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Sustaining Communities
Creating Jobs

DEPARTMENT OF COMMERCE ★ UNITED STATES OF AMERICA ★

Economic Development
Administration

U.S. Department of Commerce
Economic Development Administration
1401 Constitution Ave., N.W.
Washington, D.C. 20230

UNITED STATES DEPARTMENT OF COMMERCE
Economic Development Administration
Washington, D.C. 20230

September 23, 1997

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL	# of pages ▶ 17
To Anne Lewis	From Chester J. Straub
Dept./Agency	Phone # 202-482-3081
Fax # 456-2223	Fax # 202-501-8007
NSN 7540-01-317-7368 5099-101	GENERAL SERVICES ADMINISTRATION

MEMORANDUM FOR: Anne Lewis
Dorothy Robyn
Louisa Koch
Kim Newman

FROM: Chester J. Straub, Jr. CJS

SUBJECT: Community Trade Empowerment Initiative

Attached for your review and comment is a revised draft paper outlining the proposed Economic Development Administration Community Empowerment Trade Initiative. The attachments, transmitted to you last week, have not been revised.

If you should have any questions, or require further information, please do not hesitate to contact me at 482-3081. I am available at your convenience.

Attachment

UNITED STATE DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

COMMUNITY TRADE EMPOWERMENT INITIATIVE

September 22, 1997

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EXECUTIVE SUMMARY: COMMUNITY TRADE EMPOWERMENT INITIATIVE

- An emerging, changing global marketplace, the acceleration of technical innovation and the constant restructuring of firms and industries require the Nation's work-force, firms and communities to be more flexible and innovative in creating jobs and attracting private sector investment.

- The Manufacturing Institute and Partners for Livable Communities in their recent study "Creating the Globally Competitive Community" stress that for America to continue to be the most competitive nation in an increasingly global economy, the country must be comprised of localities, states and regions that are competitive in their own right.

- This Initiative recognizes that Federal investments in locally defined trade-related development efforts create communities that can compete in the global economy. The Initiative follows, to a great degree, the successful approach the Economic Development Administration (EDA) has used in helping other communities adjust to the economic restructuring that was mandated by reductions in Federal defense expenditures.

- EDA's existing legislative authority provides the flexibility to administer this Initiative. However, EDA lacks adequate program resources to implement it. Current appropriations permit EDA to assist only a small portion of the eligible and worthwhile projects proposed by the Nation's distressed areas in any given year.

- The Initiative seeks funding for a five-year demonstration period to make EDA's set of comprehensive economic development programs - planning, technical assistance, public works, revolving loans, and trade adjustment assistance - available to communities that are adversely affected by trade expansion agreements. Program funding for the Initiative is proposed at $51.4 million for the first year, increasing to a high of $127.6 million in the third year, and declining to $71.2 million in the fifth year. An increase in EDA's salary and expense budget will also be necessary, as current staffing levels cannot absorb additional responsibilities. The total five-year budget is $425 million.

- Communities eligible for assistance under this Initiative would include those certified by the NADBank's Community Adjustment and Investment Program, those meeting the criteria for either EDA's Sudden and Severe Economic Dislocation or Long-Term Economic Deterioration Title IX programs, and those able to demonstrate a special need arising from the economic impacts caused by changing trade patterns.

- The Initiative outlines how other Commerce agencies, including the International Trade Administration, the Census Bureau, the Technology Administration, and the Minority Business Development Agency, can help in developing and supporting this effort. The Initiative also suggests a coordinated outreach effort between EDA and appropriate offices within the Departments of Labor and Treasury for making trade impacted communities, firms, and workers aware of the Federal programs and resources that are available to help in their economic restructuring efforts.

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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 U.S. major trading partners. As President Clinton seeks restoration of traditional trade negotiating authority to pursue additional market opening agreements with U.S. trading partners in Central and South America, concerns are being raised by those who believe that some U.S. workers, firms and communities might be negatively impacted by the agreements now in place.

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 may be shifts in trade patterns resulting from these agreements. Historically, to address such trade related changes, the United States has provided assistance to individuals and companies through the Trade Adjustment Assistance (TAA) Program authorized under the Trade Act of 1974, as amended (19 USC 2101).

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 in the Department of Commerce. The Trade Act of 1974, as amended, authorized a community adjustment assistance program under Chapter 4 - Adjustment Assistance for Communities. That program was never activated, however, and assistance to communities affected by increased imports was provided using basic EDA programs when those program requirements could be met.

Although there are existing TAA programs for workers and firms, there is no specific program to provide comprehensive adjustment assistance to communities in adjusting to changing trade patterns, with the exception of the limited NADBank program described later. As the Department of Commerce Mission Statement points out, the Department is committed to promoting "job creation, economic growth, sustainable development, and improved living standards for all Americans, by working in partnership with business, universities, communities, and workers to: 1. Build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the nation's economic infrastructure;...". In keeping with its strategic plan, the Department proposes to establish the Community Trade Empowerment Initiative within EDA to provide comprehensive adjustment assistance to communities that must rebuild their economic base to adjust to changing trade patterns and effectively compete in an increasingly global economy.

EXISTING TRADE ADJUSTMENT ASSISTANCE PROGRAMS:

Economic Development Administration:

The Economic Development Administration 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

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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, natural disasters and other serious dislocations to an area's economic base. The Agency has demonstrated effective coordinated use of its multitude of program tools in helping communities meet the challenge of significant short-term economic dislocations. A number of recent studies of EDA's program performance have demonstrated the considerable capacity building and leveraging impacts resulting from EDA investments in the development and implementation of local economic restructuring strategies. Included among the findings of these studies were:

- A recent study of EDA's public works program conducted by a consortium led by Rutgers University, 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.

- This consortium also looked at EDA defense adjustment projects funded during the FY 1992 to FY 1995 period, and found that each $1 million in EDA investment in completed defense revolving loan fund (RLF) projects resulted in the creation of 304 jobs and leveraged an average of $2.5 million of private-sector investment.

- A study by Aguirre International of EDA's efforts at disaster assistance in the aftermath of Hurricane Andrew found that EDA funded projects that responded directly to a strategic analysis of the regional economy; the EDA regional strategic planning process acted as a facilitating mechanism for recovery that would not otherwise have taken place; EDA projects were designed to fill a significant recovery need that would not have been funded by any other source in a timely fashion; the EDA team on-site approach supported the development of sustainable project through continuously available expert assistance and

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follow-up; and the EDA approach to partnership building resulted in the creation of sustainable economic development networks that did not previously exist in the impact area.

All of the recent studies of EDA programs have confirmed the "but-for" nature of EDA activities, that is, but for the investment made by the Agency, there would not have been an effective, coordinated, locally-led economic adjustment effort. Of special value to grantees is the flexible and coordinated nature of EDA's array of economic development and adjustment tools.

Trade Adjustment Assistance for Firms and Industries:

The Department of Commerce has implemented the 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 then 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. 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.

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

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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 conducted 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, from a loss of nearly 15 percent before the firms entered the program to a gain of nearly 14 percent after assistance.

While recent years have seen limited funding for 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. 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.

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 trade adjustment and investment. 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: the financing of border environmental projects and adjustment assistance to address NAFTA-related community trade adjustment. NADBank was provided funding to 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.

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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 a work in progress.

COMMUNITY TRADE EMPOWERMENT INITIATIVE:

Communities that face challenges to their economic base due to changing trade patterns have economic and business development needs similar to those of communities that must rebuild their economic base after the closure of a military base or a major disaster. These communities may have been an auto or military town, but now community leaders have to restructure their economic base to regain the ability to compete in the global economy. While the NADBank CAIP shows promise of meeting some of the adjustment needs of companies in communities impacted by increased imports and plant relocations, EDA's experience with communities injured by major plant closings, defense cutbacks or disasters, demonstrates that a more comprehensive approach to community adjustment is needed.

At the same time communities face major economic dislocation problems, they are generally confronted with decreasing tax bases and increasing social welfare costs. They are confronted with the difficult situation of greatly increased costs combined with significantly declining revenues. With the timely application of modest amounts of Federal investments, these communities can develop a new economic blueprint for their area and begin implementation of that plan. These communities have a workforce that proved it could be competitive before the rules of the game changed. All they need is to restructure their economy and workforce and rejoin the economy. This has been reflected in the Rutgers-led evaluation of EDA's Defense Economic Adjustment program which demonstrated that modest Federal assistance enables development of workable adjustment strategies, leverages substantial local investment, and creates new permanent employment opportunities at low costs per job.

EDA proposes to establish a Community Trade Empowerment Initiative to invest in community-based efforts to create globally competitive economies. This initiative would be based on EDA's proven approach to helping the restructuring of communities that have suffered major declines because of defense cutbacks and natural disasters. We recommend using EDA's existing and proven program tools to implement this initiative which would not require changes to existing legislative authorities; 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

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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 provided 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 are financial resources needs in these communities that only a RLF could meet. In Merced County, CA, EDA provided a $1,000,000 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 closure of Castle Air Force Base. The RLF is targeted to providing assistance to a variety of local businesses for expansion and to assist in the creation of new enterprises.

- **Trade Adjustment Assistance 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 tc 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

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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 included the proposed closure of the Philadelphia Navy Yard in September of 1996. In response to this decision, EDA provided a $2.7 million grant to the Philadelphia Authority for Industrial Development (PAID) to undertake a number of tasks including technical assistance to assess the technology and equipment existing at the Navy Shipyard to determine possible civilian reuse strategies; assessment of various scenarios for the reuse of parts or all of the land, facilities and equipment at the Philadelphia Navy Base; and a revolving loan fund (RLF) to assist defense-dependent local businesses to convert to civilian sectors.

These efforts were followed in FY 1995 by a $4.6 million grant to PAID to improve Washington Square Park to promote increased tourism and rehabilitate a vacant building, which created a large job training and education center in the West Oak Lane section of Philadelphia to support re-employment efforts of displaced Philadelphia Navy Yard workers.

In FY 1996, EDA provided an additional $3.25 million to PAID to develop the Philadelphia Naval Business Center which will include a shipyard sector for use by small ship building and repair businesses; an industrial park sector for various types of medium-sized manufacturers; a commerce sector for research and development businesses; and a distribution sector for intermodal transfer terminal and warehousing businesses. Altogether, EDA has invested over $10 million in the conversion of the Philadelphia Navy Yard in a coordinated effort including technical assistance, RLF and infrastructure improvements.

In addition to the comprehensive array of program tools 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 organizations** 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. (See attachment C - a map detailing Economic Development District and Indian Planning Grantee locations.)

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In spite of the condition of the clients when they enter the program, however, the results of TAAC assistance have been impressive. A TAAC conducted 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, from a loss of nearly 15 percent before the firms entered the program to a gain of nearly 14 percent after assistance.

While recent years have seen limited funding for 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. 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.

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 trade adjustment and investment. 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: the financing of border environmental projects and adjustment assistance to address NAFTA-related community trade adjustment. NADBank was provided funding to 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.

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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 a work in progress.

COMMUNITY TRADE EMPOWERMENT INITIATIVE:

Communities that face challenges to their economic base due to changing trade patterns have economic and business development needs similar to those of communities that must rebuild their economic base after the closure of a military base or a major disaster. These communities may have been an auto or military town, but now community leaders have to restructure their economic base to regain the ability to compete in the global economy. While the NADBank CAIP shows promise of meeting some of the adjustment needs of companies in communities impacted by increased imports and plant relocations, EDA's experience with communities injured by major plant closings, defense cutbacks or disasters, demonstrates that a more comprehensive approach to community adjustment is needed.

At the same time communities face major economic dislocation problems, they are generally confronted with decreasing tax bases and increasing social welfare costs. They are confronted with the difficult situation of greatly increased costs combined with significantly declining revenues. With the timely application of modest amounts of Federal investments, these communities can develop a new economic blueprint for their area and begin implementation of that plan. These communities have a workforce that proved it could be competitive before the rules of the game changed. All they need is to restructure their economy and workforce and rejoin the economy. This has been reflected in the Rutgers-led evaluation of EDA's Defense Economic Adjustment program which demonstrated that modest Federal assistance enables development of workable adjustment strategies, leverages substantial local investment, and creates new permanent employment opportunities at low costs per job.

EDA proposes to establish a Community Trade Empowerment Initiative to invest in community-based efforts to create globally competitive economies. This initiative would be based on EDA's proven approach to helping the restructuring of communities that have suffered major declines because of defense cutbacks and natural disasters. We recommend using EDA's existing and proven program tools to implement this initiative which would not require changes to existing legislative authorities; 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

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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 provided 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 are financial resources needs in these communities that only a RLF could meet. In Merced County, CA, EDA provided a $1,000,000 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 closure of Castle Air Force Base. The RLF is targeted to providing assistance to a variety of local businesses for expansion and to assist in the creation of new enterprises.

- **Trade Adjustment Assistance 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

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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 included the proposed closure of the Philadelphia Navy Yard in September of 1996. In response to this decision, EDA provided a $2.7 million grant to the Philadelphia Authority for Industrial Development (PAID) to undertake a number of tasks including technical assistance to assess the technology and equipment existing at the Navy Shipyard to determine possible civilian reuse strategies; assessment of various scenarios for the reuse of parts or all of the land, facilities and equipment at the Philadelphia Navy Base; and a revolving loan fund (RLF) to assist defense-dependent local businesses to convert to civilian sectors.

These efforts were followed in FY 1995 by a $4.6 million grant to PAID to improve Washington Square Park to promote increased tourism and rehabilitate a vacant building, which created a large job training and education center in the West Oak Lane section of Philadelphia to support re-employment efforts of displaced Philadelphia Navy Yard workers.

In FY 1996, EDA provided an additional $3.25 million to PAID to develop the Philadelphia Naval Business Center which will include a shipyard sector for use by small ship building and repair businesses; an industrial park sector for various types of medium-sized manufacturers; a commerce sector for research and development businesses; and a distribution sector for intermodal transfer terminal and warehousing businesses. Altogether, EDA has invested over $10 million in the conversion of the Philadelphia Navy Yard in a coordinated effort including technical assistance, RLF and infrastructure improvements.

In addition to the comprehensive array of program tools 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 organizations** 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. (See attachment C - a map detailing Economic Development District and Indian Planning Grantee locations.)

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- **69 University Centers** that utilize the expertise present in leading universities to provide direct technical assistance to local economic development efforts. Activities include feasibility studies, staff support, socio-economic data analysis and identification of community areas of competitive advantage. (See attachment D - a map highlighting the University Center service areas.)

- **12 Trade Adjustment Assistance Centers** that provide turn-around consulting assistance to trade-injured manufacturers. The TAACs' professional consulting staff have experience in the major business disciplines and help eligible companies prepare certification petitions, develop comprehensive adjustment strategies, and select qualified consultants to implement their adjustment strategies. TAACs would work closely with the communities and NADBank to help trade-injured firms in eligible communities restructure and regain the ability to compete in the global marketplace. We propose additional TAAC program funding in order to provide adequate support to the community initiative. (See attachment D - a map outlining TAAC locations and territories.)

- Between **40 and 50 State and Urban planning organizations** 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 Community Trade Empowerment Initiative, urban planning grants could be used to provide the staff capacity to support 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 to implement the resulting adjustment strategy.

- At the national level, EDA's Technical Assistance and Research programs can 1) develop and disseminate information on trade adjustment efforts that work including "best practices" examples for other communities to emulate; 2) evaluate program performance and long-term impacts; and 3) develop, test and implement performance measures responsive to the Government Performance and Results Act (GPRA).

EDA anticipates working closely with other Department of Commerce agencies and programs to meet the needs of trade injured communities. Among the Commerce programs that could play a role are:

- The International Trade Administration's NAFTA Office, country desks and industry experts to help identify industries/sectors facing import challenges and support efforts to develop export promotion programs.

- The Census Bureau's programs that track and prepare regular reports on industrial sector

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production and employment in order to identify industries suffering losses due to increased import competition.

- Technology Administration's Manufacturing Extension Partnership and the MBDA Minority Business Development Centers which could provide hands-on assistance to trade injured firms in cooperation with the TAAC efforts.

We also believe that close coordination between the major Departments involved in the provision of trade adjustment assistance to workers, firms, industries and communities would be beneficial. Just as Carter Administration officials established the Commerce-Labor Adjustment Action Committee (CLAAC) in the late 70's to coordinate and promote the existing Trade Adjustment Assistance Programs, we should revive an expanded effort that includes Commerce, Labor, USTR and Treasury's NADBank effort in order to more effectively develop, deliver and promote these programs. While program coordination at the local level is usually effectively handled through the community capacity developed by planning and technical assistance support, there has been little coordination at the Washington headquarters level since the CLAAC effort was abandoned in the early 1980's.

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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 increased imports or plant relocations have damaged 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 distressed area or meets the Title IX Long Term Economic Deterioration (LTED) 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, county or local government, 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.

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PROPOSED FUNDING AND DURATION:

The proposed Community Trade Empowerment Initiative should be authorized for five years with funding to start at $51.4 million the first year and increasing as needed up to as much as $127.6 million in the third year before declining to $71.2 million in the final year. These figures include administrative funding averaging less than 7 percent. In total, the Community Trade Empowerment Initiative would require $425.058 million in new funding. (See attachment F - budget projections.)

EDA's basic program appropriations do not provide a sufficient level of funding to support a Community Trade Empowerment Initiative. EDA's total program budget in FY 1997 is $328.5 million with $165 million allocated to Public Works, $90 million to Defense Economic Conversion, $31.2 million to Title IX/Economic Adjustment, $24 million to Planning, $500,000 to Research and $17.6 million split among Trade Adjustment Assistance ($9.5) and Technical Assistance ($8.1). Because of the already limited level of program funding, EDA is able to approve only a small portion of eligible and worthwhile projects in the Nation's distressed areas in any given year.

Activities in the first year would focus on assisting the 35 communities already certified eligible under the CAIP, identifying other communities suffering trade injury, and working with trade injured firms through EDA's existing TAA Program for Firms and Industries. EDA would anticipate taking a pro-active approach to providing Community Trade Empowerment Initiative assistance and would expect to identify a number of additional communities eligible for assistance in the first year. Because the community adjustment process is a long-term effort, we anticipate working with communities over a three year period. (See attachment G - community assistance projections.) Once past the first year, we estimate we will be assisting up to 60 communities at any given time, with a total adjustment program cost per community of as much as $6 million which, with a minimum local cost-share of 25 percent, would result in a total leveraged investment of at least $8 million. Over the five year estimated life of the program, EDA would provide significant assistance to between 80 and 100 communities, with additional areas receiving lesser levels of capacity development and implementation support.

EDA recommends a coordinated approach to outreach with the Departments of Labor and Treasury including developing working relationships with the major organizations representing local governments, business and labor, to make them aware of the programs and resources the Federal Government can utilize to help communities, companies and workers adjust to changes caused by increased trade, and a series of outreach presentations in the major cities of the U.S. to inform these constituencies of available programs. Given the trends in import statistics as to the industrial sectors facing the greatest challenge as a result of NAFTA trading patterns, EDA 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

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major import increases.

While EDA would expect the first year to find communities needing assistance in the development of their adjustment strategy and many companies requiring EDA's existing Trade Adjustment Assistance Program support, we would also expect a number of 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. A review should be conducted of whether there is a continuing need for the program at the end of the five year period,

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PROGRAM PERFORMANCE MEASUREMENT:

Economic development and adjustment assistance is a long-term process. The development of comprehensive strategies and plans for the restructuring of a community's economic base can take a significant amount of time since it involves representatives of a multitude of local government and private-sector organizations dealing with complex, and frequently controversial, topics. Once the plan is in place, numerous technical assistance, RLF and infrastructure investments may be needed to implement it. Even after these investments have taken place, it can be years before the projects reach maturity. A recent evaluation of EDA's infrastructure investments found that these projects continued to generate increasing numbers of businesses and jobs even after six to ten years. RLF's generally take several years to reach maturity and, because of their nature, will continue to generate new businesses and jobs throughout their lifetime.

As part of its efforts to comply with the requirements of the Government Performance and Review Act, EDA implemented a new comprehensive performance measurement system in the beginning of FY 1997 for all of its programs. The system will track data on outcomes such as new and saved jobs, new private investment, increased local tax base, and quality of local planning and technical assistance efforts. Grantees will provide performance measurement data to EDA at project completion, and at two and four years after completion. Since the intention is to implement the Community Trade Empowerment Initiative using existing EDA program authorities, the Agency anticipates using the performance measures associated with these programs to measure results under the new Initiative.

EDA's performance measurement system includes estimates of expected outcomes from investments under its various programs. Some of these estimates are derived from substantive studies of program outcomes, such as the public works study conducted by Rutgers University, while others are estimates based on EDA staff experience. The measures will be refined in the years ahead as actual data is reported and analyzed. Among the program performance measures and anticipated outcomes for EDA program tools are:

- Public Works and Infrastructure: The number of private sector jobs created and/or retained; private dollars leveraged by the EDA investment; additional dollars invested in the project by other public or private organizations; additional dollars invested directly related to, but not part of, the project; indirect, but project related, investments; improved capacity for growth; and the increase in the local tax base.

  As an example, the $100 million in public works projects completed in FY 1993 are expected to result in 30,000 private sector jobs; over $700 million in direct private investment; nearly $70 million in additional direct investments; over $80 million in investments related to, but not part of, the projects; $9 million of investment indirectly related to the projects; and $710 million in increased local tax base.

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- Revolving loan fund grants: The performance measures for RLF's include the jobs created or retained; number of loans made per completed grant; private dollars invested; other dollars invested; and RLF capital base for completed project.

  The anticipated outcomes for $15 million of RLF projects completed in FY 1993 include: 3,100 jobs; an average of 18 loans made per RLF; $26 million in private investment; $3 million in other investment; and $16 million as the combined RLF capital base.

- Trade Adjustment Assistance for Firms and Industries: The performance measures for the TAA Program include the percentage of company adjustment proposals facilitated and developed and the sales and jobs created/retained for all firms completing the program.

  The anticipated outcomes for the TAA Program for firms completing assistance in the FY 92 to FY 98 period include that 90 percent of company adjustment proposals will be facilitated and developed; that sales will increase 40 percent to $9 billion and that jobs will increase by 10 percent to 86,000.

- Capacity building programs: The performance measures and proposed outcomes for capacity building programs like planning, technical assistance and Title IX strategy grants, are not as easily quantified as those of infrastructure and business assistance programs. Included in the planning and local technical assistance programs are such measures as the grantee's evaluation of: the value of the strategy grants and feasibility studies; the quality and impact of the plans or feasibility study on the actions taken by the grantee; and the extent of community participation in the plan or strategy development.

  Grantees are expected to rate their projects on a 1 to 10 scale, with 10 being the best. EDA estimates grantees will rate the projects undertaken under capacity building programs as ranking around 8 on the scale of 10. As with all its programs, EDA is working to develop more refined measures of its capacity building programs.

Attachments

9/22/97

U. S. Department of Commerce
OFFICE OF THE ASSISTANT SECRETARY FOR
ECONOMIC DEVELOPMENT
14th & Constitution Avenue, N.W.
Washington, D.C. 20230
202-482-5081
FAX 202-273-4781

DATE: **September 19, 1997**

TO: **Ann Lewis**

FAX: 301-718-7947 TELEPHONE: 301-718-6543

FROM: Phillip Singerman

NUMBER OF PAGES: 21

COMMENTS: Per our discussion. A full copy with charts has been sent to your work as well.

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UNITED STATE DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

COMMUNITY TRADE EMPOWERMENT INITIATIVE

September 18, 1997

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INDEX: COMMUNITY TRADE EMPOWERMENT INITIATIVE PAPER

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EXECUTIVE SUMMARY: COMMUNITY TRADE EMPOWERMENT INITIATIVE

- Trade opening agreements benefit the Nation as a whole. However, the social and economic costs of these agreements are unfairly shifted to a much smaller subset of the Nation's communities, businesses, and individuals.

- This Initiative recognizes that trade impacted communities deserve some assistance in restructuring their local economies, which has become necessary due to Federal government actions. The Initiative follows, to a great degree, the successful approach that the Economic Development Administration (EDA) has used in helping other communities adjust to the economic restructuring that was mandated by reductions in Federal defense expenditures.

- EDA's existing legislative authority provides the flexibility to administer this Initiative. However, EDA lacks adequate program resources available to implement it. Current appropriations permit EDA to assist only a small portion of the eligible and worthwhile projects proposed by the Nation's distressed areas in any given year.

- The Initiative seeks funding for a five-year demonstration period to make EDA's set of comprehensive economic development programs - planning, technical assistance, public works, revolving loans, and trade adjustment assistance - available to communities that are adversely affected by trade opening agreements. Program funding for the Initiative is proposed at $51.4 million for the first year, increasing to a high of $127.6 million in the third year, and declining to $71.2 million in the fifth year. An increase in EDA's salary and expense budget will also be necessary, as current staffing levels cannot absorb additional responsibilities.

- Communities eligible for assistance under this Initiative would include those certified by the NABank's Community Adjustment and Investment Program, those meeting the criteria for either EDA's Sudden and Severe Economic Dislocation or Long-Term Economic Deterioration Title IX programs, ~~and those able~~ to demonstrate a special need arising from the economic impacts caused by changing trade patterns.

- The Initiative outlines how other Commerce agencies, including the International Trade Administration, the Census Bureau, the Technology Administration, and the Minority Business Development Agency, can help in developing and supporting this effort. The Initiative also suggests a coordinated outreach effort between EDA and appropriate offices within the Departments of Labor and Treasury for making trade impacted communities, firms, and workers aware of the Federal programs and resources that are available to help in their economic restructuring efforts.

& response

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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 U.S. major trading partners. As President Clinton seeks restoration of traditional trade negotiating 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 being negatively impacted by 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 U.S. imports from Mexico 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 U.S. imports from Canada 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 challenged 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 (19 USC 2101).

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 under Chapter 4 - Adjustment Assistance for Communities. That part of the law was never activated, however, and assistance to communities injured by increased imports was provided under the basic EDA programs in those cases where program requirements could be met.

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 the limited NADBank program described later. 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.

The Department of Commerce proposes to establish such an initiative within EDA in order to provide comprehensive adjustment assistance to communities that must rebuild their economic base to adjust to the loss of economic activity resulting from increased market access for imports.

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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.

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

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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. Control?

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

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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.

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.

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COMMUNITY TRADE EMPOWERMENT INITIATIVE:

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 with 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 or a major disaster. 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, they also are generally confronted with decreasing tax bases and increasing social welfare costs. They thus find themselves facing the difficult situation of greatly increased costs combined with significantly declining 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 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. An evaluation of EDA's Defense Economic Adjustment program shows that modest Federal assistance helps create workable implementation strategies, new permanent jobs at low costs per job, and leverages substantial local investment.

EDA proposes to establish a Community Trade Empowerment Initiative to meet the needs of trade impacted areas. This initiative would be based on EDA's proven approach to helping the restructuring of communities that have suffered major declines because of defense cutbacks and natural disasters. We recommend using EDA's existing and proven program tools to implement this initiative, just as the Trade Act of 1974 had stated should be done in the never implemented 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

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included the proposed closure of the Philadelphia Navy Yard in September of 1996. In response to this decision, EDA provided a $2.7 million grant to the Philadelphia Authority for Industrial Development (PAID) to undertake a number of tasks including technical assistance to assess the technology and equipment existing at the Navy Shipyard to determine possible civilian reuse strategies; assessment of various scenarios for the reuse of parts or all of the land, facilities and equipment at the Philadelphia Navy Base; and a revolving loan fund (RLF) to assist defense-dependent local businesses to convert to civilian sectors.

These efforts were followed in FY 1995 by a $4.6 million grant to PAID to improve Washington Square Park to promote increased tourism and rehabilitate a vacant building to create a large job training and education center in the West Oak Lane section of Philadelphia to support re-employment efforts of displaced Philadelphia Navy Yard workers.

In FY 1996, EDA provided an additional $3.25 million to PAID to develop the Philadelphia Naval Business Center which is to be comprised of a shipyard sector for use by small ship building and repair businesses; an industrial park sector for various types of medium-sized manufacturers; a commerce sector for research and development businesses; and a distribution sector for intermodal transfer terminal and warehousing businesses. Altogether, EDA has invested over $10 million in the conversion of the Philadelphia Navy Yard in a coordinated effort including technical assistance, RLF and infrastructure improvements.

In addition to the comprehensive array of program tools 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. (See attachment C - a map detailing the District territories.)

- 69 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. (See attachment D - a map highlighting the University Center service areas.)

- 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 comprehensive adjustment strategies, and select qualified

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consultants to implement the elements of their adjustment strategies. TAACs would work closely with the communities and NADBank to help trade-injured firms in eligible communities 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. (See attachment D - a map outlining TAAC locations and territories.)

- Between 40 and 50 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 to implement the resulting adjustment strategy.

- At the national level, EDA's Technical Assistance and Research programs can 1) develop and disseminate information on trade adjustment efforts that work including "best practices" examples for other communities to emulate; 2) evaluate program performance and long-term impacts; and 3) develop, test and implement performance measures responsive to the Government Performance and Results Act (GPRA).

EDA anticipates working closely with other Department of Commerce agencies and programs to meet the needs of trade injured communities. Among the Commerce programs that could play a role are:

- The International Trade Administration's NAFTA Office, other country desks and industry experts to help identify industries/sectors facing import challenges and support efforts to develop export promotion programs.

- The Census Bureau's programs that track and prepare regular reports on industrial sector production and employment in order to identify industries suffering losses due to increased import competition.

- Technology Administration's Manufacturing Extension Partnership and the MBDA Minority Business Development Centers which could provide hands-on assistance to trade injured firms in cooperation with the TAAC efforts.

We also believe that close coordination between the major Departments involved in the provision of trade adjustment assistance to workers, firms, industries and communities would be beneficial.

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Just as Carter Administration officials established the Commerce-Labor Adjustment Action Committee (CLAAC) in the late 70's to coordinate and promote the existing Trade Adjustment Assistance Programs, we should revive an expanded effort that includes Commerce, Labor, USTR and Treasury's NADBank effort in order to more effectively develop, deliver and promote these programs. While program coordination at the local level is usually effectively handled through the community capacity developed by planning and technical assistance support, there has been little coordination at the Washington headquarters level since the CLAAC effort was abandoned in the early 1980's.

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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.

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PROPOSED FUNDING AND DURATION:

The proposed Community Trade Empowerment Initiative should be authorized for five years with funding to start at $51.4 million the first year and increasing as needed up to as much as $127.6 million in the third year before declining to $71.2 million in the final years. These figures include administrative support funding averaging less than 7 percent. (See attachment F - budget projections.)

Activities in the first year would focus on assisting the 35 communities already certified eligible under the CAIP, identifying other communities suffering trade injury, and working with trade injured firms through EDA's existing TAA Program for Firms and Industries. EDA would anticipate taking a pro-active approach to providing Community Trade Empowerment Initiative assistance and would expect to identify a number of additional communities eligible for assistance in the first year. Because the community adjustment process is a long-term effort, we anticipate working with communities over a three year period. (See attachment G - community assistance projections.) Once past the first year, we estimate we will be assisting up to 60 communities at any given time, with a total adjustment program cost per community of as much as $6 million which, with a minimum local cost-share of 25 percent, would result in a total leveraged investment of at least $8 million.. Over the five year estimated life of the program, EDA would provide significant assistance to between 80 and 100 communities, with additional areas receiving lesser levels of capacity development and implementation support.

EDA recommends a coordinated approach to outreach with the Departments of Labor and Treasury including developing working relationships with the major organizations representing local governments, business and labor, to make them aware of the programs and resources the Federal Government can utilize to help communities, companies and workers adjust to changes caused by increased trade, and a series of outreach presentations in the major cities of the U.S. to inform these constituencies of available programs. Given the trends in import statistics as to the industrial sectors facing the greatest challenge as a result of NAFTA trading patterns, EDA 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 EDA would expect the first year to find numerous communities needing assistance in the development of their adjustment strategy and many companies requiring EDA's existing Trade Adjustment Assistance Program support, we would also expect a number of 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.

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EDA's basic program appropriations do not provide a sufficient level of funding to support a TAA for Communities Program. EDA's total program budget in FY 1997 is $328.5 million with $165 million allocated to Public Works, $90 million to Defense Economic Conversion, $31.2 million to Title IX/Economic Adjustment, $24 million to Planning, $500,000 to Research and $17.6 million split among Trade Adjustment Assistance ($9.5) and Technical Assistance ($8.1). Because of the already limited level of program funding, EDA is able to approve only a small portion of eligible and worthwhile projects in the Nation's distressed areas in any given year.

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PROGRAM PERFORMANCE MEASUREMENT:

Economic development and adjustment assistance is a long-term process. The development of comprehensive strategies and plans for the restructuring of a community's economic base can take a significant amount of time since it involves representatives of a multitude of local government and private-sector organizations dealing with complex, and frequently controversial, topics. Once the plan is in place, numerous technical assistance, RLF and infrastructure investments may be needed to implement it. Even after these investments have taken place, it can be years before the projects reach maturity. A recent study of EDA's infrastructure investments reported that these projects continued to show increasing numbers of businesses and jobs generated even after six to ten years. RLF's generally take several years to reach maturity and, because of their basic nature, will continue to generate new businesses and jobs throughout their lifetime.

As part of its efforts to comply with the requirements of the Government Performance and Review Act (GPRA), EDA implemented a new comprehensive performance measurement system in the beginning of FY 1997 for all of its program tools. The system will track data on outcomes such as new and saved jobs, new private investment, increased local tax base, and quality of local planning and technical assistance efforts. Grantees will provide performance measurement data to EDA at project completion, and at two and four years after completion. Since the intention is to implement the Community Trade Empowerment Initiative using existing EDA program authorities, the Agency anticipates using the performance measures associated with these programs to measure results under the new Initiative.

EDA's performance measurement system includes estimates of expected outcomes from investments under its various programs. Some of these estimates are derived from substantive studies of program outcomes, such as the public works study conducted by Rutgers University, while others are estimates based on EDA staff experience. The measures will be refined in the years ahead as actual data is reported and analyzed. Among the program performance measures and anticipated outcomes for EDA program tools are:

- Public Works and Infrastructure: To measure performance of projects concerning private sector jobs created and/or retained; private dollars leveraged by the EDA investment; additional dollars invested in the project by other public or private organizations; additional dollars invested directly related to, but not part of, the project; indirect, but project related; investments; improved capacity for growth; and the increase in the local tax base.

  As an example, the $100 million in public works projects completed in FY 1993 are expected to result in 30,000 private sector jobs; over $700 million in direct private investment; nearly $70 million in additional direct investments; over $80 million in investments related to, but not part of, the projects; $9 million of investment indirectly related to the projects; and $710 million in increased local tax base.

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- Revolving loan fund (RLF) grants: The performance measures for RLF's include the jobs created or retained; number of businesses assisted per completed grant; private dollars invested; other dollars invested; and RLF capital base for completed project.

  The anticipated outcomes for $15 million of RLF projects completed in FY 1993 include: 3,100 jobs; an average of 18 businesses assisted per RLF; $26 million in private investment; $3 million in other investment; and $16 million as the combined RLF capital base.

- Trade Adjustment Assistance for Firms and Industries: The performance measures for the TAA Program include the percentage of company adjustment proposals facilitated and developed and the sales and jobs created/retained for all firms completing the program during the FY 92 to FY 98 period.

  The anticipated outcomes for the TAA Program include that 90 percent of company adjustment proposals will be facilitated and developed; that sales will increase 40 percent to $9 billion and that jobs will increase by 10 percent to a total of 86,000.

- Capacity building programs: Of necessity, the performance measures and proposed outcomes for capacity building programs like planning, technical assistance and Title IX strategy grants, are not as easily measured as those of the infrastructure and business assistance programs. Included in the planning and local technical assistance programs are such measures as the grantee's evaluation, on a scale of 1 to 10 with 10 being best, of: the value of the strategy grants and feasibility studies; the quality of the plans, evaluations or studies conducted under the award; the impact of the plans or feasibility study on the actions taken by the grantee; and the extent of community participation in the plan or strategy development.

  EDA estimates that grantees will rate the projects undertaken under capacity building programs as ranking around 8 on the scale of 10. As with all its programs, EDA is working to develop more refined measures of its capacity building programs.

Attachments

9/18/97

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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**

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)

U. S. Department of Commerce
OFFICE OF THE ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT
14th & Constitution Avenue, N.W.
Washington, D.C. 20230
202-482-5081
FAX 202-273-4781

DATE: **September 19, 1997**

TO: **Anne Lewis**
Dorothy Robyn
Louisa Koch

FAX: 456-2223
395-1150

TELEPHONE:

FROM: Phillip Singerman

NUMBER OF PAGES: 2

COMMENTS:

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Economic Development
Washington, D.C. 20230

SEP 19 1997

TO: Anne Lewis
Dorothy Robyn
David Lane
Robert Mallett

FROM: Phil Singerman Phil

RE: Draft - Community Trade Empowerment Initiative

You should have received this morning a revised draft of Commerce/EDA's Community Trade Empowerment Initiative. Some additional thoughts:

o Secretary Daley has received a copy of this revised draft, and although I am sure that he is comfortable with the programmatic elements, he has not signed off on the proposed five-year budget of $425 million. I believe that the budget is based on sound policy and practical experience, at a level appropriate for addressing major Administration priorities. By way of comparison, since FY92 EDA has received designated funds for defense adjustment well in excess of $500 million, and special appropriations for post-disaster economic recovery at just under $500 million

o Over the past three years EDA has re-engineered its operating procedures and restructured its administrative apparatus, in order to provide more efficient and effective service. Staff has been reduced 30% since FY95, the organization has been delayered, project decision-making has been delegated to the regional offices, and "regional teams" have been established to provide consistent high quality and innovative response to local communities. Although not as well known as FEMA's reinvention, EDA's transformation has been equally dramatic.

o EDA has created a new management team of responsive appointed officials and experienced career managers; the quality of this rapidly prepared program suggests the Agency's reinvigoration. I am completely confident that with appropriate S&E support, EDA is capable of launching this initiative immediately.

Because of a previous medical appointment, I will be unable to attend this afternoon's meeting, but Chester Straub, whose team prepared the concept paper, will represent EDA.

cc: Chester Straub

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UNITED STATE DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

COMMUNITY TRADE EMPOWERMENT INITIATIVE

September 18, 1997

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INDEX: COMMUNITY TRADE EMPOWERMENT INITIATIVE PAPER

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EXECUTIVE SUMMARY: COMMUNITY TRADE EMPOWERMENT INITIATIVE

- Trade opening agreements benefit the Nation as a whole. However, the social and economic costs of these agreements are unfairly shifted to a much smaller subset of the Nation's communities, businesses, and individuals.

- This Initiative recognizes that trade impacted communities deserve some assistance in restructuring their local economies, which has become necessary due to Federal government actions. The Initiative follows, to a great degree, the successful approach that the Economic Development Administration (EDA) has used in helping other communities adjust to the economic restructuring that was mandated by reductions in Federal defense expenditures.

- EDA's existing legislative authority provides the flexibility to administer this Initiative. However, EDA lacks adequate program resources available to implement it. Current appropriations permit EDA to assist only a small portion of the eligible and worthwhile projects proposed by the Nation's distressed areas in any given year.

- The Initiative seeks funding for a five-year demonstration period to make EDA's set of comprehensive economic development programs - planning, technical assistance, public works, revolving loans, and trade adjustment assistance - available to communities that are adversely affected by trade opening agreements. Program funding for the Initiative is proposed at $51.4 million for the first year, increasing to a high of $127.6 million in the third year, and declining to $71.2 million in the fifth year. An increase in EDA's salary and expense budget will also be necessary, as current staffing levels cannot absorb additional responsibilities.

- Communities eligible for assistance under this Initiative would include those certified by the NABank's Community Adjustment and Investment Program, those meeting the criteria for either EDA's Sudden and Severe Economic Dislocation or Long-Term Economic Deterioration Title IX programs, and those able to demonstrate a special need arising from the economic impacts caused by changing trade patterns.

- The Initiative outlines how other Commerce agencies, including the International Trade Administration, the Census Bureau, the Technology Administration, and the Minority Business Development Agency, can help in developing and supporting this effort. The Initiative also suggests a coordinated outreach effort between EDA and appropriate offices within the Departments of Labor and Treasury for making trade impacted communities, firms, and workers aware of the Federal programs and resources that are available to help in their economic restructuring efforts.

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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 U.S. major trading partners. As President Clinton seeks restoration of traditional trade negotiating 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 being negatively impacted by 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 U.S. imports from Mexico 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 U.S. imports from Canada 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 challenged 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 (19 USC 2101).

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 under Chapter 4 - Adjustment Assistance for Communities. That part of the law was never activated, however, and assistance to communities injured by increased imports was provided under the basic EDA programs in those cases where program requirements could be met.

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 the limited NADBank program described later. 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.

The Department of Commerce proposes to establish such an initiative within EDA in order to provide comprehensive adjustment assistance to communities that must rebuild their economic base to adjust to the loss of economic activity resulting from increased market access for imports.

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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.

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.

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.

COMMUNITY TRADE EMPOWERMENT INITIATIVE:

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 with 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 or a major disaster. 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, they also are generally confronted with decreasing tax bases and increasing social welfare costs. They thus find themselves facing the difficult situation of greatly increased costs combined with significantly declining 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 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. An evaluation of EDA's Defense Economic Adjustment program shows that modest Federal assistance helps create workable implementation strategies, new permanent jobs at low costs per job, and leverages substantial local investment.

EDA proposes to establish a Community Trade Empowerment Initiative to meet the needs of trade impacted areas. This initiative would be based on EDA's proven approach to helping the restructuring of communities that have suffered major declines because of defense cutbacks and natural disasters. We recommend using EDA's existing and proven program tools to implement this initiative, just as the Trade Act of 1974 had stated should be done in the never implemented 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 included the proposed closure of the Philadelphia Navy Yard in September of 1996. In response to this decision, EDA provided a $2.7 million grant to the Philadelphia Authority for Industrial Development (PAID) to undertake a number of tasks including technical assistance to assess the technology and equipment existing at the Navy Shipyard to determine possible civilian reuse strategies; assessment of various scenarios for the reuse of parts or all of the land, facilities and equipment at the Philadelphia Navy Base; and a revolving loan fund (RLF) to assist defense-dependent local businesses to convert to civilian sectors.

These efforts were followed in FY 1995 by a $4.6 million grant to PAID to improve Washington Square Park to promote increased tourism and rehabilitate a vacant building to create a large job training and education center in the West Oak Lane section of Philadelphia to support re-employment efforts of displaced Philadelphia Navy Yard workers.

In FY 1996, EDA provided an additional $3.25 million to PAID to develop the Philadelphia Naval Business Center which is to be comprised of a shipyard sector for use by small ship building and repair businesses; an industrial park sector for various types of medium-sized manufacturers; a commerce sector for research and development businesses; and a distribution sector for intermodal transfer terminal and warehousing businesses. Altogether, EDA has invested over $10 million in the conversion of the Philadelphia Navy Yard in a coordinated effort including technical assistance, RLF and infrastructure improvements.

In addition to the comprehensive array of program tools 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. (See attachment C - a map detailing the District territories.)

- 69 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. (See attachment D - a map highlighting the University Center service areas.)

- 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 comprehensive adjustment strategies, and select qualified consultants to implement the elements of their adjustment strategies. TAACs would work closely with the communities and NADBank to help trade-injured firms in eligible communities 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. (See attachment D - a map outlining TAAC locations and territories.)

- Between 40 and 50 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 to implement the resulting adjustment strategy.

- At the national level, EDA's Technical Assistance and Research programs can 1) develop and disseminate information on trade adjustment efforts that work including "best practices" examples for other communities to emulate; 2) evaluate program performance and long-term impacts; and 3) develop, test and implement performance measures responsive to the Government Performance and Results Act (GPRA).

EDA anticipates working closely with other Department of Commerce agencies and programs to meet the needs of trade injured communities. Among the Commerce programs that could play a role are:

- The International Trade Administration's NAFTA Office, other country desks and industry experts to help identify industries/sectors facing import challenges and support efforts to develop export promotion programs.

- The Census Bureau's programs that track and prepare regular reports on industrial sector production and employment in order to identify industries suffering losses due to increased import competition.

- Technology Administration's Manufacturing Extension Partnership and the MBDA Minority Business Development Centers which could provide hands-on assistance to trade injured firms in cooperation with the TAAC efforts.

We also believe that close coordination between the major Departments involved in the provision of trade adjustment assistance to workers, firms, industries and communities would be beneficial.

Just as Carter Administration officials established the Commerce-Labor Adjustment Action Committee (CLAAC) in the late 70's to coordinate and promote the existing Trade Adjustment Assistance Programs, we should revive an expanded effort that includes Commerce, Labor, USTR and Treasury's NADBank effort in order to more effectively develop, deliver and promote these programs. While program coordination at the local level is usually effectively handled through the community capacity developed by planning and technical assistance support, there has been little coordination at the Washington headquarters level since the CLAAC effort was abandoned in the early 1980's.

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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.

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PROPOSED FUNDING AND DURATION:

The proposed Community Trade Empowerment Initiative should be authorized for five years with funding to start at $51.4 million the first year and increasing as needed up to as much as $127.6 million in the third year before declining to $71.2 million in the final years. These figures include administrative support funding averaging less than 7 percent. (See attachment F - budget projections.)

Activities in the first year would focus on assisting the 35 communities already certified eligible under the CAIP, identifying other communities suffering trade injury, and working with trade injured firms through EDA's existing TAA Program for Firms and Industries. EDA would anticipate taking a pro-active approach to providing Community Trade Empowerment Initiative assistance and would expect to identify a number of additional communities eligible for assistance in the first year. Because the community adjustment process is a long-term effort, we anticipate working with communities over a three year period. (See attachment G - community assistance projections.) Once past the first year, we estimate we will be assisting up to 60 communities at any given time, with a total adjustment program cost per community of as much as $6 million which, with a minimum local cost-share of 25 percent, would result in a total leveraged investment of at least $8 million.. Over the five year estimated life of the program, EDA would provide significant assistance to between 80 and 100 communities, with additional areas receiving lesser levels of capacity development and implementation support.

EDA recommends a coordinated approach to outreach with the Departments of Labor and Treasury including developing working relationships with the major organizations representing local governments, business and labor, to make them aware of the programs and resources the Federal Government can utilize to help communities, companies and workers adjust to changes caused by increased trade, and a series of outreach presentations in the major cities of the U.S. to inform these constituencies of available programs. Given the trends in import statistics as to the industrial sectors facing the greatest challenge as a result of NAFTA trading patterns, EDA 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 EDA would expect the first year to find numerous communities needing assistance in the development of their adjustment strategy and many companies requiring EDA's existing Trade Adjustment Assistance Program support, we would also expect a number of 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.

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EDA's basic program appropriations do not provide a sufficient level of funding to support a TAA for Communities Program. EDA's total program budget in FY 1997 is $328.5 million with $165 million allocated to Public Works, $90 million to Defense Economic Conversion, $31.2 million to Title IX/Economic Adjustment, $24 million to Planning, $500,000 to Research and $17.6 million split among Trade Adjustment Assistance ($9.5) and Technical Assistance ($8.1). Because of the already limited level of program funding, EDA is able to approve only a small portion of eligible and worthwhile projects in the Nation's distressed areas in any given year.

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PROGRAM PERFORMANCE MEASUREMENT:

Economic development and adjustment assistance is a long-term process. The development of comprehensive strategies and plans for the restructuring of a community's economic base can take a significant amount of time since it involves representatives of a multitude of local government and private-sector organizations dealing with complex, and frequently controversial, topics. Once the plan is in place, numerous technical assistance, RLF and infrastructure investments may be needed to implement it. Even after these investments have taken place, it can be years before the projects reach maturity. A recent study of EDA's infrastructure investments reported that these projects continued to show increasing numbers of businesses and jobs generated even after six to ten years. RLF's generally take several years to reach maturity and, because of their basic nature, will continue to generate new businesses and jobs throughout their lifetime.

As part of its efforts to comply with the requirements of the Government Performance and Review Act (GPRA), EDA implemented a new comprehensive performance measurement system in the beginning of FY 1997 for all of its program tools. The system will track data on outcomes such as new and saved jobs, new private investment, increased local tax base, and quality of local planning and technical assistance efforts. Grantees will provide performance measurement data to EDA at project completion, and at two and four years after completion. Since the intention is to implement the Community Trade Empowerment Initiative using existing EDA program authorities, the Agency anticipates using the performance measures associated with these programs to measure results under the new Initiative.

EDA's performance measurement system includes estimates of expected outcomes from investments under its various programs. Some of these estimates are derived from substantive studies of program outcomes, such as the public works study conducted by Rutgers University, while others are estimates based on EDA staff experience. The measures will be refined in the years ahead as actual data is reported and analyzed. Among the program performance measures and anticipated outcomes for EDA program tools are:

- Public Works and Infrastructure: To measure performance of projects concerning private sector jobs created and/or retained; private dollars leveraged by the EDA investment; additional dollars invested in the project by other public or private organizations; additional dollars invested directly related to, but not part of, the project; indirect, but project related; investments; improved capacity for growth; and the increase in the local tax base.

  As an example, the $100 million in public works projects completed in FY 1993 are expected to result in 30,000 private sector jobs; over $700 million in direct private investment; nearly $70 million in additional direct investments; over $80 million in investments related to, but not part of, the projects; $9 million of investment indirectly related to the projects; and $710 million in increased local tax base.

- Revolving loan fund (RLF) grants: The performance measures for RLF's include the jobs created or retained; number of businesses assisted per completed grant; private dollars invested; other dollars invested; and RLF capital base for completed project.

  The anticipated outcomes for $15 million of RLF projects completed in FY 1993 include: 3,100 jobs; an average of 18 businesses assisted per RLF; $26 million in private investment; $3 million in other investment; and $16 million as the combined RLF capital base.

- Trade Adjustment Assistance for Firms and Industries: The performance measures for the TAA Program include the percentage of company adjustment proposals facilitated and developed and the sales and jobs created/retained for all firms completing the program during the FY 92 to FY 98 period.

  The anticipated outcomes for the TAA Program include that 90 percent of company adjustment proposals will be facilitated and developed; that sales will increase 40 percent to $9 billion and that jobs will increase by 10 percent to a total of 86,000.

- Capacity building programs: Of necessity, the performance measures and proposed outcomes for capacity building programs like planning, technical assistance and Title IX strategy grants, are not as easily measured as those of the infrastructure and business assistance programs. Included in the planning and local technical assistance programs are such measures as the grantee's evaluation, on a scale of 1 to 10 with 10 being best, of: the value of the strategy grants and feasibility studies; the quality of the plans, evaluations or studies conducted under the award; the impact of the plans or feasibility study on the actions taken by the grantee; and the extent of community participation in the plan or strategy development.

  EDA estimates that grantees will rate the projects undertaken under capacity building programs as ranking around 8 on the scale of 10. As with all its programs, EDA is working to develop more refined measures of its capacity building programs.

Attachments

9/18/97

ATTACHMENT A

UNITED STATES DEPARTMENT OF COMMERCE

Economic Development Administration

1997 FACT SHEET

LEGISLATIVE MANDATE FOR ECONOMIC DEVELOPMENT

Created by Congress pursuant to the Public Works and Economic Development Act of 1965, as amended, the Economic Development Administration (EDA) provides grants for infrastructure development, local capacity building, and business development to help communities alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions.

EDA PROVIDES STRONG FEDERAL LEADERSHIP IN ECONOMIC DEVELOPMENT

➥EDA supports local programs that target assistance to specific economic development needs in distressed communities. It finances the long-term investments needed to diversify local economies and create jobs -- a mission EDA considers a national priority.

➥EDA helped create the economic development profession through planning programs that foster capacity-building, economic prosperity, and competitiveness.

➥EDA has extensive expertise in economic development and partners with numerous other Federal agencies, such as the Departments of Defense, Labor, Energy, Agriculture, Housing and Urban Development, the Environmental Protection Agency, the U. S. Corps of Engineers, and the Appalachian Regional Commission to promote economic development in distressed areas.

EDA RESPONDS TO COMMUNITY NEEDS AND PRIORITIES THAT CREATE PRIVATE SECTOR JOBS AND LEVERAGE PRIVATE CAPITAL

➥Since 1965, EDA, working in partnership with state and local governments and the private sector, has completed over 40,000 projects. EDA investments have helped create, retain or save about three million private sector jobs.

➥Since 1965, EDA has invested more than $16 billion in grants across all programs, including special legislation, local public works, and initiatives such as natural disasters and defense conversion, and generated more than $36 billion in private investment. It is estimated that EDA projects have generated an estimated $20 billion in private investment dollars more than its total investment.

➥EDA programs pay for themselves by helping create jobs and generating tax revenues in distressed communities.

➥Through its nationwide network of economic development professionals, EDA works with local, county, and state officials, business leaders, economic development districts and non-profit organizations to identify and fund high priority projects in the neediest communities.

➥A cadre of economic development professionals located in EDA's regional and field offices review, recommend and approve projects identified as state, local and regional economic development priorities.

EDA PROGRAM TOOLS SERVING OUR NATION'S MOST DISTRESSED COMMUNITIES

➥***Public Works:*** EDA investments fund locally-developed public works infrastructure projects to allow communities to establish and support private sector businesses. EDA public works investments have assisted in the creation of more than 1.5 million jobs since 1965.

➥***Planning:*** EDA supports 320 Economic Development Districts and 65 Indian Tribes nationwide, staffed and operated locally level, to help communities build capacity to focus on long-term economic challenges. Economic Development District organizations are often coordinating entities for various Federal and state programs.

➥***University Centers:*** EDA supports 68 University Centers to integrate programs of higher education into the local community for the purpose of promoting private job creation and economic development

.➥***Trade Adjustment:*** EDA supports a nationwide network of twelve Trade Adjustment Centers that offer effective, cost-shared professional assistance to trade-injured firms. EDA also provides flexible adjustment assistance that helps U.S. manufacturing firms injured by imports regain the ability to compete in the global market place.

➥***Defense Economic Adjustment***: EDA invests in local projects identified by communities impacted by military base closures, contractor cutbacks, and Department of Energy reductions, to help them diversify their economies and create quality jobs. With the Department of Defense BRAC 1995 recommendation to close or realign 146 bases, the need to assist impacted communities has increased. EDA is the only Federal agency with the flexibility to invest in infrastructure modernization at closed military bases for private sector redevelopment. Examples of infrastructure investments include building demolition, construction of new and rehabilitation of existing buildings, water and sewer upgrades, and access roads.

➥***Post-Disaster Economic Recovery***: EDA provides post-disaster assistance to areas affected by Presidentially-declared natural disasters. EDA has assisted communities in the States of Texas, Louisiana, and Mississippi (**1969** Hurricane Camille); North Carolina, Virginia, Pennsylvania and New York (**1972** Hurricane Agnes); South Dakota (**1972** Rapid City Floods); Puerto Rico, Virgin Islands, South Carolina and North Carolina (**1989** Hurricane Hugo); Kansas (**1992** Severe Storms); Guam (**1992** Typhoon Omar); Hawaii (**1992** Hurricane Iniki); Florida (**1992** Hurricane Andrew); Nebraska, Kansas, Missouri, Illinois, Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin, (**1993** Midwest Floods); California (**1992** Riots and **1990** and **1994** Earthquakes); Puerto Rico and the Virgin Islands (**1995** Hurricane Marilyn); Georgia, Alabama, and Florida (**1995** Tropical Storm Alberto); Oregon, Idaho, North Dakota and Washington (**1996** Floods); and North Carolina, Virginia, West Virginia, Pennsylvania, Puerto Rico, and the Virgin Islands (**1996** Hurricanes Fran and Hortense).

➥***Sustainable Development***: EDA investments help communities faced with declining natural resources to diversify local economies. For example, EDA has assisted fishing communities in the Northeast, as well as timber and salmon areas in the Pacific Northwest, and coal communities in Appalachia. EDA is also actively supporting the redevelopment of brownfield sites and the development of eco-industrial parks.

➥***Revolving Loan Funds***: Revolving loan funds (RLF) enhance the local capacity to invest in community-identified commercial development that creates jobs. Since 1976, when the RLF program was implemented, EDA has provided initial capital for over 480 local RLFs. These locally administered funds have made more than 7,200 loans to private businesses and have leveraged more than $1.9 billion in private capital. Upon repayment, principal and interest stay in the community for re-lending and further economic development activity.

➥***Local Technical Assistance***: EDA investments in local technical assistance projects fill the knowledge gaps that inhibit communities from being able to respond to development opportunities or to solve specific economic problems. These grants, for example, often determine the feasibility of proposed public works investments.

➥***National Technical Assistance & Research***: EDA funds proposals which increase knowledge about or demonstrate innovative economic development techniques as well as program performance measurements. Assistance is intended to provide resources, often through intermediary organizations, who give technical assistance to local and state economic development organizations.

EDA MANAGEMENT INITIATIVES -- REFORM, STREAMLINING, AND REINVENTION THAT WILL RESULT IN A MORE RESPONSIVE AND PRODUCTIVE FEDERAL AGENCY

➥**EDA** is reducing processing time frames of completed grant applications to 60 days. Through delegation of more grant-approval authority to regional directors and the introduction of a single application, EDA has increased efficiency in grant processing,

➥**EDA** has cut staffing levels and shifted personnel resources from headquarters to field operations to improve customer service and to comply with National Performance Review goals of right-sizing the Federal Government.

➥**EDA** has streamlined regulations to better serve customers, through an EDA regulatory reform initiative that identified more than 200 specific regulations which have been deleted. EDA reduced regulations by 62 percent.

➥**EDA** has accelerated the resolution of outstanding audit issues; is in the process of implementing a program performance system and is moving forward on a strategic plan that focuses on the evaluation of EDA programs.

➥EDA is recognized for its accomplishments: Number One in customer service at the Department of Commerce; recipient of Arthur D. Little Award for Technological Excellence; recipient of two Department of Commerce Cutting Edge Awards for Regulatory and Application Reform; and, 1996 National Performance Review Federal Blue Pages Hammer Award as a member of the Department of Commerce Team.

Compiled by: Office of Congressional and Intergovernmental Affair
(Revised December 1996)

DEPARTMENT OF COMMERCE ★ UNITED STATES OF AMERICA ★

U.S. Department of Commerce

Programs of the Economic Development Administration

Facing The Economic Challenges Of Today For A Better Tomorrow

eda

ATTACHMENT B

MAY 1997

THE TRADE ADJUSTMENT ASSISTANCE PROGRAM

The Trade Adjustment Assistance (TAA) Program offers technical assistance to domestic manufacturers that have been adversely affected by import competition. The program is authorized under the Trade Act of 1974, as amended, and administered by the U.S. Department of Commerce, which provides services to eligible firms through a network of Trade Adjustment Assistance Centers (TAACs) located around the country.

Today, there are hundreds of industry sectors representing thousands of business establishments in the United States facing measurable foreign competition. The goal of TAA is to provide firms with workable, cost-effective strategies, enabling them to compete with foreign producers.

The Department of Labor administers a Trade Adjustment Assistance Program for workers. Information regarding this program may be obtained by calling
(202) 219-5555.

TRADE ADJUSTMENT ASSISTANCE CENTERS

There are 12 Trade Adjustment Assistance Centers (TAACs) providing services to producing firms throughout the 50 states. The Centers are staffed with professionals who have extensive private-sector experience, including specialized expertise in engineering, marketing and finance. TAAC professionals are experts in developing recovery strategies, identifying and seeking financial resources and working cooperatively with company management to implement strategies.

The success of the TAA Program is due in large part to the effective working partnerships maintained between TAACs and client firms. TAAC staff work closely with top and line management in identifying a firm's needs and tailoring a program of assistance to meet those needs. Clients take an active role in every step of the process, from developing to implementing the firm's strategic recovery plan.

HOW THE PROGRAM WORKS

Manufacturers that have experienced 1) a decline in sales in either units or dollars, or 2) a decline in production, and 3) a decline, or impending decline, in employment as a direct result of increased import competition, may be certified as eligible for Trade Adjustment Assistance.

Information in support of a firm's eligibility is provided to the Department of Commerce (DOC) in the form of a petition for eligibility prepared by the firm with the help of the local TAAC. A determination of eligibility is made by DOC.

Once a firm is certified, TAAC staff begin working with company management to diagnose the firm's problems and opportunities and, if the firm is viable, to develop a practical recovery plan, called an Adjustment Proposal. The Adjustment Proposal describes in detail the services a client is seeking and spells out how those services will be applied to implement the firm's strategic plan of recovery to a competitive position in the marketplace. When the Adjustment Proposal is accepted by the Department of Commerce, the TAAC proceeds to help the firm with technical consulting services. This process may be accomplished by the TAACs or through competitive contracts for specialized expertise.

TECHNICAL ASSISTANCE

A firm's recovery strategy may require specialized services in such areas as marketing, product development and diversification, computer systems, production and industrial engineering, ISO 9000 Certification and export promotion. These services are provided to certified firms by TAAC staff and/or private consultants hired under contract to the TAAC with the firm's approval.

Under the TAA Program, the cost of these technical consulting services is shared between the client firm and the Federal government. The government can assume 50 percent of the cost of the service up to a limit of $75,000, depending on the financial strength of the firm and the amount of assistance requested.

The TAACs may also help clients obtain financing from alternative sources, such as commercial banks or the Small Business Administration. Since the program began, millions in outside financing has been obtained by client firms with the TAAC's help. Many firms have also benefited from factoring relationships and lines of credit which might have been unavailable to them without TAAC involvement.

For information about Trade Adjustment Assistance for firms, consult the TAAC in your area, (see enclosed listing) or contact the Trade Adjustment Assistance, at the address below or call Area Code (202) 482-4031, FAX (202) 482-0466:

U.S. Department of Commerce
Economic Development Administration
Planning and Development Assistance
Herbert C. Hoover Bldg., Rm. 7315
Washington, D.C. 20230

U.S. DEPARTMENT OF COMMERCE
Economic Development Administration

Becoming Eligible for Trade Adjustment Assistance

Before a producing firm can apply for Trade Adjustment Assistance, it must first be certified as eligible to participate in the program under guidelines set forth in the Trade Act of 1974. In order to be certified, a firm must demonstrate that increased imports of articles **"like or directly competitive with"** those produced by the firm contributed importantly to declines in the firm's sales or production or both, and to the separation *(or threat of separation)* of a significant number or portion of its workers.

A firm seeking certification must submit a petition *(Form EDA-840P)* to the Trade Adjustment Assistance Division **(TAAD)** in the Economic Development Administration, U.S. Department of Commerce.

The complete petition includes a history of the firm *(the year founded; description of the type of business and its products; description of its manufacturing and distribution facilities and markets; and identification of its officers, directors, and owners)*; a discussion of significant changes or important events in the recent history of the firm; data on sales, production and employment for the two most recent accounting years, and information about all related firms.

Supplementing the petition is a list of a few leading customers which have reduced purchases from the petitioner during the most recent 12 month periods. The petitioning firm must also include copies of their audited financial statements for the past two fiscal years *(or unaudited statements and Federal income tax returns)*, and copies of their quarterly contribution and wage reports to the State for the past eight quarters.

Copies of catalogs and sales literature are also helpful in defining the firm's products and in determining the appropriate *(like or directly competitive)* imported articles.

Within five working days of receiving the petition, the TAAD will make a determination whether the petition is complete and acceptable. Once a petition is accepted, the Division undertakes a review which involves analyzing the information submitted in the petition, determining whether imports have increased either absolutely or relative to domestic production, contacting customers to determine whether there has been import replacement of the petitioner's products, and developing other information pertinent to the case.

Although firms may submit certification petitions directly to TAAD, they are usually assisted in the process by the appropriate Trade Adjustment Assistance Center (TAAC).

Once a firm is certified, they may proceed with development of an Adjustment Proposal and application for technical assistance to implement their economic recovery. A firm has two years from the date of their certification to submit an Adjustment Proposal.

MAY 1997

U.S. DEPARTMENT OF COMMERCE
Economic Development Administration

TRADE ADJUSTMENT ASSISTANCE CENTER
COMPANY SUCCESS STORIES

Power Transmission Components:

A midwestern manufacturer of power transmission components for the agricultural and industrial equipment industries developed a $2.2 million a year business by 1984. Anticipating additional growth, the firm moved into a larger plant to increase production capacity. The company was suddenly confronted with falling sales due to surging imports of torque limiter clutches from Germany and friction-type torque limiters from Italy. Lost sales combined with increased costs due to the new, expanded facility put the company in serious financial difficulty. As a result, the firm sought Trade Adjustment Assistance (TAA) in late 1985.

Firm management and Trade Adjustment Assistance Center (TAAC) staff worked together to identify the major problems facing the company and develop an appropriate recovery strategy. It was clear that operating costs were too high for the company to compete in the market for standard mechanical transmission products but the firm had no proprietary products to provide growth potential and higher gross margins. While the firm initiated efforts to develop new products and improve production efficiency, TAA Program resources were used to upgrade manufacturing employee skills in the use of modern CNC controlled machinery; provide management and workers with the ability to undertake continuous improvement and quality control programs; and install a computerized integrated management information system to control work order processing, track labor, analyze productivity and waste, and project production.

As a result of implementation of its recovery strategy, the firm has made an impressive turnaround. Sales have grown to nearly $5 million, a 150 percent increase from when it entered the TAA Program. Productivity increases have allowed the company to achieve this growth with only 50 percent growth in employment. The increased profitability resulting from these changes ensures the long term survival of the company.

Novelties, Toys and Games:

A midwestern producer of high-quality gifts, adult toys, board and other games, puzzles and Christmas tree ornaments made of injection molded plastic sold its products nationally to mass mechandisers, mail-order houses, discount stores, gift shops, drugstore chains and a variety of distribution networks. While sales had initially grown to $3.1 million in 1983, they dropped to $1.9 million in 1985 as cheap imported "knock-offs" flooded U.S. markets. Employment dropped from 68 to 48 employees as the very existence of the company was threatened. The firm sought Trade Adjustment Assistance (TAA) to meet this challenge.

Trade Adjustment Assistance Center (TAAC) staff and company management worked together to assess the firm's strengths and weaknesses and develop an appropriate recovery strategy. Although the novelty market is susceptible to rapid shifts in consumer preferences, the firm lacked a meaningful marketing program and had little information about its consumers' wants. New product development was un-organized, little test marketing was undertaken, sales representative performance was not tracked, manufacturing was poorly managed and quality control and management information systems were inadequate. The firm received TAA Program cost-shared assistance to redefine its manufacturing management structure, upgrade production material controls, improve plant layout, initiate solid quality control systems and develop a plan to establish a comprehensive management information system. The firm also undertook actions to broaden its market, conduct extensive market research, redesign product packaging and improve customer service.

As a result of undertaking its recovery strategy, the firm increased sales to over $6.6 million. Production efficiency has improved to the point that the 247 percent increase in sales was accomplished with a 187 percent increase in staff to 129. The growth in sales coupled with productivity, marketing and management information systems improvements should support the company's continued growth in the years ahead.

Precision Optics:

A New England manufacturer of optical components for use in military and industrial applications was injured by increased imports of Japanese optical systems. The firm was already operating under Chapter XI bankruptcy protection when it sought certification under the Trade Adjustment Assistance (TAA) Program. The firm had annual sales of $2.1 million, a loss of $248,000 and 39 employees at the that time.

Company management and Trade Adjustment Assistance Center (TAAC) staff undertook an analysis of company operations and developed an adjustment strategy for the firm. The top priority was to prepare a business plan and pro forma financials acceptable to the court to allow the firm to continue to operate under Chapter XI protection. The adjustment strategy also called for development of new products and sales literature in order to expand sales, especially to shift from defense to commercial markets. There was a further need to upgrade cost, production, and inventory control systems. TAA Program assistance was provided to bring in a financial consultant to restructure the client's debt resulting in the firm emerging from bankruptcy. New marketing materials were developed that both helped retain existing customers and penetrate new markets.

As a result of the assistance provided, the company has seen sales grow to over $2.9 million with restoration of profitability and employment increasing to 42. The development of new marketing materials and strategies is helping the firm penetrate commercial markets thereby lessening its dependance on the declining defense sector.

Computer Softwarè Security Systems:

A Rocky Mountain producer of computer software security systems saw its markets ravaged by imports from Europe and the Orient. From a high of more than $1.2 million, sales dropped to $500,000 while employment plummeted to six. Imports were able to penetrate the domestic market because they utilized a programmable chip the domestic producer had been unable to develop. The firm sought Trade Adjustment Assistance (TAA) Program help to regain the ability to compete in the marketplace.

Trade Adjustment Assistance Center (TAAC) staff worked with the firm's management to develop a comprehensive adjustment proposal for the company. In addition to the already identified need for improvement in the company's products, it was determined that the firm needed more strength in the marketing and sales areas. TAA Program assistance was used to develop a proprietary programmable micro-chip for the firm's products that allowed it to "leap-frog" ahead of the foreign competition in quality, capability and price. Support was also given to strengthen the firms sales and marketing operations with additional support provided to improve internal financial management systems and controls.

TAAC supported implementation of the adjustment strategy has had significant positive impacts on the company. Sales have recovered to the point that they have topped $1.5 million while employment has grown to 20 and production space has doubled. More importantly, the company is now taking the competitive fight to foreign markets, with export sales growing from one percent of sales when it entered the TAA Program to 30 percent of sales last year. Both sales and the percentage of sales in exports are expected to grow steadily over the next few years thereby providing the company with the wherewithal to develop the next generation of software security products.

High Quality Electroplating:

A western providor of high quality electroplating and metal finishing services to the aerospace and micro-electronics industries was losing sales to Mexican and Asian sources, both through direct sales loss in U.S. markets and because major customers were moving production facilities off-shore. The company was finding it difficult to meet the foreign price competition because of significant wage differences and the cost of environmental compliance requirements. Employment had dropped from a high of 27 employees to a low of 18 while sales and profits continued to erode. The firm sought Trade Adjustment Assitance (TAA) Program assistance to meet the challenge of growing imports.

Company management and Trade Adjustment Assistance Center (TAAC) staff collaborated on an analysis of the firm's competitive situation and the development of an adjustment strategy. The strategy identified the need to address the company's most pressing environmental problems while lowering other production overhead costs, improving productivity, maintaining state-of-the-art quality and expanding capabilities. With TAAC assistance, the firm made significant strides in all areas. Manufacturing overhead costs were greatly reduced through development of a new water and metal reclamation system. The new system allows the firm to isolate its plating operations from the city sewer system and reclaim metals in a form that can be sold for recycling. This results in significantly reduced water, sewerage and toxic waste disposal costs. It also allowed the company to resume some plating services that had been curtailed previously due to environmental concerns and to further improve the quality of its services.

TAA Program assistance has greatly improved the international competitiveness of the company while demonstrating a successful response to increasing environmental concerns and regulation. The firm's sales have increased by over 25 percent and net profit is up significantly. Employment has grown to 30 and much of the new business is being brought back from off-shore sources. This growth is expected to continue as the firm is in the middle of negotiations with major customers for significant increases in orders.

Packaging and Filtering Products:

A western producer of diverse products from expanded polyurethane and polystyrene foam encountered import competition from manufacturers located in Pacific Rim countries. The U.S. firm's products ranged from simple packaging spacers and anti-static shipping containers through specialized shipping cushions for missles to sophisticated blood oxygenating filters. The growing market penetration of imports caused the firm's sales to be down to $2.4 million while employment had fallen to 32. The firm sought Trade Adjustment Assistance (TAA) Program assistance to adjust to the new level of import competition.

Company management and Trade Adjustment Assistance Center (TAAC) staff jointly identified the firm's major strengths and weaknesses and developed a strategy to guide the company's recovery. While the lower labor costs of their Pacific Rim challengers presented a challenge, it was felt there were still things the firm could do to lower their own production costs and sales efforts should be targeted to less import-impacted, more profitable products. The firm's strategy was to develop an identity as a strong provider of customer service to further enhance their reputation as a communicative, reliable, on-time supplier. TAA Program resources were used to help the firm develop and integrate a Management Information System (MIS) to support improved customer service and fully integrate job shop manufacturing control, financial control and realtime data collection.

As a result of the installation of the new MIS, the firm has been able to generate increased sales volume with minimal additional cost. The company has been able to shorten turnaround time to customers while simultaneously maintaining greater control over both cost and quality. Sales have increased 63 percent to $3.9 million, employment is up 41 percent to 45 and profits have almost doubled to $100,000. The firm expects the assistance they have received to enable them to continue this type of growth for the foreseeable future.

EDA Funded Trade Adjustment Assistance Centers (TAACs)

TAAC DIRECTOR	AREA COVERED CORPORATION/ ORGANIZATION	TAAC DIRECTOR	AREA COVERED CORPORATION/ ORGANIZATION
New England TAAC 120 Boylston Street Boston, MA 02116 Richard McLaughlin, Director (617) 542-2395 FAX (617) 542-8457	CT, RI, VT NH, MA, ME New England Trade Adjustment Assistance Center, Inc.	Great Lakes TAAC School of Business Admin. The University of Michigan 506 East Liberty Street Ann Arbor, MI 48104-2210 Maureen Burns, Director (313) 998-6213 FAX (313) 998-6224	MI, OH, IN University of Michigan
New Jersey TAAC 200 South Warren Street, Suite 600 P. O. Box 990 Trenton, NJ 08625 John F. Walsh, Director (609) 292-0360 FAX (609) 984-4301	NJ New Jersey Economic Development Authority	New York State TAAC Binghamton Office 117 Hawley Street, Suite 102 Binghamton, NY 13901 John Lacey, Director (607) 771-0875 FAX (607) 724-2404	NY State University of NY - SUNY
Northwest TAAC 900 4th Avenue Suite 2430 Seattle, WA 98164 Gary Kuhar, Director (206) 622-2730 FAX (206) 622-1105	AK, ID, MT OR, WA Trade Task Group	Southwest TAAC 1222 N. Main, Suite 740 San Antonio, TX 78212 Robert Velasquez, Director (210) 458-2490 FAX (210) 458-2491	TX, LA, OK University of Texas
Rocky Mountain TAAC 5353 Manhattan Circle Suite 200 Boulder, CO 80303 Edvard M. Hag, Director (303) 499-8222 FAX (303) 499-8298	CO, UT, NE SD, ND, WY NM University of Colorado	Western TAAC University of S. CA University Park, Research Annex 3716 S. Hope, 2nd Floor, Suite 200 Los Angeles, CA 90007 Daniel W. Jimenez, Director (213) 743-2732 FAX (213) 746-9043	AZ, CA, NV, HI University of Southern CA
Midwest TAAC 150 N. Wacker Drive Suite 2240 Chicago, IL 60606 Howard Yefsky, Director (312) 368-4600 FAX (312) 368-9043	IL, MN, IA WI Applied Strategies International	Mid-America TAAC Univ. of Missouri at Columbia University Place, Suite 1700 Columbia, MO 65211 Paul Schmid, Director (573) 882-6162 FAX (573) 882-6156	MO, KS, AR University of Missouri at Columbia
Southeastern TAAC - EDI GA Institute of Technology 151 6th Street O'Keefe Building, Rm. 145 Atlanta, GA 30332 Paul Lewis, Director (404) 894-6789 FAX (404) 853-9172	AL, TN, KY MS, GA, NC SC, FL GA Institute of Technology	Mid-Atlantic TAAC 486 Norristown Road, #130 Blue Bell, PA 19422 Gunther Arndt Acting Director (610) 825-7819 FAX (610) 825-7834	PA, DE, MD VA, WV, DC MidAtlantic Employers' Association

TRADE ADJUSTMENT ASSISTANCE DIVISION
14TH & CONSTITUTION AVENUE
WASHINGTON, D.C. 20230
(202) 482-4031 FAX (202) 482-0466

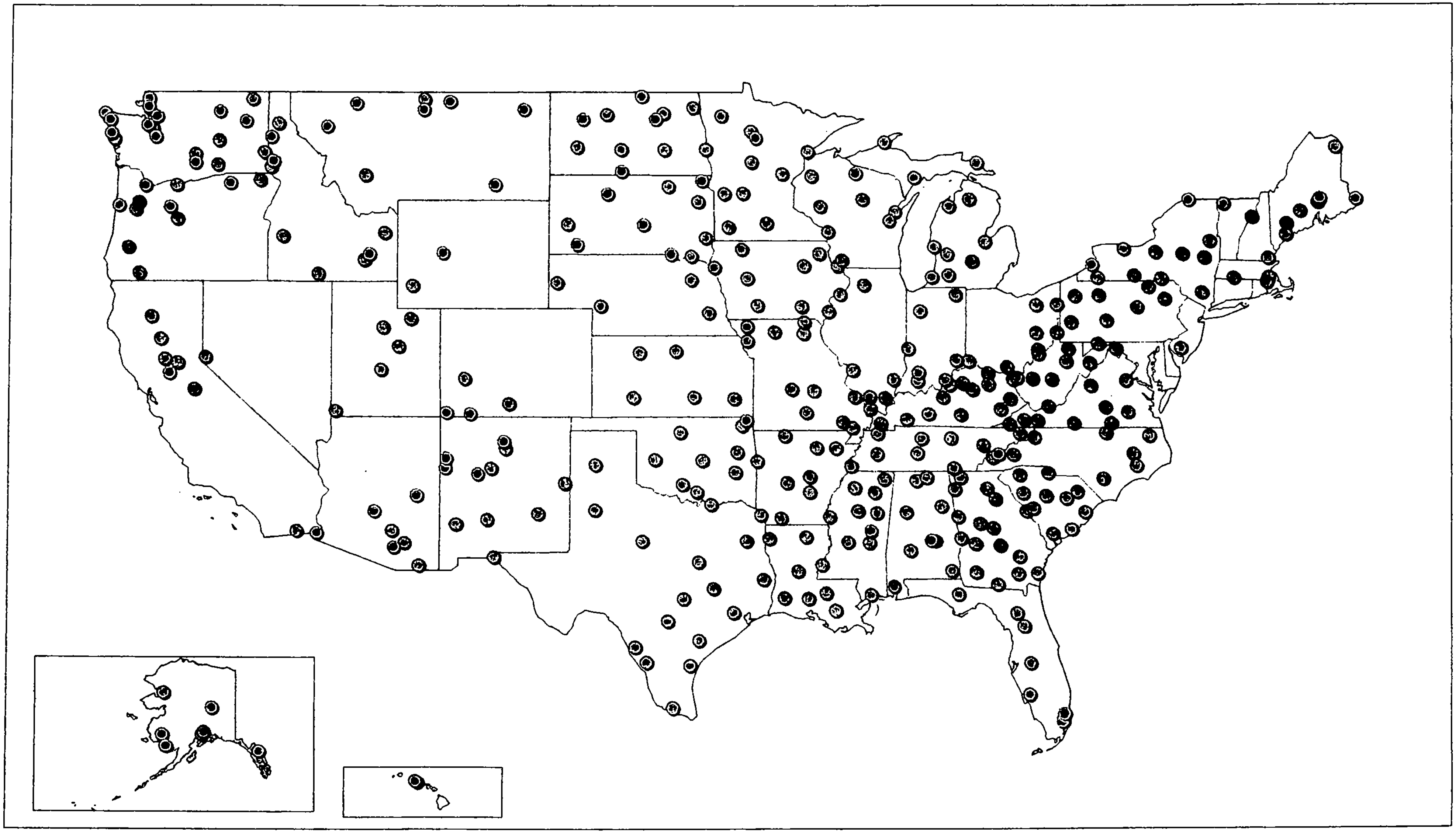
MAY 1997

U.S. DEPARTMENT OF COMMERCE
Economic Development Administration

ATTACHMENT C

ECONOMIC DEVELOPMENT ADMINISTRATION

CAPACITY BUILDING AT THE LOCAL LEVEL - PLANNING PROGRAM

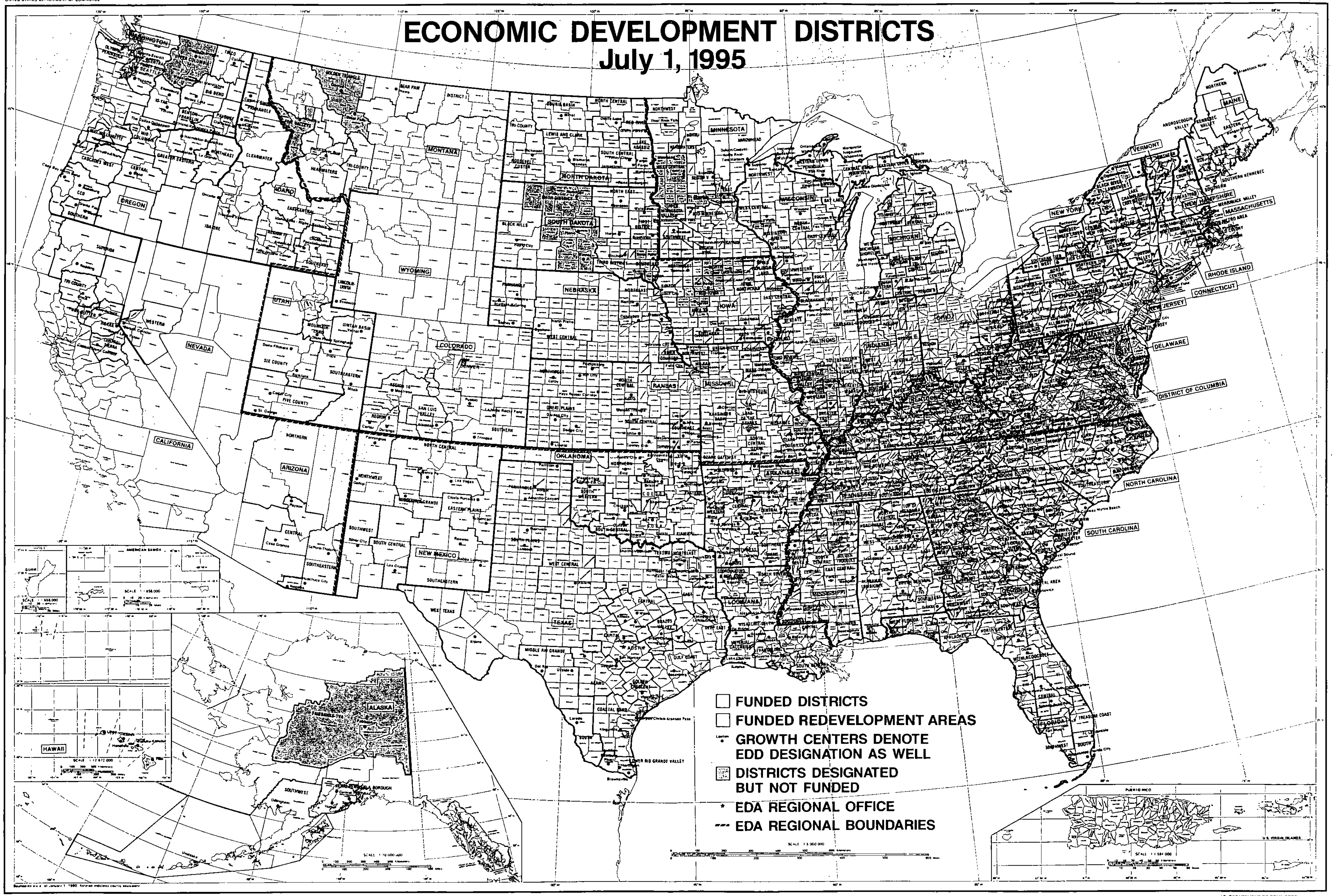


ECONOMIC DEVELOPM EN' ' DISTRICTS

NDIAN TRIBES

UNITED STATES DEPARTMENT OF COMMERCE

BUREAU OF THE CENSUS

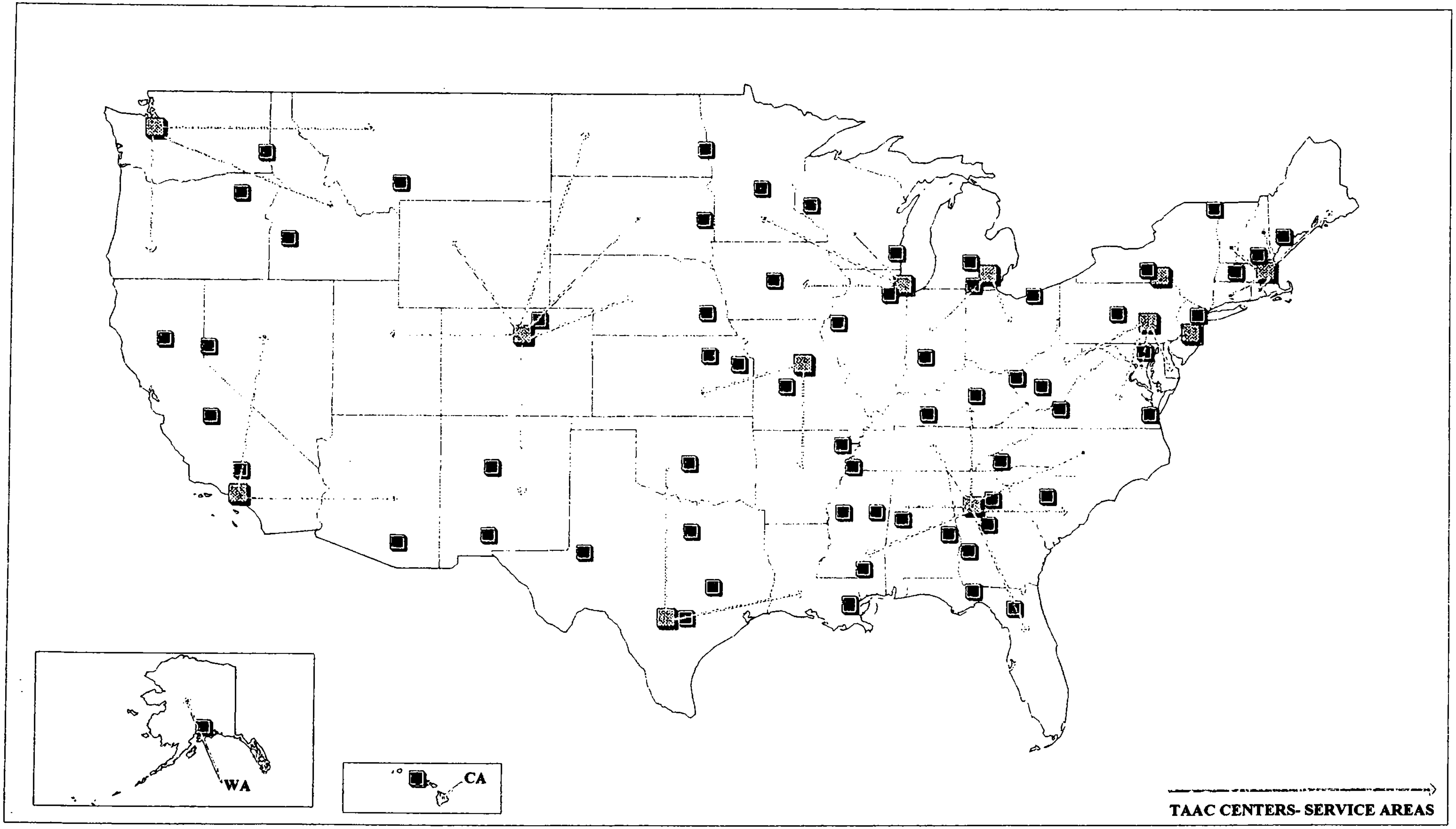


U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

ATTACHMENT D

ECONOMIC DEVELOPMENT ADMINISTRATION

CAPACITY BUILDING AT THE LOCAL LEVEL - TECHNICAL ASSISTANCE



■ UNIVERSITY CENTERS ▩ TRADE ADJUSTMENT ASSISTANCE CENTERS (TAACs)

ATTACHMENT E

federal register

Tuesday
September 26, 1995

Part II

Department of Commerce

Economic Development Administration

13 CFR Chapter III

Simplification and Streamlining of Regulations of the Economic Development Administration; Final Rules

ATTACHMENT F

DRAFT

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**

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).

ATTACHMENT G

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)