible and with a focused mission on planning.

An individual project manager would handle 3-4 trade-impacted communities. Their major function would be to: make early and frequent site visits to trade-impacted communities; provide planning grants; using those grants as the carrot, bring the key local stakeholders to the table and help them develop a credible economic adjustment plan; assemble a federal team representing the agencies with resources appropriate to a particular community and (where desirable) bring the team to the community.

PRESIDENT'S ECONOMIC ADJUSTMENT COMMITTEE AND DEFENSE ECONOMIC ADJUSTMENT PROGRAM

Introduction

On January 15, 1992, the President signed Executive Order (E.O.) 12788. This Order updates and replace E.O. 12049. It reaffirms the President's Economic Adjustment Committee (EAC), established in 1970, and the Defense Economic Adjustment Program. It also incorporates statutory requirements for this Program.

Background

The Program was established in 1961 by the Secretary of Defense to help mitigate adverse effects of Defense closures and contract cutbacks. The Committee was first designated as the President's Interagency Economic Adjustment Committee in 1970 by an Executive Memorandum. This Committee and Program were subsequently formalized in 1978 under Executive Order 12049, "Defense Economic Adjustment Program," which broadened program support to include Defense expansion.

Composition

The Chair is the Secretary of Defense. The Vice Chair is the Assistant Secretary of Defense who oversees the Office of Economic Adjustment (OEA) which serves as the Committee staff. The Committee is presently composed of 23 Cabinet-level departments and agencies. Three levels of representation are:

> **Members** - Department and agency heads. They meet at the discretion of the Chair. Also, they or their designee, formally identify the Members of the Advisory and Working Groups for their respective departments or agencies.
>
> **Advisory Group** - Undersecretaries or their equivalent. They address policies peculiar to member departments and agencies and appropriate support to be given to the Defense economic adjustment program.
>
> **Working Group** - Department and agency officials who can address the daily technical and program issues of the community Defense economic adjustment projects.

Committee Functions

> **Mandate** - The Committee gives priority consideration to requests for Federal technical assistance, financial resources, excess or surplus property, and other requirements for communities adversely affected by Defense program changes. These changes include: military base closures and realignments, new military bases and expansions, and Defense contract reductions. Committee program support is also given to projects addressing the encroachment of incompatible development around military installations.

(over)

Benefits - The Committee and the affected community mutually benefit from their coordinated efforts. EAC assistance helps Defense impacted communities proceed quickly toward economic recovery. Member agency program objectives are attained through coordinated economic adjustment assistance programs.

Meetings - Normally, the Working Group meets to address the operational matters of the Defense economic adjustment program and individual community needs. They are apprised of current Defense impact situations and their support is requested.

Member and Advisory Group meetings are held when policy decisions are required, or immediate Committee support is needed to offset impacts caused by critical program changes.

Task Forces - When required, Committee task forces can be created to support major economic adjustment problems or new initiatives. Task forces may be organized at the headquarters level, but are more likely to be formed in the Federal regions.

A task force may be established on the recommendation of a member agency or by an OEA project manager with the concurrence of the OEA Director. Notification occurs through a memorandum from the Director to the appropriate Federal agencies at headquarters, requesting the designation of a point of contact to support the project. The memorandum includes a brief explanation of the need and expected agency participation level.

OEA Support to EAC And Defense EAP

Each member of the OEA staff is assigned to one or more EAC agencies for policy coordination and program liaison purposes. Each apprises the other of project support requirements or program funding potential.

OEA project managers identify, as early as possible, EAC support requirements. OEA transmits these requirements to the EAC for consideration in current and following year budgets.

Selected Program Descriptions

The NAFTA North American Development Bank (NADBank):

In mid-1994 agreement was reached between the U.S. and Mexico on two new organizations to support border environmental clean-up and to provide support for community adjustment and investment related to NAFTA. The Border Environment Cooperation Commission (BECC) was developed to help border states and local communities in coordinating, designing and financing environmental infrastructure projects with cross-border impacts. The North American Development Bank (NADBank) was created to address two problems: the financing of border environmental projects and adjustment assistance to address NAFTA-related community trade adjustment problems. NADBank was provided with funding that should support $2 to $3 billion worth of projects over four years, however, only ten percent of its funds were to be allocated to the Community Adjustment and Investment Program (CAIP).

NADBank CAIP assistance is limited to loans and loan guarantees to businesses located in communities designated as eligible for assistance under the CAIP. There is no authority for supporting community capacity building, planning or technical assistance, and no provision for funding of infrastructure improvements to support local economic conversion in areas hard hit by import impacts when such areas aren't part of the NADBank border program. Only three loans or loan guarantees have been provided under the NADBank CAIP in the three years of its existence.

The Treasury Department made its first designations under the CAIP on August 1, 1997, when it designated 35 communities as eligible, which should make it possible for companies in those communities to apply for CAIP assistance. To be designated as eligible for the CAIP, a community must provide evidence of two factors: first, it must demonstrate job losses associated with the passage of NAFTA and second, it must suffer from an unemployment rate significantly higher than the national rate. The job loss test can be met by having a significant number of recent Department of Labor TAA worker group certifications, or by showing the loss of a significant number of jobs to business relocations to Canada or Mexico. At this point, the CAIP can only be viewed as an experiment.

Trade Adjustment Assistance for Firms and Industries:

The Department of Commerce has implemented the Trade Adjustment Assistance (TAA) Program for Firms and Industries since the late 1970's. (See attachment B - a detailed program description and fact sheet.) Although funding for the TAA Program for Firms and Industries has fluctuated significantly over the years and responsibility for the program has been transferred from EDA to the International Trade Administration (ITA) and the back to EDA, the program has proven itself to be an efficient and effective way to help U.S. firms and industries injured by imports regain the ability to compete in the global marketplace. While the program included loan and loan guarantee authority in its early years, those authorities were later eliminated because they were cumbersome to implement and firms were generally able to obtain conventional financing once they had developed and implemented their Adjustment Proposals.

Most of the assistance provided under the TAA Program for Firms and Industries has been provide through a network of twelve Trade Adjustment Assistance Centers (TAACs) which provide direct, hands-on assistance to trade injured firms. The TAACs, established in 1978, were among the first government-sponsored providers of comprehensive assistance to manufacturers to help them improve their operations. TAACs work with firms to help them complete the necessary documentation to become certified under the program, develop a comprehensive Adjustment Proposal that identifies the company's strengths and weaknesses as well as the steps they need to take to become competitive, and then implement the proposal, generally through the cost-shared (50/50) hiring of outside consultants with expertise in the necessary business discipline. While the majority of TAACs are overseen by university-based entities, three are sponsored by private non-profit organizations, one by a state agency and one by a regional manufacturers' association.

The assistance provided through the TAACs is unique in a number of ways. First, unlike most business assistance programs, manufacturers must demonstrate injury due to imports and go through a certification process. Since they must have suffered lost sales and employment and those losses have to be at least partly due to increased imports of like or directly competitive products, firms receiving assistance from the TAACs are generally facing declining fortunes. This is another difference between the TAA Program and other business assistance programs that generally work with either start-ups or healthy firms seeking to improve operations. Because of the generally weak condition of their client firms, the TAACs also tend to work with their clients for a longer period of time and provide a higher level of assistance. It is not unusual for a TAAC to work with a client for over three years and to provide over $100,000 in cost-shared consultant assistance to the firm.

In spite of the condition of the clients when they enter the program, however, the results of TAAC assistance have been impressive. A TAAC analysis of 651 firms completing assistance under the program between FY 1990 and FY 1996 showed that while sales had declined 11 percent (from $7.3 billion to $6.5 billion) in the two years prior to entering the program, they had increased 40 percent (from $6.5 billion to $9.1 billion) after receiving assistance. Employment also showed significant recovery, having dropped nearly 15 percent in the period before the firms entered the program and then recovering nearly 14 percent after assistance.

While recent years have seen limited funding going into industry assistance efforts because of reduced appropriations for the TAA Program for Firms and Industries, there have been a number of innovative and effective industry-government cooperative efforts undertaken through the program. Among the industry projects funded were the original American Electronics Association (AEA) and Semiconductor Industry Association (SIA) representative offices in Japan working to resolve trade issues with that nation; initial funding for the Tailored Clothing Technology Center (TC2) developing automated apparel technology on behalf of the U.S. apparel industry; and a program with the Gear Research Institute to develop austempered ductile iron materials technology as a lower cost, lightweight and strong material for drive train applications. The TAA program for Firms and Industries should be viewed as the U.S. Government's "turnaround" consulting program for trade injured companies and industries, and a major source of support for community business retention efforts.

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~~EXISTING TRADE ADJUSTMENT ASSISTANCE PROGRAMS:~~

Economic Development Administration:

The Economic Development Administration (EDA) was established under the Public Works and Economic Development Act of 1965, as amended (42 USC 3121 *et seq.)*, to generate new jobs, retain existing jobs and stimulate industrial and commercial growth in economically-distressed areas of the United States. EDA assistance is available to rural and urban areas of the Nation experiencing high unemployment, low-income levels, extensive poverty, outmigration, or sudden and severe economic distress.

The basic principle underlying all EDA programs is that economic development is a local process that must be based on locally identified economic development plans and/or adjustment strategies. EDA works in partnership with state and local governments, regional economic development districts, public and private non-profit organizations and Indian tribes to support local development efforts. EDA's capacity building tools (planning, technical assistance, economic adjustment strategy and technical assistance, national technical assistance and research, and trade adjustment assistance) are used to provide communities with the resources needed to support the development and implementation of a comprehensive approach to the rebuilding of the local economic base. The Agency then uses its other program tools (public works, economic adjustment infrastructure and revolving loan funds) to support local efforts to implement their economic development programs. (See attachment A - EDA Fact Sheet and Program Booklet)

While originally created to address areas of the country suffering from general long-term economic decline, EDA's role in recent years has evolved to include a significant component of strategic adjustment assistance to help communities deal with defense cutbacks and natural disasters. The Agency has demonstrated effective coordinated use of its multitude of program tools in helping communities meet the challenge of significant short-term negative economic dislocations. A recent study of EDA's public works program conducted by a consortium led by Rutgers University, for instance, showed that for every $1 million of funds EDA provided under its public works program, over $10 million in private investment were leveraged resulting in the creation of 327 jobs at an EDA cost of $3,058 per job.

Chapter 4 - Adjustment Assistance for Communities. The major program tools that would be brought to bear on trade injured communities include:

- **Planning/economic adjustment strategy funding** to provide the framework and support for the creation of a comprehensive community adjustment planning process that will involve local officials, business leaders, labor organizations, citizen groups and other interested community players in the development of an adjustment strategy for the rebuilding of the local economy. For example, EDA provided a $45,000 grant to the City of Yuma, AZ, to prepare a comprehensive economic development strategy covering neighboring communities in Yuma County to emphasize industrial diversification linked to economic development in adjacent Mexican towns.

- **Technical assistance** support to evaluate the feasibility of proposed investments and to provide assistance to meet specific technical needs of the strategy such as an

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environmental assessment or financial restructuring. In Owensboro, KY, for instance, a $16,000 technical assistance project to prepare an airport industrial park master plan led to the funding of an infrastructure project to provide improvements to support the Mid American Air Industrial Park.

- **Public works/infrastructure investments** to meet the development needs of a restructured economy including industrial or commercial site development, incubator buildings, skill training centers or improved water and sewer systems. EDA provide the City of Mission, TX, and Mission Economic Development Authority with a $1,500,000 public works grant to provide infrastructure improvements to develop a 90-acre industrial area to meet the need for new and expanding industrial and commercial business development. The Mission area has been hard hit by peso devaluations that hurt its retail trade and harsh freezes that devastated the citrus industry.

- **Revolving loan funds (RLF's)** for business assistance and infrastructure needs not met by the CAIP. While we would expect the comprehensive Community Trade Empowerment Initiative to play a significant role in developing investment opportunities for the CAIP, there may also be gaps in the financial resources available to these communities that only a RLF could meet. In St. Louis, MO, EDA provided a $1,350,000 RLF grant as part of a defense adjustment effort to develop creative responses to meet the significant impacts on the local defense industry caused by defense procurement cutbacks. The RLF is targeted to providing assistance for small and medium-sized defense contractors seeking to diversify their businesses away from dependence on defense contracting.

- **Trade Adjustment Assistance (TAA) for Firms and Industries Program** authorities will be used to provide assistance to trade injured companies in these communities to develop and implement a comprehensive Adjustment Plan to restructure their firm and regain the ability to compete in the global marketplace, and to help industries facing growing imports undertake collective activities to help their member companies compete more effectively. The TAA Program helped a western provider of high quality electroplating and metal finishing services to the aerospace and micro-electronics industry who was losing sales to both Mexican and Asian companies. Employment had dropped from 27 to 18 while sales and profits were eroding. Company and TAAC staff developed a recovery strategy based on both addressing pressing environmental problems while also lowering production costs and expanding production capabilities. With TAAC assistance, a new water and metal reclamation system was developed which allowed the firm to isolate its operation from the city sewage system and reclaim metals in a useful form. As a result of the assistance, sales increased by over 25 percent, profitability was restored and employment has grown to 30.

In addition to the individual examples cited above, an example of EDA's program tools being used in a coordinated manner to address the adjustment needs of a community facing a significant dislocation may be useful. The 1991 round of Base Realignment and Closure (BRAC) decisions

POSSIBLE POLICY IDEAS FOR JOB CREATION AND TRADE-ADJUSTMENT ASSISTANCE PLAN

October 4, 1997

I. Reauthorization of TAA:

1. **REAUTHORIZE TAA AND NAFTA-TAA FOR FOUR YEARS.** The Senate Finance has approved an extension of TAA and NAFTA-TAA for two years. (TAA and NAFTA-TAA expire September 30, 1998.) The Finance Committee paid for NAFTA-TAA extension by extending a processing fee ($5) for commercial passengers entering the U.S. from Mexico, Canada, and the Caribbean. The fee would be extended for a time period sufficient to pay for the two-year extension. The Administration would propose the reauthorization of TAA and NAFTA-TAA through fiscal year 2002.

   - CBO estimates the costs of the NAFTA-TAA extension for four years at about $102 million. While TAA extension costs $1.26 billion over four years, it does not require offsets since it is already included in the baseline.

II. Possible Improvements to TAA:

Legislative Changes:

2. **GIVE WORKERS IN FIRMS WHICH SHIFT PRODUCTION TO ANOTHER COUNTRY TRADE ADJUSTMENT ASSISTANCE.** Under TAA, workers may only be certified for assistance if their firm is adversely affected by imports. Under NAFTA-TAA, workers may be certified if either their firm is adversely affected or their firm shifts production to Mexico or Canada. This proposal would give workers in firms which shift production to another country trade adjustment assistance.

   - Covering shifts in production under TAA, as well as NAFTA-TAA, would cost $69 million per year or about $345 million over five years.

3. **MODIFY WAIVER FOR TRAINING REQUIREMENTS FOR TAA AND NAFTA-TAA SO THAT THEY ARE SIMILAR.** Theoretically, TAA requires that a participant be enrolled in training in order to qualify for income support, but waivers are granted very often. In contrast, there is no waiver authority under NAFTA-TAA. As part of reauthorization, the Administration could propose to narrow waiver authority under TAA and loosen it under NAFTA-TAA. This would serve to both reduce the abuse of the waive

provision under TAA and to harmonize the two programs.

- The costs of this proposal are still being determined, but it is likely revenue-neutral. This proposal could also be done administratively.

Administrative Changes:

4. **CUT CERTIFICATION TIMES BY ONE-THIRD.** In order to cut the certification time from 60 days to 40 days, the Department of Labor will take the following four steps: (1) reduce investigator caseload to allow for more timely follow-up in obtaining relevant company and customer data; (2) develop an enhanced in-house system for tracking import trends and performing import-impact analysis; (3) reduce the amount of time from 21 to 14 days between the day the Labor Department requests and receive data from companies; and (4) reduce the length of the customer survey from 21 to 14 days.

   - Technological improvements as well as possible staffing increases will allow the Department to assemble, review, and analyze investigative data and information in a more timely manner. The total cost for these improvements would be $2.5 to $3 million over five years.

5. **IMPLEMENT PERFORMANCE MEASURES FOR TAA/NAFTA-TAA PROGRAMS.** The Labor Department does not receive information on how workers do after they participate in either TAA or NAFTA-TAA programs. To ensure that the programs work effectively, the Labor Department is developing and implementing performance measures, and collecting outcome-based performance data for workers who receive adjustment assistance. This will permit better tracking of TAA/NAFTA-TAA program effectiveness, and thus, improved outcomes for participants.

   - These performance measures can be accomplished within current administrative cost and program budget limitations.

III. Community Adjustment Assistance and Expansion of Trade

Adjustment to Include Secondary Workers:

6. **$200 MILLION TO EXPAND EDA SO THEY CAN EFFECTIVELY DEAL WITH TRADE ADJUSTMENT.** Expand EDA's budget by $200 million over the next five years, so that they could provide comprehensive economic development assistance to regions affected by major plant closings. Some priority could be given to trade-impacted regions.

   - So that EDA could provide more comprehensive economic development assistance, including trade-impacted areas, the Administration would propose expanding EDA's budget by $200 million over the next five years.

7. **CREATE COORDINATING BODY TO DEAL WITH TRADE ADJUSTMENT.** DOD's Office of Economic Adjustment (OEA) was the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. Learning from the defense conversion experience, we would create an OEA-type body to coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, SBA, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop credible economic adjustment strategies. They also would bring the appropriate state, local and federal groups to the table to provide adequate resources for implementing plans. The expert staff at OEA could be detailed to this body to help trade-impacted regions and workers.

   - The Administration would propose $50 million over five years for funding this coordinating body.

Secondary Workers:

We are currently working with Congressman Becerra on a package to cover secondary workers under the Trade Adjustment Assistance program. Our discussions have focused on providing more dislocated worker funding for secondary workers. We are also working to initiate an informational campaign to increase the take-up rate of dislocated worker benefits by secondary workers.

IV. Job Creation Initiatives (Combined With Proposals Outlined in Section III):

8. **MAKE FLEXIBLE FUNDING AVAILABLE FOR SECOND-ROUND URBAN EMPOWERMENT ZONES.** The Administration would request $100 million per year -- or $500 million over five years -- in grant funds for second-round urban EZs. This funding could be used for a wide range of activities, including economic development and housing projects, project-based rental assistance, and job training. Although the Administration requested $100 million in flexible urban EZ funding for FY 1998, the FY98 VA-HUD conference report includes only $5 million in EZ planning funds, with no guarantee of actual program funding for FY 1999.

    - Providing flexible funding for the second-round of urban Empowerment Zones would cost $100 million per year, or $500 million over the next five years.

9. **EXPAND THE YOUTHBUILD PROGRAM.** YouthBuild provides high school dropouts 16-24 with general academic and job skills training, as well as apprenticeships constructing and rehabilitating affordable housing. The FY 1998 VA-HUD conference report will likely include $35 million for YouthBuild. This proposal would provide, beginning in FY 1999, an increase of $10 million per year for YouthBuild (above the FY 98 conference level).

    - Expanding the YouthBuild program would cost $10 million per year or $50 million over five years.

10. **CREATE OPPORTUNITY AREAS FOR OUT-OF-SCHOOL YOUTH.** The Administration requested and continues to advocate strongly for $250 million in competitive grants to selected high-poverty urban and rural areas, including designated EZs and ECs, to increase youth employment. The House Labor-HHS-Education Appropriations bill includes $100 million in forward funding for FY 1999; the Senate bill $250 million (also forward funded).

    - The Administration would work to ensure that the out-of-school youth program receive $250 million per year or $1.25 billion over the next five years.

11. **$250 MILLION IN DISLOCATED WORKER FUNDING.** In order to provide training to more dislocated workers, the Administration would increase funding for the dislocated worker program.

- The Administration will propose a $50 million increase in JTPA Title III in our FY99 budget. Between FY99 and FY03, this expansion of dislocated worker funding would mean an additional $250 million of resources for dislocated workers.

12. **$500 MILLION IN WELFARE-TO-WORK TRANSPORTATION FUNDS.** The Administration requested $100 million for an unspecified number of projects. The initial House bill provided $42 million for 10 projects. The Senate transit legislation reported by the Banking Committee fully funds the President's request. To help move people from welfare-to-work, the Administration will continue working to secure full funding for welfare-to-work transportation funds.

- The Administration will work to ensure that welfare-to-work transportation funds receive $500 million over the next five years.

13. **PERMIT STATES TO SET ASIDE ON-THE-JOB TRAINING POSITIONS FOR WELFARE RECIPIENTS AND EZ/EC RESIDENTS ON FEDERALLY-FUNDED HIGHWAY PROJECTS.** The Administration would work to permit states to set aside on-the-job training positions for welfare recipients and residents of EZ/ECs on Federally-funded highway projects. This NEXTEA provision is not included as proposed in either the House or Senate transportation bills, although the House bill does include a preference for welfare recipients.

- The annual cost of this proposal is zero.

14. **$250 MILLION TO OPEN ADDITIONAL JOBCORPS CENTERS AND IMPROVE EXISTING ONES.** JobCorps centers provide basic education, training, work experience, and other support to economically disadvantaged youth typically from debilitating environments. The Administration would propose to increase funding for JobCorps so that additional centers could be opened and existing centers could be improved.

- The Administration would propose a $50 million increase in JobCorps funding -- over five years, that's an additional $250 million.

15. **$225 MILLION FOR CDFIs TO EXPAND THE AVAILABILITY OF CREDIT IN DISTRESSED URBAN AND RURAL AREAS.** The Community Development Financial Institution (CDFI) fund is designed to expand the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. The Administration requested $125 million for CDFIs, but the Treasury-Postal conference report provided $80 million for FY98.

- The Administration will propose a $45 million increase over the conference report in our next budget -- that's $225 million over five years for CDFIs.

INTERNATIONAL TRADE ADMINISTRATION (ITA)

EAC Network

Background

The U.S. Export Assistance Centers (*USEACs*) are a bold and innovative step toward providing, in a single convenient location, hands-on export marketing and trade finance support for small and medium-sized companies. The Export Assistance Center concept hinges on: (1) streamlining the delivery of federal services, (2) leveraging resources with partner organizations, (3) taking advantage of communications technology, and (4) continuing to focus on export-ready manufacturers and service providers. The USEACs are a joint effort of the Department of Commerce (*DOC*) through ITA's U.S. and Foreign Commercial Service unit, the Small Business Administration (*SBA*), and the Export-Import Bank of the United States (*ExIm*).

The EAC network is comprised of regional U.S. Export Assistance Center (*USEAC*) "hubs" and Export Assistance Center (*EAC*) "spokes" and is designed to effectively service regional trading areas. Electronic links and state of the art communications technologies help the Centers deliver more services faster to more of our target clients: small to medium size firms.

Baltimore, Chicago, Miami, and Long Beach were selected as the initial "hubs" based on the following: 1) the concentration of established, export-ready businesses; 2) existing export infrastructure and partnership network at each location; 3) the opportunity to test separate and distinct operating models; 4) geographic diversity; and 5) existing resources available within the U.S. and Foreign Commercial Service, Eximbank, and SBA to service each EAC.

A further enhancement of the criteria used to select the first four was used to choose the next fifteen sites. Quantitative criteria included volume of exports, number of manufacturing establishments, and service establishments. The criteria were incorporated into a resource allocation model in order to identify, first, the states, and second, the cities which held the greatest export potential. While the quantitative methodology provided the agencies with an objective ranking of sites based on export potential, qualitative factors such as the existence of trade infrastructure (e.g., ports), the opportunity to leverage resources with state, local, and private partners, and the presence of DOC, SBA and Eximbank offices in the region adjusted the ranking to reflect cost and service efficiencies.

Currently there are 19 USEACs and 81 EACs

The 19 USEACs were opened in the following years:

FY-94:	4 *"Pilot"* USEACs Opened
FY-95:	5 USEACs Opened
FY-96:	6 USEACs Opened
FY-97:	4 USEACs Opened

Question:
$ spent on export assistance centers since 1993 or inception, whichever came first.

Answer:
FY 1994 - $516,548 (of which $344,725 was reimbursed by other agencies)
FY 1995 - $1,554,729 (of which $465,563 was reimbursed by other agencies)
FY 1996 - $3,921,973 (of which $537,339 was reimbursed by other agencies)
FY 1997 est. - $7,665,177 (of which $1,177,186 was reimbursed)

Question:
Average start up costs of an export assistance center highlighting the major expenses to start one up.

Answer:
There is a fairly wide range of start up costs among the centers opened to date. A rough estimate is about $83,171 per site. The major expenses include: Transportation (the cost of moving personnel to new offices and reassignments as well as moving some equipment); Telecommunications expenses (new hook-ups, increased use of cell phones, etc.); Equipment (purchase of new office equipment, furniture, computers, etc.); and Lease agreements (rent increases over traditional space and build out expenses).

Question:
Once an export assistance center is established, costs to keep it running.

Answer:
Once a USEAC is opened the average cost of keeping it running is $565,700.
Once an EAC is opened the average cost of keeping it running is $279,295.

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Office of Economic Adjustment

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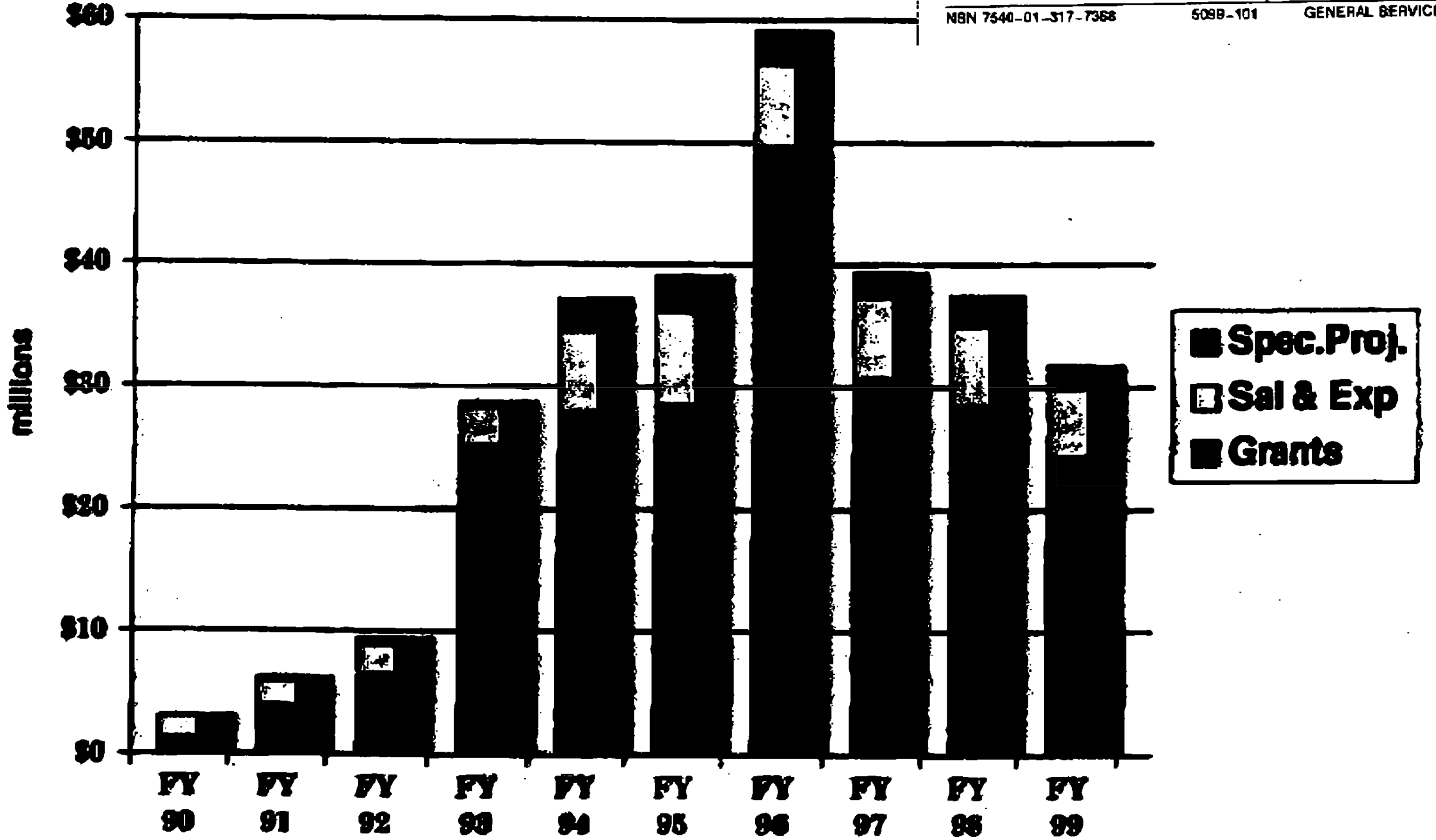
NSN 7540-01-317-7368 5099-101 GENERAL SERVICES ADMINISTRATION

Funding FY90 - FY98



Federal Agency Funding Support

Defense Downsizing 1988-97

[illegible]	[illegible]	[illegible]	[illegible]
DoD/OEA	113,000,000	12,000,000	125,000,00
DOL (national)	207,000,000	152,000,000	359,000,00
DOC/EDA	0	0	195,000,00
DOT/FAA	220,000,000	0	220,000,00
DOT/FTA	2,900,000	0	2,900,00
DOAg	1,000,000	0	1,000,00
Totals	543,900,000	164,000,000	**$902,900,00**

Note: DOL & DOT numbers are as of May 1997

THE PRESIDENT

Executive Order 12788 **January 15, 1992**

Defense Economic Adjustment Programs

By the authority vested in me as President by the Constitution and the laws of the United States of America, including 10 U.S.C. 2391 and the Defense Economic Adjustment, Diversification, Conversion, and Stabilization Act of 1990, enacted as Division D, section 4001 *et seq.*, of the National Defense Authorization Act for Fiscal Year 1991, Public Law 101-510 and to provide coordinated Federal economic adjustment assistance necessitated by changes in Department of Defense activities, it is hereby ordered as follows:

Section 1. *Function of the Secretary of Defense.* The Secretary of Defense shall, through the Economic Adjustment Committee, design and establish a Defense Economic Adjustment Program.

Sec. 2. *Purpose of the Defense Economic Adjustment Program.* The Defense Economic Adjustment Program shall assist in the alleviation of serious community socioeconomic effects that result from major Defense base closures, realignments, and Defense contract-related adjustments, and the encroachment of the civilian community on the mission of military installations.

Sec. 3. *Functions of the Defense Economic Adjustment Program.* The Defense Economic Adjustment Program shall:

(a) Identify problems of States, regions, metropolitan areas, or communities that result from major Defense base closures, realignments, and Defense contract-related adjustments, and the encroachment of the civilian community on the mission of military installations and that require Federal assistance;

(b) Use and maintain a uniform socioeconomic impact analysis to justify the use of Federal economic adjustment resources, prior to particular realignments;

(c) Apply consistent policies, practices, and procedures in the administration of Federal programs that are used to assist Defense-affected States, regions, metropolitan areas, and communities;

(d) Identify and strengthen existing agency mechanisms to coordinate employment opportunities for displaced agency personnel;

(e) Identify and strengthen existing agency mechanisms to improve reemployment opportunities for dislocated Defense industry personnel;

(f) Assure timely consultation and cooperation with Federal, State, regional, metropolitan, and community officials concerning Defense-related impacts on Defense-affected communities' problems;

(g) Assure coordinated interagency and intergovernmental adjustment assistance concerning Defense impact problems;

(h) Prepare, facilitate, and implement cost-effective strategies and action plans to coordinate interagency and intergovernmental economic adjustment efforts;

(i) Encourage effective Federal, State, regional, metropolitan, and community cooperation and concerted involvement of public interest groups and private sector organizations in Defense economic adjustment activities;

(j) Serve as a clearinghouse to exchange information among Federal, State, regional, metropolitan, and community officials involved in the resolution of community economic adjustment problems. Such information may include, for example, previous studies, technical information, and sources of public and private financing;

(k) Assist in the diversification of local economies to lessen dependence on Defense activities;

(l) Encourage and facilitate private sector interim use of lands and buildings to generate jobs as military activities diminish; and,

(m) Develop ways to streamline property disposal procedures to enable Defense-impacted communities to acquire base property to generate jobs as military activities diminish.

Sec. 4. *Economic Adjustment Committee.*

(a) Membership. The Economic Adjustment Committee ("Committee") shall be composed of the following individuals, or a designated principal deputy of these individuals, and such other individuals from the executive branch as the President may designate. Such individuals shall include the:

(1) Secretary of Agriculture;
(2) Attorney General;
(3) Secretary of Commerce;
(4) Secretary of Defense;
(5) Secretary of Education;
(6) Secretary of Energy;
(7) Secretary of Health and Human Services;
(8) Secretary of Housing and Urban Development;
(9) Secretary of the Interior,
(10) Secretary of Labor
(11) Secretary of State;
(12) Secretary of Transportation;

Executive Order 12788 **January 15, 1992**

(13) Secretary of the Treasury;
(14) Secretary of Veterans Affairs;
(15) Chairman, Council of Economic Advisers;
(14) Director of the Office of Management and Budget;
(17) Director of the Office of Personnel Management;
(18) Director of the United States Arms Control and Disarmament Agency;
(19) Administrator of the Environmental Protection Agency;
(20) Director of the Federal Emergency Management Agency;
(21) Administrator of General Services;
(22) Administrator of the Small Business Administration; and,
(23) Postmaster General

(b) Chairman. The Secretaries of Defense, Commerce, and Labor shall rotate on a yearly basis, as chairman of the Committee.

(c) Vice Chairman. The Assistant Secretary of Defense who oversees the Department of Defense's Office of Economic Adjustment shall serve as vice chairman of the Committee. The vice chairman shall chair the Committee in the absence of both the chairman and the chairman's designee and may also preside over meetings of designated representatives of the concerned executive agencies.

(d) Executive Director. The head of the Department of Defense's Office of Economic Adjustment shall provide all necessary policy and administrative support for the Committee and shall be responsible for coordinating the application of the Defense Economic Adjustment Program to Department of Defense activities.

(e) *Duties.* The Committee shall:

(1) Advise assist, and support the Defense Economic Adjustment Program:

(2) Develop procedures for ensuring that State, regional, and community officials and representatives of organized labor in those States, municipalities, localities, or labor organizations that are substantially and seriously affected by changes in Defense expenditures, realignments or closures, or cancellation or curtailment of major Defense contracts, are notified of available Federal economic adjustment programs; and,

(3) Report annually to the President and then to the Congress on the work of the Economic Adjustment Committee during the preceding fiscal year.

Sec. 5. Responsibilities of Executive Agencies.

(a) The head of each agency represented on the Committee shall designate an agency representative to:

(1) Serve as a liaison with the Secretary of Defense's economic adjustment staff;
(2) Coordinate agency support and participation in economic adjustment assistance projects; and,
(3) Assist in resolving Defense-related impacts on Defense-affected communities.

(b) All executive agencies shall:

(1) Support, to the extent permitted by law, the economic adjustment assistance activities of the Secretary of Defense. Such support may include the use and application of personnel, technical expertise, legal authorities, and available financial resources. This support may be used, to the extent permitted by law, to provide a coordinated Federal response to the needs of individual States, regions, municipalities, and communities adversely affected by necessary Defense changes;

(2) Afford priority consideration to requests from Defense-affected communities for Federal technical assistance, financial resources, excess or surplus property, or other requirements, that are part of a comprehensive plan used by the Committee.

Sec. 6. *Judicial Review.* This order shall not be interpreted to create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, its agents, or any person.

Sec. 7. Construction. (a) Nothing in this order shall be construed as subjecting any function vested by law in, or assigned pursuant to law to, any agency or head thereof to the authority of any other agency or officer or as abrogating or restricting any such function in any manner.

(b) This order shall be effective immediately and shall supersede Executive Order No. 12099.

THE WHITE HOUSE,
January 15, 1992.

George Bush

→ FAX to D. Robyn
456-2223

DEFENSE ADJUSTMENT PROJECTS
—
PERFORMANCE EVALUATION

Prepared for:

U.S. Department of Commerce
Economic Development Administration
Office of Program Research and Evaluation
(EDA Project No. 99-06-07415)

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AUGUST 1997

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SUMMARY OF FINDINGS

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SUMMARY OF FINDINGS
DEFENSE ADJUSTMENT PROGRAM PERFORMANCE EVALUATION

STUDY PURPOSE

- The purpose of the research described here is to evaluate 190 Economic Development Administration (EDA) Defense Adjustment Program projects that received their Award of Federal Assistance (AFA) letter during the period FY 1992 through FY 1995. This means that as of that date, defense construction, capacity building, and revolving loan fund (RLF) projects were about to begin. These are the earliest defense adjustment projects that can be selected for evaluation. While the time of their evaluation relative to their start does not allow for an evaluation of these projects at full maturity, this is the best test of these projects that can be done.
- The evaluation is undertaken using performance measures developed by EDA specifically to inquire into 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 capacity-building effort.
- The research team contacted by mail and telephone 190 grantees of defense construction 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.

STUDY PERIOD

- The study was undertaken from November 1996 through August 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 research report. All concur with the research findings presented below.

PROJECT TYPE AND CONTEXT

- From a universe of 190 EDA defense adjustment projects that received an AFA letter from FY 1992 through FY 1995, all 190 were contacted.
- The 187 grant-funded projects analyzed in this study[1] include 162 single-purpose projects, twenty double-purpose projects, and five triple-purpose projects. These sum to 217 total projects funded via the 187 EDA grants.

DISTRIBUTION OF PROJECTS
—DEFENSE ADJUSTMENT—

Grant-funded projects	*Number*	*Project Types*	*Number*
Single Projects	79	Defense	79
	69	Capacity	69
	14	RLF	14
Double Projects	2	Def. Cap.	4
	16	Cap./RLF	32
	2	Def./RLF	4
Triple Projects	5	Def./Cap./RLF	15
Total	**187**		**217**

[1]Three projects aborted due to grantee financial problems (2) or an inability to work with the EDA regional office (1).

In terms of the context of the above projects, EDA defense adjustment projects take place 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 the state and national levels.

CONTEXT OF PROJECTS (AT TIME OF APPLICATION)
— Defense Adjustment —

	Median	*Ratio to State*	*Ratio to Nation*
Unemployment Rate (%)	7.0	.98	1.02
Per Capita Income ($)	13,034	0.72	0.73
Below Poverty Level (%)	15.5	1.18	1.18
Minority (%)	27.3	1.21	1.39

PROJECT COMPLETION

- Of those defense adjustment projects (190) contacted by the research team, 98.5 percent (187) were initiated as planned.
- Of those undertaken, about 96 or 97 percent of defense construction and capacity-building projects, respectively, move to completion; 100 percent of the RLFs move to completion.
- Of those undertaken and completed, 80 percent of the defense construction and RLFs were completed on time. About 57% 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% and 100%, respectively.

PROJECT IMPACTS

Project-Related Direct Impacts: Defense Construction

- On average, completed defense construction projects (49) have produced 29,463 permanent jobs, or 119 jobs per $1 million EDA investment. These jobs were produced at an EDA cost of $8,373 per job and a total cost (all sources of funding) of $12,045 per job.
- Defense construction projects produce 18.0 FTE[2] construction jobs per $1 million of EDA investment.
- Completed defense construction projects (43)[3] leveraged $573 million in private-sector investment, or $1.6 million per $1 million of EDA investment.

DEFENSE CONSTRUCTION AND CAPACITY-BUILDING PROJECTS— PERMANENT JOBS
— Defense Adjustment —

	Defense Construction	*Capacity Building(E/T)**
Jobs Per $1M EDA	119	63
EDA Cost Per Job	$8,373	$13,633
Construction/ Consulting Jobs	18.0 FTE	13.7 FTE
Private-Sector Leverage Per $1M EDA	$1.6 M	N/A

* *Education and training*

[2] Full-time-equivalent.
[3] Forty-three of forty-nine defense construction projects have private-sector investment. Six projects are tax-exempt.

Capacity Building

- Completed capacity-building education/training projects have produced 63 permanent jobs per $1 million EDA investment at an EDA cost of $13,633 per job and a total cost of $19,393 per job.
- Capacity-building projects (education/training) produce 13.7 FTE consulting jobs for every $1 million of EDA investment.
- Completed *capacity-building* projects have 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 follows (Scale of 1-10; 10 = best):

GRANTEE RATING OF CAPACITY-BUILDING PROJECTS
— Defense Adjustment —
(Means)

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 Training/Education Effort	8.8
Impact of Training/Education Effort	8.9
Quality of Feasibility/Market Study	9.1
Impact of Feasibility/Market Study	8.7

- Thus, across the board, grantees believe that the products they are delivering with EDA oversight are both well done and have a significant impact.

Further to their credit:

- Capacity-building projects are also 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 are involved in technology transfer efforts wherein sophisticated measures of enhanced productivity are being used to measure business adjustment to new technology.

Revolving Loan Funds

- With regard to revolving loan funds (RLFs), jobs created per $1 million of EDA investment for 37 completed projects are 304; for those projects in process, there are 247[4] 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 investment. In-process RLF projects have leveraged $44 million in private-sector investment, or $3.4 million per $1 million of EDA investment.
- Other statistics for RLFs include combined default and write-off rates for completed projects of 12% and for RLF projects in process of 0.8%. For both completed and in-process projects, jobs produced per business assisted are about 22 and 19, respectively. In 50% of the cases the RLF involves a business expansion (as opposed to start-up or retention), and in 67% of the cases it involves the funding of industrial firms (as opposed to commercial or service).

[4] In-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.

REVOLVING LOAN FUND PROJECTS
— Defense Adjustment —

	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	$3.4 M
Default/Write-off Rates	12%	0.8%
Jobs Assisted/ Business	22	19

PROJECT IMPACTS (GENERAL)

- The results of defense adjustment projects as a whole are just beginning to become evident. Most will likely contribute to significant employment growth in the long term.
- Defense construction, as well as RLF projects, is nonetheless producing permanent jobs at relatively low costs; capacity-building education/training projects are producing smaller numbers of permanent jobs at somewhat higher costs. Capacity-building, planning, and market/feasibility/reuse studies are perhaps more importantly laying the groundwork for both defense construction and traditional public works projects.
- Defense adjustment projects are not as likely to be on schedule or to come in *under* budget as most traditional public works projects do. Nonetheless, 80-90 percent of defense adjustment projects are on schedule, and 90-100 percent are *at or under* budget.
- EDA defense adjustment funding is in place in numerous localities nationally; tangible progress is in evidence at 97% of the sites.

CONCLUSIONS

- As reported by grantees, EDA defense adjustment projects are one of the few avenues of flexible assistance 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 results of defense adjustment projects may evolve somewhat more slowly than traditional public works investments but hold the promise of far more job production and private-sector leverage. Most defense adjustment projects studied here involve efforts that are moving forward in a discernible and orderly way, and progressing with them are the economic bases of their host communities.

PRESIDENT'S ECONOMIC ADJUSTMENT COMMITTEE AND DEFENSE ECONOMIC ADJUSTMENT PROGRAM

Introduction

On January 15, 1992, the President signed Executive Order (E.O.) 12788. This Order updates and replace E.O. 12049. It reaffirms the President's Economic Adjustment Committee (EAC), established in 1970, and the Defense Economic Adjustment Program. It also incorporates statutory requirements for this Program.

Background

The Program was established in 1961 by the Secretary of Defense to help mitigate adverse effects of Defense closures and contract cutbacks. The Committee was first designated as the President's Interagency Economic Adjustment Committee in 1970 by an Executive Memorandum. This Committee and Program were subsequently formalized in 1978 under Executive Order 12049, "Defense Economic Adjustment Program," which broadened program support to include Defense expansion.

Composition

The Chair is the Secretary of Defense. The Vice Chair is the Assistant Secretary of Defense who oversees the Office of Economic Adjustment (OEA) which serves as the Committee staff. The Committee is presently composed of 23 Cabinet-level departments and agencies. Three levels of representation are:

Members - Department and agency heads. They meet at the discretion of the Chair. Also, they or their designee, formally identify the Members of the Advisory and Working Groups for their respective departments or agencies.

Advisory Group - Undersecretaries or their equivalent. They address policies peculiar to member departments and agencies and appropriate support to be given to the Defense economic adjustment program.

Working Group - Department and agency officials who can address the daily technical and program issues of the community Defense economic adjustment projects.

Committee Functions

Mandate - The Committee gives priority consideration to requests for Federal technical assistance, financial resources, excess or surplus property, and other requirements for communities adversely affected by Defense program changes. These changes include: military base closures and realignments, new military bases and expansions, and Defense contract reductions. Committee program support is also given to projects addressing the encroachment of incompatible development around military installations.

(over)

Benefits - The Committee and the affected community mutually benefit from their coordinated efforts. EAC assistance helps Defense impacted communities proceed quickly toward economic recovery. Member agency program objectives are attained through coordinated economic adjustment assistance programs.

Meetings - Normally, the Working Group meets to address the operational matters of the Defense economic adjustment program and individual community needs. They are apprised of current Defense impact situations and their support is requested.

Member and Advisory Group meetings are held when policy decisions are required, or immediate Committee support is needed to offset impacts caused by critical program changes.

Task Forces - When required, Committee task forces can be created to support major economic adjustment problems or new initiatives. Task forces may be organized at the headquarters level, but are more likely to be formed in the Federal regions.

A task force may be established on the recommendation of a member agency or by an OEA project manager with the concurrence of the OEA Director. Notification occurs through a memorandum from the Director to the appropriate Federal agencies at headquarters, requesting the designation of a point of contact to support the project. The memorandum includes a brief explanation of the need and expected agency participation level.

OEA Support to EAC And Defense EAP

Each member of the OEA staff is assigned to one or more EAC agencies for policy coordination and program liaison purposes. Each apprises the other of project support requirements or program funding potential.

OEA project managers identify, as early as possible, EAC support requirements. OEA transmits these requirements to the EAC for consideration in current and following year budgets.

Construct:

Mac set up in '61
- felt he had a social contract w/ comm'ties
- but DOD did

Help comm'ties think their action plan/

Then domestic agencies

- org'ing
- planning
- implementing

Fact that DOD didn't want to get into it in big way meant that we made it very comm'ty oriented

Strength of program: it's comm'ty based

weakness " " " " "

WE have some ability to bring various comm'ty players together if they want to be

St. Louis EX.

- labor component
- ind. "

- opp's for diversification - competitive adv's.

St. L is model for responding to any sudden
Econ. dislocation

Department of Defense
Office of Economic Adjustment
400 Army Navy Drive — Suite 200
Arlington, VA 22202-2884

Office (703) 604-6020 Fax (703) 604-5843

Date: 9/19/97

To: **DOROTHY ROBYN**

From: Paul Dempsey

This fax transmission consists of 1 pages, not including transmittal sheet. If transmission is incomplete, please call the above listed number.

Virginia Mayer just proudly gave me the attached. Not only is Ft. Worth in the top 20 best cities for small business (per *Entrepreneur* magazine), but your one-stop is prominently cited as a reason. Note too your home town and our other one-stop model, St. Louis', even higher ranking. It has to be attributable at least in part to the work of Denny Coleman.

09/19/97 16:01 OEA → 2024562223 NO.078 002

SEP-16-97 TUE 16:43 FWIC STRATEGY FAX NO. 8172122668 P. 04/04

Paul FYI - they've come a long way! :) - Virginia

Entrepreneur®

THE S[illegible]USINESS [illegible]HORITY www.[illegible]mag.com [illegible]TOBER 1997

20 BEST CITIES for SMALL BUSINESS

Our annual ranking of the nation's top entrepreneurial spots

FT. WORTH

TOP 20 CITIES

LARGE CITIES

1. Portland/Vancouver, OR/WA
2. St. Louis, MO/IL
3. Seattle/Bellevue/Everett, WA
4. Greensboro/Winston-Salem/High Point, NC
5. Charlotte/Gastonia, NC/Rock Hill, SC
6. Denver, CO
7. Minneapolis/St. Paul, MN/WI
8. Las Vegas, NV/AZ
9. Salt Lake City/Ogden, UT
10. Kansas City, MO/KS
11. Detroit, MI
12. Atlanta, GA
13. Milwaukee/Waukesha, WI
14. Ft. Worth/Arlington, TX
15. Nashville, TN

If you still think of the Ft. Worth metropolitan area as Cowtown—don't. Though its cattle-raising roots are branded in the nation's consciousness, this north Texas region has been transformed by a surge of high-tech enterprise. Indeed, Ft. Worth ranks among the top 20 electronics manufacturing sites nationwide.

Even if Ft. Worth casts a longer shadow, Arlington deserves a tip of the hat—cowboy or otherwise—for its semiconductor and software industries.

The completion of Alliance Airport in 1989—the first industrial airport in the United States—simply adds to the area's strengths. Factor in the busy Dallas/Ft. Worth International Airport, as well as rail and interstate highway access, and you've got a transportation hub few cities can rival.

As for entrepreneurial resources, Ft. Worth helps local business owners with its self-created Ft. Worth Business Assistance Center, a one-stop site for financing, legal and exporting assistance. Even local public schools get into the act—the Ft. Worth Chamber of Commerce, in partnership with the Ft. Worth Independent School District, determined which skills were most sought after by prospective employers and designed appropriate curriculums for all grade levels.

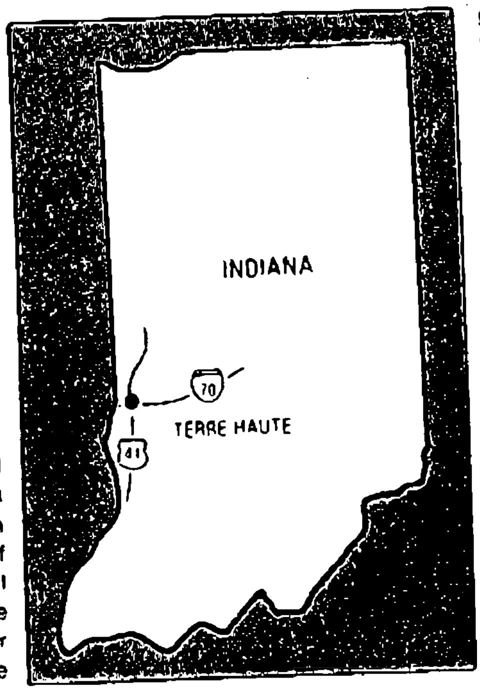
And, as home of the popular Texas Rangers, Arlington clearly scores with baseball fans and the local businesses that cater to them. That's enough to bat away those Old West images.

Terre Haute, Indiana

Plant closing was another in a series of economic setbacks for the community.

Terre Haute, Indiana, is situated on a north-south line between Chicago, Illinois, and Evansville, Indiana. The city of 70,335 located in Vigo County, has an economy historically based on food processing, coal mining and railroading; however, manufacturing is a growing economic factor, now employing 25% of the available work force.

Between 1950 and 1960, an economic erosion in railroading, mining and agricultural services resulted in the loss of more than 6,000 jobs in the community. Serious labor-management problems surfaced. The closing of the contractor operated Department of Defense Industrial Production Equipment, Storage and Maintenance Plant was announced in November, 1964. While the final closing in 1966 affected only 253 civilian jobs (1% of the work force), it meant an annual payroll loss to the community of $1.7 million. The impending plant closure was another setback in a long series of setbacks for the discouraged community.



Community Action

The leadership in Terre Haute was determined to use the closing of the defense facility as a catalyst to organize a new cooperative economic development effort. In 1965, the Defense Office of Economic Adjustment (OEA) team was called in. A broad based Area Progress Committee was organized under the leadership of the president of Indiana State University at Terre Haute. Leaders from business and labor joined public officials in a common effort. OEA, working with local representatives, provided an industrial district plan for reuse of the defense plant. The Indiana States District Council of Laborers and Hod Carriers loaned the city $575,000 from the Council's pension fund to purchase the property. The Economic Development Administration (EDA) provided the grant money needed for the organization of a multi-county Economic Development District which headquartered in Terre Haute. EDA grants totaling $2.7 million also were provided for highway and other improvements needed to convert the former defense plant and surrounding acreage into a modern, fully serviced industrial park.

Terre Haute Today

There are now nine industrial firms located at Terre Haute's Fort Harrison Industrial Park. These firms provided 525 *new jobs—more than double the 253 lost* when the government plant closed. Two more companies are completing construction of facilities that will employ another 410 workers.

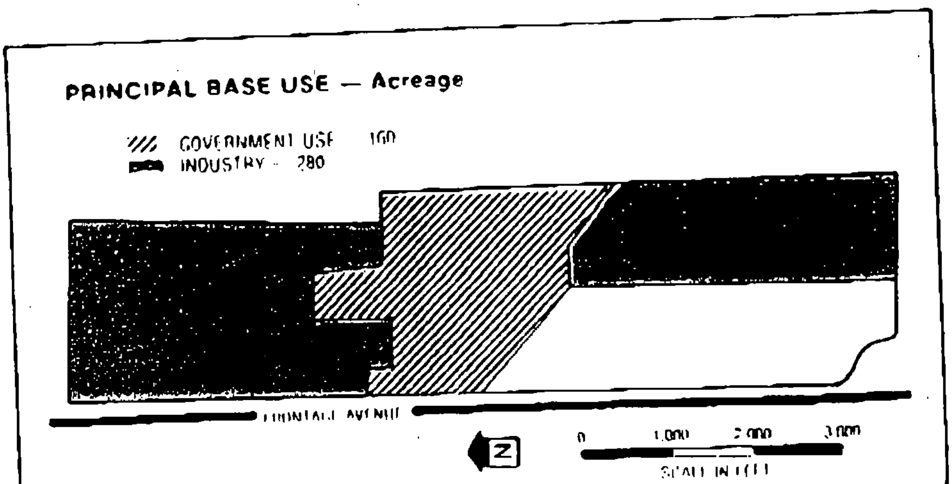
In addition, *renewed economic development efforts are estimated to have generated another 5,500 jobs* throughout the area. Terre Haute's faltering urban renewal project was rejuvenated through the vigorous support of the new Area Progress Committee.

After years of decline, *employment in Vigo County grew 15%* to reach a peak of 44,305 between 1960 and 1970. In 1974, unemployment had been reduced to 4.5%.

An Energetic, Confident Attitude Needed for Economic Recovery

The closing of the defense plant sparked a sense of urgency in both labor and management leaders. A tremendous improvement in Terre Haute's labor/management climate occurred following action by the Council of Laborers and Hod Carriers to provide the city with funds needed to purchase the defense facility. It was this new spirit of cooperation that was actually the cornerstone of Terre Haute's recovery efforts.

An energetic, confident community attitude has replaced Terre Haute's former lethargy toward vitally needed economic development. Once empty plants are again bee-hives of activity. A new spirit pervades the community; all segments are pulling together in a concerted effort to provide jobs and civic benefits for those who work and live in Terre Haute, Indiana. ○ 1975



OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL # of pages ►

To ROBYN	From DEMPSEY
Dept./Agency	Phone #
	Fax #

OPTION & CURRENT LAW	ADMINISTRATIVE OR STATUTORY CHANGES	DISCUSSIO
***Outreach to Secondary Workers:** Secretary of Labor has used discretionary authority to make secondary workers who certified under NAFTA TAA secondary workers eligible for training and income support under JTPA Title III. These benefits are identical to TAA benefits, but are not administered under a formal entitlement. Only 32 workers have been served. The NAFTA-TAA Stmt of Admin Action defines secondary workers as all suppliers to and upstream producers for certified firms.	Identify, locate and advise potentially eligible secondarily affected workers. Widely disseminate information. No legislation necessary.	Outreach eff workers who job training a
***Program Improvement**	Better outreach and public awareness for both TAA & NAFTA TAA. Create and implement performance measures. Shorten determination period for TAA certification by one third.1 No legislation necessary.	Especially im certification i

OPTION & CURRENT LAW	ADMINISTRATIVE OR STATUTORY CHANGES	DISCUSSIO
Reduce Training Waivers: Under TAA, workers may receive income support w/o taking training. Under NAFTA TAA, workers are required both to take training and to enroll early.	Legislation would be required to eliminate waivers. Further reductions can be accomplished with tighter guidelines and closer review.	Some eviden training enha reemployme either TAA o conclusion. the question Many worke seek certific training requi older worker sense to req
***Early Intervention:** State dislocated workers units are responsible for rapid response in the case of substantial dislocation and when workers have been preliminarily certified under NAFTA TAA.	Encourage the provision of rapid response for all substantial layoffs prior to any trade determination. Encourage more coordination between JTPA III responses and TAA responses. No legislation necessary.	More effecti those affecte NAFTA-TAA
Modification of WARN Act: The WARN Act which requires 60 days advance notice of mass layoff or plant closings has not been very effective.	Amend WARN to give Secretary enforcement authority similar to FLSA. Amend WARN to lower trigger from 500 to 250 or less than 1/3 affected.	If employers workers wou to early inter reemployme on the Hill.
Reauthorization of TAA & NAFTA-TAA: Administration has sent legislation to Congress for simple 4 year extensions of both programs.		

OPTION & CURRENT LAW	ADMINISTRATIVE OR STATUTORY CHANGES	DISCUSSIO
Merge TAA & NAFTA-TAA2: NAFTA-TAA was originally intended to be a temporary program which along with TAA was to be folded into a revamped comprehensive Reemployment System. The legislation to create this reform died, leaving us with two separate programs.	The two programs could be merged in the Reauthorization.	Although the and political consistently training prog would be: ti training and coverage of secondary a
Add Shifts in Production to TAA: Although NAFTA-TAA covers workers who have been adversely affected by shifts in production, TAA does not.	Add shift in production of any article to any country to the TAA criteria.	22,000 addi
Add Service Producing Workers for Both NAFTA-TAA and TAA.	Make workers who produce services eligible for TAA benefits if their firm is adversely affected by imports and/or if their firm shifts production to another country.	Adding servi with the dire are increasin services. E. transportatio services. Th all services trade related make worker Using the br 16,000 addi 10,500 addi 20,000 mer

OPTION & CURRENT LAW	ADMINISTRATIVE OR STATUTORY CHANGES	DISCUSSIO
Cover Secondary Workers3: Although NAFTA-TAA allows secondary workers to receive income support and training under JPTA Title III, this benefit is not a formal entitlement and has been used by only 32 workers. Moreover, TAA has no comparable provision. The NAFTA-TAA Stmt of Admin Action defines secondary workers as all suppliers to and upstream producers for certified firms.	DOL believes it may be able to give suppliers and producers of certified firms access to training and income support under Title III without legislative action. If we want to create an actually entitlement identical to that for primary firms, we would need legislation.	Using the N additional w programs we TAA only: 1 NAFTA-TAA More work n NAFTA-TAA it includes all narrow beca does not incl neighborhoo

OPTION & CURRENT LAW	ADMINISTRATIVE OR STATUTORY CHANGES	DISCUSSIO
Enhance Pell Eligibility for Trade Affected Workers: Although financial aid officers currently have discretion to use prospective income accounting, we do not believe they use it often. This option would require that they use prospective income accounting to determine eligibility for all trade certified (e.g. NAFTA-TAA and TAA) workers.	Probably would require legislation.	OMB estimat take Pell gra probably hig
School Construction: Old school buildings and increasing enrollment have led to a dramatic backlog in school renovation and construction needs.	Our proposal was $5 billion; Daschle-Gephardt now have a $1.9 billion proposal. Establishes a new program of subsidies to cover interest and other financing costs.	The Black Ca leadership ha continue to
Hispanic Drop Out Action Plan: Hispanics have a higher dropout rate than any other group.	Working with Education, Labor and HHS, we have developed a number of administrative and legislative actions that we could take (such as an outreach plan in Head Start; technical assistance for schools to get technology grants, etc.). Also, there is interest in a White House Conference on the issue.	A dropout re an action pla preferably so
Community Wide Response: Create President's Interagency Coordinating Committee, Give Planning Grants and Provide Targeted Implementation Support With Existing Funds:	No legislation necessary to create Coordinating Committee. Need authorization & appropriation for planning grants.	Initiative wo Administrati including civi Economic Ad capacity to r level. Minim

OPTION & CURRENT LAW	ADMINISTRATIVE OR STATUTORY CHANGES	DISCUSSIO
Community Wide Response Plus: Give Trade Impacted Communities Priority Access to EDA Readjustment Funds: Save as above but would give trade impacted communities priority for EDA funds.	EDA can give trade impacted communities priority access to limited EDA dollars w/o new legislation.	While this w would be po constituency to pay Paul.
Community-Wide Response Plus: Dedicated EDA Funds for Trade Impacted Communities: Same as earlier option, but with separate **dedicated** EDA funds for trade impacted communities.	Would require legislation to create a dedicated appropriation for trade impacted communities. Funds could be contingent.	Eligibility wo relying on C modification Dislocation e trade contrib Funding requ on retrospec would it take demonstratin

INVENTORY OF EXISTING PROGRAMS -- WORKER ADJUSTMENT ASSISTANCE

PROGRAM	ELIGIBILITY	BENEFITS	BUDGET
Dislocated Workers Program (Title III of JTPA as amended by EDWAA)	All dislocated workers.	Income support: None beyond standard 26 weeks of UI, except in exceptional circumstances. Training: Bulk of benefits. Job search and counseling.	$1.35 billion F appropriation
Trade Adjustment Assistance (TAA)	Workers displaced by trade.	Income support: Extended for up to 78 weeks in total. Training: -- Provides up to 104 weeks. -- Liberal waiver provisions. Job Counseling and Job Search.	Benefits: $208 FY98 Training: $97 FY98 Entitlement; re reauthorization September 199
NAFTA Transitional Adjustment Assistance (NAFTA-TAA)	-- Workers displaced by trade <u>or production shift</u> to Mexico or Canada; -- "Secondary" workers displaced by shift of supplier to Mexico or Canada (eligible for income support); -- Family farmers and farm workers (who do not meet TAA "group" requirement).	Income support: Extends for up to 78 weeks in total Training: -- Provides for up to 104 weeks. -- Requires enrollment within limited time to qualify for income support; Job Counseling and Search Services and Relocation Allowance.	Benefits: $22 FY98 Training: $22 FY98 Entitlement; re reauthorization September 199

INVENTORY OF EXISTING PROGRAMS -- COMMUNITY ADJUSTMENT ASSISTANCE

PROGRAM	ELIGIBILITY	BENEFITS	BUDGET
NADBank Community Adjustment and Investment Program (CAIP)	Communities that have been adversely affected by trade -- Requires certification by CAIP Finance Committee -- High number of NAFTA-TAA certifications and unemployment above national average	-- Direct loans to leverage commercial financing for local business projects -- Indirect lending through SBA, HUD, and USDA	$22.5 million t % of U.S. paid capital to NAD

TRADE-IMPACTED COMMUNITY EMPOWERMENT INITIATIVE
September 22, 1997

Background: The Administration has had considerable success in helping regions hurt by defense downsizing through its coordinated, community-based approach to providing economic adjustment assistance. Initially developed to respond to communities experiencing a military base closure, this approach has been used effectively as well in regions suffering from defense industry cutbacks. Three features distinguish the approach:

- ***Focus on community organization and planning:*** Staff from DoD's superb Office of Economic Adjustment intervene early to help a community organize itself and develop a credible economic adjustment strategy. In addition to pointing the way to other sources of federal assistance, OEA staff help identify and attract state, local and private resources.

- ***Targeted support for implementation:*** Defense-impacted regions have received dedicated funds for worker training/assistance from the Department of Labor, and for economic development (primarily infrastructure grants and revolving loan funds) from Commerce's Economic Development Administration. Other sources of support include: DOT funds for converting military airports to civilian use, SBA loan guarantees, and competitively awarded R&D grants from DoD and elsewhere.

- ***Close interagency coordination:*** Although the NEC coordinates the Administration's defense economic adjustment ***policy***, day-to-day implementation is coordinated through an interagency committee established in 1970 and formalized by executive order in 1992. OEA effectively chairs this group, and each OEA staffmember is responsible for coordinating with one or more participating agencies.

Proposal: Undertake a Trade-Impacted Community Empowerment Initiative modeled after the Administration's defense economic adjustment effort. At a minimum, the initiative would establish a mechanism for better interagency coordination of trade adjustment assistance and provide funding for an OEA-like entity. A more ambitious initiative would make additional EDA resources available for trade-impacted communities.

- ***Interagency Coordination:*** Establish a President's Interagency Trade Economic Adjustment Committee, chaired by the Secretary of Commerce. (To avoid delay, this should be done by executive memorandum rather than EO.) The committee's mandate would be to improve outreach to and assistance for trade-impacted regions.

- ***Planning Grants to Help Communities Develop an Economic Adjustment Strategy:*** Provide funds for an OEA-like entity to help trade-impacted communities bring the appropriate local groups to the table and develop a credible economic adjustment plan. Project managers also would help communities tap into federal funds for worker training, economic development and other implementation activities. (Estimated cost: [$XX million/year])

- ***Targeted Support for Worker Training, Business Assistance and Economic Development:*** Trade-impacted communities currently can receive funds for economic adjustment activities under several programs dedicated to trade adjustment, including DOL's Trade Adjustment Assistance (TAA) and NAFTA-TAA programs; the North American Development Bank (NADBank); the Community Adjustment & Investment Program (CAIP); and Commerce's Trade Adjustment Assistance Centers (see program descriptions, attached).

  Trade-impacted communities also can apply for EDA Title IX funds (technical assistance, revolving loan funds, infrastructure grants) and SBA loans and loan guarantees. However, EDA's funds (which have been critical to defense adjustment) are heavily oversubscribed. Other possible sources of support include: [ ]

Options: The Administration could pursue the Trade-Impacted Community Empowerment Initiative in one of three ways. The key difference has to do with the role of EDA.

- Option 1 would request no new additional funds; the Administration would simply try to do a better job of serving trade-impacted communities using existing resources (and the steps described in the first two bullets above).

- A second option would be to give trade-impacted communities priority in the allocation of scarce economic development funds -- notably EDA Title IX funds.

- A third option would be to request additional, **dedicated** EDA funds for trade-impacted communities. (Estimated cost: [$400M over 5 years])

EDA's appropriators would oppose Option 2, as borrowing from Peter to pay Paul. Thus, realistically, the choice is between Options 1 and 3.

Eligibility: A community could qualify for this initiative in one of four ways:

- It has been certified by the CAIP program as eligible for assistance from NADBank.

- It is eligibile for EDA's Sudden and Severe Dislocation Title IX program as the result of increased imports or trade-related plant relocations.

- It is eligible for EDA's Long Term Economic Deterioration Title IX program at least partly as a result of trade impacts.

- It can demonstrate that it has "special needs" because of economic impacts resulting from changing trade patterms.

(See EDA's discussion of these four criteria, attached.)

TRADE-IMPACTED COMMUNITY EMPOWERMENT INITIATIVE
September 22, 1997

Background: The Administration has had considerable success in helping regions hurt by defense downsizing through its coordinated, community-based approach to providing economic adjustment assistance. Initially developed to respond to communities experiencing a military base closure, this approach has been used effectively as well in regions suffering from defense industry cutbacks. Three features distinguish the approach:

- ***Focus on community organization and planning:*** Staff from DoD's superb Office of Economic Adjustment intervene early to help a community organize itself and develop a credible economic adjustment strategy. In addition to pointing the way to other sources of federal assistance, OEA staff help identify and attract state, local and private resources.

- ***Targeted support for implementation:*** Defense-impacted regions have received dedicated funds for worker training/assistance from the Department of Labor, and for economic development (primarily infrastructure grants and revolving loan funds) from Commerce's Economic Development Administration. Other sources of support include: DOT funds for converting military airports to civilian use, SBA loan guarantees, and competitively awarded R&D grants from DoD and elsewhere.

- ***Close interagency coordination:*** Although the NEC coordinates the Administration's defense economic adjustment ***policy***, day-to-day implementation is coordinated through an interagency committee established in 1970 and formalized by executive order in 1992. OEA effectively chairs this group, and each OEA staffmember is responsible for coordinating with one or more participating agencies.

Proposal: Undertake a Trade-Impacted Community Empowerment Initiative modeled after the Administration's defense economic adjustment effort. At a minimum, the initiative would establish a mechanism for better interagency coordination of trade adjustment assistance and provide funding for an OEA-like entity. A more ambitious initiative would make additional EDA resources available for trade-impacted communities.

- ***Interagency Coordination:*** Establish a President's Interagency Trade Economic Adjustment Committee, chaired by the Secretary of Commerce. (To avoid delay, this should be done by executive memorandum rather than EO.) The committee's mandate would be to improve outreach to and assistance for trade-impacted regions.

- ***Planning Grants to Help Communities Develop an Economic Adjustment Strategy:*** Provide funds for an OEA-like entity to help trade-impacted communities bring the appropriate local groups to the table and develop a credible economic adjustment plan. Project managers also would help communities tap into federal funds for worker training, economic development and other implementation activities. (Estimated cost: [$XX million/year])

- ***Targeted Support for Worker Training, Business Assistance and Economic Development:*** Trade-impacted communities currently can receive funds for economic adjustment activities under several programs dedicated to trade adjustment, including DOL's Trade Adjustment Assistance (TAA) and NAFTA-TAA programs; the North American Development Bank (NADBank); the Community Adjustment & Investment Program (CAIP); and Commerce's Trade Adjustment Assistance Centers (see program descriptions, attached).

  Trade-impacted communities also can apply for EDA Title IX funds (technical assistance, revolving loan funds, infrastructure grants) and SBA loans and loan guarantees. However, EDA's funds (which have been critical to defense adjustment) are heavily oversubscribed. Other possible sources of support include: [ ]

Options: The Administration could pursue the Trade-Impacted Community Empowerment Initiative in one of three ways. The key difference has to do with the role of EDA.

- Option 1 would request no new additional funds; the Administration would simply try to do a better job of serving trade-impacted communities using existing resources (and the steps described in the first two bullets above).

- A second option would be to give trade-impacted communities priority in the allocation of scarce economic development funds -- notably EDA Title IX funds.

- A third option would be to request additional, **dedicated** EDA funds for trade-impacted communities. (Estimated cost: [$400M over 5 years])

EDA's appropriators would oppose Option 2, as borrowing from Peter to pay Paul. Thus, realistically, the choice is between Options 1 and 3.

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- It can demonstrate that it has "special needs" because of economic impacts resulting from changing trade patterms.

(See EDA's discussion of these four criteria, attached.)

ATTACHMENTS

1. Office of Economic Adjustment

2. President's (Defense) Economic Adjustment Committee

3. Selected Program Descriptions

    a. NADBank/CAIP
    b. Trade Adjustment Assistance Centers
    c. EDA economic adjustment programs

4. Details on Option 3 (EDA funds dedicated to trade economic adjustment)

    a. Budget
    b. Community Assistance Scenario
    c. Communities Assisted per Year

5. Eligibility Criteria

Office of Economic Adjustment

A key ingredient in the Administration's successful defense economic adjustment strategy has been DoD's Office of Economic Adjustment. OEA was created in 1961 to help communities cope with military base closures, and that has been its traditional role. Typically, OEA helps communities organize a planning group, provides a planning grant, guides the group through government requirements for base closures, and helps it develop a "reuse" plan for redevelopment of the base.

With the end of the Cold War, OEA's responsibilities have expanded to include help for communities hit by closings and cutbacks of defense plants. For example, in St. Louis, where McDonnell Douglas laid off 30,000 workers, OEA was instrumental in helping the region develop a broad strategy for worker adjustment and firm diversification.

OEA's superb reputation is due to several factors:

- Intervention typically comes early, before serious impact has occurred;
- OEA staff catalyze a local, grassroots adjustment planning process, using planning grants as financial carrot to get all key stakeholders at the table;
- OEA's 30 project managers are economic adjustment experts, with skill at helping communities create an appropriate economic adjustment strategy or vision;
- OEA is at center of network of federal adjustment specialists, and skilled at helping communities tap into JTPA, EDA and other programs at the appropriate time.

Because OEA's focus is on the planning stage, it does a lot with relatively few resources: a single OEA project manager oversees 3-4 communities simultaneously. And planning grants (which are typically staggered over several years) are in the range of $500,000-$3 million per community.

PRESIDENT'S ECONOMIC ADJUSTMENT COMMITTEE
AND
DEFENSE ECONOMIC ADJUSTMENT PROGRAM

Introduction

On January 15, 1992, the President signed Executive Order (E.O.) 12788. This Order updates and replace E.O. 12049. It reaffirms the President's Economic Adjustment Committee (EAC), established in 1970, and the Defense Economic Adjustment Program. It also incorporates statutory requirements for this Program.

Background

The Program was established in 1961 by the Secretary of Defense to help mitigate adverse effects of Defense closures and contract cutbacks. The Committee was first designated as the President's Interagency Economic Adjustment Committee in 1970 by an Executive Memorandum. This Committee and Program were subsequently formalized in 1978 under Executive Order 12049, "Defense Economic Adjustment Program," which broadened program support to include Defense expansion.

Composition

The Chair is the Secretary of Defense. The Vice Chair is the Assistant Secretary of Defense who oversees the Office of Economic Adjustment (OEA) which serves as the Committee staff. The Committee is presently composed of 23 Cabinet-level departments and agencies. Three levels of representation are:

Members - Department and agency heads. They meet at the discretion of the Chair. Also, they or their designee, formally identify the Members of the Advisory and Working Groups for their respective departments or agencies.

Advisory Group - Undersecretaries or their equivalent. They address policies peculiar to member departments and agencies and appropriate support to be given to the Defense economic adjustment program.

Working Group - Department and agency officials who can address the daily technical and program issues of the community Defense economic adjustment projects.

Committee Functions

Mandate - The Committee gives priority consideration to requests for Federal technical assistance, financial resources, excess or surplus property, and other requirements for communities adversely affected by Defense program changes. These changes include: military base closures and realignments, new military bases and expansions, and Defense contract reductions. Committee program support is also given to projects addressing the encroachment of incompatible development around military installations.

(over)

Benefits - The Committee and the affected community mutually benefit from their coordinated efforts. EAC assistance helps Defense impacted communities proceed quickly toward economic recovery. Member agency program objectives are attained through coordinated economic adjustment assistance programs.

Meetings - Normally, the Working Group meets to address the operational matters of the Defense economic adjustment program and individual community needs. They are apprised of current Defense impact situations and their support is requested.

Member and Advisory Group meetings are held when policy decisions are required, or immediate Committee support is needed to offset impacts caused by critical program changes.

Task Forces - When required, Committee task forces can be created to support major economic adjustment problems or new initiatives. Task forces may be organized at the headquarters level, but are more likely to be formed in the Federal regions.

A task force may be established on the recommendation of a member agency or by an OEA project manager with the concurrence of the OEA Director. Notification occurs through a memorandum from the Director to the appropriate Federal agencies at headquarters, requesting the designation of a point of contact to support the project. The memorandum includes a brief explanation of the need and expected agency participation level.

OEA Support to EAC And Defense EAP

Each member of the OEA staff is assigned to one or more EAC agencies for policy coordination and program liaison purposes. Each apprises the other of project support requirements or program funding potential.

OEA project managers identify, as early as possible, EAC support requirements. OEA transmits these requirements to the EAC for consideration in current and following year budgets.

Selected Program Descriptions

The NAFTA North American Development Bank (NADBank):

In mid-1994 agreement was reached between the U.S. and Mexico on two new organizations to support border environmental clean-up and to provide support for community adjustment and investment related to NAFTA. The Border Environment Cooperation Commission (BECC) was developed to help border states and local communities in coordinating, designing and financing environmental infrastructure projects with cross-border impacts. The North American Development Bank (NADBank) was created to address two problems: the financing of border environmental projects and adjustment assistance to address NAFTA-related community trade adjustment problems. NADBank was provided with funding that should support $2 to $3 billion worth of projects over four years, however, only ten percent of its funds were to be allocated to the Community Adjustment and Investment Program (CAIP).

NADBank CAIP assistance is limited to loans and loan guarantees to businesses located in communities designated as eligible for assistance under the CAIP. There is no authority for supporting community capacity building, planning or technical assistance, and no provision for funding of infrastructure improvements to support local economic conversion in areas hard hit by import impacts when such areas aren't part of the NADBank border program. Only three loans or loan guarantees have been provided under the NADBank CAIP in the three years of its existence.

The Treasury Department made its first designations under the CAIP on August 1, 1997, when it designated 35 communities as eligible, which should make it possible for companies in those communities to apply for CAIP assistance. To be designated as eligible for the CAIP, a community must provide evidence of two factors: first, it must demonstrate job losses associated with the passage of NAFTA and second, it must suffer from an unemployment rate significantly higher than the national rate. The job loss test can be met by having a significant number of recent Department of Labor TAA worker group certifications, or by showing the loss of a significant number of jobs to business relocations to Canada or Mexico. At this point, the CAIP can only be viewed as an experiment.

Trade Adjustment Assistance for Firms and Industries:

The Department of Commerce has implemented the Trade Adjustment Assistance (TAA) Program for Firms and Industries since the late 1970's. (See attachment B - a detailed program description and fact sheet.) Although funding for the TAA Program for Firms and Industries has fluctuated significantly over the years and responsibility for the program has been transferred from EDA to the International Trade Administration (ITA) and the back to EDA, the program has proven itself to be an efficient and effective way to help U.S. firms and industries injured by imports regain the ability to compete in the global marketplace. While the program included loan and loan guarantee authority in its early years, those authorities were later eliminated because they were cumbersome to implement and firms were generally able to obtain conventional financing once they had developed and implemented their Adjustment Proposals.

Most of the assistance provided under the TAA Program for Firms and Industries has been provide through a network of twelve Trade Adjustment Assistance Centers (TAACs) which provide direct, hands-on assistance to trade injured firms. The TAACs, established in 1978, were among the first government-sponsored providers of comprehensive assistance to manufacturers to help them improve their operations. TAACs work with firms to help them complete the necessary documentation to become certified under the program, develop a comprehensive Adjustment Proposal that identifies the company's strengths and weaknesses as well as the steps they need to take to become competitive, and then implement the proposal, generally through the cost-shared (50/50) hiring of outside consultants with expertise in the necessary business discipline. While the majority of TAACs are overseen by university-based entities, three are sponsored by private non-profit organizations, one by a state agency and one by a regional manufacturers' association.

The assistance provided through the TAACs is unique in a number of ways. First, unlike most business assistance programs, manufacturers must demonstrate injury due to imports and go through a certification process. Since they must have suffered lost sales and employment and those losses have to be at least partly due to increased imports of like or directly competitive products, firms receiving assistance from the TAACs are generally facing declining fortunes. This is another difference between the TAA Program and other business assistance programs that generally work with either start-ups or healthy firms seeking to improve operations. Because of the generally weak condition of their client firms, the TAACs also tend to work with their clients for a longer period of time and provide a higher level of assistance. It is not unusual for a TAAC to work with a client for over three years and to provide over $100,000 in cost-shared consultant assistance to the firm.

In spite of the condition of the clients when they enter the program, however, the results of TAAC assistance have been impressive. A TAAC analysis of 651 firms completing assistance under the program between FY 1990 and FY 1996 showed that while sales had declined 11 percent (from $7.3 billion to $6.5 billion) in the two years prior to entering the program, they had increased 40 percent (from $6.5 billion to $9.1 billion) after receiving assistance. Employment also showed significant recovery, having dropped nearly 15 percent in the period before the firms entered the program and then recovering nearly 14 percent after assistance.

While recent years have seen limited funding going into industry assistance efforts because of reduced appropriations for the TAA Program for Firms and Industries, there have been a number of innovative and effective industry-government cooperative efforts undertaken through the program. Among the industry projects funded were the original American Electronics Association (AEA) and Semiconductor Industry Association (SIA) representative offices in Japan working to resolve trade issues with that nation; initial funding for the Tailored Clothing Technology Center (TC2) developing automated apparel technology on behalf of the U.S. apparel industry; and a program with the Gear Research Institute to develop austempered ductile iron materials technology as a lower cost, lightweight and strong material for drive train applications. The TAA program for Firms and Industries should be viewed as the U.S. Government's "turnaround" consulting program for trade injured companies and industries, and a major source of support for community business retention efforts.

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~~EXISTING TRADE ADJUSTMENT ASSISTANCE PROGRAMS~~:

Economic Development Administration:

The Economic Development Administration (EDA) was established under the Public Works and Economic Development Act of 1965, as amended (42 USC 3121 *et seq.)*, to generate new jobs, retain existing jobs and stimulate industrial and commercial growth in economically-distressed areas of the United States. EDA assistance is available to rural and urban areas of the Nation experiencing high unemployment, low-income levels, extensive poverty, outmigration, or sudden and severe economic distress.

The basic principle underlying all EDA programs is that economic development is a local process that must be based on locally identified economic development plans and/or adjustment strategies. EDA works in partnership with state and local governments, regional economic development districts, public and private non-profit organizations and Indian tribes to support local development efforts. EDA's capacity building tools (planning, technical assistance, economic adjustment strategy and technical assistance, national technical assistance and research, and trade adjustment assistance) are used to provide communities with the resources needed to support the development and implementation of a comprehensive approach to the rebuilding of the local economic base. The Agency then uses its other program tools (public works, economic adjustment infrastructure and revolving loan funds) to support local efforts to implement their economic development programs. (See attachment A - EDA Fact Sheet and Program Booklet)

While originally created to address areas of the country suffering from general long-term economic decline, EDA's role in recent years has evolved to include a significant component of strategic adjustment assistance to help communities deal with defense cutbacks and natural disasters. The Agency has demonstrated effective coordinated use of its multitude of program tools in helping communities meet the challenge of significant short-term negative economic dislocations. A recent study of EDA's public works program conducted by a consortium led by Rutgers University, for instance, showed that for every $1 million of funds EDA provided under its public works program, over $10 million in private investment were leveraged resulting in the creation of 327 jobs at an EDA cost of $3,058 per job.

Chapter 4 - Adjustment Assistance for Communities. The major program tools that would be brought to bear on trade injured communities include:

- **Planning/economic adjustment strategy funding** to provide the framework and support for the creation of a comprehensive community adjustment planning process that will involve local officials, business leaders, labor organizations, citizen groups and other interested community players in the development of an adjustment strategy for the rebuilding of the local economy. For example, EDA provided a $45,000 grant to the City of Yuma, AZ, to prepare a comprehensive economic development strategy covering neighboring communities in Yuma County to emphasize industrial diversification linked to economic development in adjacent Mexican towns.

- **Technical assistance** support to evaluate the feasibility of proposed investments and to provide assistance to meet specific technical needs of the strategy such as an environmental assessment or financial restructuring. In Owensboro, KY, for instance, a $16,000 technical assistance project to prepare an airport industrial park master plan led to the funding of an infrastructure project to provide improvements to support the Mid American Air Industrial Park.

- **Public works/infrastructure investments** to meet the development needs of a restructured economy including industrial or commercial site development, incubator buildings, skill training centers or improved water and sewer systems. EDA provide the City of Mission, TX, and Mission Economic Development Authority with a $1,500,000 public works grant to provide infrastructure improvements to develop a 90-acre industrial area to meet the need for new and expanding industrial and commercial business development. The Mission area has been hard hit by peso devaluations that hurt its retail trade and harsh freezes that devastated the citrus industry.

- **Revolving loan funds (RLF's)** for business assistance and infrastructure needs not met by the CAIP. While we would expect the comprehensive Community Trade Empowerment Initiative to play a significant role in developing investment opportunities for the CAIP, there may also be gaps in the financial resources available to these communities that only a RLF could meet. In St. Louis, MO, EDA provided a $1,350,000 RLF grant as part of a defense adjustment effort to develop creative responses to meet the significant impacts on the local defense industry caused by defense procurement cutbacks. The RLF is targeted to providing assistance for small and medium-sized defense contractors seeking to diversify their businesses away from dependence on defense contracting.

- **Trade Adjustment Assistance (TAA) for Firms and Industries Program** authorities will be used to provide assistance to trade injured companies in these communities to develop and implement a comprehensive Adjustment Plan to restructure their firm and regain the ability to compete in the global marketplace, and to help industries facing growing imports undertake collective activities to help their member companies compete more effectively. The TAA Program helped a western provider of high quality electroplating and metal finishing services to the aerospace and micro-electronics industry who was losing sales to both Mexican and Asian companies. Employment had dropped from 27 to 18 while sales and profits were eroding. Company and TAAC staff developed a recovery strategy based on both addressing pressing environmental problems while also lowering production costs and expanding production capabilities. With TAAC assistance, a new water and metal reclamation system was developed which allowed the firm to isolate its operation from the city sewage system and reclaim metals in a useful form. As a result of the assistance, sales increased by over 25 percent, profitability was restored and employment has grown to 30.

In addition to the individual examples cited above, an example of EDA's program tools being used in a coordinated manner to address the adjustment needs of a community facing a significant dislocation may be useful. The 1991 round of Base Realignment and Closure (BRAC) decisions

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~~COMMUNITY TRADE EMPOWERMENT INITIATIVE BUDGET~~

(dollars in thousands)

(9/18/97)

	YEAR ONE	YEAR TWO	YEAR THREE	YEAR FOUR	YEAR FIVE	TOTAL
PLANNING	$ 5,250	$ 5,000	$ 4,250	$ 3,000	$ 3,000	$ 20,500
TECHNICAL ASSISTANCE	$ 1,650	$ 4,000	$ 5,000	$ 2,500	$ 2,500	$ 15,750
REVOLVING LOAN FUNDS	$17,500	$40,000	$15,000	$15,000	$15,000	$102,500
INFRASTRUCTURE	$17,500	$40,000	$85,000	$35,000	$35,000	$212,500
Program Subtotal	**$42,000**	**$ 89,000**	**$109,250**	**$55,500**	**$55,500**	**$351,250**
TAACs	$ 5,000	$ 7,000	$ 9,000	$10,000	$10,000	$ 41,000
INDUSTRY ASSISTANCE	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 5,000
TAA Subtotal	**$ 6,000**	**$ 8,000**	**$ 10,000**	**$11,000**	**$11,000**	**$ 46,000**
SALARIES AND EXPENSES	$ 3,360	$ 6,790	$ 8,348	$ 4,655	$ 4,655	$ 27,808
S&E Subtotal	**$ 3,360**	**$ 6,790**	**$ 8,348**	**$ 4,655**	**$ 4,655**	**$ 27,808**
TOTAL	**$51,360**	**$103,790**	**$127,598**	**$71,155**	**$71,155**	**$425,058**

Option 3

In order to effectively administer this program EDA would seek to increase its field, regional and headquarters staff by a total of 25 positions. For example, each regional team might increase by one position (18 total), the Planning and Development Division and Economic Adjustment Division increased by two positions (4 total), the Compliance Review Division, Public Works Division and the Office of Program Operations increased by one position each (3 total).

COMMUNITY SCENARIO
(9/18/97)

Each community would be eligible for participation in the EDA Community Trade Empowerment Initiative for up to three years.

Year One

Planning Assistance	$ 150,000
Technical Assistance	50,000
Revolving Loan Funds	500,000
Infrastructure	500,000
	$1,200,000

Year Two

Planning Assistance	$ 100,000
Technical Assistance	100,000
Revolving Loan Funds	1,000,000
Infrastructure	1,000,000
	$2,200,000

Year Three

Planning Assistance	$ 50,000
Technical Assistance	100,000
Revolving Loan Funds	0
Infrastructure	2,000,000
	$2,150,000

COMMUNITIES ASSISTED PER YEAR
(9/18/97)

Year One

35 Communities identified in August 1997 by NADBank

Year Two

35 Communities identified in August 1997 by NADBank
10 Additional communities (estimated)

Year Three

35 Communities identified in August 1997 by NADBank
10 Communities identified in Year Two
10 Additional communities (estimated)

Year Four

10 Communities identified in Year Two
10 Communities identified in Year Three
10 Additional communities (estimated)

Year Five

10 Communities identified in Year Three
10 Communities identified in Year Four
10 Additional communities (estimated)

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ELIGIBILITY FOR THE COMMUNITY TRADE EMPOWERMENT INITIATIVE:

EDA recommends that eligibility for this initiative be determined using a number of different approaches, any one of which would be sufficient to qualify a community for assistance. Among the ways to qualify a community for TAA would be for them to demonstrate that the community:

- Has been certified by the CAIP program as eligible for assistance from NADBank.

- Meets the eligibility criteria of EDA's Sudden and Severe Economic Dislocation (SSED) Title IX program because it has suffered significant economic impact resulting from increased imports or plant relocations causing damage to the overall economic health and stability of the community. For Metropolitan Statistical Areas with an unemployment rate higher than the national average, for instance, the SSED eligibility criteria require the dislocation to involve job levels at the lesser of 0.5 percent of the employed population or 4,000 direct jobs. In non-Metro areas with above average unemployment, the standard is the lesser of 2 percent of the employed population or 500 direct jobs. Job loss thresholds double for areas with unemployment at, or below, the national rate. While EDA will not formally "certify" a community as eligible for assistance, we would require that there be demonstration of an import connection to the injury suffered by the community. (See attachment E - Federal Register detailing SSED eligibility criteria.)

- Is eligible for assistance under EDA's programs because it is in a designated area or meets the Title IX Long Term Economic Deterioration (LTED) Title IX eligibility criteria and there is evidence the area's economic difficulties are at least partly due to import competition. Import injury could be demonstrated by factors such as Labor or EDA certification of worker groups or companies, or evidence that plant closures or relocations from the community were caused by trade impacts on the community or its companies. (See attachment E)

- Can demonstrate that it has "Special Needs" because of economic impacts resulting from changing trade patterns. While it may not be able to meet any of the traditional EDA eligibility criteria, a community may still be able to demonstrate it has suffered significant injury because of plant closures or relocations resulting from trade related impacts.

If they can meet the eligibility standards listed above, assistance under the Community Trade Empowerment Initiative would be provided to eligible applicants which include states, political subdivisions of states, special purpose units of government, Indian Tribes and Non-Profit Organizations representing the affected community.

The Community Trade Empowerment Initiative would fulfill a double role of supporting continuing expansion of trade opening agreements of overall benefit to the Nation while also meeting the Federal obligation to assist those communities injured by the changes in trading patterns resulting from those agreements. Participating communities would be expected to provide at least 25 percent of the cost of the proposed adjustment program.

FIGURE B-1 — Federal Resources for Defense Economic Adjustment[1]

Agency	Program Title	Type of Assistance	Funding (m = million)	Eligibility Requirements	Contact
Dept. of Defense Office of Economic Adjustment (OEA)	Community Economic Adjustment and Military Base Reuse Studies & Community Planning Assistance	Assists and supports communities to develop strategies to adjust local negative impacts caused by DoD program changes	Financial Aid ranges from $50,000 to $200,000 Average Aid: $100,000	Local, regional and state entities	Economic Adjustment OASD Pentagon, Room 4c747 Washington, DC 20301 (703) 697-9155
Dept. of Commerce Economic Development Administration (EDA)	Title IX: Sudden & Severe Economic Dislocation Program (SSED)	Develop and/or implement strategies through grants to communities to address problems resulting from economic dislocation and deterioration	Average Strategy Grant Award: $30,000 Average Implementation Award: $700,000	Communities suffering from local business or other dislocations occuring within the preceding 12 months or expected within two years	EDA DoC 14th & Constitution Ave., NW Washington, DC 20230 (202) 482-2659
	Title IX: Long Term Economic Deterioration (LTED/RLF)	Grants to communities to establish or expand business Revolving Loan Funds (RLF) in depressed areas	FY92 Funds: $11.5 m Average Grant: $415,000	Local in areas experiencing high unemployment, low per capita income & chronic distress	
Dept. of Commerce National Institute for Standards and Technology (NIST)	Regional Centers for the Transfer of Manufacturing Technology	Project grants to accelerate transference of advanced manufacturing technology to small- & medium-sized U.S. manufacturing firms through Regional Centers	Est. FY92 Budget: $18 m Est. FY93 Budget: $17 m Grants awarded per Center per year: $1.5 - 3.0 m	U.S.-Based Non-Profit Organizations	NIST MTC Program, Room B212 Chemistry Bldg. Gaithersburg, MD 20899 (301) 975-3413
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[1] *Source: Catalog of Federal Domestic Assistance*, Government Printing Office, Washington, DC.

FIGURE B-1, continued

Agency	Program Title	Type of Assistance	Funding [m = million]	Eligibility Requirements	Contact
Dept. of Commerce NIST	State Technology Extension Program (STEP)	Project grants, dissemination of technical information, training programs for small- to medium-sized businesses	Est. FY92 Budget: $950,000 Grant Range: $50,000 - $300,000	State Technology Extension Services Programs	STEP Technology Services NTIS Gaithersburg, MD 20899 (301) 975-4520
Dept. of Commerce International Trade Administration (ITA)	Export Promotion Services and Trade Development	Advisory services & counseling; assists private enterprise identify and service foreign markets	Export & Promot. (EPS) FY92 Budget: $116 m Est. FY93 Budget: $116 m Trade Development (TD) Est. FY92: $53 m Est. FY93: $39 m	Any U.S. citizen, firm, organization or branch of government needing information or assistance in international business matters	ITA Dept. of Commerce 14th & Constitution Ave., NW Washington, DC 20230 (202) 482-5777
Dept. of Commerce Trade Promotion Coordinating Committee (TPCC)	Trade Information Center	Clearinghouse for information on all Federal Government Export Assistance Programs	n/a	Any user eligible	Trade Information Center 1-800-872-8723
Dept. of Labor Employment & Training Administration (ETA)	Title III: Employment & Training Assistance—Dislocated Workers	Formula and project grants to assist dislocated workers obtain training and employment services through State & Local programs	Program year 92 Grants: $540.2 m Est. PY93 Budget: $571.1 m	States & others as authorized by Job Training Partnership Act of 1982, Title III	ETA DoL 200 Constitution Ave., NW Washington, DC 20210 (202) 535-0577

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	Small Business Loans 7(a) & 7(a)(11)	Guaranteed/Insured loans, Direct loans, advisory services & counseling	7(a) Avg. Loan: $192,000 7(a)(11) Avg. Loan: $68,000	Small, independently owned & operated businesses; located in low income areas for 7(a)(11)	Loan Policy & Procedures SBA (202) 205-6570
	Procurement Assistance to Small Businesses	Special services to assist small businesses obtain "fair" share of federal supplies, services & property sold	Est. FY92 Budget: $18.6 m Est. FY93 Budget: $19.2 m	Existing and potential small U.S. businesses	Associate Admin. for Procurement Assistance SBA (202) 205-6460
	Small Business Investment Companies (SBIC, SSBICC)	Direct & Guaranteed loans, advisory services to establish private investment companies, provide equity capital & advise small businesses	Range of Aid: $50,000 to $35 m Avg. Loan: $1 m	Any chartered small business investment company meeting SBA requirements	Director, Off. of Operations, Investment Division SBA (202) 205-6510
	Small Business Development Centers (SBDC)	Project grants, provision of specialized services, advisory services, dissemination of technical information	Grant Range: $200,000 - $3 m Average Grant: $972,000	Any public or private institutions of higher education & renewal of funding to entities currently funded as SBDC's	SBA Office of SBDC 409 3rd St., SW Washington, DC 20416 (202) 205-6766

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Department of Defense
Office of Economic Adjustment
400 Army Navy Drive — Suite 200
Arlington, VA 22202-2884

Office (703) 604-6020 Fax (703) 604-5843

Date: 9/11/97

To: **DOROTHY ROBYN**

From: Paul Dempsey

This fax transmission consists of 4 pages, not including transmittal sheet. If transmission is incomplete, please call the above listed number.

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Rack up of Fed. $$ to our places to follow.

Fast Track Options
9/19/97

you might limit services to those covered by a free trade agreement

trucking
Rail
buses
} land trans.

financial services

- do better job of serving them
- put them at head of Q
- separate pot of $

---

planning - bring in states, foundations, etc. - people who bring $ to the table

NAFTA/TAA
Conf. Call
9/11/97

- Need to tee up a decision
  - not clear when shoe will drop -

  - Rangel wants jobs bill attached/in advance

Data-

(1) - TAA program:
(a) - any relevant evaluation info?
- what have been criticisms?
- If we said we want to beef up, what will critics say?

(b) #s
138K certified since '94 under NAFTA/TAA (certif. vs. people served)
take up rate -
(master
need chart

(2) - geography

35 Calif - certified comm's

(3) Title III - people served b/c of a trade impact

~~[illegible]~~

Community Approach

background:

- triggers:

· other trade-related prog's
· NADBank
· Trade Act of '74

Trade-related

(1) Any NAFTA/TAA cert.

(2) urban areas: 500 or > cert's
rural " 100 or >

(3) ??
non-trade related displacements

imports into U.S. for particular prod.

Current cert process:

(4) How many people separated b/c of trade?

Trade Act of '74 — 5% of ~~[illegible]~~ employees or 50 workers (whichever is less)

Nature of Econ.

NADB

(1) Reg. is 10% > state rate
local/unempl.

(2) # of UI claimants

(3) Employment in affected ind.
local

(4) output in that ind.

(5) Md Income of impacted area
not in excess of 50% of Md Income

(6) Rural - Is pop. ✔

(1) Prepared by:
Department of Defense
office of Economic adjustment

(2) Prepared by:
National Academy of Public
Administration

(3) Prepared By:
Department of defense
OFFICE of Economic Adjustment

(4) ~~Ereparec~~ Prepared by:
Executive office of the President
OFFICE OF Management and Budget

Department of Defense
Office of Economic Adjustment
400 Army Navy Drive — Suite 200
Arlington, VA 22202-2884

Office (703) 604-6020 Fax (703) 604-5843

Date: 9/11/97

To: **DOROTHY ROBYN**

From: Paul Dempsey

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Hope that you received the Terre Haute one-pager. Unfortunately it does not talk about DOL which is always a player.

Attached are two pieces on EAC. Probably not as informative as the E.O. which took us forever to get through the Exec. Branch Depts. Especially Justice. Also attached a couple of pages out of a booklet we did with the NGA. Focuses on assisting defence dependent firms and is from the point of view of the State Exec. Branch but does have chapters on Coordinating Resources, Assisting Firms, Assisting Workers, etc.

PRESIDENT'S ECONOMIC ADJUSTMENT COMMITTEE AND DEFENSE ECONOMIC ADJUSTMENT PROGRAM

Introduction

On January 15, 1992, the President signed Executive Order (E.O.) 12788. This Order updates and replace E.O. 12049. It reaffirms the President's Economic Adjustment Committee (EAC), established in 1970, and the Defense Economic Adjustment Program. It also incorporates statutory requirements for this Program.

Background

The Program was established in 1961 by the Secretary of Defense to help mitigate adverse effects of Defense closures and contract cutbacks. The Committee was first designated as the President's Interagency Economic Adjustment Committee in 1970 by an Executive Memorandum. This Committee and Program were subsequently formalized in 1978 under Executive Order 12049, "Defense Economic Adjustment Program," which broadened program support to include Defense expansion.

Composition

The Chair is the Secretary of Defense. The Vice Chair is the Assistant Secretary of Defense who oversees the Office of Economic Adjustment (OEA) which serves as the Committee staff. The Committee is presently composed of 23 Cabinet-level departments and agencies. Three levels of representation are:

> **Members** - Department and agency heads. They meet at the discretion of the Chair. Also, they or their designee, formally identify the Members of the Advisory and Working Groups for their respective departments or agencies.
>
> **Advisory Group** - Undersecretaries or their equivalent. They address policies peculiar to member departments and agencies and appropriate support to be given to the Defense economic adjustment program.
>
> **Working Group** - Department and agency officials who can address the daily technical and program issues of the community Defense economic adjustment projects.

Committee Functions

> **Mandate** - The Committee gives priority consideration to requests for Federal technical assistance, financial resources, excess or surplus property, and other requirements for communities adversely affected by Defense program changes. These changes include: military base closures and realignments, new military bases and expansions, and Defense contract reductions. Committee program support is also given to projects addressing the encroachment of incompatible development around military installations.

(over)

Benefits - The Committee and the affected community mutually benefit from their coordinated efforts. EAC assistance helps Defense impacted communities proceed quickly toward economic recovery. Member agency program objectives are attained through coordinated economic adjustment assistance programs.

Meetings - Normally, the Working Group meets to address the operational matters of the Defense economic adjustment program and individual community needs. They are apprised of current Defense impact situations and their support is requested.

Member and Advisory Group meetings are held when policy decisions are required, or immediate Committee support is needed to offset impacts caused by critical program changes.

Task Forces - When required, Committee task forces can be created to support major economic adjustment problems or new initiatives. Task forces may be organized at the headquarters level, but are more likely to be formed in the Federal regions.

A task force may be established on the recommendation of a member agency or by an OEA project manager with the concurrence of the OEA Director. Notification occurs through a memorandum from the Director to the appropriate Federal agencies at headquarters, requesting the designation of a point of contact to support the project. The memorandum includes a brief explanation of the need and expected agency participation level.

OEA Support to EAC And Defense EAP

Each member of the OEA staff is assigned to one or more EAC agencies for policy coordination and program liaison purposes. Each apprises the other of project support requirements or program funding potential.

OEA project managers identify, as early as possible, EAC support requirements. OEA transmits these requirements to the EAC for consideration in current and following year budgets.

4. Coordinating Resources

Given state fiscal conditions, it is unlikely that additional funds will be available in the near future for diversification efforts. A challenge for states is to mobilize private sector support, make effective use of existing federal programs, and use limited state resources to fill resource and service gaps that may inhibit economic conversion.

Private Sector

Large contractors can be important sources of support and expertise. These companies can be enlisted to provide technical advice and training to their smaller suppliers, they can provide advance notification and worker readjustment assistance to workers who will be laid off, and they can donate or loan vacant buildings or unused equipment to support start-up companies. Major corporations can provide matching funds to support feasibility studies or community adjustment plans.

- In St. Louis, Missouri, the county gave McDonnell Douglas a tax credit in exchange for a lease on an empty 15,000 square foot office building. The building was turned into a small business incubator and is being used to house small companies, many of them run by former McDonnell Douglas employees.

Other local businesses that will be affected by the economic health of the region also can be enlisted to support community diversification efforts. Utilities and banks can play a key role. For example, the public utility on Long Island provides reduced rates for firms that participate in New York's Industrial Effectiveness Program (IEP). IEP provides technical, financial, and educational assistance to individual firms and industry groups to help improve their competitiveness. Incentives are provided to firms that move into commercial production. The state also can work with its financial institutions to remove obstacles that may be preventing firms from obtaining financing for diversification.

Finally, business associations, chambers of commerce, and trade associations can educate their members, increase their awareness of the issue, and provide them with information on resources available for planning a diversification effort. These organizations also can encourage joint ventures and cooperative activities such as marketing or purchasing.

Federal Government

The federal government provides technical and financial assistance to states and communities for economic adjustment planning and implementation. For example, DoD's Office of Economic Adjustment helps communities affected by base closings, military reductions, and contractor cancellations. The Economic Development Administration (EDA) of the Department of Commerce is the primary source of federal economic development assistance for defense-dependent businesses and communities. EDA's Title IX program provides planning and project implementation funds to communities facing sudden and severe economic dislocation. Implementation activities can include the construction of public facilities, the provision of public services, business development assistance, planning, research, and technical assistance. The Title IX program also has been used to fund local small business revolving loan funds (RLFs). Such RLFs should be targeted to assisting businesses with the capacity to replace the economic activity being lost due to defense cutbacks. An RLF can be used, for example, to provide financing to new start-up companies, or to help firms introduce new products or to enter new markets. While the Title IX program can support a variety of activities, funding is very limited. The Defense Economic Adjustment, Diversification, Conversion, and Stabilization Act of 1990 authorized $50 million to be transferred from OEA to EDA for defense conversion planning and implementation grants for fiscal 1991 to fiscal 1993. As of September 1992, EDA had identified projects for funding that total approximately $33 million.

The basic source of funding for worker readjustment is the Department of Labor's Economic Dislocation and Worker Adjustment Assistance (EDWAA) program. A Defense Conversion Adjustment program was set up with $150 million in funding for fiscal 1991-92 to assist workers laid off due to defense cutbacks.

Often states will need to mix and match a variety of sources of assistance, and state funds will be needed to fill program gaps. For example, a major difficulty in using EDWAA funds to assist dislocated workers is that workers cannot receive services until they actually have received a notice of layoff or already are unemployed. Except with a demonstration grant, these funds cannot be used to retrain workers to facilitate diversification and thus prevent dislocation. Either state or private sector support is required for early intervention activities. Additional information on the EDWAA program is contained in Chapter 6.

State Resources

It is likely that some state resources will be needed for a comprehensive diversification effort. Existing state programs to support business development, community economic development, and human resource development can be integrated to meet the needs of defense-dependent workers, firms, and communities.

- **New York** established the Defense Diversification Program (DDP) to integrate existing state economic development programs in order to meet the needs of individual defense companies. The state's regional economic development offices and Industrial Technology Extension Service have led an extensive, targeted outreach campaign to make the state's defense-dependent manufacturing firms aware of DDP services. DDP assists firms in several ways.

- The Industrial Effectiveness Program offers both technical and financial assistance, on a cost-sharing basis, for assessments to identify problems and implement solutions for increasing productivity and competitiveness.
- The Economic Development Skills Training Program provides funding for skills upgrading, focusing on technology, total quality management, employee participation, and high-performance work organizations.
- The Industrial Technology Extension Service is a statewide network of manufacturing technology transfer experts.
- The Procurement Assistance Program provides technical assistance in federal/state procurement, market development, information access, and bid preparation.
- The Global Export Marketing Service provides financial assistance to develop nondefense-related export market sales.

While existing resources can be tapped to fund a comprehensive diversification initiative, a challenge for states is matching the various sources of funds to the unique adjustment problems in a state. A review of the funding for the Massachusetts Industrial Services Program's Defense Diversification Project gives a sense of the multiple sources that are being tapped to support the efforts of just three regions of the state (see figure). Each funding source has different requirements and regulations, which makes it difficult to fund a comprehensive project. The more the state needs to rely on federal sources of funding, the less flexibility there is in the use of the funds.

Pilot Program Works with Nine Firms to Develop Diversification Strategies

New York's Long Island Defense Diversification Project is a pilot program that has developed an assessment process to estimate diversification potential, identify critical success factors, and overcome barriers to implementation. It will create a comprehensive methodology that provides defense firms with a blueprint for structuring a diversification strategy. The strategy may entail new products, new markets, or new business processes that enable companies to enhance their competitiveness in both defense and commercial markets. The project is being sponsored by the Defense Diversification Advisory Cabinet, a consortium of representatives from state and local government agencies, higher education, and industry. Funding is provided by DoD's Office of Economic Adjustment, New York State, and the defense firms.

Defense Impact Projects and Sources of Funds in Massachusetts

FUNDING SOURCES	DEPARTMENT OF DEFENSE	DEPARTMENT OF COMMERCE	STATE MATCH	PRIVATE SECTOR MATCH	DEPARTMENT OF LABOR
Defense Impact Projects and Grants	Office of Economic Adjustment $41,000	Economic Development Administration $168,000	$62,000		Emergency Assistance Centers
				$503,000	Burlington $450,000
				$500,000	Pittsfield $500,000
					Ft. Devens $282,000 (will be increased)
	Research on Subcontractors	Demonstration • Regional Conferences • Community Readjustment Models and Strategies • Business Assistance		Matching Funds	Entrepreneurial Training • Berkshires • Burlington • Marlborough
					Rapid Response Efforts • Western Rapid Response Team • Northeastern Rapid Response Team
		Revolving Loan Fund • $2 million - pending	$700,000		Demonstration Projects • Training for Defense-Impacted Firms (pending)

SOURCE: Massachusetts Industrial Services Program, April 1, 1992.

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FIGURE B-1 — Federal Resources for Defense Economic Adjustment[1]

Agency	Program Title	Type of Assistance	Funding (m = million)	Eligibility Requirements	Contact
Dept. of Defense Office of Economic Adjustment (OEA)	Community Economic Adjustment and Military Base Reuse Studies & Community Planning Assistance	Assists and supports communities to develop strategies to adjust local negative impacts caused by DoD program changes	Financial Aid ranges from $50,000 to $200,000 Average Aid: $100,000	Local, regional and state entities	Economic Adjustment OASD Pentagon, Room 4c747 Washington, DC 20301 (703) 697-9155
Dept. of Commerce Economic Development Administration (EDA)	Title IX: Sudden & Severe Economic Dislocation Program (SSED)	Develop and/or implement strategies through grants to communities to address problems resulting from economic dislocation and deterioration	Average Strategy Grant Award: $30,000 Average Implementation Award: $700,000	Communities suffering from local business or other dislocations occurring within the preceding 12 months or expected within two years	EDA DoC 14th & Constitution Ave., NW Washington, DC 20230 (202) 482-2659
	Title IX: Long Term Economic Deterioration (LTED/RLF)	Grants to communities to establish or expand business Revolving Loan Funds (RLF) in depressed areas	FY92 Funds: $11.5 m Average Grant: $415,000	Local in areas experiencing high unemployment, low per capita income & chronic distress	
Dept. of Commerce National Institute for Standards and Technology (NIST)	Regional Centers for the Transfer of Manufacturing Technology	Project grants to accelerate transference of advanced manufacturing technology to small- & medium-sized U.S. manufacturing firms through Regional Centers	Est. FY92 Budget: $18 m Est. FY93 Budget: $17 m Grants awarded per Center per year: $1.5 - 3.0 m	U.S.-Based Non-Profit Organizations	NIST MTC Program, Room B212 Chemistry Bldg. Gaithersburg, MD 20899 (301) 975-3413
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Dept. of Commerce Trade Promotion Coordinating Committee (TPCC)	Trade Information Center	Clearinghouse for information on all Federal Government Export Assistance Programs	n/a	Any user eligible	Trade Information Center 1-800-872-8723
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Dept. of Housing and Urban Development Community Planning and Development (CPD)	Community Development Block Grant Program (Entitlement, Small Cities Programs & Special Project)	Funds for supporting community development, including administrative & construction costs of individual projects & overall programs	Determined by formula and competitive application Avg. Aid: $350,000 - $550,000	Urban municipalities, counties & non-metropolitan municipalities and counties and public agencies	State & Small Cities Division Off. of Block Grants Assistance, CPD HUD 451 7th St., SW Washington, DC 20410 (202) 708-1322

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Commerce Branch
725 17th Street N.W. Room 9215
Washington, D.C. 20503
Fax number (202) 395-1150
Phone number (202) 395-3914

El Paso - EDA has provided planning assistance

~~$160~~
$165 M/yr
assist communities w/ need

Date: 9/11/97

PLEASE DELIVER TO: Michael Derch / Dorothy Robyn

Phone: ______

Fax: x54639 x62223

NUMBER OF PAGES (including cover page): 6

FROM:

Louisa Koch, Branch Chief ______

Sherron Duncan x3915	______	Kim Newman x4936	✓
Lisa Gaisford x3480	______	Doug Pitkin x3025	______
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Yvonne McCoy x7570	______	Vernetta Tanner x3494	______
Rob Nabors x5604	______		

Dorothy on effectiveness - performance measurement

Comments: The comments in the margins are mine.

DRAFT

ECONOMIC DEVELOPMENT ADMINISTRATION
TRADE ADJUSTMENT ASSISTANCE FOR COMMUNITIES PROGRAM

BACKGROUND:

There has been growing interest in trade adjustment assistance because of the recent World Trade Organization (WTO) and North American Free Trade Agreement (NAFTA) agreements which have resulted in a significant liberalization of trade with our major trading partners. As President Clinton seeks expanded "Fast Track" trade authority to pursue additional market opening agreements with U.S. trading partners in Central and South America, concerns are being raised by those who feel U.S. workers, firms and communities are already paying a high price for the agreements now in place. The NAFTA agreement, for example, has seen U.S. exports to Mexico grow from $50.8 billion in 1994 to $56.8 billion in 1996, while Mexican imports to the U.S. have increased from $49.5 billion to $73 billion. U.S. exports to Canada grew from $114.3 billion in 1994 to $132.6 billion in 1996, while Canadian imports to the U.S. were increasing from $128.9 billion to $156.5 billion. Of particular concern to organized labor is the fact that many of the largest increases in imports are coming in high value-added products like motor vehicles, telecommunications equipment and electrical apparatus and machinery. Other significant imports from Mexico include various categories of apparel and fruits and vegetables while Canadian imports of note include wood and wood products, pulp and paper products, and metals including copper and gold.

While it is generally accepted that major trade-stimulation agreements like the WTO and NAFTA are of overall benefit to the Nation as a whole, it is also understood there are individuals, companies and communities that will be negatively impacted by shifting trade patterns resulting from these agreements. Historically, the United States has provided assistance to individuals and companies injured by increased imports through the Trade Adjustment Assistance (TAA) Program authorized under the Trade Act of 1974, as amended. The TAA Program for Workers is overseen by the Department of Labor, while the TAA Program for Firms and Industries is implemented by the Economic Development Administration (EDA) in the Department of Commerce. The Trade Act of 1974, as amended, did authorize a community adjustment assistance program. That part of the law was never activated, however, and assistance to communities injured by increased imports was provided under the basic EDA Title IX/Economic Adjustment program.

Although there are existing TAA programs for workers and firms, there is no specific program to provide comprehensive adjustment assistance to communities that have suffered significant economic losses because of changing trade patterns resulting from such agreements with the exception of a limited program established under the NAFTA agreement. While the Department of Commerce has established effective adjustment programs to help communities injured by defense cutbacks and natural disasters using existing EDA authorities, there is no comparable program for communities injured by firms closing factories because of increased imports or moving production facilities out of the U.S. to take advantage of low cost labor combined with lowered tariffs. We propose to establish such a program within EDA in order to provide comprehensive adjustment assistance to communities that must rebuild their economies to adjust

(meaning specific targeted approp.)

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To Kim Newman	From Phil Singerman
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to the loss of economic activity resulting from increased market access for imports.

THE NAFTA NORTH AMERICAN DEVELOPMENT BANK (NADBank):

In mid-1994 agreement was reached between the U.S. and Mexico on two new organizations to support border environmental clean-up and provide support for community adjustment and investment related to NAFTA. The Border Environment Cooperation Commission (BECC) was developed to help border states and local communities in coordinating, designing and financing environmental infrastructure projects with cross-border impacts. The North American Development Bank (NADBank), was created to address two problems: the financing of border environmental projects and adjustment assistance to address NAFTA-related community trade adjustment problems. While the NADBank was provided with funding that should support $2 to $3 billion worth of projects over four years, only ten percent of its funds were to be allocated to the Community Adjustment and Investment Program (CAIP).

NADBank CAIP assistance is limited to loans and loan guarantees to businesses located in communities designated as eligible for assistance under the CAIP. There is no authority for support for community capacity building, planning or technical assistance and no provision for funding of infrastructure improvements that may be needed to support local economic conversion in areas hard hit by import impacts that aren't part of the NADBank border program. No loans or loan guarantees to firms have been provided under the NADBank CAIP in the three years of its existence. The Treasury Department made its first designations under the CAIP on August 1 when it designated 35 communities as eligible which should make it possible for companies in those communities to apply for CAIP assistance. To be designated as eligible for the CAIP, a community must provide evidence of two factors: first, it must demonstrate job losses associated with the passage of NAFTA in January 1994 and second, it must be suffering from an unemployment rate significantly higher than the national rate. The job loss test can be met by having a significant number of recent Department of Labor TAA worker group certifications or showing the loss of a significant number of jobs to business relocations to Canada or Mexico. At this point, the CAIP can only be viewed as an experiment yet to prove itself one way or the other.

TRADE ADJUSTMENT ASSISTANCE FOR COMMUNITIES PROGRAM:

While the NADBank CAIP shows promise of meeting some of the adjustment needs of companies in communities injured by increased imports and plant relocations, EDA's experience with communities that have lost major employers and defense and disaster adjustment programs shows that a more comprehensive approach to community adjustment is needed. Communities that lose significant portions of their economic base due to changing trade patterns caused by major U.S. trade agreements like NAFTA face challenges much like those of communities that must rebuild their economic base after the closure of a military base. They may have been an auto town or an Air Force town, but now they will have to restructure their economy to regain the ability to compete in the global economy.

At the same time these communities face major economic dislocation problems at least partly due to U.S. government action, they also are generally confronted with falling tax bases and increasing social welfare costs. They thus find themselves facing the difficult situation of greatly increased costs combined with significantly falling revenues. With the timely application of limited amounts of Federal assistance, these communities can be helped to develop a new economic blueprint for their area and given assistance to begin implementation of that plan. These are communities with existing infrastructure and a workforce that proved it could be competitive before the rules of the game changed. All they need is a little help so they can restructure their economy and workforce and rejoin the economy.

We propose to establish a Trade Adjustment Assistance (TAA) for Communities Program to meet the needs of trade injured areas. The major program tools that would be brought to bear on trade injured communities include:

These tools are already incl. as part of EDA's Title IX program

- Planning/economic adjustment strategy funding to provide the framework and support for the creation of a comprehensive community adjustment planning process that will involve all the major players in the community in the development of an adjustment strategy for the rebuilding of the local economy.

  Technical assistance support to evaluate the feasibility of proposed investments and to provide assistance to meet specific technical needs of the strategy such as an environmental assessment of financial restructuring.

- Public works/infrastructure investments to meet the development needs of a restructured economy including industrial site development, incubator buildings, skill training centers and increased water and sewer systems.

- Revolving loan funds for business assistance and infrastructure needs not met by the CAIP. While we would expect the comprehensive TAA for Communities Program to play a significant role in developing investment opportunities for the CAIP, there may also be gaps in the financial resources available to these communities that only a RLF could meet.

In addition to the comprehensive array of program tools already available to the Agency, EDA has a well-established network of economic development entities that can play a major role in meeting the adjustment needs of trade-injured communities. Among the economic development resources created and supported by EDA are:

- 320 Economic Development Districts and 61 Indian Planning grants that provide economic development staff capacity at the local level. The resources of these organizations will be used to support community efforts to undertake a comprehensive adjustment effort to address losses due to increased imports. This will be especially important in smaller, rural communities that often lack full-time professional staff.

- 68 University Centers that are funded by EDA to provide direct technical assistance to local development efforts. Activities undertaken by University Centers can include feasibility studies, staff support, socio-economic data analysis and identification of community areas of competitive advantage.

- 12 Trade Adjustment Assistance Centers (TAACs) that provide turn-around consulting assistance to trade-injured manufacturers. The TAACs have professional consulting staff with experience in the major business disciplines that help eligible companies prepare certification petitions, develop a comprehensive adjustment strategy, and select qualified consultants to implement the elements of their adjustment strategy. The TAA Program pays 75 percent of the cost of developing the firm's adjustment strategy and 50 percent of the cost of hiring consultants to help implement the strategy. The TAACs would work closely with the communities and NADBank to help trade-injured firms in eligible communities to restructure and regain the ability to compete in the global marketplace. We would anticipate seeking additional funding for the TAAC program in order to provide adequate support to the TAA for Communities effort.

- A multitude of State and Urban planning grants that provide economic development capacity at the state and city level that could be utilized to assist trade-injured communities in their restructuring efforts. If major urban areas become eligible for assistance under the TAA for Communities Program, the urban planning grant authority could be used to provide them with staff capacity to support their restructuring efforts.

- EDA also has 150 staff members in the field with extensive experience in providing direct assistance to distressed communities in restructuring their economies. EDA's state Economic Development Representatives and Regional Office program staff are able to react quickly and effectively to help a community structure its economic adjustment strategic planning program and then implement the resulting adjustment strategy

being discussed w/ DOL now

<u>ELIGIBILITY FOR THE TRADE ADJUSTMENT ASSISTANCE FOR COMMUNITIES PROGRAM:</u>

Eligibility for the program would be based on a community being able to demonstrate that:

- It had been certified by the CAIP program as eligible for assistance from NADBank.

- If the community has not yet been certified by the CAIP, it must show that the economic impact resulting from increased imports or plant relocations are significant to the overall economic health and stability of the community. While EDA will not formally "certify" a community as eligible for assistance, we would find indicators such as Labor or EDA certification of worker groups or companies, or evidence of plant closure or relocations from the community as evidence of trade impacts on the community.

- EDA's Title IX Sudden and Severe Economic Dislocation job loss threshold criteria will be used to determine whether the number of impacted jobs is considered sufficient to justify assistance.

- It is an eligible applicant including a state, political subdivision of a state, special purpose units of government, Indian Tribes and Non-Profit Organizations representing the affected community.

The TAA for Communities Program would fulfill a double role of supporting continuing expansion of trade opening agreements of overall benefit to the Nation while also meeting the Federal obligation to assist those communities injured by the changes in trading patterns resulting from those agreements. Participating communities would be expected to provide at least 25 percent of the cost of the proposed adjustment program.

PROPOSED FUNDING AND DURATION:

Has not been analyzed or scrubbed by OMB.

The proposed TAA for Communities Program should be authorized for five years with funding to start at $50 million the first year and increase by $10 million a year until it hit $90 million in the fifth year. Activities in the first year would focus on assisting the 35 communities already certified eligible under the CAIP and on identifying other communities suffering trade injury. EDA would anticipate taking a pro-active approach to providing TAA for Communities and would expect to identify a significant number of additional communities eligible for assistance in the first year. Outreach would include contacting the major organizations representing local government as well as business and labor organizations to make them all aware of the program and the resources it can bring to help communities restructure. Given the trends in import statistics as to the industrial sectors facing the greatest challenge as a result of NAFTA trading patterns, we would anticipate significant activity in the industrial Midwest as well as the border regions. While the NAFTA related trade impacts would be a significant focus of the effort, we must also be cognizant of the significant trade impacts resulting from the WTO agreement and will seek information on overall trade trends to determine likely areas of impact from products showing major import increases.

While we would expect the first year to find numerous communities needing assistance in the development of their adjustment strategy, we would also expect many communities to be in the midst of their adjustment effort and needing significant implementation assistance. As the adjustment strategies of the first years developed, we would expect increased implementation assistance needs in the latter years of the program. At the end of the five year period, a review should be conducted of whether there is a continuing need for the program.

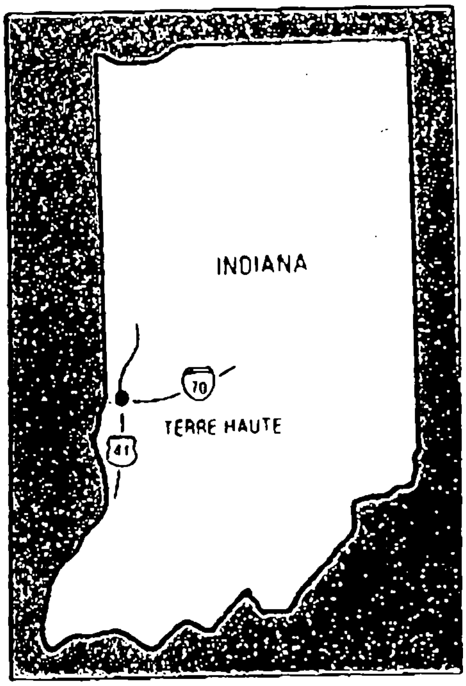
9/11/97

Terre Haute, Indiana

Plant closing was another in a series of economic setbacks for the community.

Terre Haute, Indiana, is situated on a north-south line between Chicago, Illinois, and Evansville, Indiana. The city of 70,335 located in Vigo County, has an economy historically based on food processing, coal mining and railroading; however, manufacturing is a growing economic factor, now employing 25% of the available work force.

Between 1950 and 1960, an economic erosion in railroading, mining and agricultural services resulted in the loss of more than 6,000 jobs in the community. Serious labor-management problems surfaced. The closing of the contractor operated Department of Defense Industrial Production Equipment, Storage and Maintenance Plant was announced in November, 1964. While the final closing in 1966 affected only 253 civilian jobs (1% of the work force), it meant an annual payroll loss to the community of $1.7 million. The impending plant closure was another setback in a long series of setbacks for the discouraged community.



Community Action

The leadership in Terre Haute was determined to use the closing of the defense facility as a catalyst to organize a new cooperative economic development effort. In 1965, the Defense Office of Economic Adjustment (OEA) team was called in. A broad based Area Progress Committee was organized under the leadership of the president of Indiana State University at Terre Haute. Leaders from business and labor joined public officials in a common effort. OEA, working with local representatives, provided an industrial district plan for reuse of the defense plant. The Indiana States District Council of Laborers and Hod Carriers loaned the city $575,000 from the Council's pension fund to purchase the property. The Economic Development Administration (EDA) provided the grant money needed for the organization of a multi-county Economic Development District which headquartered in Terre Haute. EDA grants totaling $2.7 million also were provided for highway and other improvements needed to convert the former defense plant and surrounding acreage into a modern, fully serviced industrial park.

Terre Haute Today

There are now nine industrial firms located at Terre Haute's Fort Harrison Industrial Park. These firms provided 525 *new jobs—more than double the 253 lost* when the government plant closed. Two more companies are completing construction of facilities that will employ another 410 workers.

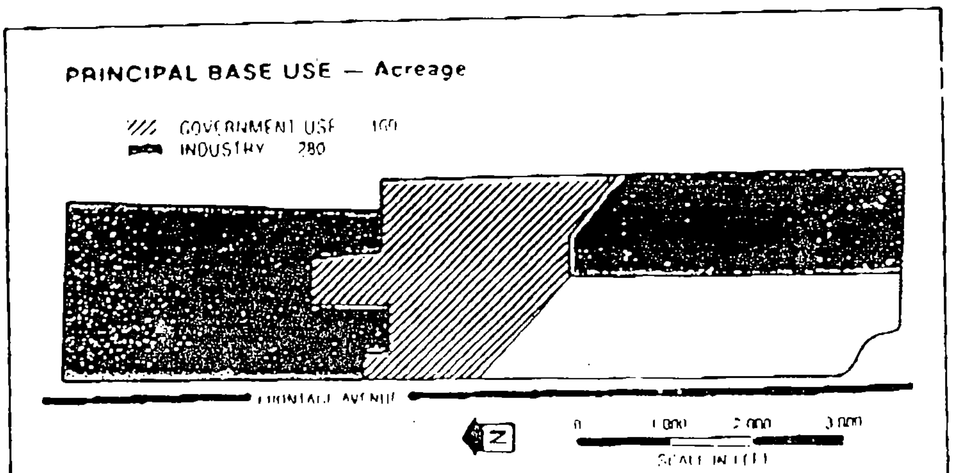
In addition, *renewed economic development efforts are estimated to have generated another 5,500 jobs* throughout the area. Terre Haute's faltering urban renewal project was rejuvenated through the vigorous support of the new Area Progress Committee.

After years of decline, *employment in Vigo County grew 15%* to reach a peak of 44,305 between 1960 and 1970. In 1974, unemployment had been reduced to 4.5%.

An Energetic, Confident Attitude Needed for Economic Recovery

The closing of the defense plant sparked a sense of urgency in both labor and management leaders. A tremendous improvement in Terre Haute's labor/management climate occurred following action by the Council of Laborers and Hod Carriers to provide the city with funds needed to purchase the defense facility. It was this new spirit of cooperation that was actually the cornerstone of Terre Haute's recovery efforts.

An energetic, confident community attitude has replaced Terre Haute's former lethargy toward vitally needed economic development. Once empty plants are again bee-hives of activity. A new spirit pervades the community; all segments are pulling together in a concerted effort to provide jobs and civic benefits for those who work and live in Terre Haute, Indiana. ◊1975



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To ROBYN From DEMPSEY
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Department of Defense
Office of Economic Adjustment
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Arlington, VA 22202-2884

Office (703) 604-6020 Fax (703) 604-5843

Date: 9/11/97

To: **DOROTHY ROBYN**

From: Paul Dempsey

This fax transmission consists of 3 pages, not including transmittal sheet. If transmission is incomplete, please call the above listed number.

Hope that you received the Terre Haute one-pager. Unfortunately it does not talk about DOL which is always a player.

Attached are two pieces on EAC. Probably not as informative as the E.O. which took us forever to get through the Exec. Branch Depts. Especially Justice. Also attached a couple of pages out of a booklet we did with the NGA. Focuses on assisting defense dependent firms and is from the point of view of the State Exec. Branch but does have chapters on Coordinating Resources, Assisting Firms, Assisting Workers, etc.

PRESIDENT'S ECONOMIC ADJUSTMENT COMMITTEE AND DEFENSE ECONOMIC ADJUSTMENT PROGRAM

Introduction

On January 15, 1992, the President signed Executive Order (E.O.) 12788. This Order updates and replace E.O. 12049. It reaffirms the President's Economic Adjustment Committee (EAC), established in 1970, and the Defense Economic Adjustment Program. It also incorporates statutory requirements for this Program.

Background

The Program was established in 1961 by the Secretary of Defense to help mitigate adverse effects of Defense closures and contract cutbacks. The Committee was first designated as the President's Interagency Economic Adjustment Committee in 1970 by an Executive Memorandum. This Committee and Program were subsequently formalized in 1978 under Executive Order 12049, "Defense Economic Adjustment Program," which broadened program support to include Defense expansion.

Composition

The Chair is the Secretary of Defense. The Vice Chair is the Assistant Secretary of Defense who oversees the Office of Economic Adjustment (OEA) which serves as the Committee staff. The Committee is presently composed of 23 Cabinet-level departments and agencies. Three levels of representation are:

> **Members** - Department and agency heads. They meet at the discretion of the Chair. Also, they or their designee, formally identify the Members of the Advisory and Working Groups for their respective departments or agencies.
>
> **Advisory Group** - Undersecretaries or their equivalent. They address policies peculiar to member departments and agencies and appropriate support to be given to the Defense economic adjustment program.
>
> **Working Group** - Department and agency officials who can address the daily technical and program issues of the community Defense economic adjustment projects.

Committee Functions

> **Mandate** - The Committee gives priority consideration to requests for Federal technical assistance, financial resources, excess or surplus property, and other requirements for communities adversely affected by Defense program changes. These changes include: military base closures and realignments, new military bases and expansions, and Defense contract reductions. Committee program support is also given to projects addressing the encroachment of incompatible development around military installations.

(over)

Benefits - The Committee and the affected community mutually benefit from their coordinated efforts. EAC assistance helps Defense impacted communities proceed quickly toward economic recovery. Member agency program objectives are attained through coordinated economic adjustment assistance programs.

Meetings - Normally, the Working Group meets to address the operational matters of the Defense economic adjustment program and individual community needs. They are apprised of current Defense impact situations and their support is requested.

Member and Advisory Group meetings are held when policy decisions are required, or immediate Committee support is needed to offset impacts caused by critical program changes.

Task Forces - When required, Committee task forces can be created to support major economic adjustment problems or new initiatives. Task forces may be organized at the headquarters level, but are more likely to be formed in the Federal regions.

A task force may be established on the recommendation of a member agency or by an OEA project manager with the concurrence of the OEA Director. Notification occurs through a memorandum from the Director to the appropriate Federal agencies at headquarters, requesting the designation of a point of contact to support the project. The memorandum includes a brief explanation of the need and expected agency participation level.

OEA Support to EAC And Defense EAP

Each member of the OEA staff is assigned to one or more EAC agencies for policy coordination and program liaison purposes. Each apprises the other of project support requirements or program funding potential.

OEA project managers identify, as early as possible, EAC support requirements. OEA transmits these requirements to the EAC for consideration in current and following year budgets.

4. Coordinating Resources

Given state fiscal conditions, it is unlikely that additional funds will be available in the near future for diversification efforts. A challenge for states is to mobilize private sector support, make effective use of existing federal programs, and use limited state resources to fill resource and service gaps that may inhibit economic conversion.

Private Sector

Large contractors can be important sources of support and expertise. These companies can be enlisted to provide technical advice and training to their smaller suppliers, they can provide advance notification and worker readjustment assistance to workers who will be laid off, and they can donate or loan vacant buildings or unused equipment to support start-up companies. Major corporations can provide matching funds to support feasibility studies or community adjustment plans.

- In St. Louis, Missouri, the county gave McDonnell Douglas a tax credit in exchange for a lease on an empty 15,000 square foot office building. The building was turned into a small business incubator and is being used to house small companies, many of them run by former McDonnell Douglas employees.

Other local businesses that will be affected by the economic health of the region also can be enlisted to support community diversification efforts. Utilities and banks can play a key role. For example, the public utility on Long Island provides reduced rates for firms that participate in New York's Industrial Effectiveness Program (IEP). IEP provides technical, financial, and educational assistance to individual firms and industry groups to help improve their competitiveness. Incentives are provided to firms that move into commercial production. The state also can work with its financial institutions to remove obstacles that may be preventing firms from obtaining financing for diversification.

Finally, business associations, chambers of commerce, and trade associations can educate their members, increase their awareness of the issue, and provide them with information on resources available for planning a diversification effort. These organizations also can encourage joint ventures and cooperative activities such as marketing or purchasing.

Federal Government

The federal government provides technical and financial assistance to states and communities for economic adjustment planning and implementation. For example, DoD's Office of Economic Adjustment helps communities affected by base closings, military reductions, and contractor cancellations. The Economic Development Administration (EDA) of the Department of Commerce is the primary source of federal economic development assistance for defense-dependent businesses and communities. EDA's Title IX program provides planning and project implementation funds to communities facing sudden and severe economic dislocation. Implementation activities can include the construction of public facilities, the provision of public services, business development assistance, planning, research, and technical assistance. The Title IX program also has been used to fund local small business revolving loan funds (RLFs). Such RLFs should be targeted to assisting businesses with the capacity to replace the economic activity being lost due to defense cutbacks. An RLF can be used, for example, to provide financing to new start-up companies, or to help firms introduce new products or to enter new markets. While the Title IX program can support a variety of activities, funding is very limited. The Defense Economic Adjustment, Diversification, Conversion, and Stabilization Act of 1990 authorized $50 million to be transferred from OEA to EDA for defense conversion planning and implementation grants for fiscal 1991 to fiscal 1993. As of September 1992, EDA had identified projects for funding that total approximately $33 million.

The basic source of funding for worker readjustment is the Department of Labor's Economic Dislocation and Worker Adjustment Assistance (EDWAA) program. A Defense Conversion Adjustment program was set up with $150 million in funding for fiscal 1991-92 to assist workers laid off due to defense cutbacks.

Often states will need to mix and match a variety of sources of assistance, and state funds will be needed to fill program gaps. For example, a major difficulty in using EDWAA funds to assist dislocated workers is that workers cannot receive services until they actually have received a notice of layoff or already are unemployed. Except with a demonstration grant, these funds cannot be used to retrain workers to facilitate diversification and thus prevent dislocation. Either state or private sector support is required for early intervention activities. Additional information on the EDWAA program is contained in Chapter 6.

State Resources

It is likely that some state resources will be needed for a comprehensive diversification effort. Existing state programs to support business development, community economic development, and human resource development can be integrated to meet the needs of defense-dependent workers, firms, and communities.

- **New York** established the Defense Diversification Program (DDP) to integrate existing state economic development programs in order to meet the needs of individual defense companies. The state's regional economic development offices and Industrial Technology Extension Service have led an extensive, targeted outreach campaign to make the state's defense-dependent manufacturing firms aware of DDP services. DDP assists firms in several ways.

- The Industrial Effectiveness Program offers both technical and financial assistance, on a cost-sharing basis, for assessments to identify problems and implement solutions for increasing productivity and competitiveness.
- The Economic Development Skills Training Program provides funding for skills upgrading, focusing on technology, total quality management, employee participation, and high-performance work organizations.
- The Industrial Technology Extension Service is a statewide network of manufacturing technology transfer experts.
- The Procurement Assistance Program provides technical assistance in federal/state procurement, market development, information access, and bid preparation.
- The Global Export Marketing Service provides financial assistance to develop nondefense-related export market sales.

While existing resources can be tapped to fund a comprehensive diversification initiative, a challenge for states is matching the various sources of funds to the unique adjustment problems in a state. A review of the funding for the Massachusetts Industrial Services Program's Defense Diversification Project gives a sense of the multiple sources that are being tapped to support the efforts of just three regions of the state (see figure). Each funding source has different requirements and regulations, which makes it difficult to fund a comprehensive project. The more the state needs to rely on federal sources of funding, the less flexibility there is in the use of the funds.

Pilot Program Works with Nine Firms to Develop Diversification Strategies

New York's Long Island Defense Diversification Project is a pilot program that has developed an assessment process to estimate diversification potential, identify critical success factors, and overcome barriers to implementation. It will create a comprehensive methodology that provides defense firms with a blueprint for structuring a diversification strategy. The strategy may entail new products, new markets, or new business processes that enable companies to enhance their competitiveness in both defense and commercial markets. The project is being sponsored by the Defense Diversification Advisory Cabinet, a consortium of representatives from state and local government agencies, higher education, and industry. Funding is provided by DoD's Office of Economic Adjustment, New York State, and the defense firms.

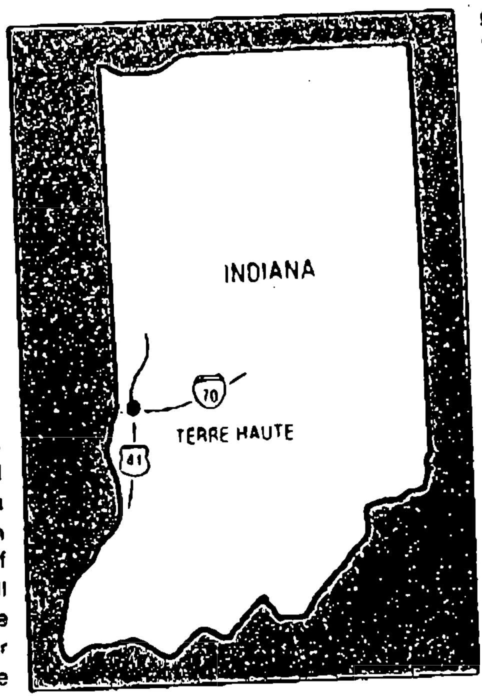
Defense Impact Projects and Sources of Funds in Massachusetts

FUNDING SOURCES	DEPARTMENT OF DEFENSE	DEPARTMENT OF COMMERCE	STATE MATCH	PRIVATE SECTOR MATCH	DEPARTMENT OF LABOR
Defense Impact Projects and Grants	Office of Economic Adjustment $41,000	Economic Development Administration $168,000	$62,000		Emergency Assistance Centers
				$503,000	Burlington $450,000
				$500,000	Pittsfield $500,000
					Ft. Devens $282,000 (will be increased)
	Research on Subcontractors	Demonstration • Regional Conferences • Community Readjustment Models and Strategies • Business Assistance		Matching Funds	Entrepreneurial Training • Berkshires • Burlington • Marlborough Rapid Response Efforts • Western Rapid Response Team • Northeastern Rapid Response Team
		Revolving Loan Fund • $2 million - pending	$700,000		Demonstration Projects • Training for Defense-Impacted Firms (pending)

SOURCE: Massachusetts Industrial Services Program, April 1, 1992.

Terre Haute, Indiana

Plant closing was another in a series of economic setbacks for the community.



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Community Action

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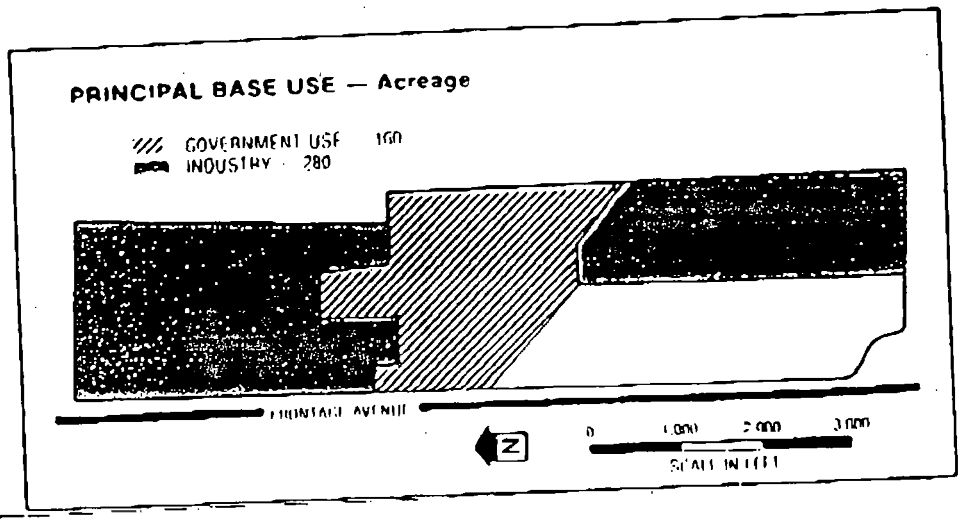

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Office (703) 604-6020 Fax (703) 604-5843

Date: 9/10/97

To: **DOROTHY ROBYN**

From: Paul Dempsey

This fax transmission consists of 15 pages, not including transmittal sheet. If transmission is incomplete, please call the above listed number.

Reached back into our archives to get the attached one-pager on Terre Haute. It's brief but does cover the organize, plan, implement process.

The Devens piece is more current and lengthier. It was done for EDA by the Harvard Grad School of Design.

I hope that these are useful.

Chapter Three
FORT DEVENS, MASSACHUSETTS

Established in 1917, the 9,310-acre Fort Devens is the last major Army facility in New England. It is located thirty-five miles west of Boston and twenty miles east of Worcester at a major hub in the Massachusetts rail network. The current buildings on the base were constructed for the most part between 1928 and 1939; a number of brick buildings in the Georgian style make up the Fort Devens Historical District listed in the Massachusetts Register of Historic Places. The district was nominated for inclusion in the National Register in 1993. In 1988, Fort Devens became home to the Army's Information Systems Command. It also provided the Army's area support for New England and facilities for marshaling the Reserves.

The April 1991 announcement of the closure of most facilities in Fort Devens, in spite of previous assurances to the contrary by members of the Massachusetts delegation, came as a surprise to state and local officials. The closure would affect nine municipalities in the fort's economic region (which extended into southern New Hampshire) in addition to the four towns within which the fort was located. In 1990, the median household incomes for the four towns ranged from $47,229 in Harvard and $41,552 in Lancaster – well above the state average – to $38,377 in Shirley and only $29,326 in Ayer. In spite of these disparities, they all had a significantly higher proportion of higher-income households than other towns in the region as a result of the base's presence.

They were not only socioeconomically different from each other, but also were affected differently by the closure decision. The North and Main Posts of Devens that were slated to be closed comprised portions of Ayer, Shirley, and Harvard; the South Post, to be retained by the Army, lay entirely within Lancaster.

Table 3-1
Socioeconomic Characteristics of the Fort Devens Towns

Town	Population	Median Household Income	Median House Price
Ayer	6,871	$29,326	$136,100
Harvard	4,462	$47,299	$311,300
Lancaster	6,661	$41,552	$160,400
Shirley	6,118	$38,377	$147,100

Source: 1990 US Census

The potential economic impact of the closure on the greater Devens region was significant as the average annual level of procurements from the region was over $200 million a year. In 1992, Devens employed about one thousand civilian workers, or 46 percent of the region's total federal civilian work force. Based on 1992 data, it was estimated that, with the loss of those jobs, the region's earned wages would decline by close to $35 million. The resulting potential drop in population due to lost jobs in each of the four towns was estimated to range from 6.0 percent in Ayer to 0.1 percent in Harvard.

With the exception of Ayer, none of the towns has a regionally significant employment base. Among the Devens region of thirteen municipalities in north-central Massachusetts and southern New Hampshire, 6,149 jobs were located in Ayer, of which 44 percent were civilian government jobs, virtually all located at the Devens base. Ayer's reaction to the base closure announcement was the most acute as it focused chiefly on the loss of jobs and the future of its economic base. The reaction in the other towns was more muted: Harvard, as a high-income suburb, had few ties to the base. Shirley's leaders saw the closure as an opportunity to develop the land for municipal uses. Lancaster did not believe it would be affected, as the South Post, which was entirely within its boundaries, was to be retained.

Housing supply in Ayer, Harvard, and Shirley consisted of 8,215 units of which 1,723 were located on the base, exclusive of enlisted personnel barracks. A significant proportion of the housing in Ayer and Shirley, 54 percent and 41 percent respectively, was multi-family rental units that accommodated a large number of Devens personnel living off-base. Of the three communities, Ayer was most dependent on the base for the funding of its four schools, including an elementary school located on the base. Approximately 70 percent of the student population were children of military or civilian personnel employed at the base, and one-third of its $9.9 million school budget was supported by federal impact funding.

The initial response of the state and towns to the Base Realignment and Closure (BRAC) Commission's announcement was shaped by a shared belief that the key to any reuse strategy lay in replacing lost jobs. In spite of varying assessments as to what the reuse strategy should be, the analysis, the plan, and the institutional proposal were focused on creating a new potential for economic development and generating the capital investment necessary for implementation.

The state was influenced by both political and economic aspects of the closure decision. Three crucial issues emerged quickly:

1. The unpopularity in the towns of an older but eminently feasible proposal to build a new regional airport on the site;
2. The need to develop proposals that would be politically as well as economically acceptable to the towns;
3. The potential of the Devens site to play a role in a regional economic development strategy.

The strategy for the reuse of the base was therefore conceived to maximize long-term opportunities rather than to mitigate short-term losses for the region. As a result, the benefits from redevelopment would not necessarily be directed to those most harmed by the base closing.

From the beginning of the process, the Army was concerned with the potential liability of existing environmental hazards. Fort Devens had been declared a national Superfund site in

1989, and the Army was eager to extricate itself from owning a site whose market value was, at best, questionable due to unresolved environmental issues. Given the weakness of the regional economy, Army and state officials found themselves confronting a substantial cleanup cost and a lack of demand for industrial, commercial, or residential property in the region. The successful reuse of the site depended on creating market demand for the site by:

1. An expedited cleanup process using standards based on potential reuse rather than maximum environmental remediation;
2. A negotiated settlement between the Army and the state on liability;
3. Finding ways to attract potential private developers.

The formulation of a redevelopment strategy was complicated by the fact that Fort Devens straddled four communities, each of which had different ideas on how it would be affected by the closure decision. Ayer, for example, wanted to address and remedy the immediate economic effects of closure, while Harvard was more concerned with the effects of any reuse strategy on its long-term well-being. Varying points of view prevailed at the state level. The Massachusetts Government Land Bank, in accordance with its statutory mandate, was looking to both longer- and short-term regional and local development, while the governor's office was concerned with the political as well as economic implications of all development options. It is thus remarkable that the three municipalities would join forces with the state and the Land Bank to develop a unified response to the closure of the base. The story of how this happened is central to the Devens experience.

3.1 The Initial Response to the Closure Announcement

Local officials began to address Devens's post-closure future in a series of private meetings. For perhaps the first time in their history, the selectmen of all four towns met informally as a group to draft a joint approach that could be presented to the Department of Defense's Office of Economic Adjustment (OEA) in order to obtain planning funds. They formalized their cooperation over the summer of 1991 by creating the Joint Board of Selectmen.[5] This unusual reaction was prompted in part by local opposition to an older proposal of the Massachusetts Aeronautics Commission to develop a second major regional airport to augment Boston's Logan International Airport. Fort Devens, once vacated by the Army, was an obvious contender for the proposed facility.

At the state level, the executive director of the Massachusetts Government Land Bank proposed that his agency be given the task of preparing a reuse plan for Fort Devens. That summer the

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5 In Massachusetts, the selectmen are the elected officials of towns. They handle executive matters as a board. Certain matters such as appropriations and zoning are the prerogative of the local legislative body, the town meeting, which is open to all registered voters. The Joint Board of Selectmen had no legal status but could play a powerful political role. Under Massachusetts law, the approval of any reuse plan for Devens required a two-thirds vote of the town meeting of each of the towns whose land lay within the base. Project approval from the town meetings was unlikely without the support of the selectmen of the towns, individually and collectively.

governor created a Devens Redevelopment Board and designated the Land Bank as the lead agency. The board consisted of seven appointees from the private sector and four members to be named by Ayer, Harvard, Shirley, and Lancaster. The board, with the Land Bank as its technical staff, was charged with preparing recommendations for Devens's reuse. In light of the negative local reaction to the airport proposal, a study was commissioned to examine the need for the airport. In the summer of 1992, the consultants, Arthur D. Little, Inc., found that a second airport was not needed. However, the possibility of an airport continued to be viewed by the towns as a threat and had the unfortunate effect of furthering a distrust of the state agencies involved in the reuse process, including the Land Bank. It also had the effect of boosting local solidarity.

By September 1991, the Joint Board of Selectmen (JBOS) had organized themselves sufficiently to release their mission statement. The statement powerfully articulated the position of the towns' leaders on Devens and JBOS's intent to have a controlling role in its reuse. The tone was set in the introduction to the report:

> The Joint Board of Selectmen recognize that Fort Devens was an integral part of the social and economic fabric of our communities. Despite this loss, we recognize this as an era of opportunity for all of us. There is a history of successful base closures which can serve as a foundation from which our communities can learn and build upon....
> As stipulated in the *Report on Planning Civilian Reuse of Former Military Bases* by the president's Economic Adjustment Committee, "The ultimate responsibility for determining the final base reuses rests clearly with the community leadership alone."

Concurrently, the town of Harvard took its own action by hiring a public relations/lobbying firm and by creating the Fort Devens Task Force to advise the selectmen. The strength of feeling in Harvard was demonstrated later that fall at a meeting attended by some 700 people, nearly all of whom opposed the airport.

As the selectmen asserted their interest, they came into conflict with the Redevelopment Board, which was said by some selectmen to reflect the position of the governor rather than local interests. During this political struggle for control, the four towns' planning boards continued their joint consideration of development options for the Devens site, while the Army planned the facilities it would retain on the South Post, and the Land Bank commissioned various reuse studies.

3.2 Positioning the Players

During the spring of 1992, both the Land Bank and the JBOS were talking to the DoD's Office of Economic Adjustment from whom they each hoped to receive a planning grant. The OEA issued a Memo of Understanding in July 1992, which agreed to grant $204,000 to the Land Bank with a pass-through for the JBOS. The pass-through funds were critical to the JBOS's effectiveness, as neither the local communities nor state agencies were willing to budget funds while still waging a political battle for the base's survival. The JBOS opened its "reuse office on Devens."

In October, the JBOS began to earn respect in an important quarter, the Pentagon. Several of the towns' selectmen traveled to Washington, DC, for a meeting with the OEA. Also attending the meeting were the Land Bank's Bassett and Simon,[6] and United States Senator Edward Kennedy. Just before the meeting began, when Selectman Fohlin accidentally picked a seat between two DoD representatives and offered to move, Colonel Osgood of the OEA said to him, "No, you are our guests – stay where you are." Fohlin interpreted this as a sign of the DoD's respect for the local leaders. Later in the meeting, Kennedy cut into a dialogue between the Army and the Land Bank representatives and asked, "What do the towns have to say?" and then turned to the selectmen. The selectmen viewed both incidents as symbolic of the fact that their concerns were to be taken seriously.

Adding to the complexity of the situation, then and now, was Fort Devens's status since 1989 as a national Superfund site. The Environmental Protection Agency had designated Devens as one of the nation's worst hazardous waste sites. This status further complicated the transfer by requiring a complex review and approval process involving millions of dollars in cleanup work before the Army could cede the property to a local redevelopment authority. In 1992, the Land Bank filed an environmental notice with the Massachusetts Secretary of Environmental Affairs, the first step required by the Massachusetts Environmental Protection Act (MEPA) for the review of Devens's redevelopment. Meanwhile, the Army filed its notice under the National Environmental Protection Act (NEPA) for the reuse process. In August, the secretary designated Devens as a "major and complicated project," a designation which provided flexibility by allowing coordination in the MEPA and NEPA review processes, saving duplicative studies and potentially reducing the review time. It also allowed for "the timely commencement of certain reuse activities," which enabled specific projects to proceed before the completion of the entire environmental review. One of the reuse activities proposed by the Land Bank was the construction of a new intermodal transportation facility to promote the Port of Boston's rail links to the continental US. The secretary allowed the intermodal center to proceed without a full Environmental Impact Report (EIR).

The federal Environmental Impact Statement (EIS) process began in the fall of 1992 with a notice in the federal register announcing forthcoming public scoping sessions for the EIS.[7] The project manager for base closure and realignment for the Army, Carter Hunt, indicated the sites to be retained by the Army: the South Post for the training of reserves with support facilities on Main Post. Two federal agencies had expressed an interest in utilizing portions of the site: the

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6 Tim Bassett was the executive director of the Massachusetts Land Bank and Jeff Simon was in charge of the Fort Devens project.

7 *Scoping sessions* define the issues to be dealt with in an environmental report. The statements made at the January 1993 scoping sessions at Devens reveal the status of the reuse planning at that point.

US Bureau of Prisons proposed a hospital in the existing Cutler Army Hospital on the Main Post and the US Fish and Wildlife Service proposed the extension of the Oxbow National Wildlife Refuge. In addition, a so-called McKinney Act request[8] had been made by a nonprofit group, Life for Little Ones, Inc., to utilize an existing chapel as housing for the homeless.

Hunt then announced that the Land Bank and the JBOS were "working together to develop a reuse plan for the installation." He stated that further screening of state and local reuse proposals would not occur until the "reuse plan has been developed." If Hunt's statement represented Army policy, it appeared that there would be no disposition of land from Devens below the federal agency level until there was a reuse plan and that the reuse plan should be developed cooperatively by the state and local lead agencies.

Several of the groups submitting testimony to the scoping sessions demonstrated their knowledge of using the NEPA regulations to their advantage. The Land Bank requested the status as a "joint lead agency" along with the Army in order to "work closely with [it] in the preparation of the EIS." Although the request was denied, the Land Bank was granted "cooperating agency" status along with the Bureau of Prisons, the Fish and Wildlife Service, and the JBOS, a position that afforded it the opportunity to influence the EIS. Other testimony by Land Bank and JBOS representatives reflected their organizations' concerns with the economic situation. It stressed Fort Devens's role in the revitalization of the state's economy and the importance of the state-supported intermodal facility. It urged a timely environmental review in order "to get some new jobs and some new economic opportunities to replace what is being lost" and "expediting of the environmental review of interim uses," such as the Bureau of Prison's hospital.

The need to expedite the environmental review process was agreed upon, a decision that enhanced the Land Bank's reuse plan as the preferred alternative. The Land Bank's written submission to the scoping states that "our goal is to have a reuse plan suitable for NEPA review completed by August 15, 1993," that is, within a year after its initial involvement in the project. This positioned the Land Bank to play a dominant role during environmental review.

An equal sense of urgency was felt at the local level. The four towns' planning boards had been meeting since December 1991, and their positions differed from both that of the JBOS and the Land Bank. They were primarily concerned with the impacts of the closure:

The suitability of current zoning with regard to the reuse of the fort and in the towns;

The creation of a natural resources inventory (aquifers were at the top of an extensive list);

[8] The McKinney Act enables providers of housing to the homeless to claim surplus federal property ahead of state and local redevelopment entities through a "screening" process that occurred relatively independently from the reuse planning process. The 1994 Amendment to the Act lets housing providers apply directly through a redevelopment agency. The Land Bank is currently availing itself of this new option.

The need for an assessment of the existing on-base infrastructure;
The potential for locating municipal facilities on the fort:
The traffic impacts of each reuse alternative;
The impact of using of existing on-base housing for the homeless under the McKinney.

The planning boards were concerned with both environmental and fiscal impacts, including the consequences of the departure of military families' children from the local schools, ways to help existing businesses survive, and retraining programs for the local work force. They also noted that the closure's repercussions on the real estate market as well as on the retail sector would be felt beyond the four towns. For example, in Leominster where many civilians employed at Fort Devens lived, a 150-store shopping mall had changed its plans to locate there, because of the closure.

Meanwhile twelve community workshops were held between July 1993 and August 1994 to solicit the public's views on the reuse of the fort. The first workshop, entitled "Goals and Opportunities," dealt with the first step in creating a plan which was only presented in its conceptual form to the seventh Workshop in January 1994.

3.3 Negotiating a Redevelopment Strategy for Fort Devens

The 1992 finding that projected aviation needs did not justify a second airport cleared the way for a more rational public debate on the future reuse of Fort Devens. In contrast to the airport proposal, the Federal Bureau of Prisons' proposal to take over the existing Army Cutler Hospital was well received. Some thought that siting this federal use in the middle of Main Post would kill the airport proposal; others welcomed it as a job provider. The positive reception of what could have been a controversial use in a predominantly residential area is generally credited to the fact that the Federal Bureau of Prisons made it clear that it would not use the site should the communities oppose it. The Harvard selectmen's Fort Devens Task Force visited other similar installations and reacted positively.

The Bureau of Prisons' project and the Oxbow Wildlife Refuge had come through the federal surplus-land disposition process. The intermodal facility was state sponsored and pushed through on a lease basis. Later on, the Land Bank, with the assistance of Senator Edward Kennedy, won a national competition for one of nine Job Corps centers nationally. The Jobs Corps center would create 120 permanent jobs to provide education and employment-training for 400 disadvantaged youths each year. The federal government committed to spending $5 million annually for the center, with a $20 million initial investment.

Though these projects would bring jobs to the area, they were still part of a short-term economic development strategy. Given the Superfund cleanup timetable and restrictions on individual site transfers, it would be several years before private investment would occur on Devens. A final development plan could not be adopted without solving the institutional puzzle of bringing the four towns together on such issues as land-use controls, property taxes, and the delivery of public services. The governance issue had to be resolved prior to adopting a reuse plan required for the transfer of the base by the Army.

In early 1993, the Massachusetts legislative delegation instigated a series of meetings on the subject of Devens's future governance. Key participants, besides the legislators, included the Land Bank, the JBOS, Governor Weld's administration, and the North Central Massachusetts Chamber of Commerce. The objective was to file legislation by late fall to create a new governing body for Devens's redevelopment.

The first outline for the legislation was produced in April by the Land Bank and contained these features:

> There would be a new district, later to be named the Devens Regional Enterprise Zone.
>
> The new district would be governed by a commission, later named the Devens Enterprise Commission, to be comprised of eleven members, four of whom were to be nominated by the towns. The others were to be appointed by the governor, with five representing the region.
>
> The commission's powers would include: review and approval of the financial viability of the reuse plan; presenting the plan for the approval of the town meetings; establishing taxation and fees, subject to state approval; implementation powers, including zoning; and issuing the necessary permits and licenses for developments, subject to state review for larger projects.
>
> The commission's jurisdiction over the Devens district was initially set at ten to fifteen years (quickly changed to thirty). Jurisdictional responsibility afterwards was unclear.
>
> The three towns[9] would have to approve the plan.

The JBOS did not find this version of the proposed legislation acceptable and, on November 10, voted to submit their own legislation to be drafted by one selectman and one planning board member from each of the four towns. The legislative committee met two nights a week for over a month and presented their proposal to the JBOS and the Joint Planning Boards on December 7 and, one day later, to their legislative delegation for filing. The JBOS bill differed from the Land Bank's April outline in several respects. The commission's composition had been changed to six town nominees and five governor-appointed nominees, shifting the balance of power towards the towns. Another critical aspect of the JBOS draft was that the approval of the plan was to be by a simple majority vote of the three town meetings, rather than the customary two-thirds.

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9 Lancaster was not included in the new district as none of its land was part of the Devens redevelopment area.

The final version approved by the legislature[10] kept the town meeting approval process as proposed in the JBOS draft. The commission membership was enlarged to twelve, with two members representing each of the three towns, three representing the region, and three others appointed by the governor: neither the towns nor the state would have a majority. However, the bill's final version offered the towns some important protections: they would not be liable for the cost of public services on Devens, including educational costs, and had the right to appeal the decisions of the commission.

The Devens legislation required that the reuse plan and its companion zoning bylaw for the Devens enterprise district be approved by the three towns by the end of 1994. That approval would trigger the creation of the new commission and up to $200 million in bonding authority for the Land Bank to spend in the new Devens district. In the event of the town meetings' disapproval, the Land Bank had the option to walk away from the project, leaving the towns with any residual financial responsibility. The deadline for the towns' approval of the plan and bylaws drove the work schedule. Disagreements and rivalry had developed between the Land Bank and the JBOS, but collaboration between the two bodies was essential to winning the towns' approval.

By approving the plan and zoning bylaws, the towns would relinquish control over development and transfer their power of taxation to a commission over which they would not have a controlling vote. The justification for this unprecedented move was articulated in a booklet widely distributed by the Land Bank. Based on a financial analysis of the costs and revenues associated with the acquisition and redevelopment of Devens into a mixed-use facility for firms involved with innovative technology, and assuming the acquisition of the North and Main Posts by the Land Bank,[11] the booklet set forth the fiscal impacts of closure and various reuse options on the three municipalities. It concluded that the municipalities could not afford to redevelop the base themselves. In spite of an anticipated $95 million in potential revenues over a twenty-year period, the current weakness and future uncertainty of market conditions implied the likelihood of some form of public subsidy for many years to come. If the costs of operation and management were added to the debt service, it would be thirty or more years before the redevelopment of Devens would reach a break-even point. The report concluded that the state would have to assume most of the financial burden.

This analysis affected the reuse strategy in several ways. Even though the lead role would be taken by the designated state agency, the Massachusetts Government Land Bank, complementary roles and responsibilities were assigned to various federal and state agencies. A number of sites were assigned to the Army and other public agencies which would assume their capital and operating costs. The local officials of the three towns within the primary impact area – Ayer, Harvard, and Shirley – took part in the process of data collection and analysis. This was

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10 Ch. 498 of the Acts of 1993.

11 RKG. *Municipal Fiscal Impact Analysis of Fort Devens Redevelopment.*

a deliberate strategy on the part of the Land Bank and was a highly effective way to convince local leaders that their direct involvement in redevelopment was fiscally impossible. The decision to stage the redevelopment of the base over twenty-five years substantiated the argument that only the Land Bank could undertake the project.[12] Off-site impact mitigation costs were recognized, notably the need for circulation improvements. However, the report proposed that these costs not be included in the plan; they would be funded from various public programs, and the negotiations needed in order to include them would have bogged down the plan's acceptance process. The conclusion clearly was that any redevelopment of Devens required a strong centralized authority with the technical and financial capacity to carry the project for an estimated twenty years before a financial break-even point was reached. The state legislature would not have authorized up to $200 million bonding authority without strong state control. For the three towns, relinquishing their authority over the site would have clear advantages:

> Adverse fiscal impacts would be avoided if the three towns approved the plan and relinquished their land use and taxation powers for forty years.
> Redevelopment would proceed in an orderly fashion.
> Jobs would be created more quickly.
> The environment would be protected.
> Some local control over new development would be maintained through the town representatives on the commission.

The avoidance of adverse fiscal impacts was a persuasive argument as early estimates of the required infrastructure improvements (the waste-water treatment plant, roadways, and utilities systems) amounted to over $50 million, while annual operating deficits of several million dollars were projected until new businesses could create a viable tax base. These expenditures were clearly beyond the capacity of the three towns.

The reuse plan prepared by the Land Bank for an industrial park on the Fort Devens site set forth a number of goals that were presented to the towns in an extensive series of public meetings:

- Development had to balance economic, social, and environmental needs.
- Development had to provide a diversity of uses and employment opportunities for a range of skill and experience levels to ensure that it would be "sustainable" over time.
- The proposed development strategy would demonstrate that economic development and environmental protection were not incompatible.
- A balance between local, regional, and state interests would be achieved through carefully chosen and complementary public and private uses.

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12 The plan assumed a straight line absorption schedule for existing facilities and developable land and acknowledged that, in light of the weak market conditions pertaining at the time, "this assumption may be optimistic." This aspect of the analysis was played down in the plan which was distributed publicly and "sold" in terms of future benefits.

The plan itself was out of the ordinary as it provided only a generalized land-use proposal, a governance plan which established a new institution with a unique combination of powers and bonding authority from the state legislature, and a set of bylaws which described the process to be followed by both public and private developers interested in any of the available sites. It also set forth a long-term land disposal strategy and an independently developed short-term job creation program. It was highly speculative, for example, to propose a new high-technology center an hour west of Boston at a time when an existing industrial park abutting ample developable land in nearby Worcester had a high vacancy rate. Therefore, the Land Bank was allowed enough latitude to respond to specific development proposals and changing market conditions in a highly opportunistic manner. A traditional comprehensive land use plan would have been inappropriate under these conditions. Even the generalized uses suggested by the plan implied a greater certainty than actually existed. This discrepancy may have been intended to reassure the local communities as well as potential investors.

The plan focused on both the protection of the natural landscape, to satisfy the demands of the EPA and local towns, and on the creation of opportunities for growth. Highly entrepreneurial, it softened land-use regulations, simplified the permitting process, and placed Devens at the center of the state's economic development strategy to compete internationally. One-third of the land is committed to public open space, recreational uses, and the protection of natural resources. As far as growth opportunities, a number of benefits are offered by the Land Bank:

1. A 4,000-acre site with total security, an operational airport, and fiber-optic cable communications;
2. A $40-million bonding authority for site improvements and enticements to developers;
3. Authority for "one-stop" permitting for new development, allowing the Land Bank to coordinate all state-agency responses to proposals and allowing flexibility when responding to developer inquiries;
4. A marketing function within the Land Bank;
5. A potential for both a "federal enterprise zone" and a "federal foreign trade-zone."

The reuse plan's ultimate justification was comprised of the economic development of a new district, the unique land-use regulatory authority given the new commission, and the substantial investment committed by the state. The question was, how would the plan fare in light of the depressed real estate market and high vacancy rates in the region for industrial, office, and research-and-development uses, which represented about two-thirds of the proposed reuses for Devens. In order to become competitive, Devens had to offer something different and worthwhile to begin to attract private investment.

The broad implementation powers granted the Devens commission by the legislation enabled it to formulate flexible rules for reviewing proposed development, for the assessment charges to be levied through fees, permits, and property taxes, and for charges for municipal services. A key instrument for attracting investment was the incorporation of a simplified permitting procedure for each of the land-use districts to be administered as part of the zoning bylaws.[13] This ability to cut through established procedures was seen as critical to making Devens competitive in a difficult market. It was agreed that the marketing of the site should not be to the detriment of other vacant sites in the region. However, its size and unusual infrastructure made this restriction moot.

The formulating of development lasted from June until mid-November, as a collaborative effort between the Land Bank and the three towns, each of which had independent legal counsel bringing in some of the very best talent in environmental and land-use regulatory law. Even though there was precedent in Massachusetts for both regional land-use regulation (Martha's Vineyard Commission, the Cape Cod Regional Commission) and one-source permitting, the Devens regulatory system would be unique. The potential appeal of Devens to private developers lay in the coupling of a one-stop development review process and the availability of benefits not found elsewhere and intended to enhance the state's capacity to compete for major developments.

3.4 Arriving at a Political Consensus

In the closure of Fort Devens, the Land Bank had once again assumed the role of public developer, combining the formulation of a long-term development strategy with the management of the site. The Devens legislation had empowered it to acquire Fort Devens and invest up to $200 million over a forty-year period of redevelopment. It will prepare the reuse plan, acquire the property, and develop new infrastructure, roads, and utilities. It will manage the site and provide all the public services normally provided by local government, including fire protection and public works. The Land Bank will work closely with the Devens Enterprise Commission, which will assume the authority to issue permits and undertake planning, conservation, and zoning.

The reuse plan released in fall 1994 stressed themes which made use of the reputation of the Boston region as a place where new technology and environmental concerns had a long tradition of coexistence. The property will be subdivided into large, 100-acre parcels suitable for new industries. An "innovation and technology center" was to be a catalyst for new development and provide incubator space for new industries seeking affiliation with academic and research institutions. An intermodal transportation facility would provide an efficient way to integrate the rail and truck transportation of goods and materials from the Port of Boston to other New England states and allow Boston to compete with the Port of New York. Over one-third of the land area of Fort Devens was to be retained as open space for conservation purposes and

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13 The standard Massachusetts permitting process identifies development review procedures pertinent to each zoning district. Depending on the nature of the use proposed and the characteristics of the zoning district, a number of autonomous state and local permitting agencies will become involved—each with separate and independent authority over different, but often overlapping, jurisdictions. Examples include a conservation commission's jurisdiction over wetlands and a planning board's subdivision-control authority.

recreational use. Key elements of the plan include expanding the Oxbow National Wildlife Refuge along the Nashua River and a new golf course reconfigured from the existing one.

By early fall of 1994, there was no assurance that the reuse plan and zoning bylaws would be approved by a majority vote in each of the three town meetings.[14] In October, a public hearing held in Harvard bore out this concern. After a formal presentation by the Land Bank, the Joint Board of Selectmen, and other local officials, one person after another walked up to the microphone and asked pointed questions that displayed considerable distrust of the Land Bank and concern about what would happen under the proposed governance of Devens. During October, the Land Bank started conducting public opinion polls. The first poll revealed that replacement jobs, conservation, and fiscal protection for local government were the areas of greatest concern to voters. Land Bank officials concluded that they had not adequately communicated the issues to voters over the three years that had elapsed since the agency's initial involvement in the reuse planning of Devens. From that time until the town meetings, an average of over four meetings with voters were held daily by Land Bank representatives. The success of this intensive outreach effort became evident a few weeks before the town meetings when signs urging people to "vote yes" sprouted on lawns in the area.

On November 17 at the Base Officers' Club, the Land Bank and the JBOS held a hearing at which the zoning bylaws were distributed to the public. It was a thick, technical document spelling out in legal language how the land in the new Devens Enterprise Zone would be zoned, how development would be reviewed and permitted, and how the powers for land-use regulation would shift from the local boards to the commission. In spite of procedural objections to the hearing, the JBOS held a public meeting immediately following, in which they voted to approve the reuse plan and zoning bylaws.

The final step in the transfer of Devens to the Land Bank was to take place on December 7, 1994, at special town meetings to be held simultaneously in Ayer, Harvard, and Shirley. Town meetings, which are open to all voters, are often unpredictable and difficult to control when dealing with a controversial topic. The meetings in Shirley and Ayer were surprising in their brevity and near unanimity of approval for the plan. The Shirley vote was 272 to 7, with no stated opposition during a brief debate. In Ayer, despite a snowfall, the town meeting drew well over 700 voters. The question was called after a five-minute presentation; there were only two dissenting votes, and the session was over in a record twenty minutes. In Harvard, where opposition had always been the strongest and most sophisticated, passage was still in doubt on the night of the special town meeting with 836 voters gathered to consider the issue. At the end of a three-hour session filled with debate centering on environmental questions, a simple voice vote was called on the plan. It passed by a big majority.

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14 The bylaws also had to be approved by the Massachusetts Division of Capital Planning and Operations

The political campaign conducted by the Land Bank had been highly successful. The many months of work by the JBOS and the Land Bank (both independently and collaboratively) had gained the support of most town officials and the voters for the new Devens zone and commission. In the end, the plan encountered little resistance at the town meetings because voters felt they had no choice. The towns' fiscal liability, should they assume responsibility for the reuse, had been amply documented and was daunting. This fear of fiscal liability was strengthened by the unspoken threat by the Land Bank to pull out of the project entirely if the reuse plan failed to win local approval.