



The Economic Development Administration and the CARES Act (P.L. 116-136)

April 2, 2020

States and communities will be able to apply for funding from the U.S. Department of Commerce Economic Development Administration (EDA) to plan and implement economic recovery strategies in response to the coronavirus pandemic. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136) includes \$1.5 billion for EDA to administer grants through its established Economic Adjustment Assistance (EAA) program. For years the EAA has been used to address ongoing economic restructuring needs. In FY2018 and FY2019, Congress used the EAA to fund economic recovery and resiliency efforts following select natural disasters. The [base EAA program](#) supports coordinated, long-term strategies to address economic injury and create new opportunities. As a flexible program, the EAA can channel funds to community-specific initiatives and to meet a variety of industry needs for both rural and urban communities. EAA can be used for infrastructure or broadband projects aimed at diversification, entrepreneurship, or creating new modes of commerce. The EAA can also be used for non-construction, planning, and implementation activities that support businesses and jobs. For instance, the EAA can be used to increase access to business capital or enhance the resiliency of business operations. This Insight considers the role of the EAA in the economic development response to the coronavirus pandemic. For more information on the EDA, see CRS Report [R41241](#).

About the Economic Development Administration

The EDA was established under the Public Works and Economic Development Act (PWEDA) of 1965 ([42 U.S.C. §3121 et seq.](#)) and is the only federal agency exclusively focused on coordinating and implementing economic development policy. EDA programs seek to expand local economic opportunities and focus on support for distressed communities. The agency's mission is "to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy." Agency regulations are codified at [13 C.F.R. Chapter III](#).

Congressional Research Service

<https://crsreports.congress.gov>

IN11303

The Economic Adjustment Assistance Program

The CARES Act was enacted into law on March 27, 2020, in response to the widespread community and economic impact caused by the COVID-19 pandemic. Although [additional EDA programs](#) support the agency’s mission, the EAA is used for economic development activities that address ongoing economic distress or a sudden and severe dislocation, including disasters or emergencies.

Except for strategy grants and projects serving special impact areas, EAA projects must be consistent with the area’s [Comprehensive Economic Development Strategy](#) (CEDS) or equivalent EDA-accepted regional economic development strategy. The CEDS is a locally-driven economic development plan that outlines a vision and key strategies for a region.

EAA projects can include, but are not limited to:

- “strategy grants” to create or update a [Comprehensive Economic Development Strategy](#) or disaster recovery plan;
- construction or upgrades to public infrastructure, including broadband;
- construction and operations of business incubators;
- capitalization of [revolving loan funds](#), which generally assist small businesses, and other initiatives to improve access to and utilization of private capital;
- activities that support the creation of businesses and jobs, including economic diversification strategies; and
- market or industry research studies, technical assistance, training, and capacity-building efforts.

EAA Context—Disaster Economic Recovery and Restructuring

The EAA program can be used for appropriations for disaster economic recovery and to meet ongoing economic restructuring needs. For instance,

- In support of long-term economic recovery and resilience activities, Congress appropriated [\\$600 million in FY2018](#) (P.L. 115-123) and [\\$600 million in FY2019](#) (P.L. 116-120) to the EAA program following some hurricanes and other natural disasters that occurred in calendar years [2017](#), [2018](#), and [2019](#).
- In support of transitioning regional economies facing restructuring challenges, each year in FY2017, FY2018, FY2019, and FY2020, Congress appropriated an additional \$30 million to EDA for the Assistance to Coal Communities (ACC) program through the EAA program. The ACC targets “communities and regions that have been negatively impacted by changes in the coal economy.” In FY2020, Congress appropriated \$15 million through the EAA program to build economic resilience and industry diversification in nuclear closure communities.

CARES Act Funding

The CARES Act provides \$1.5 billion in disaster economic recovery funding for the EAA program. This amount is nearly five times the recent annual appropriation for EDA. In FY2020, Congress appropriated \$333 million for programs and administration of the EDA ([P.L. 116-93](#)), with [\\$37 million of its FY2020 appropriations](#) allocated to the EAA program.

Eligible Applicants

Eligible applicants include EDA-designated [Economic Development Districts \(EDDs\)](#); Indian tribes or a consortium of Indian tribes; states and local governments; institutions of higher education or a consortium of institutions; and nonprofit organizations acting in cooperation with officials of a political subdivision of a state ([42 U.S.C. §3122\(4\)\(a\)](#)).

Cost Share Requirements

Under the base EAA program, the EDA generally allows for the federal share to be 50-80% of the project cost, with some exceptions ([42 U.S.C. §3144](#)). EAA grants for disaster economic recovery activities may be funded with up to 100% federal cost share ([42 U.S.C. §3233](#)).

Considerations

State and local governments may face budget shortfalls as a result of the coronavirus because of declining revenues and increased demand for services. EDA's role in the pandemic response will likely emphasize coordinated, long-term, regional, and strategic responses to economic recovery. Short-term responses to address budget shortfalls or proposals to address rural residential infrastructure needs are not likely to be competitive in the EAA program. In prior rounds of [Disaster Supplemental Notice of Funding Opportunities](#), EDA sought proposals that created "resiliency" in order to respond to future economic shocks.

The economic impact from the coronavirus is widespread; it reaches most of the United States and most economic sectors. As such, the competition and demand for EAA funding is likely to be high, and the recovery needs will be extensive and distinct from prior challenges related to natural disasters. The COVID-19 pandemic created and continues to create challenges which may be exacerbated for communities and regions with pre-existing conditions of distress and/or limited capacity. [EDDs](#) or regional development organizations may be able to partner with communities for project development and application assistance. EDA maintains a [directory of EDDs and other resources](#), organized by state.

Author Information

Julie M. Lawhorn
Analyst in Economic Development Policy

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role.

CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.