EDA: LESSONS LEARNED FROM THE RECOVERY ACT AND NEW PLANS TO STRENGTHEN ECONOMIC DEVELOPMENT

(111–91)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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February 24, 2010

SUMMARY OF SUBJECT MATTER

TO: Members of the Subcommittee on Economic Development, Public Buildings, and Emergency Management

FROM: Subcommittee on Economic Development, Public Buildings, and Emergency Management Staff

SUBJECT: Hearing on "EDA: Lessons Learned From the Recovery Act and New Plans to Strengthen Economic Development"

PURPOSE OF THE HEARING

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Thursday, February 25, 2010, at 2:00 p.m., in room 2167 of the Rayburn House Office Building to receive testimony regarding the reauthorization of the Economic Development Administration (EDA) and lessons learned from the American Recovery and Reinvestment Act (P.L. 111-5) (Recovery Act).

BACKGROUND

The Subcommittee on Economic Development, Public Buildings, and Emergency Management has jurisdiction over the authorization and oversight of programs promoting economic development in communities suffering economic distress. The economic development activities of the Subcommittee include jurisdiction over the EDA within the U.S. Department of Commerce, the Appalachian Regional Commission (ARC), the Denali Commission, the Delta Regional Authority (DRA), the Northern Great Plains Regional Authority, the Northern Border Regional Commission, the Southeast Crescent Regional Commission, and the Southwest Border Regional Commission.

Many regions that are encompassed by these Federal economic development commissions continue to experience high poverty, areas of significantly higher than-average unemployment rates, limited access to capital, low per capita personal income, and high job loss.

I. Economic Development Administration

Established by the Public Works and Economic Development Act of 1965 (P.L. 89-136), the EDA was created to alleviate conditions of substantial and persistent unemployment in economically distressed areas and regions. The mission of EDA today remains much the same as it was when originally founded: to bolster the efforts of communities across nation to attract private sector investment and create new job opportunities. EDA has stated that to fulfill its mission, it must be "guided by the principle that distressed communities must be empowered to develop and implement their own economic development and revitalization strategies."[1]

EDA provides grants for projects through a variety of programs including: planning; technical assistance; public works; economic adjustment; research and evaluation; global climate change mitigation; and trade adjustment assistance. Projects funded by EDA are generally located in areas exhibiting economic distress at the time of application. Projects located outside these areas may be considered if they directly benefit a distressed area. All public works and economic adjustment projects must be consistent with an EDA-approved Comprehensive Economic Development Strategy (CEDS).

Planning grants support the design and implementation of effective economic development policies and programs by local organizations. Grants made to university centers provide technical assistance to public bodies, nonprofit organizations, and businesses to plan and implement activities designed to generate jobs and income in distressed areas. Public works grants provide for infrastructure projects that foster the establishment or expansion of industrial and commercial businesses generating employment in communities experiencing high unemployment, underemployment, low per-capita income, or out-migration. Economic adjustment investments provide a package of assistance tools, including planning, technical assistance, revolving loan funds and infrastructure development, to help communities counteract either a gradual erosion or a sudden dislocation of their local economic structure as a result of natural disasters, international trade competition, or major plant closings. Trade adjustment assistance provides technical assistance, through a national network of 12 Trade Adjustment Assistance Centers (TAAC), to certified U.S. manufacturing firms and industries economically injured as the result of international trade competition.

The initial authorization of EDA, which was only for five years, expired in 1970. From 1970 through 1980, EDA continued to operate without a reauthorization, though there were several legislative efforts to reorganize and reorient it. During this time, the EDA continued to receive appropriations, including $6 billion for public works projects in 1976 and 1977. In 1980, EDA's programs were reauthorized; however, that reauthorization expired in 1982, and until 1998, the EDA went without an authorization, surviving only on year-to-year appropriations.

The Economic Development Administration and Appalachian Regional Development Reform Act of 1998 (P.L. 105-393) reauthorized the EDA for a period of five years, and authorized funding levels that progressively declined from an initial amount of $398 million for fiscal year (FY) 1999 to $335 million in FY 2003. Additionally, this reauthorization put into place a number of the management and administrative reforms already underway, such as efforts to target the most

[1] http://www.eda.gov/AboutEDA/Mission.xml. Economic Development Administration. (Available as of February 22, 2010).

distressed areas and encourage regional cooperation. The Economic Development Administration Reauthorization Act of 2004 (P.L. 108-373) reauthorized EDA for a period of five years, through FY 2008.

The law continued to authorize the public works grants, trade adjustment grants, economic adjustment assistance, planning assistance, and technical assistance. Special impact areas were defined, and the Secretary was authorized to waive match requirements within these impact areas. A brownfields redevelopment program was authorized, and a brightfields demonstration program was authorized, which focused on solar energy technologies utilized to develop abandoned or contaminated sites intended for commercial use.

In 2007, EDA contracted Grant Thornton to study the costs and economic impact of EDA's construction investments. This study is similar in content to the study conducted by Rutgers University in 1997. The Grant Thornton study surveyed over 40 other similar Federal programs. The Grant Thornton study concluded that "EDA investments in rural areas have a statistically significant impact on employment levels in the communities in which they are made, generating between 2.2 and 5.0 jobs per $10,000 in incremental EDA funding, at a cost per job of between $2,001 and $4,611."[2] The study further concluded that EDA's investment in business incubators was worthwhile and concluded that this type of investment generate significantly greater impacts in the communities in which they are made than do other project types. Regarding ancillary jobs created by EDA investment, the study highlighted that an additional five jobs was created, and finally the study emphasized that EDA jobs tend to be more long term and are usually retained longer.

II. EDA – Recovery Act

The Recovery Act appropriated $150 million for the EDA, with $50 million required to be used for economic adjustment assistance. On April 22, 2009, the EDA released its Recovery Act spending plan detailing how it allocated the $150 million in Recovery Act funds among its six regions. On September 25, 2009, EDA awarded its final Recovery Act project. According to Committee on Transportation and Infrastructure records, EDA has awarded 68 grants in 37 States totaling $147 million. In a recent Committee on Transportation and Infrastructure report, EDA indicated that it had broken ground on 20 of these projects totaling $45 million, representing 31 percent of the amount allocated to support these investments.[3]

Prior Legislative and Oversight Activity

In the 111th Congress, on March 10, 2009, the Subcommittee held a hearing on the reauthorization of the EDA entitled "EDA Reauthorization: Evaluating Past Performances and Setting Goals during an Economic Crisis."

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[2] Grant Thornton, *Construction Grants Program Impact Assessment Report: Volume I – Report on Investigation and Results* (September 30, 2008).

[3] Committee on Transportation and Infrastructure, Transportation and Accountability Report (January 15, 2010), http://transportation.house.gov/Media/file/ARRA/20100209/Recovery%20Act%202-8-10%20Report%20.pdf.

During the 110th Congress, the Subcommittee held a hearing on January 23, 2007 to examine the state of economic development programs, and the role of the Federal Government in economic development, and recommendation for 21st investment entitled "State of Economic Development." On May 3, 2007, the Subcommittee held a hearing on the potential economic development role for the Northern Border Economic Development Commission, the Southeast Crescent Authority, and the Southwest Regional Border Authority entitled "The Southeast Crescent Authority, the Northern Border Economic Development Commission, and the Southwest Regional Border Authority." The House passed H.R. 3246, the "Regional Economic and Infrastructure Act of 2007", which was incorporated into the Food, Conservation, and Energy Act of 2008 (P.L. 110-234), Title VI, sections 6025 and 6026, and Title XIV, section 14217.

WITNESSES

The Honorable John R. Fernandez
Assistant Secretary of Commerce for Economic Development
Economic Development Administration

Mr. Charlie Dooley
County Executive, St. Louis County
International Economic Development Council

Mr. Larry Molnar
President
Educational Association of University Centers

Mr. Jay Newcomb
Council President
Dorchester County Council

Michael Norton
Executive Director
Northwest Arkansas Economic Development District
National Association of Development Organizations

Mr. Chris Masingill
Office of the Governor, Arkansas

Testifying on behalf of the Delta Regional Authority

HEARING ON EDA: LESSONS LEARNED FROM THE RECOVERY ACT AND NEW PLANS TO STRENGTHEN ECONOMIC DEVELOPMENT

Thursday, February 25, 2010

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The Subcommittee met, pursuant to call, at 2:30 p.m., in Room 2167, Rayburn House Office Building, the Honorable Eleanor Holmes Norton [Chairwoman of the Subcommittee] presiding.

Ms. NORTON. My apologies to all of you and certainly to our Ranking Member. I have been in meetings with the leadership of our Committee on legislative matters that could not be delayed, but I certainly don't want to delay this very important hearing; it is the second hearing of its kind and it is a hearing about an important priority and reauthorization of this Subcommittee.

So I want to welcome all of today's witnesses and all of you who are in attendance. We look forward to important testimony on the reauthorization of the Economic Development Administration, or EDA, as part of its on the ground activities under the American Recovery and Reinvestment Act and its other activities. Today's hearing is actually the second Subcommittee hearing on proposals for the reauthorization of EDA and, in addition, this hearing will provide the Subcommittee the opportunity to hear from EDA on the ARRA, American Recovery and Reinvestment Act, or stimulus grant activity. This Subcommittee has conducted vigorous oversight of ARRA funds under its jurisdiction, including oversight of EDA use of these funds in four stimulus tracking hearings, and we intend to maintain the pace we have established to make sure that the taxpayer funds are used to create jobs now and to get the best value for the taxpayer.

This Subcommittee has jurisdiction over authorization and oversight of programs promoting economic development in communities suffering long-term economic distress, including jurisdiction over the EDA, which is part of the U.S. Department of Commerce. The Public Works and Economic Development Act of 1965, which created EDA, authorizes partnerships between the Federal Government and State and local development entities to alleviate substantial and persistent unemployment in economically distressed areas and regions. A more critical partner, even, than the State and local development agencies is the business community in a given State

or locality. One of the most important goals in national economic development activities is to enhance community success in attracting private capital investment and long-term job opportunities. The work of the EDA is relatively small, but highly visible, as a part of Federal efforts to enhance economic opportunity nationwide because it does so by leveraging a rather small amount of Federal funds with private and local and State funding to increase the overall productivity of economically distressed and poor communities and their share of the Country's general prosperity.

I represent a highly urbanized district, the District of Columbia, which received some EDA project funding to help in the reconstruction of the historic Eastern Market, so I know firsthand the importance of economic devolvement, including the job benefits associated with strong, vibrant economic development programs. As of January 2010, for example, the District of Columbia had an unemployment rate of 12.1 percent while the national rate was 9.7 percent, but many EDA districts have even more serious and more persistent unemployment. EDA, however, not only helps create new job opportunities, but also helps sustain the gains made in distressed communities across the Nation.

EDA was created to address issues of poverty, high unemployment, and geographic isolation by identifying distressed counties and setting aside the bulk of investment dollars to ameliorate these very drastic conditions. Under the EDA standard definition, distressed counties generally have an unemployment rate of at least 1 percent greater than the national average for the most recent 24-month period, or per capita income of 80 percent or less than the national average. By leveraging relatively small amounts of money, the Federal Government has allowed EDA to engage private businesses, as well as States and localities, to reduce persistent poverty.

An important part of EDA's efforts are grants for public works and development and access to technical assistance and planning. This Subcommittee is particularly interested in the revolving loan fund and its ability to assist local development authorities, as well as EDA administration of the program. The revolving loan fund finances investments that capitalize an intermediary to make loans to local businesses that otherwise cannot access commercial credit.

In today's troubled and uncertain economic times, the nuts and bolts of economic development for undeveloped areas are of even greater importance. EDA projects are essential for job creation through the support of facilities and infrastructure, such as water and sewer lines, for industrial parks and expanding business incubator facilities. The EDA has built a track record for leveraging public investment into such private development and necessary infrastructure.

EDA's ability to deliver to America's most distressed areas recently was on display with the ARRA. EDA received $150 million for projects across the Nation. On September 25, 2009, EDA, to its credit, awarded its final ARRA project. According to Committee records, EDA has awarded 68 grants in 37 States totaling $147 million. That is all of it; the rest of it is for administration of the funds. In a recent report, EDA indicated it had broken ground on 20 of these projects, totaling $45 million, representing 31 percent

of the amount allocated to support these investments. Among the wide-ranging grants were $2.3 million in Accomac, Virginia, for construction of 66 miles of fiber optic broadband network lines; $2 million to the Georgia Ports Authority to enhance the port's service capacity; $1.5 million to help build a food incubator facility; as well as multiple grants across the Nation for the expansion of industrial parks.

Today we will hear from local government officials, economic development professionals, and industry experts about the ARRA and what it has done to improve the economic fortunes of distressed communities across the Nation. After four decades now of EDA's work in job creation, this Subcommittee is in a position to analyze the Federal role in the extent to which EDA is building and sustaining relationships with States and localities and, importantly, with businesses, citizens, and Economic Development Districts. We will consider increasing our focus on regions that cross State lines as well, with special emphasis on economic development that produces jobs. We will examine existing grant programs for economic development assistance, university centers, research and evaluation, global climate change mitigation, and technical assistance. And, of course, we will scrutinize how funding decisions are made and how past funding decisions reflect on the efficiency of EDA.

This afternoon we are pleased to hear from witnesses with deep experience with EDA and from policy makers and grant recipients who can help this Subcommittee ensure that we can maintain the past success of EDA and garner further support for its reauthorization.

I am very pleased to ask the Ranking Member if he has any opening remarks.

Mr. DIAZ-BALART. Thank you very much, Madam Chairwoman. Let me first thank you for this hearing. Obviously, as you well know, you do not need to excuse yourself for being just a few minutes late, because we all know what the crazy schedules are in this place.

I also want to thank the witnesses, who are obviously the stars of any hearing. Thank you for being here today.

I don't want to be repetitive of what you have just said, Madam Chairwoman, but I think a couple things need to be repeated. We do know that the EDA received $150 million of the Recovery Act and, as of September 1st of last year, 93 percent of those funds were allocated for 68 projects. Now, we all, again, know that EDA was established pursuant to the Public Works and Economic Development Act of 1965, and at the time Congress recognized that there were areas in the Country that were experiencing chronic high unemployment and all sorts of other issues, low per capita incomes, etcetera. In addition, Congress also recognized that there were communities impacted by sudden and severe economic dislocations because of plant closings and natural disasters and such events. So EDA was created to help spur job growth in these economic distressed areas of our Country.

Given the number of studies out there—and there have been so many studies over the years—EDA has a really good track record, and stories reveal that EDA's programs create jobs at an average cost of $4,000 per job. When was the last time we heard that? Ex-

cept for the EDA, when have we heard that about stimulus money? Four thousands per job created. And of every $1 million of EDA funding, it attracts $11 million of private and other public funding. Those are, I think, impressive numbers.

EDA grants have assisted communities devastated by natural disasters. I can tell you that one of those was Homestead in South Florida, which is a district I represent. Those grants facilitated private sector investment and helped to create hundreds of jobs. What is critical to point out here is that the EDA funds are not just intended to be the sole source of the funding, but that, again, attracts other funds, making those jobs, frankly, long-term jobs, not just provisional. So, rather, EDA's investments are put to work with private sector and local funding. When the Federal funding is gone, those jobs, then, hopefully won't go away. So this ensures that they are real investments, that they are real jobs and these are real long-term investments of taxpayers' money.

The EDA, despite having a good record, they still didn't conduct business as usual when identifying projects under the Recovery Act, and some would have said, why not? You have a success record, so why not just do that? Well, they still thought outside the box. It obligated its funds a full year ahead of schedule and modified its process to ensure that most recent data on unemployment and poverty rates were used. And, again, they have to be commended for this as well.

So obviously there are always ways that things can be improved, but I believe that the EDA is a model and should have been one of the models that other agencies should follow when allocating their Recovery Act funding.

I hope that today we can hear from the witnesses on lessons learned from the Recovery Act process and how EDA's programs have worked, how they can be improved, and what suggestions they will have for us. I also hope that we will be able to—by the way, Madam Chairwoman—move forward on reauthorizing the EDA in the near future.

So, again, I want to thank you, Madam Chairwoman. I want to thank the witnesses, and I look forward to hearing from you today.

Thank you, Madam Chairwoman.

Ms. NORTON. Thank you very much, Mr. Diaz-Balart.

I am pleased to recognize Mr. Carnahan of Missouri, if he has any opening remarks.

Mr. CARNAHAN. Just very briefly, Madam Chair and Ranking Member. Thank you for having this hearing.

I want to welcome our witnesses. We got to see Assistant Secretary Fernandez recently in St. Louis for some important announcements with funding that is going to help clean up and market an empty Chrysler plant that has left a big economic hole in the St. Louis region, and was part of an important strategy going forward. We think that is one of the tremendous assets of the St. Louis region and one that those funds are going to help, I think, package and get that back into use, back to be economically productive, and back with good jobs. So you can come back as often as you like, Secretary Fernandez, with news like that.

We look forward to hearing from our witnesses and also pleased to have our St. Louis County executive here on the second panel,

Charlie Dooley, with his economic team, Denny Coleman. They do great work and we are honored that they are here to share their story with the Subcommittee.

Thank you.

Ms. NORTON. You ought to be very proud of them and we will hear from them on the second of two panels.

We are going to begin with the Assistant Secretary of Commerce for Economic Development at EDA, John Fernandez; and then we are going to hear from Charles Masingill, who is Director of Governmental Affairs for the Office of Governor Mark Beebe of the Delta Regional Authority.

Mr. Fernandez.

TESTIMONY OF THE HONORABLE JOHN R. FERNANDEZ, ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, ECONOMIC DEVELOPMENT ADMINISTRATION; AND CHRIS MASINGILL, DIRECTOR OF INTERGOVERNMENTAL AFFAIRS, OFFICE OF GOVERNOR MIKE BEEBE, ON BEHALF OF DELTA REGIONAL AUTHORITY

Mr. FERNANDEZ. Thank you very much, Madam Chairwoman and Ranking Member.

And to Congressman Carnahan, I really appreciate the opportunity to be here today to testify on behalf of our agency.

As a former mayor, I certainly know how important the EDA's work can be. The EDA was an important partner of mine when my community faced a plant closing of a consumer electronics business.

Now, as the leader of EDA, I am proud of the agency's reputation fostering sustainable economic growth. EDA's success is due in no small part to its focus on job creation and the program's flexibility.

EDA works directly with local economic development officials through a bottom up approach that both supports and relies upon a well established network of national and regional economic development professionals. This collaborative approach results in grant investments that are well defined, timely, and linked to longer term sustainable strategies. Linking EDA's investments to a community's strategic economic development plan enables the Federal Government to better leverage public and private sector investments.

Rather than a one size fits all approach, EDA can fund customized solutions developed by our local partners, ranging from traditional infrastructure investments, revolving loan funds, and planning grants and other resources. And by quickly responding to the often changing economic needs, EDA is able to help speed the transition to a more entrepreneurial innovation-driven economy.

For example, EDA invested $2 million in Renton, Washington to mitigate the economic impact of the loss of Airbus manufacturing jobs. The investment there supported the redevelopment of a 46-acre mixed use site for businesses that focus on commercial services, high technology, and life sciences, and in the process help diversify their economy.

EDA also invested $920,000 in the Institute for Advanced Learning Research in Danville, Virginia. EDA's assistance to the IALR has aided in the start-up or expansion of 30 companies through successful technology commercialization.

Now, EDA is an integral part of the Administration's effort to implement a new national innovation policy. A few months ago the White House announced a blueprint for this new agenda, and the importance of long-term strategies and collaboration are at its core. This collaboration will help regions assess their competitive strengths, design a strategy to bring together the technology, the human capital, and the financial capital it will take to compete.

Our projects reach every region and every segment of the population, from those with GEDs to those with Ph.Ds. In the Great Plains, communities are adding thousands of jobs thanks to the new wind power industry. I just returned from a visit to Duluth, Minnesota, where the community colleges are partnering with the region's aircraft manufacturing industry. In Blacksburg, Virginia, the local science park is attracting an average of 20 new companies a year to a distressed part of the Appalachian region.

We are extremely proud of the role that EDA has played for the past 45 years in creating strong and sustained economic growth in regions all across America. However, as the world changes and our global economy grows more complex, EDA must reinvigorate itself to rise to these new challenges. Reauthorization presents a window of opportunity to allow EDA to align its priorities and program structures to improve the competitiveness of American communities. The enormous challenges we face today require a deliberate effort to ensure that EDA works even more effectively. The goal of EDA is to not only usher in new expansion, but to make sure it is more enduring, rewarding, and broad-based.

Chairwoman Norton, Ranking Member Diaz-Balart, and Members of the Subcommittee, I want to thank you again for inviting me to testify today, and I look forward to answering any questions you might have.

Ms. NORTON. Thank you, Mr. Fernandez. I compliment the Administration for sending us someone who had on-the-ground experience with the Act—that has been particularly useful in FEMA as well—so that whoever gets appointed is not reinventing his own wheel.

Mr. FERNANDEZ. Thank you.

Ms. NORTON. I appreciate your testimony as a former mayor.

Mr. FERNANDEZ. I appreciate that.

Ms. NORTON. Mr. Masingill, who is testifying on behalf of the Delta Regional Authority. Mr. Masingill.

Mr. MASINGILL. Thank you, Madam Chairwoman. Let me say how grateful I am for the opportunity to testify on behalf of the Delta Regional Authority to you, Madam Chairwoman, Mr. Ranking Member, and Members of the Subcommittee, and also Assistant Secretary Fernandez.

The DRA represents a region that is culturally rich, which we have suffered from some of the greatest poverty in our Nation in too many areas and by the objective measures our education attainment levels are too low. Too often our community infrastructure is old and decrepit; our health outcomes from birth onward impede the best development of our human capital. Lastly, the placement in the use of technology is clearly more from the last century than the past.

This independent Federal agency, the first of its kind in 40 years, was to become a Federal-State-local nexus of economic development in this part of the Country. The purpose of the DRA has been very simple: to help reduce and mitigate the poverty so pervasive throughout the region, to reduce the fragmentation and duplication of development services, serve as a regional planner and coordinator working with and reporting to other development agencies, and administer a congressionally funded grant program which would concentrate on transportation and public infrastructure, particularly now with information technology, including business development that emphasizes entrepreneurship and job training.

Today I would like to just report real quickly on some of our successes through the Federal grants program.

In the eight grant cycles, 510 projects, $75 million leveraged more than 350 from other government agencies, almost a 5 to 1 leverage ratio, more than $1.5 billion from the private sector, which is a ratio of 20 to 1 private dollars to DRA dollars. That means in an overall eight year context, investments made and pledged total almost $1.9 billion, with an overall ratio of 25 to 1.

What are these dollars delivering to the region? Well, since the inception of the DRA's Federal grant program, 294 projects have been completed with the following results: more than 11,000 jobs created or retained, almost 12,000 families with new water or sewer, more than 3,000 individuals trained for jobs. Even in today's economic climate we can give you those results.

Further, DRA now has 140 projects which are active with project outcomes including more than 23,000 families that will receive improved water and sewer, about 24,000 jobs which will be created and/or retained, and almost 6,000 will be trained.

I might add that most of our active projects cited include participation agreements, participation agreements between the grantee and the Authority, such that if the outcomes promised by the grantee do not materialize, then the DRA would require the pro ratio share of that shortfall be remitted back to the DRA. In other words, if a grantee promises 10 jobs and they create only 6, then the grantee will repay 40 percent of its grants back to the Authority.

Additional DRA initiatives include the Delta Regional Development Plan, which is the Authority's plan to strengthen and help save both the small and rural towns within our region; the iDelta broadband plan for the region, how our communities can reduce technology deficits between themselves and the rest of the Nation; our Multi-Modal Transportation—Assets, Needs and Recommendations is the Authority's report to Congress and the Administration that was presented in 2008 to bring the basics for local transportation logistics and distribution development more succinct within the region. Over 600 community leaders in 17 different meetings throughout the region were a part of that. And as our region traditionally maintains some of the lowest health outcomes and therefore maintains one of the least healthiest workforces, clearly hindering economic development, our Health Delta initiative works to improve health outcomes throughout all cohorts—age, race, and gender.

We combine that with some USDA funds to help with a three multi-county diabetes mitigation pilot and demonstration projects; working in partnership with the Department of Defense's Innovative Readiness Training, whereby communities receive two weeks of free medical and dental care; and we work with the State Department's J1-visa waiver program, which we call the Delta Doctors program, whereby we assist more than 100 foreign-trained physicians to practice at least three years in some of our medically underserved areas.

In short, DRA is working to improve local communities in ways they need it done, and that help is certainly not limited to water and sewer projects. DRA works to deliver its outcomes through multiple, flexible, adaptable, and timely approaches, where success can be built on.

As it speaks specifically to the Recovery funds, DRA did not receive any funds specifically, although we collaborate with projects all throughout the region. For example, in Arkansas, where I represent, the Dumas Technology Center. We combined our current DRA resources with Recovery resources from the State to help move that project forward in job training specifically.

I would like to add, though, that since the Recovery's implementation and in the context of DRA's future plans to continue strengthening our Nation's foundation through building job growth and sustainable regional economies through the EDA, we think the future is bright between DRA and EDA, particularly as we work to enhance our joint coordination and collaboration on economic development matters. Initial conversations have begun between the Authority and EDA's regional office about emerging projects and endeavors which we think will eventually bring more resources into our region and help to better more sustaining environment we need, especially in our most economically distressed communities.

I would also point out to the Assistant Secretary that Pedro Garza and Phil Paradice are some of the best, and we have a close working relationship with your two regional directors.

Further, during the past 12 months, DRA has worked to better ensure that its programs are better synchronized with those in other Federal agencies, EDA included. And from our perspective maybe even EDA in particular we have found EDA staff to be extremely accessible and extremely helpful as they provide us with much needed insight and counsel. The Authority is ready to participate more broadly and more often with this cabinet level agency, and from that perspective we believe our ability to mitigate our region's poverty through improved health and economic outcomes, while reducing fragmentation and duplication is now more in hand than ever.

We appreciate your opportunity to speak with you and we appreciate the support of this body. Thank you, Madam Chairwoman.

Ms. NORTON. Thank you, Mr. Masingill. Mr. Masingill, before I begin questioning, I would like to ask another Member who has joined us, Mr. Michaud, if he has any opening remarks before we begin questioning. All right, he will wait for questions, then. Mr. Michaud is from the State of Maine.

Mr. Fernandez, you heard me say how pleased I am that your funds have been all obligated. Now, let's talk about outlays, be-

cause that was mixed up. When people go to find their jobs, they will look to who is being paid. This Subcommittee recognizes fully that even with shovel-ready projects there is some lead time to start a project. But in light of the depth of the recession, I must ask you when EDA expects to outlay all of the ARRA funds, and were you required to outlay them all by the end of this fiscal year?

Mr. FERNANDEZ. Madam Chairwoman, I think it is a very important point, because when we obligate people actually start spending money. It may be their money, but they are spending money, creating jobs.

Ms. NORTON. Which then you have to pay back.

Mr. FERNANDEZ. Yes. Our construction grants are all handled on a reimbursable rate. So the work actually does begin and then we reimburse. To date, as you had mentioned, I think our number is up to actually 24 projects that have broken ground. It is my——

Ms. NORTON. Now, that means that every week or even two weeks somebody is being paid some money to do something.

Mr. FERNANDEZ. And some people are being paid even before them, Madam Chairman, because they are designing, they are acquiring right-of-way, they are doing all the kinds of technical stuff that you have to do when you go build roads or whatever the infrastructure might be.

Ms. NORTON. It is very hard to capture that, because it is part of what we call start-up. But it may make the program look like no money is being expended because these are fairly technical construction and preconstruction matters, design matters, but it is the way it works. We try to use these hearings to educate people as we educate ourselves so they understand something is happening in these regions.

Mr. FERNANDEZ. Well, I can tell you from my experience as a mayor, when I get that Federal commitment to fund a project, I start doing work on it, and that means hiring the firms that may be finalizing design. Real money is being spent, jobs are being saved or created to move those projects forward, even though I know I am not going to get reimbursed until I complete my work. So there is a difference and a distinction between disbursement and allocation, but it is that allocation and commitment up front that really is the green light for job creation and for investment to happen.

We will be at the point, I believe, where the vast majority of our projects will break ground by July 1st of this year. So we are moving quickly as you can on these kinds of construction projects.

Ms. NORTON. Now, you are here, Mr. Masingill, as part as a kind of case in point for the various authorities——

Mr. MASINGILL. Yes, ma'am.

Ms. NORTON.—the EDA districts under our jurisdiction, because there are a number of them. I am particularly interested in something that is somewhat new certainly in the President's budget, to direct a substantial amount of—I don't know if this is in the President's budget or not—I guess this is my question—because it was in the Recovery Act to give a substantial amount of the funds to green and blue jobs, by which I think we mean blue collar jobs. I wonder how that kind of directive gets executed and whether or not

you, Mr. Masingill, received or any part of your jurisdiction received Recovery Act funds with this same mandate.

Mr. MASINGILL. To my knowledge, ma'am, the DRA did not receive any of the Recovery dollars for these purposes, but we certainly stand ready to do that and we are happy to do that with any of the Federal agencies that would like to partner with the DRA.

Ms. NORTON. Now, green and blue jobs, explain if there is any difference or why the Administration put both colors in it directive.

Mr. FERNANDEZ. Is that question for me, Madam Chairwoman?

Ms. NORTON. You, Mr. Fernandez. It was directed to EDA.

Mr. FERNANDEZ. Yes. Green and blue. We use blue in reference to the oceans and lakes and the waterways.

Ms. NORTON. Do you think that is what it meant?

Mr. FERNANDEZ. Yes. It does in our world. Department of Commerce with——

Ms. NORTON. So tell me, then, how it worked out. What blue jobs, as opposed to green jobs?

Mr. FERNANDEZ. Well, we have not specifically, to date, invested in a blue project, but we are certainly coordinating with our colleagues at NOAA——

Ms. NORTON. So what would be a blue project?

Mr. FERNANDEZ. You know, there is research and aquiculture, development of aquiculture, transitioning some of the work on our coastal communities with the fishing communities and other kinds of development related to the ocean.

Ms. NORTON. Now, I want to just note for the record—because we are looking at regional cross State ways to capture the EDA. Of course, this would take more funding. I will get to that in a minute. After this question, I have a number of other questions, but I am going to the two Members who are here.

But what we are talking about when we say distressed areas, areas of persistent unemployment, Appalachian Regional Commission, which I think was the first, the Delta Regional Authority, the southwest border—that is Arizona and I think Louisiana, parts of those States—northern border, Maine and parts of New York; the northern Great Plains and the southeast crescent. Almost every part of the Country wants to be a part of this program, even with this relatively small amount of funding.

One way to capture what we are doing is to understand how jobs are created. For example, this is not, and never will be—it is a rather prosperous region—but if we were trying to create jobs in the District of Columbia, we would be foolish just to look to the District of Columbia. We would look to the national capital region. The District of Columbia is a big city. It is suitable for certain kinds of jobs. Private business is more likely to go to parts of our region for other jobs. So State lines don't mean much. Our own Metro crosses all the borders. Yes, there are individual projects in the District of Columbia. I was able to get EDA projects for part of the historic—actually, reconstruction—it burned to the ground—of the oldest open market I think left standing in the United States. But it happened to be in a lower income district on the border of districts that are beginning to burgeon, and it was contributing to that.

Now, I would like to get some sense from you, as we look to reauthorization and into the many parts of the Country that want to be a part of EDA, what you think—I don't know if you would call them regional innovation clusters—how you believe the Subcommittee should go about looking for cross-border authorization for EDA.

Mr. FERNANDEZ. Thank you. As you noted, we are very committed to the notion of regional collaboration, regional innovation clusters, in large part because we think economies don't always follow some of the arbitrary borders that we have to create for political reasons.

You know, you mentioned the District——

Ms. NORTON. And, of course, even if they didn't, it wouldn't make a lot of sense——

Mr. FERNANDEZ. No.

Ms. NORTON. —to recreate an industry just across the line to compete with another industry, instead of trying to do business together. No antitrust laws would keep you from doing that.

Mr. FERNANDEZ. Well, the mantra that I use often is that we need to look at those communities across the border not as competitors, but as collaborators, because it is those regional economies that are going to create the kind of competitive strength we need not to compete with the city across the street or across the river, but to compete with the region across the ocean; and it is the strength of these regional economies, I believe, that are going to give us the kind of competitiveness we need.

You mentioned the District. Another exciting project that we are working on at the very earliest stages right now are the St. Elizabeth initiative, and as we work with a newly established White House interagency group, the focus on the new DHS headquarters, all investment that is going on in that part of the District, there is a tremendous opportunity to look at that as part of a regional cluster focused around some of the technology related to Homeland Security, FEMA, and some of the other agencies that are going to be there. So there are tremendous opportunities to do the very kind of work——

Ms. NORTON. Are there any kind of natural regional clusters in operation now, and what are they?

Mr. FERNANDEZ. There are many regional clusters that exist, some which were funded by the EDA at their beginning and some that were not. For example, there is the Prosperity Partnership which is in the Puget Sound area. That initial group was funded by a $200,000 EDA planning grant and it has evolved into a strong association of a number of clusters, some around biomedical, the biomedical industry as well. We focused on—there is an auto cluster that we have been supporting in Alabama. So there are a number of these kind of broad regions. Existing economic development districts can collaborate, and we want to strongly encourage that kind of collaboration as well.

Ms. NORTON. Well, I think encourage is the word, because we don't want to make the mistake of deciding where the borders of economic development are.

Mr. FERNANDEZ. Right.

Ms. NORTON. I mean, we know where the borders of the State are, but we have to go where the economic development is.

Now, Mr. Masingill, yours is called something that sounds like a very big region.

Mr. MASINGILL. Yes, ma'am.

Ms. NORTON. Delta Regional Authority.

Mr. MASINGILL. Yes, ma'am.

Ms. NORTON. Have you had an occasion to have regional clusters that go outside of the State or the county of jurisdiction, and how have you kept rivalries or conflict from developing when you go out and one says, no, it has to be done my way because it is really in my county or most of it is in my county? How do we keep that from happening?

Mr. MASINGILL. Well, that is actually a very good question for the Delta Regional Authority. Actually, in Congress's wisdom, one of the things that you provided the Delta Regional Authority to do is we can use our money, our Federal dollars to leverage other Federal dollars because we can use our Federal dollars as local match money. We are one of the few Federal entities that can do that. So we can take our money, EDA money, and we can leverage that for even additional dollars across county lines or across State lines. Many of our projects that we actually use as a priority, because of our Delta Regional Plan, which we use as a benchmark for trying to encourage communities to work across their own county lines, one of the examples is I had mentioned where we collaborate with Recovery dollars and our DRA money, is the Dumas Technology Center, which is being used in Dumas, Arkansas to serve multiple counties and multiple communities that would normally, a few years ago, couldn't even be in the same room together. But now we have taken both Federal dollars, State dollars, and recovery dollars, and we are creating a center where people will get trained, where we can have additional job creation opportunities and work across county lines and community lines. DRA is really, at the heart, that is what we try to convince communities to do all the time.

Ms. NORTON. So you see what is happening: it has grown like top seed, because that is how the economy grows, and you follow the economy. And we have to make sure, in the reauthorization bill, we reauthorize it; not telling it where to grow, but say go where the money is. And I appreciate what you have just indicated, that the carrot and the stick, here is a little bit of Federal money.

Mr. MASINGILL. That is right.

Ms. NORTON. So if you all will come to the table across county lines, across State lines, maybe you can get this little bit of Federal money, and the business community wants you to take this little bit of Federal money because then they will come with funds as well. With enough Federal money and State and local money, this is how you grow a little bit of money into funds where everybody is at the table and therefore has a stake.

I am going to move to the other Members before I ask anymore questions. I see Mr. Cao has come in.

Mr. Cao, of Louisiana, I will ask you if you have any questions.

Mr. CAO. Yes, I do, Madam Chair.

First of all, thank you for being here. I know that your time is extremely valuable. I just have a couple of questions to ask you.

The EDA offered to the City of New Orleans the public-private partnership in the amount of $1 million, based on my understanding. The present mayor has not taken an interest; however, we do have a mayor-elect and he does show an interest in the $1 million public-private partnership. And my question to you here is are you still prepared to commit the $1 million to the public-private partnership in New Orleans?

Mr. FERNANDEZ. Congressman Cao, let me get back to you on that. I am not sure——

Ms. NORTON. Is your microphone on, Mr. Fernandez?

Mr. FERNANDEZ. Yes, it is.

I am not sure exactly what the status of that proposal is right now, but I will certainly get back to you and your office as soon as we wrap here and talk to our regional director. I am not sure what the nature of that agreement was.

Mr. CAO. After Hurricane Katrina, there were many Federal agencies that came down to assist in our recovery, but there was a lack of coordination between the different agencies and we have looked at legislation to establish a Federal interagency disaster recovery task force with the purpose of ensuring Federal agencies are coordinated in the recovery roles. How is interagency coordination progressing and what is your role in this effort?

Mr. FERNANDEZ. That is a great question. President Obama has made a huge commitment to ensure that this Administration works very closely on our long-term recovery disaster recovery work, established a high level interagency working group led by the Secretary of HUD, as well as Homeland Security. EDA, along with our colleagues at NOAA, were designated as the lead agencies within the Department of Commerce to participate in that activity. We have been very involved in that.

I believe there is going to be a report published very soon on some of the best practices and action, how we are going to move forward. You know, at EDA, we really take this seriously. We view our role as second responders after disasters, but that second response is critical to work with communities to rebuild in a strong, sustainable way, and I think the work and the commitment of the President in this regard is just as high level as it needs to be; it is a big priority.

Mr. CAO. Can you provide me with some information with respect to what available fundings are there still in connection with hurricane recovery for Orleans and Jefferson Parishes?

Mr. FERNANDEZ. I will have to get back to you on that. I know that with our last supplemental from 2008, in total we are on track to spend the last $200 million out of the total $500 million by June 1st of this year, but I would have to look at how it breaks out by region. But we will certainly get back to you on that.

Mr. CAO. And how do you go about in assessing regional needs to arrive at a determination?

Mr. FERNANDEZ. Could you clarify in terms of the need for the types of projects or the——

Mr. CAO. To arrive at your determination with respect to funding priorities.

Mr. FERNANDEZ. Okay. We work with the Committee to come up with a spend plan, and part of that includes the estimates in terms of the economic impact of the various disasters, with an overlay of economic conditions as well. But it is really driven by the magnitude of the damage, and then we allocate those resources across our six EDA regions, and then, of course, we respond to requests on a typical basis of our other programs.

Mr. CAO. One of the most devastated areas in the City of New Orleans is the area of New Orleans East, where I live, which presently lacks health care; there isn't a hospital around for 30 miles. And I know that we are looking for potential fundings to rebuild a hospital. I am just wondering whether or not there is any kind of Federal fundings under the EDA to address that issue.

Mr. FERNANDEZ. Well, depending on the nature of the hospital, there would likely be an eligible applicant for EDA funds, if it is a nonprofit. But, again, the short answer is yes. The magnitude of the resources, I would have to look at the extent of the request and how much funds are in that particular region.

Mr. CAO. Thank you very much.

Thank you, Madam Chair.

Ms. NORTON. Thank you very much, Mr. Cao. Your question on the role of the EDA in long-term disasters is apropos, one of the important matters that we believe needs clarification in the statute. Now, in the statute, EDA does have a role for long-term recovery in disasters, but I must tell you, in the FEMA hearings, by now I think it is fair to say—at least since I have been Chair, countless FEMA hearings—I don't think we have ever had the occasion to call EDA forward one time.

There is something wrong with that, since we have been mostly concerned with long-term recovery for a long time. Part of it may have to do with how few funds EDA has, but let me tell you what it does have: it has expertise that FEMA does not have in long-term recovery. Now, I know there is a White House long-term disaster recovery working group, and we know you are in there with giant agencies like FEMA and HUD, and I am not sure what role you are playing in that working group.

Before I go to Mr. Carnahan, since it has been raised by Mr. Cao, can I ask you what role are you playing? Is it a minor role, is it no role at all? Are you at the table with this White House long-term disaster recovery working group that is supposed to have recommendations this spring on what the Federal Government ought to be doing with long-term recovery of the kind Mr. Cao just addressed?

Mr. FERNANDEZ. The short answer is yes, we are definitely at the table. Despite our size, we like to think of ourselves as the little agency that can, and I am very pleased to report that the work we have been doing with other agencies in regard to this initiative, as well as others, I think has been unprecedented in terms of the level of cooperation and the spirit of how we are going to work together. And despite our size, our sister agencies in that group have looked to the EDA for leadership on these long-term recovery strategies. So while I have not read the draft of the report, it is my sense that you will see a very clear strong role for EDA in moving forward.

Ms. NORTON. Well, Mr. Fernandez, you need to carry this message back to the White House: we are going to reauthorize EDA this year. We have to get this bill through this House and get it through the other body, where you have to raise your hand in order to go to the john. It is very difficult to get a bill through two bodies now. Not so hard here, where we have regular order.

So that if the White House long-term recovery disaster working group wants to have any influence on reauthorization, where we intend to clarify what we have been saying in this hearing, and certainly EDA's role, they have got to get this Subcommittee something tout de suite, or as soon as possible, or else it will be another set of recommendations that are lying on the shelf.

I want to go next to Mr. Carnahan.

Mr. CARNAHAN. Thank you, Madam Chair. I want to acknowledge, as I begin, the 45th anniversary of the EDA and that it has been one of the most successful economic tools that we have had at our disposal here, and also acknowledge that it also is a primer for additional private dollars to get to where they are needed. We have seen those in the St. Louis region. I already mentioned the Chrysler plant in Fenton, but over the years we have also seen aid through EDA when there was defense downsizing in the 1990s that really hit the St. Louis region, and we also saw EDA efforts after the Midwestern floods. So we have been very thankful for working with the agency through the years.

I wanted to ask a couple specifics from some of the users of EDA back home and get your thoughts. Under the economic adjustment program, the use of funding is mostly limited to building construction program planning grants. I have heard some suggest that this is unnecessarily limiting. I wanted to ask your thoughts about that and what do you think about expanding the eligibility of the use of these funds to include support for innovation in entrepreneurism.

Mr. FERNANDEZ. Thank you. The economic adjustment assistance program historically has been primarily used for construction, but under the existing legislation we do have the flexibility to use it for other non-capital investments. For example, that is the source of our revolving loan fund investments, and we use it for some strategic planning and other types of support for incubators, accelerators.

On an annual basis we encourage the Congress to support the Economic Adjustment Program. It is our most flexible fund and it is certainly well aligned to be a catalyst for the kinds of investments that are critical to drive innovation-led economic development. It, frankly, gets down to just a matter of resources and that limits us in terms of the EAA.

Mr. CARNAHAN. Next I want to ask about the revolving loan program. Under its current structure, companies must start to pay back the loans very quickly, in fact, sometimes before they have the capital to do so. What do you think about restructuring the program so that it would not have to be repaid so quickly? Specifically, what do you think about the idea of a royalty payment or some other capture of profits and eliminating personal guarantees?

Mr. FERNANDEZ. We are very interested in looking at the RLF program, and I stressed in my opening comments about how we

can modernize and fine-tune some of the great programs we have to make them even better, particularly in today's economy. So I think we would be very happy to work with the staff and our stakeholders, and we get suggestions from our stakeholders all the time for areas of improvement, particularly with the RLF, the revolving loan fund. Another suggestion we hear often is to also have more flexibility for our intermediary organizations, the grant recipients, to even include non-debt finance structures as part of their program.

Everywhere I go, one of the biggest issues that I hear about are access to capital, and particularly in the context of our innovation economy, where we have seen such a complete realignment of where money comes from particularly in regard to start-up businesses, early stage companies. Everyone talks about the so-called valley of death. Well, it has become a whole lot broader and a whole lot deeper, and an agency our size certainly isn't going to solve all those problems, but I think we can be very interested in working with the Committee to look at ways that we can fine tune that program to help solve that problem where appropriate.

Mr. CARNAHAN. Well, I would very much be interested in doing that. I know many of the economic development officials, some of whom are here today from St. Louis, but also some of the folks from our incubators back home, have, I think, some really good ideas, and we would like to share those with you in terms of going forward. Thank you.

Mr. FERNANDEZ. You are welcome.

Ms. NORTON. Thank you very much, Mr. Carnahan.

Mr. Michaud.

Mr. MICHAUD. Thank you very much, Madam Chair.

I want to thank both of you for coming this afternoon, as well.

Mr. Masingill, in your experience—and I heard you talk about EDA a little bit earlier—have you found EDA to be very helpful in working with the Delta Regional and are there any things that you think that they should be doing differently that would actually be more assistance to what you are doing in your commission?

Mr. MASINGILL. Thank you, Congressman, for that question. We have found the EDA to be a good partner and we are actually trying to find ways to strengthen that partnership. We do think that there are many more opportunities where we can collaborate in strengthening our resources and their resources for local investment.

The Chairwoman mentioned regional partnerships. Well, the Delta Regional Authority, at its core, is a regional collaborator, is a regional planner, and is a regional economic developer, and we see ourselves playing a role with bringing in more Federal resources and opportunity to collaborate and to make good investments and stronger partnerships. We have had some great relationships.

I mentioned two with Pedro Garza and Phil Paradice. We want to strengthen that relationship and we want to be in the best position to do that so we can show, through what we have already done with our investments in the number of private sector investments that we have been able to bring to the table with over 20 to 1 with

projects that we have had over some of our successes, we can strengthen that relationship.

But we look to the future and hope that that future is bright with EDA and we stand ready to make them look good and make us look good.

Mr. MICHAUD. Thank you.

Mr. Fernandez, as you know, this Subcommittee and Congress, during the last session, actually established three new regional commissions. One, actually the President nominated a former EDA employee Sandy Blitz, to the Northern Border Regional Commission, which is actually the only one that he has nominated anyone to as a Federal co-chair. What do you see the role of EDA in getting these commissions up and running and working collaboratively with the new commissions?

Mr. FERNANDEZ. Thank you, Congressman. I think our role can be as just described, as a true collaborator and partner. We have technical assistance we can provide; we have other kinds of resources that we make available to local economic development or regional economic development organizations to assist them in their work, and I think there is a lot of those types of assets. I think our folks on the ground in our regional offices are a tremendous asset to work with these commissions as they share a lot of ideas and identify projects that we can collectively work on and fund.

Mr. MICHAUD. You were at the full Committee hearing the other day when we were talking about how the Recovery money has been moving forward, and one of my concerns I raised is we are talking about jobs and trying to maximize the amount of money that Congress—try to get jobs moving. The concern, however, is what appears to be the Administration, on one hand they are saying one hand; on the other hand they are doing others. And it was more specific to the United States trade representatives encouraging Mexico to qualify under WTO for the government procurement act so they actually can access some of the stimulus money, which is contrary to what Congress wanted.

What is your agency and, more specific, the Department of Commerce doing to ensure that the Administration is moving forward in one direction versus what seems to be competing directions?

Mr. FERNANDEZ. Thank you. Candidly, I am not familiar with the specific proposal in terms of the U.S. trade rep, but I can tell you specifically for EDA, by law, those kinds of entities would not even be eligible for our funding.

Mr. MICHAUD. You had mentioned access to capital is important, and I have heard a lot of small business say that access to capital is still a huge problem. I know it is not within your jurisdiction, but do you feel that your agency should actually recommend to the President or the Small Business Administration ways that we can actually free up some capital, i.e., I know the credit unions actually have a lot of capital available; however, the law—there is a cap on giving loans for businesses. Do you think that we ought to increase that cap to help free up the capital for small businesses?

Mr. FERNANDEZ. Candidly, I am not sure I have an answer for that. I mean, I know that there is a role and we do have opportunities to discuss these issues. I think EDA can help play a role in

solving some of those issues. I can tell you I have only been in this job for a few months, and in my prior life as a private investor trying to help companies grow, it is a very real issue and it is extremely difficult to get financing in today's environment. Very good projects are sitting on the shelf ready to go, and we need to collectively, all of us, work to figure out ways to accelerate a lot of this innovation and business expansion that is ready.

Mr. MICHAUD. Well, thank you very much.

And thank you, Madam Chair. I look forward to working with you and hopefully the Administration—different agencies within the Administration will work collaboratively, as well, in the same direction so that we can get the jobs and the economy moving once again. So thank you.

Ms. NORTON. I will go to the Ranking Member when he gets his bearings, so, if he will allow me, I will ask just one or two questions I think would be of interest to the entire Subcommittee.

I was shocked, frankly, when you consider the productivity of EDA and where the money goes, to find out that your fiscal year 2001 budget was $438 million and today—I had to hold my breath—it is $293 million. That kind of reduction is breathtaking, especially since—this has just been handed to me, so I don't believe all of you have it, but if you can see the colors, you will notice something about the EDA budget that you won't see in lots of other Federal budgets. Not only has the amount gone down precipitously and disastrously, cut not quite in half, but it is being bled to death, but look at who was really bleeding.

The blue represents the funds essentially that go out to the districts and for projects. That is the color you see. The red, by the way, represents funds that they got on a basis of Louisiana, when they were pulled in for long-term recovery in a few instances. So the blue is what the States get. Now, look at how little money of the goes to personnel costs. You have to look at the top for that yellow to find how much of it goes to people in Washington or in the regions pushing paper, paper that is necessary.

I don't know where you will find a Federal program where so much of the program just goes straight out to the States and localities, and yet the cuts make me really wonder about the future of this program, whatever authorization we do. We know, for example, from our own records, that 30 to 40 percent of the folks who are left in this very small cluster at the yellow top are eligible for retirement this year or next. So I have to ask you a survival question, and that is the $293 million, that what is in the President's budget for this year, was that increased from the prior year?

Mr. FERNANDEZ. No. Our budget proposal for 2011 is essentially——

Ms. NORTON. Say that again, please.

Mr. FERNANDEZ. Our budget proposal for fiscal year 2011 is flatlined. It is part of the Administration's focus on dealing with the deficit. So in many ways we think the fact that it is not being reduced and that there continues to be support at the current funding level does represent the Administration's understanding of the capacity of the agency to be in important and the work we do is important.

Ms. NORTON. I understand the Administration's—I am sorry, what?

Mr. FERNANDEZ. Our request for 2011 is for funding at the same level we requested for 2010.

Ms. NORTON. Which is, of course, a reduction, because——

Mr. FERNANDEZ. You all gave us a little bit more money than we asked for.

Ms. NORTON. Well, if we don't, I really wonder if you are going to be in business. These Federal workers can leave. The only reason you are holding them, Federal workers around the Country who are not doing the work that would have been done by many more people, if you see the difference.

Mr. FERNANDEZ. I can tell you, though—and you know this probably better than I—but the folks at EDA are incredibly committed to the work they do.

Ms. NORTON. Well, they are not only committed. I think you couldn't hold such people who have Federal pensions if you were not in the deepest recession since the Great Depression. These people are staying at work to continue earning a living even though they would have a rather nice pension if they went out. That does show tremendous devotion to their work, but it really makes me wonder, when you have this colossal reduction, in a few years, about the future of the agency.

You testified, I think it is, Mr. Fernandez, $1 million gets you what, $12 million from elsewhere? Was that your testimony?

Mr. FERNANDEZ. I think that may have been the Ranking Member's comment.

Ms. NORTON. Just let me ask. What you get, how can you assure this Subcommittee that what you are getting isn't what you would have gotten anyway? How do we know that what is happening in the economic development districts wasn't about to happen even if we hadn't come in with our little carrot that produced what you say are the results we see?

Mr. FERNANDEZ. Well, that has always been one of the most central questions around investments in economic development. When I was mayor, you see it at a State level, certainly here. It is the whole "but for" discussion. And from my experience as a recipient, you know, certainly but for the EDA investment, we couldn't have built the new access road to facilitate the redevelopment of a closed factory. I mean, we just simply couldn't do it. There are other examples that I think the grantees can speak even more clearly about than I.

When I was in Minnesota last week, I met a town whose total population is 981. Not thousand; 981. But they are part of the Iron Ridge Region. And it just so happens because of their location, the need to expand a water line to facilitate the major investment in a new steel mill required an investment from or at least an expansion of that town's assets. I can tell you they do not have $1.4 million. So we provided that grant for $1.4 million. The private sector is investing $1.6 billion, and there is going to be tremendous job creation.

Now, one might argue, well, if they can do $1.6 billion, why didn't they go $1.6 billion and $1.4 million? There are always those questions, but I think that the reality is that the town was respon-

sible for the water line, to fund, and there was no way they were going to be able to get that done without our support.

People will always argue about it. I think that one way to look at it is are we getting a good return on investment, I think there is evidence strong for that in terms of the job creation.

I think the Ranking Member's comments, just to be clear, in terms of the 4,000 per job were specifically related to the investment in incubators in rural areas. It is a very strong number. Our overall numbers in 2009 are very close to that.

If you look at the return on investment in terms of private sector investment that is leveraged, it is a very strong return on investment. So while I can't swear that every single project only happened but for that last dollar, our recipients will tell you it is that commitment of Federal money through the EDA is the catalyst to get other people to commit. So I think it is essential and it is a very important way for us to leverage a small investment into something that is very meaningful.

Ms. NORTON. Yes, and may be penny wise and pound foolish for somebody who is ultimately going to put up most of the money not to move until somebody with a little bit of money comes forward, but that is how the world operates.

Mr. FERNANDEZ. Right.

Ms. NORTON. And I do think your track record does show that somehow, especially with the Federal Government—something magic about that—is willing to come forward with some understanding of some kind of oversight, some kind of insistence upon return for the dollar, some kind of overall protection, bringing State and local governments into it, and you get a partnership that catalyzes.

Last dollar money is outsize money, and we better understand it. It is the puniest part of the money, often, but it often is the biggest bang.

I am going to ask Mr. Diaz-Balart if he has any questions at this time.

Mr. DIAZ-BALART. Thank you, Madam Chairwoman. I will actually be brief. I have a couple to Mr. Masingill, if I may.

You mentioned that most of your active projects include participation agreements?

Mr. MASINGILL. Yes, sir.

Mr. DIAZ-BALART. And that these agreements, as you point out, require that the grantees meet the outcomes promised and, if they don't, they have to repay a portion of the funding. Talk to me a little bit about how you enforce that. What is the enforcement mechanism? If you can kind of elaborate on that——

Mr. MASINGILL. Sure.

Mr. DIAZ-BALART.—because it is a wonderful thing to hear, actually.

And also if you could let me know do you have projects that have not met those goals and have you had to go after that, and how successful have you been? If you could just elaborate a little bit on that.

Mr. MASINGILL. Yes, sir, be happy to. Fortunately, from what I have been educated, we have not had to initiate that effort except for a couple of times.

Mr. DIAZ-BALART. Well, possibly because you have in the contract. I am sure that is a little of an incentive to submit real applications, right?

Mr. MASINGILL. Yes, sir. And they also know we will audit and we will monitor those projects as they go along. There is a project actually right now in one of our States that it looks like we are going to have to go in and do that. They started a project knowing that the project wasn't going to be fully completed, knowing that they had a participation agreement, in the time they communicated to us, they had already spent our money.

They know that we will, through legal methods, through our methods that we have, go in and reclaim that. We have only had to do it, to my knowledge, once or twice, but I will make sure, Mr. Ranking Member, we get that information specific back to the Committee so you will have those in detail.

But from my information, we have only had to do that once or twice, and we try to do a lot of work on the front end. We use our local development districts; they are our front-line project developers and they are a key partner with the Delta Regional Authority, and we use them to help at the local level as we are putting the grant agreements together and the participation agreements together.

And it is not always easy; we have to go to the Committee and we have to go to the private sector and go this is what this document means, this is how important it is, because we want to be very clear not only with the local officials, but also when we come back and report back to Congress the investments that we have made into this project and what the return is going to be. So when I tell you that we have 13 jobs created and 9,000 jobs retained, then I can speak to you and tell you those are real numbers, because we go into those projects, we audit those projects, and they know if the private sector does not produce those numbers, then we go back after our resources.

Mr. DIAZ-BALART. It would be fair to say that none of those jobs, therefore, would be in Congressional districts that don't exist, for example.

Mr. MASINGILL. No, sir.

Mr. DIAZ-BALART. Mayor, Mr. Secretary—I don't know which one you would rather have, because I know that once a mayor, always a mayor, correct, sir?

Mr. FERNANDEZ. I prefer John.

Mr. DIAZ-BALART. Do you all do something similar to that or is that something you have all looked at doing to——

Mr. FERNANDEZ. You know, I have asked that question a couple times, and there are some complexities related to it. We do have the ability to terminate agreements and get Federal share reimbursement. I don't believe it is as clear as a clawback provision that we use in Bloomington and many other communities, and in part that is because we give grants to organizations to make investments that often I guess the—I am not sure what the analogy—almost like the chain of custody, it is maybe two or three entities removed from the direct investment from EDA, so it gets a little bit more complex in terms of how to do that specifically. But

we are certainly very mindful of the need to get what we invest in and, if not, we do have the ability to have those funds repaid.

Mr. DIAZ-BALART. Again, you have a very good track record, but it would be interesting to see if there is any way to kind of look at that model.

Mr. FERNANDEZ. I think your point is well taken. By having those authorities in those agreements, it often encourages folks to under-promise and over-deliver.

Mr. DIAZ-BALART. Right. A little bit of an editorial note, not for you all to necessarily comment on, but if that was the case in the rest of the stimulus, the American people would probably have billions of dollars back.

Anyway, thank you for being here today.

Ms. NORTON. How do you know that, Mr. Chairman? The money is still being—it has been authorized, it is still being outlaid.

Mr. DIAZ-BALART. That is true.

Ms. NORTON. Even Mr. Fernandez said—which has authorized all of his money, has outlaid only—what is it? And he explained while you were in the back——

Mr. FERNANDEZ. The money that has actually gone out the door is around 30 percent of the total.

Ms. NORTON. But that much of the money is being spent in start-up. That doesn't show until reimbursement——

Mr. FERNANDEZ. All of our grants are reimbursable, so the entities are spending that money.

Mr. DIAZ-BALART. I am not referring to this area, because this area is——

Ms. NORTON. I know, but it is the same thing with stimulus funds.

Mr. DIAZ-BALART. Well, Madam Chairwoman, we have all seen the reports about stimulus money going to campaign consulting firms, going to congressional districts that don't exist, going to—I mean, we have all seen that. This is not the time or the moment or place, but——

Ms. NORTON. The fraud ratio in the stimulus funds is de minimis. I wish I could say that—and I am talking stimulus funds now, not funds for EDA. We can differ on these funds, but part of what we have been doing and that we tried to get Mr. Fernandez to explain how fund spending comes online, and the construction field is fairly technical, but it is certainly the case that you don't say to a contractor you have a $4 million contract to hire 100 workers, here is $4 million. That is what gets you fraud.

You say, okay, you are authorized for $4 million and we are going to monitor you—this is ordinary practice, now—we are going to monitor you, and as you produce you are going to get this $4 million per week or per receipt, and you are not going to get a dime from us until you are able to show you deserve reimbursement. Otherwise, there would be wholesale fraud in funds for, for example, transportation and infrastructure.

So it is important to place all of this in context to understand your concern, because I would join you, Mr. Ranking Member, Mr. Diaz-Balart, in whatever has been found. Nobody thought that you were going to authorize almost a trillion dollars and, for the first

time ever in the Congress of the United States, keep track of it online without having some of it end up going in the wrong place.

What I am pleased about is that you do not have enough fraud in this program to shake a stick at, and the reason you don't is because it is online, everybody can look at it; we can look at outlays, we can look at authorization. So we better watch out. We are trying to get some more of this money out for our transportation and infrastructure funds.

Mr. DIAZ-BALART. Madam Chairman, if I may.

Ms. NORTON. Yes, sir, of course.

Mr. DIAZ-BALART. Clearly, clearly, where we obviously always have concurred is the fact that—and you and the Chairman and everybody has been very vocal about the fact that we never thought—we always thought that more money should go to infrastructure.

Ms. NORTON. Precisely.

Mr. DIAZ-BALART. Because that is the place where——

Ms. NORTON. We could track it.

Mr. DIAZ-BALART. We could track it, jobs are created; it is nonrecurring money and you have the projects there for a long, long time. I think the debate obviously goes in other areas, and, again, we can have that debate for another day. Obviously, these two gentlemen are in areas where not only can we track it, but their record is as good as it gets.

Ms. NORTON. And the Subcommittee is in bipartisan agreement about their record.

Mr. DIAZ-BALART. Absolutely. But I would take it a step further. I think the Committee has been very vocal about, in transportation projects, that that is money well spent. That is clearly money well spent. When you go outside of transportation—and this is not the time to debate and you are always very generous with your time and allow me to speak, but there we will agree to disagree as to, yes, the money is tracked, but even when the money is tracked we have seen that the money has gone to places where it, frankly, shouldn't. But that is for another day. Thank you, Madam Chairwoman.

Ms. NORTON. Of course, Mr. Diaz-Balart.

Before I end with one or two questions, could I ask Mr. Michaud if he has any further questions?

Mr. MICHAUD. Yes, just one. And I want to thank you, Madam Chair, for bringing that chart up as far as the funding as it relates to EDA and once again I want to thank Mr. Fernandez. When you look at the return on investment, you are absolutely right, there is a huge return on investment.

However, I do have a concern, being a Democrat, of how committed this Administration really is as far as creating jobs, and I am just wondering if it wasn't for the Massachusetts election, whether we would be talking about jobs at this point in time. But that being said, EDA does a great job and I would like to actually know what the amount of money request of projects that are out there that should be funded. If you don't have it now, later on. Because what I am thinking about, Madam Chair, is I think we have to move forward and reauthorize EDA. I don't think we can wait for the Administration to come onboard.

But I also—getting back to your previous Ranking Member and your conversation, I would also be very interested in probably reprogramming some of the stimulus money that has not been spent and to put that money towards EDA, where we can actually get our good return for investment. I don't think spending money to China is a good return on investment, and I think EDA definitely could use that money more effectively here in the United States and would hopefully work with you, Madam Chair, to get the reauthorization done, as well as having a bigger increase in EDA funding, and I am willing to support redirecting some of the stimulus money to where it actually will have a positive impact on economic development and jobs. That is how committed I am to making sure we move forward.

So, with that, I will yield back. I would be interested, if you know off the top of your head or later on for the Committee, what is the request out there for funding.

Ms. NORTON. Mr. Masingill seems like he wanted to respond to your inquiry.

Mr. Fernandez?

Mr. FERNANDEZ. First of all, there are a lot of things we can agree on, but I think I would take exception with the notion that this Administration is not committed to job creation. I think there is no question about the President and his cabinet's commitment to moving this economy forward, rescuing it, rebuilding it as well, and there are numerous examples of the work all of us are doing to move forward on job creation.

Mr. MICHAUD. If I might right there. I didn't say wasn't committed, I said how committed. Because I talked to the President directly over a year ago about how we were going to move forward with a manufacturing policy. And I can answer your question in regard to demand, if you will, at least in regard to 2009. In 2009, we received 1,338 applications for EDA funding. The total amount of funds requested were approximately $1.7 billion. We were able to fund 936 of those projects for a total investment of about $578 million. So we were able to fund about 54 percent of what was requested.

Now, I am not saying the other 46 were projects we would want to fund. Because it is a competitive process, and some of those may not have simply been good projects. But there is clearly demand. Prior to this hearing, we had asked our partners at NADO to just do a quick survey for me, some of the, what our EDDs and other organizations think are out there. I think they can speak for themselves. There is clearly a pipeline and a demand for our work. That is something we certainly learned during the Recovery Act work.

Ms. NORTON. Well, thank you, Mr. Michaud. Mr. Michaud and a number of us are working very hard on jobs, and we are concentrating on that more than anything else now. But I don't want you to misunderstand what Mr. Michaud was urging. Mr. Michaud comes from the State of Maine. What always amazes me about Maine is the size of the State versus the size of the population. What is the population in Maine, Mr. Michaud?

Mr. MICHAUD. About 1.3 million.

Ms. NORTON. Now, let me make my point this way. You have 1.3 million and one of the largest land masses. You can imagine, if

those people are throughout the State, wherever there happen to be resources, the best places, you have a very large State with pockets, really deep pockets of persistent poverty. Its own version of a kind of Appalachia, only in a very expansive area.

What Mr. Michaud asked you about, in my mind, echoes a corollary complaint of the Congressional Black Caucus. They weren't saying that all this money spent for job creation wasn't absolutely essential. This President found a depression on the doorstep, stopped it in its tracks and the economy is growing for the first time, with the last part of the economy always to grow, jobs, far behind and too far behind. But nobody now says we are in the same recession we were in before. Very tough steps that were taken.

Step two. Now that we know that we are in a collapse of the financial system of the United States, not simply an economic recession of the kind that almost comes back by itself, we have to look to the issue of targeting. Or else in Maine and in Missouri and even, I indicated that there is 12 percent unemployment in this city. Imagine what it is in some other large cities, because this is not by any means the worst off. What we are going to see is gradually coming back in other places and hardly any bite taken out of unemployment where unemployment is highest.

Well, what can the Administration do about this? Every time he talks about jobs, every time we talk about jobs, somebody screams deficit. Something that we must work on, except anybody who reads history knows that in 1937 Roosevelt responded to concerns about the deficit during a depression. Indeed, attended in his budget to some deficit. And he went into a double dip recession that historians now say that the newspapers called the Roosevelt Depression.

And I hate to remind everybody of this, but I went back and read this history. I hope you understand how we got out of the Great Depression, that it wasn't by a jobs bill or even by the great creation or the wonderful creation of the programs we are depending on essentially now, unemployment, Social Security, all the rest of it. We got out of the Great Depression because of World War II. We took a huge part of the workforce known as men, drafted them, thereby leaving a labor shortage, made guns and tanks in Detroit, not shipping it to all parts of the world and getting parts there and getting most of it from other parts of the world. Voila, we got out of the Depression.

So those of you who think that what we are doing now with this under a trillion dollars is going to get us out of this have to know that what we are doing now is going to keep us, at least job poor, for a number of years. So what does Mr. Carnahan do in the meantime? What does Mr. Michaud do? Indeed, Mr. Diaz-Balart comes from a very rich State. But he has got some of this in his State. What do people in the big cities do? Now they have to go back and say, yes, continue to make jobs for everybody. But you have got to target some of this money to the people who are worse off, and not think that if you do jobs in the public sector, for example, as we have with Mr. Diaz-Balart and our pulling together to get more and more of this money. We got too little of it in the stimulus bill.

You can't believe with that per capita funding that Maine or Missouri or the great cities are going to be better off. The only way to target it is to look at what mechanisms do you already have. Mr. Fernandez, you have to take back the message from this Subcommittee that unless one of the few mechanisms, there may be others, there are poverty programs, there are things like that in all of our districts. But unless you find a way to target money in that way, using what we already have, these districts are going to continue to be the ones with 17 percent, 20 percent, 25 percent unemployment. And there is no other way to do it. So just putting more money in the pipeline does not do it.

So when you tell us level funding for EDA, which means a cut in funding, another cut in funding, I understand it went from almost half a million dollars in 2000 to where you are today, but we expect this Administration, that is what you are hearing here on this side of the table, to target more of this money. So in desperation, you hear a Member that I can't say I disagree with saying, look, we have programmed some money to target it to the people who are worse off in the United States, perhaps through EDA, or maybe Members of this Subcommittee on both sides of the aisle should write to the Appropriations Committee to ask them since they still have the final say on appropriation, to put more money into EDA and condition it on going to only the highest unemployment parts of the United States through EDA.

I can't think of anything else to do. Before I go further, if Members want to indicate whether you join with me in asking appropriators to relieve us of this targeting problem, I would be glad to work with all of you.

Finally, let me just ask you, look, what changes do you want in the statute that we haven't gotten to? We are going to reauthorize it. You heard the Members say, we are ready to go, White House, ready or not. We are not going to get through this year, have us come to the end of 2010 and say, I am sorry, we are still getting our act together. This is the second hearing. What do you want in the statute that is not there now?

Mr. FERNANDEZ. As I talked about earlier in our discussion today, I think the areas that we are most interested in working with the Committee and others to enhance are in the Revolving Loan Fund program, to make sure that it is in line with the current needs. We want to make sure that our infrastructure investments are broad enough to support many of the innovation infrastructure needs of science parks, research parks, et cetera. And we certainly want to look for opportunities to incent and encourage the kind of broad cross district and other kinds of regional initiatives.

I think the global climate fund is something we would like to talk about as well.

Ms. NORTON. What kind of funding?

Mr. FERNANDEZ. The Global Climate Mitigation Fund. When it was first enacted, it was fairly narrowly conceived in the context of green buildings and LEED construction. The report that was included in our fiscal 2010 budget, the Congress encouraged us to look at a broader application of that program, and green manufacturing, other kinds of alternative energy support. We agree with

those recommendations and would like to continue to work on how we modify that program as well.

I think you will have from us, and you understand the process, but we will have detailed language to share with you in terms of our recommendation here in very short order.

Ms. NORTON. When do you think you will have that language, Mr. Fernandez? Because I am telling you, this ship is leaving the port.

Mr. FERNANDEZ. As fast as we can get through the vetting process.

Ms. NORTON. You tell OMB for us, because I know the vetter is, that we are talking about a statute here. We are not so much talking about money. We are talking about reauthorization. When a statute is not reauthorized, this has not been reauthorized for some years, it suffers in all parts of the process.

Mr. FERNANDEZ. There are other people involved in this. But I want to be real clear that part of the delay, it is my responsibility, not others. When I came on in September, we discussed greatly the notion of reauthorization. And the truth of the matter is, our authorizations, we have a nice statute. There is tremendous flexibility, we can do a lot of really good work. We wanted to make sure we had input and a lot of conversations with stakeholders. Certainly our grant recipient community, local officials and others.

So while there is a process that often is slower than we would like, I want to make it clear that the initial delays are mine. Because I wanted to make sure that our recommendations were the right recommendations, not just the quickest.

Ms. NORTON. I recognize the statute is very—we don't authorize, even initially, statutes that are not very broad. We depend upon reauthorization based on what we have learned from how the statute operates to bring us to reauthorization, to add to it.

But let me tell you how it works up here. When a statute is not reauthorized, it doesn't get funding. The appropriators are quite willing to leave you even when the Administration, even if the Administration were to request more funding, it looks and sees whether or not it has been reauthorized, and then it says, you know what, the authorizing Committee hasn't told us anything about whether or not this statute ought to remain as it was. So this is giving money in the blind.

So I can tell you that you are not going to be taken seriously by the appropriators, and even by what I hope will be a letter to them, just by telling us you have a broad statute. Everybody has a broad statute. The appropriators want to know, are they spending their money correctly, are the authorizers saying no changes whatsoever are needed. We don't think broad changes are needed. But you yourself have run down a list of changes that are needed, or at least clarified in the statute.

So let me tell you what, Mr. Fernandez, by the end of March, we need to hear from you, if not in the specific language, at least from what it is you most desire. Because we are looking to the end of an election year. And what we don't get done by September 30th in both houses is likely not to be done at all.

Mr. FERNANDEZ. I can assure you it will be sooner than that. The language has been drafted. So I hope you will have it very soon.

Ms. NORTON. That is very reassuring. Let me thank you both for coming forward. This is very, very helpful to us. I thank all our last panel. Thank you.

And the second panel, we are very anxious to hear, they are on the ground. Would you please come forward, the three. I will call your names and ask for you to speak in this order. Mr. Charlie Dooley, County Executive, St. Louis County International Economic Development Council; Larry Molnar, the President of the Educational Association of University centers; Jay Newcomb, Council President, Dorchester County Council; and finally, Michael Norton, no kin, of the Northwest Arkansas Economic Development District and the National Association of Development Organizations. We are very anxious to hear from all of you.

Why don't we begin with Mr. Dooley?

TESTIMONY OF CHARLIE DOOLEY, COUNTY EXECUTIVE, ST. LOUIS COUNTY, INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL; LARRY MOLNAR, PRESIDENT, EDUCATIONAL ASSOCIATION OF UNIVERSITY CENTERS; JAY NEWCOMB, COUNCIL PRESIDENT, DORCHESTER COUNTY COUNCIL; MICHAEL NORTON, EXECUTIVE DIRECTOR, NORTHWEST ARKANSAS ECONOMIC DEVELOPMENT DISTRICT, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

Mr. DOOLEY. Good afternoon, Chairman Norton, Ranking Member Diaz-Balart, and Members of the Committee. Thank you very much for the opportunity to be here today.

My name is Charlie A. Dooley. I am the County Executive of St. Louis County, Missouri. Today I am speaking on behalf of the International Economic Development Council, the world's largest organization for the economic development profession. First, please allow me to commend Chairman Norton and the great work the Committee is doing. I would like to thank and acknowledge our Congressman, Russ Carnahan, for his great work and support in our region with EDA.

We also would like to acknowledge Chairman James Oberstar, a champion for EDA, and a recipient of the 2005 IEDC Federal Leadership in Economic Development Award, and acknowledge Assistant Secretary of Commerce, John Fernandez, and Deputy Assistant Secretary, Brian McGarvin, for the great work they have done in the short time they have been in office.

Nationwide, the struggling economy has placed great challenges on our communities. Tight credit markets have prevented businesses of all sizes and industries from growing and accessing capital. As the flow of credit has slowed to a trickle, we have seen too many businesses forced to scale back. We need resources of EDA to help dig out of this economic slump.

EDA and St. Louis County have a history of partnership and success. That partnership dates back to the early 1990s when a shift in the defense industry in St. Louis hit us very hard. Just last week, when Assistant Secretary John Fernandez traveled to St. Louis, he helped us launch a plan for revitalization of the closed Chrysler plant.

I would like to share with you the importance of EDA to the recovery of my county and communities across the Country. Entre-

preneurial development: our region established an incubator system which provides small businesses with low-cost space and shared support services. Revolving loan fund: EDA helped us create a revolving loan fund for small businesses. One of the great success stories of this special loan program is the company, World Wide Technology. It is now the largest privately-held, minority-owned company in the Country.

International trade development: EDA has been vital in helping foster international trade through creation of the World Trade Center in St. Louis. EDA has continued to support our efforts in global trade, by providing Federal grants to form the U.S. Midwest-China Hub Commission. The goal is to make St. Louis a cargo hub for U.S. Midwest-China trade.

The MET Center: St. Louis County built the Metropolitan Education and Training Center with EDA funding. This high tech, hands on facility trains displaced and disadvantaged workers. EDA has enabled our region to maintain competitiveness in technology and commercialization. The creation of the Center for Emerging Technologies and the soon to open Mid-County Plant Sciences Incubator are both at the cutting edge of plant and life science innovations, which ultimately creates jobs and economic development for our region.

Whether it has been in response to defense down-sizing, national disasters or plant closures, EDA has been at the forefront of a Federal response to grow a stronger and more diverse economy. EDA is a vital partner in economic development.

On behalf of IEDC and communities around the Nation, we express our strongest possible support for the Economic Development Administration. We urge the Committee to swiftly complete reauthorization of a funding level of $500 million for EDA.

We look forward to a continued partnership with EDA in making our communities and Country stronger and more competitive. In these difficult times, it is all about jobs, jobs, jobs. Economic development means jobs for our communities. And EDA is our strongest Federal partner in helping to create jobs and opportunities for our citizens.

Thank you, Madam Chairman.

Ms. NORTON. Thank you very much, Mr. Dooley.

Mr. Molnar?

Mr. MOLNAR. Thank you, Madam Chairwoman and Members.

As you consider the lessons learned for the Economic Development Administration from its Recovery Act investments and new plans to strengthen economic development through this important agency, I testify to you today as President of the Educational Association of University Centers. This is the advocacy organization that represents the higher education infrastructure in our Country and its economic development role in economic recovery and economic development, including the EDA University Center program that has operated for over 30 years in a very important role in our Nation's economy.

The higher education infrastructure in our Country is very much taken up with innovation, technology transfer, technology commercialization, entrepreneurship, new venture creation, business incu-

bation. Those elements of our future economy are well known and are much experienced in the university community.

In regard to the universities' participation in ARRA Funding, I can speak of my institution, the University of Michigan, that has received over $150 million from a number of Federal agencies. One of the initiatives is the establishment of a Department of Energy sponsored, Energy Frontier Research Center, that will explore new materials to more efficiently convert solar energy to electricity. Dr. Stephen Forrest, our Vice President for Research at the University of Michigan, has stated "People at the University have enormous ability to grow new materials at the nano scale and bring new products to market."

We have also received ARRA funding for our business assistance program at the University of Michigan. We are working with Michigan manufacturers, over 100 of them. We are going into several years of our work and of companies that we have been working for more than a year, 24 percent have actually added employees during this economic environment. So here you have a university that is working with private sector companies to help them diversify, help them create new jobs and hire new people.

As this Committee considers the reauthorization of EDA, there are some modest proposals that we would like to make on behalf of the University Center program that we think will increase its effectiveness. There are just over 50 EDA University Centers but there are eight States, including the District of Columbia, that do not have University Centers. This should be rectified. All States should have access to this important program.

University Centers have been receiving an average of $125,000 a year in Federal funding for over 20 years now. We think that it is high time that that amount be increased. We know we are not Appropriations here, but we would like to recommend that that amount be increased to $250,000. Another thing that EDA might consider that would help the University Center program is to reduce the local cost match, or the university's responsibility from a one to one to an 80-20, given the constraints on the higher education system and universities economically.

One final thing that might help the program, currently we have to undergo a competition every three years, which means every University Center only has a funding cycle for three years. We think that a five year cycle would be more appropriate. We even think that reverting to a peer review process that we had prior to the last Administration, which worked very effectively in the higher education system might be a model to look back upon that would make the program more effective.

Certainly, the economic security, national security, global competitiveness of our Nation are increasingly bound with the higher education system, with colleges and universities and community colleges. We are undergoing a fundamental economic transformation as we know, from an industrial economy to a post-industrial economy. Again, that is where the universities play a role with new inventions, new technology, and producing class after class of well-educated, eager young people who want to contribute to our economy and want to play a role in our Nation and its global competitiveness.

In closing, I think the EDA is essential to our economy moving forward. The University Center program is an important program within EDA. We think that it can be enhanced and improved. But most of all, we support the reauthorization of EDA and will continue to do that. I am speaking broadly for the higher education infrastructure in the United States. Thank you for the opportunity to testify.

Ms. NORTON. Thank you very much, Mr. Molnar.

Mr. Newcomb, of the Dorchester County Council.

Mr. NEWCOMB. Thank you, Chairwoman Norton and Members of the Subcommittee.

Thank you for this opportunity to testify on behalf of the Dorchester County Council and the citizens of Dorchester County, Maryland, on the lessons learned from the Recovery Act and new plans to strengthen economic development.

Dorchester County is shaped like the heart of the Eastern Shore. And with this money, it has kept our county growing. It is a great project. We have been awarded in this from EDA, to spur growth and prosperity, a $3 million grant. This will lead the Federal economic development agenda by promoting innovation and competitiveness and preparing American regions for growth and success in the world-wide economy, as was stated by Assistant Secretary Fernandez.

Dorchester County has 1,500 miles of shoreline. It is one of the largest land/water masses in Maryland, nearly 600 square miles of land and 70 square miles of water. The County has currently 790 businesses employing 9,460 workers, of which approximately 12 percent of these businesses have 100 workers or more. We have been traditionally dependent upon food processing, light manufacturing and high tech assembly to fuel the economy. Now since the recent downsizings and offshore manufacturing trends that caused a major loss of jobs. Even in times of economic boom, we have lost our economic growth. Current unemployment is 12.1 percent as of December 2009.

Between 2007 and present, Dorchester County with its population of 30,000 has lost nearly 1,000 jobs. With this EDA grant award, the County will now be able to diversify its industry mix to include value-added agriculture, innovative aquaculture and high tech manufacturing. We also have existing companies that are working on green initiative sand bio-mass projects

As an elected official, I can testify first-hand that successful economic development is achieved by investing in local economic, human and physical infrastructure. The recent 2009 American Recovery and Reinvestment Act funding awarded to Dorchester County to develop the new technology park will be a great spur in growth and prosperity, not only county-wide, but regionally. The use of these funds will serve as a major catalyst for implementing economic strategy and career awareness beginning at our elementary level through high school.

To prepare the youth of our community for jobs, Dorchester County recently approved local funding to build a new Career and Technology School in joint venture with the State of Maryland, which is another $32 million project. One we got the money for this tech park, we feel as though the Technology School would be a big

asset. This will also ensure growth of our own industry leaders as well as attract new talent to our county. Additionally, college-bound students will have another opportunity to receive career training in technology, because we have Chesapeake College, which is also in my home town of Cambridge, and another one in Wye Mills.

We are also in a joint venture with Germany, with a new prospective opportunity for international companies coming to Dorchester. Also, the Federal funding we got from the Federal Government helped create a fiber optic superhighway through the NASA facility on Wallops Island through the Eastern Shore and Southern Maryland will increase the potential of our technology park. Also, we have the Maryland Department of Environmental Science, at Horn's point, which is great for our oysters, which is a great thing for Maryland the Chesapeake Bay, to try to develop a disease-free oyster and the expansion of our crab industry. And also with this money and tech park, the FAA has given us money to extend our runway at our airport, which is just adjacent to the new technology park.

Also, we have the Hyatt Regency golf resort in Cambridge, Maryland, which has brought a lot of business and guests and tourism to the county, which we are greatly known for. Also, we are now starting, with Federal and State help, the Harriett Tubman Park and Museum, which will be in Dorchester County. And you talked earlier about the things we do with the oyster, like I said, the Department of Science at Horn's point is going to try to do the disease-free oyster.

Green industry, also, we have a company looking at power, taking our chicken manure and our tree waste to generate electricity. The job at the tech park we will are going to be bid, hopefully within a couple of weeks. We have gone through all the studies and all the environmental, everything is ready to go. We are to get the proceeds to start the project by May 15th. So this is a shovel-ready project.

Also, we were talking about jobs, we just now went to a bid on a landfill cell. We got 20 bidders for that one landfill cell. So that shows how much we need these jobs, if we had that many bidders to bid on just the expansion of our landfill. We feel it will help create jobs in our county.

Again, Ms. Norton, thank you for letting us speak today in regard to the lessons learned from the Recovery Act. If you have any questions, I would be pleased to answer them.

Ms. NORTON. Thank you, Mr. Newcomb.

And finally, Mr. Michael Norton, of the Northwest Arkansas Economic Development District and also representing the National Association of Development Organizations. Mr. Norton?

Mr. MICHAEL NORTON. Good afternoon, Chairwoman Norton, Ranking Member Diaz-Balart and Members of the Subcommittee, Congressman Carnahan and Congressman Michaud.

My name is Mike Norton. I currently serve as the President of the National Association of Development Organizations and Executive Director of the Northwest Arkansas Development District, an EDA-designed economic development district, serving nine counties in the northwest corner of the State. Thank you for the opportunity

to testify in support of a multi-year reauthorization bill for the Economic Development Administration.

I will limit my remarks to four main points. First, EDA has a proven track record of helping its local partners create and retain high quality jobs in distressed areas, including those suffering from chronic poverty, economic dislocation caused by plant closures or downsizing, natural disaster or changes in the global economy. This has been reinforced with the agency's recent performance in making sound use of its $150 million in American Recovery and Reinvestment Act funding and $500 million in post-disaster recovery assistance.

In reauthorizing the agency, we encourage the Committee to restore the local match rates for distressed communities to at least the pre-2005 agency rules changes. This is one of the most important legislative fixes needed to help the agency serve distressed areas.

Second, Madam Chair, we urge Congress to strengthen local control of EDA's Revolving Loan Fund program. The RLF program is a proven economic tool for addressing the credit needs in underserved areas. RLFs are managed by public and private non-profit organizations to further local economic development goals while lending their capital and then re-lending funds as payments are made on the initial loans. Local management of Revolving Loan Funds have provided businesses capital to thousands of new and existing companies that have difficulty securing conventional financing.

Over the years, EDA has provided grants to nearly 600 revolving loan funds, with net assets approaching $850 million. EDA's RLF program has the unique distinction of being one of the only Federal grant programs that never loses its Federal identity. The initial RLF grant and any interest derived from it is considered Federal property forever. RLF operators must comply with expensive and burdensome reporting requirements forever, including my own, which began operating in 1978. Ownership of EDA's RLF should be fully transferred to local intermediaries once all the initial funds have been loaned out, repaid fully, revolved.

Third, NADO's members urge Congress to increase the minimum funding level for EDA's partnership planning program from $27 million to $34 million. This highly-effective program provides essential seed capital and matching funds for 378 economic development districts, numerous tribal planning partners and other State and local entities.

EDA's planning program provides matching fund to multi-county organizations, such as the Northwest Arkansas Economic Development District, to help local governments and others work together on a regional basis to develop solutions, partnerships and strategies for addressing regional economic development issues. EDA's on-time project completion rate, high rate of leveraging private sector investment and impressive job creation statistics are directly tied to the groundwork and planning that precedes project development and implementation.

Finally, there is a need to provide new incentives that foster regional partnerships among local governments, private industries and educational and non-profit institutions. While the 2004 EDA

reauthorization bill established two new performance award programs, these initiatives are very limited in scope and have demonstrated little impact.

EDA would benefit from broad, more aggressive policy incentives and approaches related to the regional economic development collaboration and cooperation. Congress is urged to build on the existing national network of economic development districts, regional development organizations, council of governments, local development organizations, whatever you want to call them, to facilitate and encourage collaboration among regional development.

Madam Chair and Members of the Committee, thank you again for the opportunity to testify today. I would welcome any questions or comments.

Ms. NORTON. Thank you very much, Mr. Norton.

I am going to ask Mr. Newcomb a question, then I am going to go to the Ranking Member and the other Members before I ask further questions. We are particularly interested in your from the ground, on the ground reports to us as we try to be responsive in a reauthorization.

It is Mr. Newcomb who has ARRA funds, isn't that correct?

Mr. NEWCOMB. Yes, ma'am.

Ms. NORTON. Did you have any EDA fund before this funding?

Mr. NEWCOMB. No, ma'am, not for this project.

Ms. NORTON. What?

Mr. NEWCOMB. Not for this project, no, ma'am.

Ms. NORTON. Not for this project, but the jurisdiction did have it?

Mr. NEWCOMB. Yes, ma'am.

Ms. NORTON. Now, I am trying to test the leveraging effect of funding. Is this technology park that drew that funds, and you got them competitively, is the entire $3 million grant that your county, Dorchester County received for the technology park?

Mr. NEWCOMB. Yes, ma'am. It is going to be for the infrastructure inside the park, water and sewer, streets and some of the infrastructure for the water and sewer from existing city limits to our tech park.

Ms. NORTON. Was there any non-Federal share?

Mr. NEWCOMB. Yes, ma'am. The county bought the land, the State bid a project with this, we are dealing also with the FAA. We have a rail line involved. So we have several different agencies, and yes, the locals did put a lot of money into it.

Ms. NORTON. Do you have any sense of what is the entire package for this technology park?

Mr. NEWCOMB. If I could ask Ms. Keisha, she is with me, could I just ask her, please?

Ms. NORTON. Is there staff who knows? There is $3 million from——

Mr. NEWCOMB. That is from EDA, yes, ma'am.

Ms. NORTON. But I don't have a sense of——

Mr. NEWCOMB. This is our economic development person. She can tell you exactly.

Ms. HAYTH. If I may, do you mind if I come to the podium?

Ms. NORTON. Yes, surely. You have to give your name.

Ms. HAYTH. My name is Keisha Hayth. I am the economic development director for Dorchester County. It is an $8 million project.

Ms. NORTON. Eight million dollars.

Ms. HAYTH. Yes, $8 million total. We have, local share is about $2 million, USDA commitment of $1.7 million and State commitment of $1.7 million as well.

Ms. NORTON. What is the private sector involvement, if any, in this project?

Ms. HAYTH. Well, the private sector involvement will be, once we sell the lots in the technology park, that involvement will be about $40 million, I believe.

Ms. NORTON. And because of what? What is the technology park?

Ms. HAYTH. The technology park will be an area, it is 113 acres where we have 14 lots divided to sell to individual businesses, to develop their own business.

Ms. NORTON. Why would they want to develop a business in Dorchester County?

Ms. HAYTH. Because we have the available labor force, we are growing our technology base right now. We have commitments from the University of Maryland, Horn Point Lab, where they do research studies on the Chesapeake Bay. So we have a niche, currently, that truly supports technology businesses in Dorchester County.

Ms. NORTON. So you see from $3 million we can yield a $40 million technological park with of course State and local fund also involved. But all told, that is still just $8 million.

And jobs, would you say there is an available workforce with the skills to do the jobs that these technology companies would come? They are not coming unless there are some folks who can do it and have shown they can do it. They are going to stay close to the University of Maryland, they are going to stay up here near where D.C. is unless you show them there is a workforce that is trained to do it.

Mr. NEWCOMB. Yes, ma'am, and also we have had very much interest from even outside of the D.C. area, people who are interested in relocating. We had a gentleman who was in the office yesterday who was very excited about the tech park and can't wait until it is done.

Ms. NORTON. What we are looking at, I think, is not only the leveraging, or listening to is not only the leveraging effect of a little bit of money. But we are looking at how business looks to where it should go. It is looking for labor that doesn't cost as much as around the University of Maryland, for example, which is helping you as well here. And these areas precisely because they have had persistent development problems, if they can produce the workforce, have a much better chance that those closest to home here do of getting those jobs.

I am going to go to Mr. Carnahan and ask him if he has any questions for this panel.

Mr. CARNAHAN. Thank you, Madam Chairman, and thanks to all the panel. I want to direct my remarks to county executive Dooley and again welcome him and his team from St. Louis.

The St. Louis region, like many others, has been hit with this economic recession. I have been working with other elected leaders

like yourself, business community, labor community, to put together a regional economic plan that links together some of our Federal initiatives, State initiatives, local initiatives and the private sector, to continue to help our region to grow. The Federal initiatives have been a key component of that. EDA has been a longtime and strong partner to leverage this private investment that we need so much now to grow jobs.

I do have concerns, as the Chairwoman expressed, about the lack of a reauthorization and about the decrease in funding that has come from the Administration. I want to really compliment you being here on behalf of International Economic Development Council, and really the points that you raised in your full written testimony, number one, in terms of increasing funding, Chairwoman Norton and I sent a letter out supporting increased funding, like the Senate Committee had put out $500 million for EDA.

I think that is very important in these tough economic times, augmenting EDA staff, positioning EDA as a lead organization for economic recovery following disasters, reviewing the definition of distressed communities to assure it is up to date with today's economic realities. And also, I think of particular importance in these economic times, lowering or weighting the local match requirements. When some of this money is laying around and communities may be short or struggling to come up with those local match dollars, now is not the time to be holding that bar too high, so communities and projects can't reach these funds that are already out there.

So again, I just want to say thank you for the work that you have done locally. And give us a sense of how you think some of these changes that you have presented here today and that the organization, the International Economic Development Council, have presented, how do you think those would impact the St. Louis region and St. Louis County in particular, where you serve as county executive?

Mr. DOOLEY. Thank you very much, Congressman. I think that is a good question. Let me say by frameworking that, St. Louis County is the largest county by population in the State of Missouri, 1 million people. So we look at ourselves as the economic engine of the State and the region. If St. Louis County does not do well, we believe it has a negative impact on the entire State.

So I believe the State and the region look to St. Louis County for leadership in creating jobs and opportunity for our community. If we look at the MET Center, for example, for the displaced workers and disenfranchised workers, how do you get people back to work? We believe people want to work. But they need work that is meaningful and they can support their families. The MET Center is doing just that.

EDA money, we believe, is seed money which has actually been talked about earlier, it is just a small bit of money that can make a big difference in people's lives. When you talk about the World Wide Technology Company, in the early 1990s, they borrowed $200,000. And today they are the largest privately-held company, minority-owned, in the Country. That is tremendous success. That is the type of success we are looking for.

We are talking about now, when the Assistant Secretary was in St. Louis on last week, about the closure of the Chrysler plant, they granted us $1.575 million. Our match from the State, from county and from the city of $575,000, that is going to leverage us to how we can best use 295 acres of land, which is probably about 5 million square feet of space. That is a lot of space, Congressman.

Additionally, an additional 2 million square feet in supplying space. So we have a great opportunity to move our community forward. What is best is we can create those green jobs for the future, but we need jobs today. We are talking about the incubator specifically for green jobs. So that is an opportunity.

And working closely with Washington University, which is one of the top five universities in the country when it comes to green technology and opportunity. So it is a great resource opportunity. The plant and life science down at Danforth Place, we are going to be partnering with them as well, another opportunity at creating real jobs for real people right now.

And one of the things I think that was most satisfying to me, when you go to some of these centers' ceremonies and see those individuals graduate, and then Washington University is right there to say, I have a job for you, that is tremendous. They have hope, but they have a real job, real success and that can make a difference in our community.

Mr. CARNAHAN. Great. Thank you very much, and thank you for the work that you do with me and my office and our leaders throughout the St. Louis region.

Mr. DOOLEY. Thank you, sir.

Ms. NORTON. Mr. Michaud?

Mr. MICHAUD. Thank you.

I, too, want to thank all of you for coming out this afternoon to give your testimony. I look forward to working with you as we reauthorize EDA's programs. My question is, and we heard Mr. Fernandez earlier when I asked a question about the requests out there, that he said that they got requests for approximately $1.7 billion, not saying that all $1.7 billion would actually qualify, but that is what the request was.

What do you think that we should authorize the funding level for EDA, having been involved in this type of work for some time? What do you think would be the appropriate level?

I will start with Mr. Dooley.

Mr. DOOLEY. Again, we have asked, in my statement earlier, for $500 million, but if they actually were going to give us $1.7 billion, let's take it all. Can you imagine what we can do with $1.7 billion, when what we have done with just the little smidgen that we have right now? We could really make a difference, and we are talking about jobs and opportunity for our Country.

I mean, I think that is a wise investment. It is about investing in ourselves, and I am all for it.

Mr. MOLNAR. From the higher education perspective, we get about $7.1 million, $7.3 million a year annually to support these 50 or 53 universities, each getting $125,000 a year. If you tripled that, just in the University Center Program, the return on investment would be tremendous. So I think that is an entirely appropriate figure, especially given the discussion of, Madam Chairman,

in this budget relative to other huge agencies. And when you look on a performance basis, you know, we are getting a lot of bang for our buck.

Mr. NEWCOMB. Yes, with the infrastructure of this, I mean, this project has been going on now for like eight years, so now with this final stage of money from all the agencies put together, we finally can make this project reality. And we would also like the next phase to probably have an incubator put in one of the lots, on our lot that we still own as a county, to help get up and going the companies to expand into a tech park.

So all the money, additional money, whatever you all can, we would be glad to get more of our percentage of it.

Mr. MICHAEL NORTON. Well, regional development organizations, of course, are asking for $34 million. They had an increase in 2004 of $10,000 per district, the first increase for the 378 organizations since 1972.

Now, the public works projects, I think if you look at the $150 million that came through the American Recovery and Reinvestment Act and also the $500 million that was post-disaster, that was put out the door pretty quickly. That was because EDA has a delivery system which is the regional development organizations.

In a survey that we have done recently, with just one-third of the member organizations responding, we are looking at $1.3 billion, $1.5 billion in potential projects. EDA's investment in that, for $235 million, could have a return of an additional private leverage of $4.77 billion. So there is a good return on the investment. There is a delivery system in place.

So if you put the money out there, we will find projects for it.

Mr. MICHAUD. Thank you. And it does sound like it is a very good return on investment.

My next question, if you look at a lot of the programs at EDA, and we heard Mr. Fernandez talked about mill closures and, you know, industrial parks and training, retraining of employees, that deals with job loss. Part of it is because of, you know, unfair trade policies or other unfair policies.

I guess my question would be for Mr. Dooley or the other three, if you can respond, looking at your organization, you said you have members in six different continents and primarily most in the United States. Rather than, you know, spending money to help create jobs, which I think is very important, but I also think it is important that we keep what we currently have. Have any of your organizations, and I will start with Mr. Dooley, focused on some of the reasons why we are losing some of the jobs? And can we actually probably focus on how we can keep those jobs, as well as create new jobs?

A good example, although it is not EDA, is at the Department of Commerce, there has been a group that has actually asked the Department of Commerce to investigate China's currency manipulation and unfair subsidies in coated paper, and what that is going to do for the paper industry here in the United States.

Have your organizations looked at what you might be able to do prospective to help prevent loss of jobs, versus just trying to create the jobs that are not there?

We will start with Mr. Dooley.

Mr. DOOLEY. Well, Congressman, that is an extremely good question. Let me start by saying this. First of all, we looked at we are in a global competition, and not just a regional competition or a State to State competition. It is a global competition, how to retain those good-paying jobs, how can we be competitive.

And one of the things we looked at is our costs of labor, our cost to do business, our tax structure, our skilled workforce, our quality of life. All those things attract business and opportunity for our community.

So you just can't work on just one front. It is many fronts you have to work on. It is about, for example, how do you attract young people to your community? St. Louis metropolitan area have great universities, Washington University, St. Louis University, University of Missouri-St. Louis, a lot of great opportunities for talent to come to St. Louis, but how do we keep those young people there?

And one of the ways we think about is an entrepreneur program. We have three incubators about ideas, young ideas, fresh ideas. If you have an idea, we want to support you. We want to mentor you. We want you to be successful. But we have to create an activity, an excitement about what is going on in our community. If you create that excitement, that possibility that if you have an idea you can make a difference, we believe that is the first step in moving our community forward.

But we have got to have that excitement about what is going on. We have got to have that competitiveness. We have got to have that skilled workforce, that quality of life, the tax base, all those things works on concert that make sense, and have appropriate incentive programs for businesses as well to keep them there. Sometimes other areas of the States, of the Country has incentives that we have to adjust to. We have to deal with that as well.

So it is a combination of things. It is a very difficult thing, but we believe we are up to the task, given the right tools. EDA is one of those great tools that we have to work with. It can make a difference not only in attracting businesses, but keeping the existing businesses there, but encourage them to expand their base.

Thank you.

Mr. MOLNAR. Four things in the higher education system. Number one, helping communities retain what they have. EDA is funding the University of Michigan. We are partnered with Ohio University, Cleveland State, and Purdue University, working in Michigan, Ohio, Indiana, Illinois, Wisconsin and Minnesota in plant closing communities.

So EDA is in about 50 communities with a program that universities are involved in, helping these communities find their way back to economic health.

Second of all, the trade impact. Although not authorized by this Committee, it is Ways and Means, but there is the Trade Adjustment Assistance Program for firms and now for communities that EDA is funding. So that is a response to adverse economic impacts of imports. So there is a program there.

The program I mentioned in Michigan, where almost 24 percent of the companies that are in the program, is modeled on the Trade Adjustment Assistance Program. So almost 25 percent of those

companies are adding new jobs based on the Trade Adjustment Assistance model.

And then finally, many universities are involved in business incubators. I am the President of, and the University of Michigan hosts, the Michigan Business Incubation Association. So we are there for that.

EDA is currently funding my university to do a national study of business incubation. We are studying hundreds of incubators to correlate best practices in incubators with the success of the companies once they move out of the incubators. So what do you do in the incubator that makes the company successful later on?

Mr. NEWCOMB. Just Monday, I went to Baltimore. We had a seminar with Senator Mikulski and Senator Ben Cardin, and the topic was, Save Small Businesses: What can we do to keep the business in our community? Just like J.M. Clayton has been there, a seafood processing plant that has been there for over 100 years, and he was at the seminar, what can you do to help me? You give all these tax breaks, incentives to new companies. What can you do for me?

So a major topic on one of our agendas coming up, meetings, and try to meet with the local business that has been here for so many years. And that is a problem. When kids graduate, they go. We do not have good jobs there. That is why I am hoping with this tech park and a new school of technology we are building, hope we can keep our young people stay there and grow and make some businesses, and also keep our old businesses.

Mr. MICHAEL NORTON. Workforce and capital. And I would probably go back to the Revolving Loan Fund when we talk about capital. When the Revolving Loan Fund was created in 1978, it was intended to encourage financial institutions to inject money into more risky projects or startup businesses or job growth expansion of businesses.

Well, in today's world, where you have more non-traditional type loans, you have college incubators, but the ones coming out of these that you are trying to fund in many cases are like I.T., software development, robotics. And those are the things that we are trying to fund through RLF, but they are not traditional. They don't bring brick and mortar collateral. So the financial institutions have a real difficult time partnering.

Well, in the RLF loans, in many cases, you are required to have a portfolio 50-50 with a financial institution. It makes it very difficult. And we really want the technology-type jobs in our area. That is where we need to grow the jobs. And we are also working, in addition to that, to workforce. We need a workforce that is with the university systems, is trained or has the ability to be trained.

Mr. MICHAUD. Thank you, Madam Chair and Mr. Ranking Member, for having this. I really appreciate your commitment to economic development and creating jobs and keeping what jobs we currently have. So thank you very much, Madam Chair.

Ms. NORTON. Well, thank you, Mr. Michaud. In light of your penetrating question about China and where some of this money may have gone despite our best efforts, I was curious about Mr. Dooley's Midwest China Hub and how it helps the region. When you see China connected to something in the Midwest, which is associated with jobs going the other way, you want to learn more about it.

Mr. DOOLEY. Madam Chair, I would be glad to talk about that. First off, we think that in St. Louis, we call it the U.S. Midwest China Hub. We believe it is an opportunity for the St. Louis metropolitan area, specifically the Midwest, not just St. Louis, will be the hub, but the Midwest itself is the gateway.

We hold the opinion that if we are talking about doing business with 1.5 billion people, why not St. Louis? There is an opportunity not only for the Midwest-China, but they have got to do business with us. But even more so, it can help the Lambert Airport, our metropolitan airport, as well, which is right now is only operating at 45 percent of its capacity. We have got to improve that opportunity as well.

Ms. NORTON. So how would it work? So how does China get into this mix?

Mr. DOOLEY. Well, again, China, I will give you an example. We talked about, and some in our region, we said that if the cargo goes to Chicago, there is a lot of delays, an hour delay, two hours delays. Sometimes it is like 87, it is like it is 82 percent on-time. We are saying in St. Louis, we have the capacity, that would not exist.

Ms. NORTON. So this is important, because everybody knows what it takes to go through Chicago.

Mr. DOOLEY. Yes.

Ms. NORTON. Now, how do you get China or companies that do business with China, let's say Wal-Mart. God knows it does a lot of business with China. How do you get Wal-Mart to assist the St. Louis area by bypassing Chicago? I would think that a company like that would already know not to go to Chicago.

Mr. DOOLEY. The challenge on us is not getting the business to St. Louis, but once they get there and unload, what goes back.

Ms. NORTON. Back to where?

Mr. DOOLEY. To China. Our goods and services, what do we have that, if it is agriculture or if it is——

Ms. NORTON. That you want to trade with China?

Mr. DOOLEY. They have to trade with somebody. It might as well be with us.

Ms. NORTON. Well, can you give me some examples of how the Midwest China Hub has reversed the process so that you now get China to buy stuff instead of our buying all of China's stuff?

Mr. DOOLEY. What we are saying is that if they having delays in Chicago or some other airports, the delay would not be in St. Louis. Right now, for example, China is not using their own airplane. They are using foreign airplane. And eventually, they want to use their own. If they use that, and come to us, again, with initiative, they can come to St. Louis, unload their cargo there.

At the same time, St. Louis and the Midwest States can guarantee things being sold, going back to them, if it is agriculture or some kind of plants, things of that nature; low technology or electronics. It can go back to them as well, and it can be a two way street. It is not a one way street.

Ms. NORTON. Is this in existence now? And if so, how long?

Mr. DOOLEY. Right now, we in the process of developing this process, and we just got an EDA grant where we have the opportunity to investigate it, to review it. Right now, we hiring an individual to look at the world markets and see what the possibilities

are, and we will know something by November of this year if it is possible to create that connection.

Ms. NORTON. I wish you would share with this Subcommittee what you find in November so that we can see whether or not this is fruitful to be done in other China-stealing parts of the Country as well.

Mr. DOOLEY. We believe, Madam Chair, that, you know, again, you have got business on the East Coast and the West Coast, but the Midwest is left blank. We believe it is a tremendous opportunity. We call it a game change, the big idea.

Ms. NORTON. Well, we will be very interested, so anything in writing you get in November, please share with the Subcommittee.

Mr. Norton, I want to get straight what, if anything, we can do about this Revolving Fund. And you have some of it in your testimony. Now, you say that Revolving Fund in a business deal encourages businesses because they know that they are the lender of first resort in the event of a default. Now, part of the reason that they feel so secure is this very paperwork. And I want you all to indicate what the Subcommittee can do. It might not even take a statute. It may take something less than that.

But when they see the Federal Government in the picture, they feel a certain level of security as well. From the field, we hear, because they know we are watching, and they know we require all this paperwork. And I am one who hates paperwork. I think that is what gives Government a bad name. But I also know that if there are issues, you saw the Ranking Member say, you know, even when he saw a little bit of something that wasn't going right, his job is to call it out.

So there is great reluctance to just say, here is some money, you folks. And let's see if you will do the right thing and we will monitor you a little bit. So I would like to hear from any of you, but especially you, Mr. Norton, speaking for the Association, if we were to adopt the proposal you put forward of turning over the revolving funds after the first round of repayment, how would that affect private investment? How would that affect the private lenders? And how would that aid the program? And how would that ensure that we wouldn't have difficulties with the program?

Mr. MICHAEL NORTON. I think all that we were asking for is that we not have to report twice a year with respect to it.

Ms. NORTON. As opposed to what today?

Mr. MICHAEL NORTON. Well, we do report annually and semi-annually each year on our revolving loan fund programs.

Ms. NORTON. So what would be different?

Mr. MICHAEL NORTON. Well, when it was originally developed, we received a grant, our organization, I will speak for the way that we did. In 1978, we received a grant in the amount of $720,000. And we have taken that money and used it, loaned it out, and they repaid it, and we would re-lend that money back out.

We have made since 1978 more than $4 million worth of loans with that initial seed capital.

Ms. NORTON. With that little bit of money. Yes.

Mr. MICHAEL NORTON. And that program has now grown to about $850 million nationally. So it is not that we are not going to be responsible or that it is not going to meet any of the Congres-

sional requirements. The issue is taking the time to report and having to comply.

We would ask that it be more flexible because we do need to fund more non-traditional type loans, those that don't bring collateral.

Ms. NORTON. Well now, why wouldn't the Federal monitors let you do that?

Mr. MICHAEL NORTON. Well, right now, we work with the financial institutions to try to make loans and encourage them. Now, if we take a second position, obviously, they are going to take a first position, and so we are not as protected. So if we make a loan, in many cases, in a first position, we have a better investment than we would working with a financial institution.

But that is where the types of jobs creation, and that is what we are talking about. We are not talking about traditional loans. We are talking about trying to create jobs. We are talking about trying to expand jobs within our regions. And we are certainly not going to let that money get away. Because if they don't pay it back, we can't re-loan it or lend it back out again, and it affects our portfolios.

Ms. NORTON. I wish that all of you would submit proposals for streamlining that we could sell, so that we could assure all of those concerned when there is Federal money that goes to localities and to States and to Economic Development Districts that there is no risk to the private sector or to the government, because I am very interested in—I think paperwork starts because bureaucrats are risk-averse.

Now, when you have had a program that is going on this long, it does seem to me there ought to be some basis, at least for some who have been involved in the program, maybe there is a way to get it or to graduate to it. I just don't know. But anything you could offer, Mr. Norton, or any of the rest of you, would be very useful to us as we go to reauthorization, because this is a constant concern from the field.

Mr. MICHAEL NORTON. We will do so.

Ms. NORTON. Mr. Molnar, I had a question for you on these university centers. They don't cost the Government a lot. And you are from the University of Michigan, isn't that correct? Now here, this is one of the great public or private universities in the United States. And I am trying to find out how a little community somewhere in Michigan, which sends very few students to the great flagship university or even perhaps to some of the other universities in the State system, how you are able, you are doing a study of the whole darned thing for the Government.

But I would like some indication of how you are able, with your extraordinary global status, to somehow reach to communities which have very little to do with the flagship university.

Mr. MOLNAR. It is a good question. I will give you a good example. We have just finished up a study. We do a lot of work with business incubation on campus. We do what we call market and feasibility analyses. First of all, is there a market for what we are proposing to invest in? Is there enough of a critical mass of entrepreneurs in the region so if you open the door, they would come and who would they be and what do they need? Second of all, is it feasible to meet that demand?

So we survey hundreds and hundreds of entrepreneurs, home-based businesses, spinoffs from existing companies, to make sure that there is a need for——

Ms. NORTON. Now, where do you get the money to do that?

Mr. MOLNAR. EDA often funds that.

Ms. NORTON. So all of that comes from the EDA.

Mr. MOLNAR. Not all of it. No, the community chips in. Rural Development at USDA chips in a little bit. EDA will chip in a little bit.

Ms. NORTON. Because in return for that, you are helping them to target where the money does the most good.

Mr. MOLNAR. Exactly. We just finished a study up in Clare, Michigan, which happens to be Senator Stabenow's, our Senator's, home town. We identified a critical mass of about 55 entrepreneurs who said if you open the doors today, we would be there.

We are going to EDA now for the $1.3 million it is going to take to acquire an existing facility and revitalize it. In the meantime, we are helping the community identify lawyers and accountants and people with packaging, marketing, distribution expertise in the region that will help that group of companies who's going to have to wait a couple of years until the doors are open, but they are ready to go right now.

So we are in effect building a program for them, and basically handing it off to them, giving the tools that they need to run it themselves. And I am doing that in five rural communities in Michigan as we speak.

Ms. NORTON. Now, how much funding do you get from the EDA annually?

Mr. MOLNAR. One hundred sixty-three thousand dollars.

Ms. NORTON. And how much is your total budget?

Mr. MOLNAR. It is double that.

Ms. NORTON. And that comes from where?

Mr. MOLNAR. That comes from the university.

Ms. NORTON. So the university, having seen the EDA put in its $160,000 or so budget, feels that it is worth it to actually put university funds into this pot, and that is what enables you to do it.

Mr. MOLNAR. Yes.

Ms. NORTON. And of course, that means that is a lot of State funds, too, I guess as well.

Mr. MOLNAR. There are some State funds, but Michigan is in dire straits economically, so we try to survive on our own resources and what we can leverage.

Ms. NORTON. So the university feels it important enough to take it right out of university funds.

Mr. MOLNAR. Absolutely.

Ms. NORTON. Not in extra State funds to the university.

Mr. MOLNAR. Right.

Ms. NORTON. This is very important to know, because this leveraging shows even here.

Mr. MOLNAR. Sure. And this is going, you know, across the United States, the 50 or so centers. And we would like to see, as we said, one here in the District and then the other eight States that don't have them.

Ms. NORTON. Yes, don't think I am not listening.

[Laughter.]

Ms. NORTON. Peer review. Make me understand. I am still a tenured Professor of Law at Georgetown. So I only know peer review when it comes to how things get measured in the university community. But I was confused when you said the three-year funding cycle makes an unstable environment, but it used to be peer review. So what was it like in funding, competitive funding, but funding from the Federal Government, who was the peer reviewer? How does that work as opposed to the three-year funding cycle that you are involved in now?

Mr. MOLNAR. Right, right. I was involved in a number of peer reviews of other institutions, a representative, a university center director from another university center within the region, the Chicago region in my case, so the University of Minnesota might come down to the University of Michigan; a university center director from a State other than Michigan or outside the region, so maybe somebody from California would come in; somebody from the regional office in Chicago, and often somebody from headquarters here at EDA.

It would be a two-day review. The first day would be in the office looking at clients and what have you. And the second day would be going out and actually making site visits and what have you. And at the end of that, a two or three-hour session where we would go down and we would actually grade and rank the performance. Usually, we would meet with university officials, the president or the provost. And from that, there is always room for improvement, so we would always leave them with something that we thought that they could work on.

Ms. NORTON. Well, how does the funding work? If you are funding now on a three-year cycle, does that leave something up in the air, because then you have to come back to continue it? I just don't know how that works.

Mr. MOLNAR. Well, if it is a three-year cycle, when you get the 18-month point, you are going down hill and so you have only 18 months of assured funding. As you know, economic development takes a little—you know, it takes a little bit of time to come to fruition. So are you really going to make a commitment to a community when you have 18 or 12 months left and don't know if you will be able to finish out the project?

So we think continuity is an important thing. Accountability is, too, so through the peer review process, if you make a determination that this program is not performing the way it should be, maybe they have six months or 12 months to get it in order. And if it is not up to par, then the funding should be——

Ms. NORTON. Oh, the peer review occurs every what—used to occur. See, I am asking about this because apparently that is the way it used to be.

Mr. MOLNAR. Yes.

Ms. NORTON. Was it——

Mr. MOLNAR. Every three years.

Ms. NORTON. Why was it abolished?

Mr. MOLNAR. It was a decision made by the prior Administration when they were in the leadership at EDA.

Ms. NORTON. Do they give a reason?

Mr. MOLNAR. Well, competition is a good thing and we agree competition is a good thing. We compete all the time with NSF and NIH grants. We are used to that. But we are not just a project. This is an ongoing program where we develop relationships and networks and make commitments. And if you don't have the time to do those and you are doing a good job——

Ms. NORTON. But they may be interested in making sure that more entities get the funds.

Mr. MOLNAR. And we think that that is a worthy goal and we support if 100 percent.

Ms. NORTON. So do you think the five-year notion is better? We get the notion of competition, and that above all, we are for competition given these grants and how little money there is. Do you think a five-year period as some kind of compromise would——

Mr. MOLNAR. It would be a great improvement and we would support it.

Ms. NORTON. Could I ask Mr. Diaz-Balart if he has any questions?

Mr. DIAZ-BALART. Thank you, Madam Chairman. No more questions.

Ms. NORTON. I think I have really only one more question. It is really for Mr. Dooley.

And that is, to ask you if EDA has been of any help in the shutdown of the Chrysler plant in Fenton. You were one of those communities that suffered very substantially.

Mr. DOOLEY. Yes, Madam Chair, they have. They have given us a $1.575 million grant. The State has given some money as well, and the City of Fenton has given money, and St. Louis County has given money, totaling $2.1 million.

Ms. NORTON. For use how?

Mr. DOOLEY. That is to be used to how best to market and to use that existing space of 295 acres of land.

Ms. NORTON. Are you finding a way with all of that land——

Mr. DOOLEY. Trying to figure out a way.

Ms. NORTON. And in this economy, this is such a big mountain to climb. You suffered such a huge loss. This quick, could you fill that space?

Mr. DOOLEY. The idea is——

Ms. NORTON. Some kind of park or divide it up or——

Mr. DOOLEY. That is what the money is for is to figure out what is the best use. But here is the critical problem is if we sit on our hands and do nothing, nothing will happen. We are of the opinion we have to start doing something in order for something to come to us. That is key.

Ms. NORTON. Well, let me tell you why I believe in that. The land is cheaper, labor is cheaper than I hope it ever will be again. We saw part of the District of Columbia clear out when the District of Columbia went into some real decline in the end of the 1990s because it was carrying State functions and it was the only city in the United States carrying State functions. It got to be too much for it, and all kinds of the Federal Government didn't put any money in, but a whole reorganization of the way things were done, and the city has been really quite better off than many cities for that matter.

But as a result of that, lots of people began to move out of the District of Columbia. We now have our population rising. Why did it rise and what happened as a result of this terrible period when people were moving out? Well, over in the lowest income area of the city, you had old plots of land just like the land in Fenton, where nobody would do anything on. And there is would lie there. We never thought we would see Ward 8, as we call it, ever come back because there is that cheap land over there. There are all these dwellings that nobody can do anything with.

Lo and behold, almost all of the housing startups have been in this lowest income area. And we used some of the funds for mixed-use housing so that you have people in—single—we have whole huge communities of single family housing. Some of those people are subsidized. You wouldn't know who they are. They are screened to a fare-thee-well, but they are right alongside their more naturally funded middle class neighbors.

But what enabled us to do it with Fannie Mae, when there was a good Fannie Mae, but remember, this is market-based housing, except for what subsidies we put in, was that the place cleared out.

So if you had some money when the place was gone, and you are in business in a market economy, the first thing you do is to look at that cheap land and at the fact that there is less competition to get a hold of it, something of the kind that I think is happening in Mr. Newcomb's area. You know, and because they now have a labor force—in his case, it is jobs. In the case of Ward 8, it was land for homes and for apartment housing. We saw the area bounce back the moment there was anybody with any money.

Mr. Dooley, you are very wise when you say, well, if you don't act like you are going to do something with the area, then nothing in fact is going to happen. I am going to get myself a university center here real quick so that, Mr. Molnar, somebody can help us with areas like to repeat what happened in the 1990s very naturally.

Remember, the word is naturally. It is a market economy. It doesn't need much help from you. There is money out there. Look at what is happening on Wall Street. Everybody has come alive there. Where are they going to put that money? Well, they are not going to put it in the middle of the District of Columbia or in the middle of New York City. They are going to look for cheap land and a workforce that can do what has to be done. And we are trying our best with some of the development funds in the community, college funds, to make those two match up.

I will tell you what we are going to do. You see that we have marvelous unity here on this Subcommittee about the worth of this program. We sit on a number of agencies. You know, Mr. Diaz-Balart and I sit on FEMA. You know, we had the worst of the worst circumstances, and we have seen it come back. We sit on GSA, a very complicated agency.

And recognize that EDA is small, more compact, but we know this much, that doesn't account for why it is so efficient and why we have this tremendous bang for the dollar.

So you can expect that this Subcommittee will proceed forthwith, the fastest reauthorization. The Senate is already looking at the bill, already has its own amendments, its own version of the bill.

It is not as if both sides are not raring to go. I do not think that Democrats or Republicans can face the people in 2010 with an outstanding EDA reauthorization. We know where the people are. We know what they want. If whatever money EDA has, I think I speak for you, Mr. Diaz-Balart, when I say you have our commitment to do all that this Subcommittee can do to get this bill reauthorized this calendar year.

Thank you very much. Your testimony has been most useful to us.

We are adjourned.

[Whereupon, at 5:12 p.m., the Subcommittee was adjourned.]

"EDA: Lessons Learned from the Recovery Act and New Plans to Strengthen Economic Development"

Testimony of

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INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

The Power of
Knowledge and Leadership

United States House of Representatives
Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings, and Emergency Management

February 25, 2010

Introduction

Good afternoon Chairwoman Norton, Ranking Member Diaz-Balart, and members of the committee. Thank you very much for the opportunity to be here today. My name is Charlie A. Dooley, and I am the County Executive for St. Louis County. I represent communities around the country, and I am testifying on behalf of the International Economic Development Council, the world's largest membership organization for the economic development profession.

We are a non-profit association that exists to help economic developers perform more effectively. IEDC members represent the entire range of the economic development experience including regional, state, county and city economic development organizations; chambers of commerce and other business support agencies; entrepreneurship support organizations; community and neighborhood development organizations; technology development agencies; utility companies; educational institutions; consultants and redevelopment authorities. Though we have members on six continents, IEDC members are primarily U.S. based with members in all 50 states.

I would like to share with you the importance of the Economic Development Administration (EDA) to economic recovery for communities across the country, and how the EDA has served as a critical organization furthering the goals of the American Recovery and Reinvestment Act ("ARRA" or "Recovery Act"). First, please allow to me to commend Chairwoman Norton and the great work the committee is doing. We greatly appreciate your efforts to make federal economic development policy more effective, and your vigorous support of EDA. We would also like to acknowledge Chairman James Oberstar, an indefatigable champion for EDA and the recipient of the 2005 IEDC Federal Leadership in Economic Development Award. Now please allow me to address the state of our economy and the role of EDA in economic recovery.

The Role of EDA in Economic Recovery

Overview of the economy

Even though the last two quarters of 2009 saw positive growth, which may technically indicate a possible nascent recovery, and the national employment rate lessened to 9.7 percent last month, for millions across this country, these facts hold no meaning. For example, the Bureau of Labor Statistics reports that at the end of 2009 Michigan continued to lead the nation with an unemployment rate of 14.6 percent, followed by Nevada and Rhode Island. Many of our communities are still reeling from the recession. A quick review of the numbers paints a still dire picture of a nation in economic strife.

- Thirty-two states and the District of Columbia had unemployment rates above 8.2 percent, which was the national rate in February 2009 when the Recovery Act was signed.
- Unemployment in the manufacturing sector rose to 13 percent last month, and unemployment in construction reached almost 25 percent.
- The number of long-term unemployed has risen by 5 million since the recession began in December 2007, and reached 6.3 million people last month, while the number of discouraged workers – those who have lost hope and have given up looking for work – has increased by more than 700,000 from a year ago.
- The number of new single-family homes sold in December 2009 is not even close to 50 percent of the average for 2007. Similarly, Department of the Treasury data shows that housing starts are also below 50% of where they were just three years ago.
- According to leading foreclosure analyst RealtyTrac, home foreclosure filings for January 2010 are 15 percent above the level for January 2009.

Nationwide the struggling economy has placed great challenges on economic development. Tight credit markets have prevented businesses of all sizes and industries from growing and

accessing capital. As the flow of credit has slowed to a trickle, we have seen too many businesses forced to scale back. Layoffs, furloughs and hiring freezes have become the norm, with local unemployment hitting nearly 10 percent. Small to mid-sized businesses have been hit the hardest by this credit crunch.

We need the resources of EDA to help dig us out of this economic slump. Thousands in our region have lost good-paying jobs and are struggling to find their next paycheck. These job losses have been primarily in the automotive industry due to the Chrysler plant shut down in Fenton. With that, we have seen a ripple effect as automotive suppliers and manufacturers have been impacted.

Right now the federal government is a major partner in economic development and communities need a strong federal partner to weather the current economic storm. Communities need the Economic Development Administration.

Importance of EDA in regional and national recovery

Since it's inception in 1965, the Economic Development Administration has been on the forefront of assisting communities with economic recovery and development efforts. All of the programs in EDA's portfolio – Public Works and Economic Development, Economic Adjustment Assistance, Research and National Technical Assistance, Local Technical Assistance, Planning Program, University Centers for Economic Development, and Trade Adjustment Assistance for Firms – play a vital role in helping economic developers across the country grow jobs and improve the quality of life in their communities. From infrastructure improvements to business incubators to technology transfer and commercialization, EDA is a stalwart resource for comprehensive economic development.

EDA has historically been the lead federal player in addressing widespread economic challenges facing communities. In the 1970s, another difficult economic time for the nation, EDA was

there to assist communities to combat the recession and recover from the decline of the steel industry. For example, the EDA implemented a steel loan guarantee program, guaranteeing 90 percent of $100 million in loans to steel companies unable to find access to capital.

When Allegheny Ludlum Steel looked at liquidating its Bar Products Division in 1975-76, EDA provided funding for employees to purchase the division and start Al-Tech Steel and the Al-Tech fund. The project saved 1,000 jobs in New York state and established one of the first federally-funded revolving loan funds, which eventually made loans to over 1,000 businesses.

Additionally in the mid-1970s, EDA successfully administered a $6 billion fund through the Local Public Works Program for "ready-to-go" infrastructure projects as a stimulus to recovery. This endeavor benefited nearly 10,000 projects.

In the 1990s, EDA again assumed a leadership role in helping communities recover from decline. The agency assisted fishing and timber regions to diversify their economies and helped communities work through military base realignment and closures.

The Philadelphia Navy Yard exemplifies EDA's work with defense communities. After the Yard closed for official Navy purposes in 1995, EDA provided grant funding for a feasibility study to redevelop the site, followed by additional funding for implementation. The Philadelphia Navy Yard is now a prosperous, mixed-use development consisting of office, R&D, and industrial facilities. The partnership between EDA and the nation's defense communities continues, as Congress directed EDA in FY2010 appropriations to coordinate with the Office of Economic Adjustment on a plan to provide grants to localities managing the challenges of base realignment.

It is also important to recognize EDA's efforts in disaster recovery. The recovery work undertaken in the aftermath of Hurricane Katrina on the Gulf Coast and Hurricane Ike in the Houston-Galveston area is illustrative of EDA's value. Although the Federal Government was

highly criticized for its response to Hurricane Katrina, economic development professionals in the region had praise for EDA. IEDC members and partners in the Gulf Coast and Houston-Galveston areas noted that EDA was nimble, responsive and highly effective in meeting the needs of disaster-stricken communities.

EDA has the capacity and experience to assist communities with some of the greatest economic development issues of our time. Auto-impacted communities are in great need of assistance, and through EDA' s economic development assistance programs, it is ready, willing, and able to assist them.

Partnership with St. Louis County

EDA and St. Louis County have a history of partnership and success, dating back to the early 1990s when shifts in the defense industry hit St. Louis particularly hard. Fast-forward to just last week when Dr. Ed Montgomery, White House Director of Recovery for Auto Communities and Workers, and the Assistant Secretary of Commerce, John Fernandez, traveled to St. Louis to help us launch a new economic development plan at the shuttered Chrysler plant in Fenton.

The efforts of EDA have been a lifeline for St. Louis County and its workers. Here are a few examples of how EDA has been instrumental in helping us create economic development opportunities that lead to jobs:

- **Entrepreneurial development** – With the assistance of EDA, St. Louis County and the region established an incubator system which provides entrepreneurs with affordable office and warehouse space, shared support services, access to expert mentors, professional seminars, and valuable networking opportunities to help them succeed. To date, we currently operate four incubators throughout the St. Louis region.

- **Revolving Loan Fund** – Through another area of entrepreneurial development, EDA helped us create a revolving loan fund to provide loans to small businesses. One of the great success stories of this special loan program is World Wide Technology (WWT). WWT is now the largest privately held minority-owned company in the county, with headquarters in St. Louis.

- **International Trade Development** – EDA has been instrumental in helping our region foster international trade through the creation of the World Trade Center St. Louis. World Trade Center St. Louis supports the region's efforts to capitalize on globalization. It promotes competitiveness and generates new business opportunities for regional enterprises in virtually every economic sector.

  - **Midwest-China Hub Commission** – EDA has continued to support our efforts in global trade by providing a federal grant to form the Midwest-China Hub Commission, an initiative to make St. Louis a cargo hub for China's Midwest trade. Since its formation last year, the Midwest-China Hub Commission has made great strides in building and strengthening relations with the Chinese. High-level officials from both the U.S. and China have traveled to China, Washington, D.C. and St. Louis to pursue talks on this important initiative.

- **MET Center** – Through EDA funding, St. Louis County was able to build The Metropolitan Education and Training (MET) Center. This high-tech, hands-on facility trains displaced and disadvantaged workers. It provides hands-on training for area residents to enhance their skills and enter the workforce. The goal is to connect these workers with meaningful jobs that lead to lifelong careers. The MET Center is centrally located on the MetroLink light-rail corridor.

- **Technology & Commercialization** – EDA has enabled our region to maintain competitiveness in technology and commercialization among other regions in the

country. The creation of the Center for Emerging Technologies provides the specialized facilities, knowledgeable support services, entrepreneur training programs, and access to capital needed to establish and develop next generation medical and other advanced technology companies. The soon-to-open Mid-County Plant Sciences Incubator, which will assist in bio-fuel development, is strategically located next to the Donald Danforth Plant Science Center. Both are at the cutting edge of plant and life science innovations, which ultimately creates jobs and economic development for our region.

Now I would like to review how EDA has been able to assist communities through the American Recovery and Reinvestment Act.

The Role of EDA and ARRA Grants: Case Studies

The American Recovery and Reinvestment Act has been vital to countering the economic downturn in the nation, while investing in the economic engines of the future. Regions throughout the country received federal Recovery Act funds to aid their struggling economies. EDA has played a crucial role in effectively deploying ARRA funds to buffer the effects of the recession and spur economic growth.

EDA's ability to respond effectively and obligate its entire ARRA appropriation in a timely fashion is due in no small measure to its long-time partnership with key entities engaged in economic development and its strong regional networks.

According to agency performance data, EDA had awarded 68 ARRA investments totaling $147 million before the end of the 2009 fiscal year. This sum was matched by local funds in excess of $91 million. Most impressively, these 68 projects leveraged $5.9 billion in private sector participation and will lead to an estimated 31,422 jobs being created or saved.

The breadth and depth of EDA ARRA investments embrace the core aspects of economic development strategy, from ensuring that our economy has the necessary tools for successful innovation such as, investments in research and development to human, physical, and technological investments and the support of an environment that is ripe for entrepreneurship.

The following case studies of EDA ARRA investments range from basic public works projects such as infrastructure in a rail park in the Panhandle of Texas to an advanced Digital Media Center in Santa Cruz, California; an expansion project for the Georgia Ports Authority in Savannah; a University Bioscience Park in Arizona; a micro-loan program in Chicago; a food incubator in rural Vermont; and a technology incubator facility in northeastern Pennsylvania. The cases will demonstrate the flexibility of EDA investments to meet the needs of distressed communities in urban and rural regions, their ability to leverage private-sector engagement, and their strategic value for stimulating long-term regional economic transformation.

- **$3.3 Million to the City of Levelland, Texas**

In June 2009, a $3.3 million EDA Recovery Act grant was awarded to the City of Levelland, Texas to provide infrastructure improvements needed to expand the Levelland Industrial Rail Park in order to create jobs and generate private investment in the region.

Levelland is located 40 miles west of Lubbock. Its economy is based on oil and agriculture production. Due to the instability of these main segments of its economy, the leaders of Levelland developed a plan to assist locally based businesses in reaching wider national and global markets. Central to that plan is the development of a rail-served industrial park that will allow easier, less expensive access to those markets. The community has received commitments from three firms to establish operations in the area and two other firms have expressed interest in the park. If all goals are met, private sector investment will be up to $100 million and an estimated 1,000 jobs will be created over a 10 year period. The project is expected to generate 75 – 100 jobs over the next year alone. For a community with a per

capita income of $18,779 (versus a U.S. PCI of $26,178), the potential impact is very significant in the short- and long-term.

EDA's $3.3 million will leverage an additional $5.5 million from the City of Levelland, Hockley County and the Levelland Economic Development Corporation (LEDC). Through these collaborative efforts, the community will expand the existing park by 114 acres for a total of over 200 acres of rail served property. Ground was broken on the infrastructure for the park last October. Water, sewer and rail lines are currently under construction.

This project would not be possible without EDA. Alternative funding was not available, and the project may have taken five to 10 years to complete without EDA's assistance. In addition to the quantitative benefits, local officials have remarked that the project has also brought hope to the community, and generated interest for future private investment.

- **$2 Million to Georgia Ports Authority, Savannah, Georgia**

In August 2009, $2 million in Recovery Act funds were awarded to the Georgia Ports Authority to support the Container Berth Realignment Project at Savannah.

The Container Berth Realignment Project enhances the port's service capacity by increasing the number of containers that can be managed and maintained at the Garden City Terminal in Savannah. Notably, it expands the port's capacity without expanding its footprint, allowing the port to accept more cargo business from around the globe and increase the competitive advantage for the entire southeastern US.

This project will incorporate advanced technology and world-class best practices in implementing an innovative systems approach to port operations that realigns how containers are stacked by using new state of the art equipment. By creating jobs for the Savannah metropolitan area and the entire 10-county coastal Georgia region this project is essential to helping the area sustain its competitive advantage during the economic downturn. This

investment is part of a $5 million project that will create 590 jobs at 15 companies – in logistics, distribution, warehouse, and trucking - and has generated $59.4 million in private investment.

- **$800,000 to ACCION Chicago Micro-loan Revolving Loan Fund, Cook County, Illinois**

In August 2009, EDA awarded an $800,000 grant in Recovery Act funds to ACCION Chicago for a micro-loan Revolving Loan Fund (RLF) to serve Cook County. In Cook County, 88 percent of businesses are micro-enterprises and employ more than 17 percent of the local workforce. Given the turmoil in the banking industry, this grant was timely, providing access to loans of up to $25,000 to businesses that could not get financing otherwise.

Since the end of August, EDA has disbursed more than $106,000 which has helped to save some businesses from closure while allowing others to expand and create jobs. The investment is part of a larger $1.2 million project that will help to create 144 jobs, save 252 jobs, and generate more than $2.4 million in private investment. ACCION put in a $400,000 local share.

The grant helped to fulfill an EDA objective to implement a program of self-employment for those who lost their jobs during the recession of 2008-2010.

- **$ 4.7 million to the University of Arizona, Tucson's Bioscience Park**

In August 2009, the EDA awarded a $4.7 million Recovery Act grant to the Arizona Board of Regents and the University of Arizona in Tucson to support phase-one development of the Arizona Bioscience Park. The Bioscience Park will join the University of Arizona's award-winning Science and Technology Park and its business incubator, the Arizona Center for Innovation, as the newest element in Tucson's high-tech infrastructure.

The university's new bioscience park will provide a separate facility designed especially for companies working in biosciences, biotechnology, life sciences and pharmaceuticals. Its biosciences facilities will be integrated into a multi-use development, including a hotel and conference center, retail and residential development.

The project is located in the city's depressed central city and will provide the region with a comprehensive facility that will boost workforce training, research and development opportunities, higher-skilled and higher-wage jobs, and private sector investment in the bioscience sector. It will play an essential role in spurring local economic growth, as well as entrepreneurship and innovation in the region, key goals of EDA.

- **$6 Million to Ben Franklin Technology Partners of Northeastern Pennsylvania**

In September 2009, the EDA awarded a $6 million Recovery Act grant to Ben Franklin Technology Partners of Northeastern Pennsylvania to expand Ben Franklin TechVentures, its incubator/post-incubator facility. The $6 million grant will increase Ben Franklin's ability to deliver to early-stage technology companies hands-on support, guidance and connections to key resources during the economic recovery. The construction of the facility's addition will also create jobs in the short term.

The 47,000 square-foot building will accelerate growth and innovation in the region's technology economy as more space becomes available in the expanded incubator/post-incubator facility.

Ben Franklin TechVentures is an award-winning facility on Lehigh University's campus that stands as a leader in Pennsylvania's tech industry, providing space and expertise for the businesses of the future. The project fosters a favorable business environment for high-growth companies and advances the role of market success through technology, ensuring cutting-edge industry in the Lehigh Valley and boosting economic recovery for the state.

The grant helps both Ben Franklin Technology Partners of Northeastern Pennsylvania and EDA achieve the goals of developing early-stage, technology-oriented companies, helping established manufacturers creatively apply new technologies and business practices, and promoting an innovative community-wide infrastructure.

- **$4.7 Million to Santa Cruz Redevelopment Agency, California**

In September 2009, the EDA awarded a $4.7 million Recovery Act grant to the Santa Cruz Redevelopment Agency for a Digital Media Center – a non-traditional business incubator at the Tannery Arts Center – in order to stimulate construction jobs and provide long-term high-tech opportunities. The funds will be used to renovate the Tannery's Tanyard and Beam House buildings to create digital media work spaces that companies can lease.

The grant boosts private investment in the Santa Cruz region by providing entrepreneurs in the digital media field with the space and technical assistance they need to grow and create new higher-skill, higher-wage job opportunities.

The Digital Media Center will promote entrepreneurship and innovation and spur the development of the region's media production industry and help the region retain talent. Without EDA funding this project would not have come to fruition. The community had secured private funding for the project however when the economic downturn hit private financing dried up, putting the project on the shelf. EDA filled the void and provided the necessary funding, allowing the project to go forward. The project will generate an estimated 175 – 200 jobs.

- **$1.5 Million to Northern Enterprises, Inc., of St. Albans, Vermont**

In September 2009 EDA awarded a $1.5 million Recovery Act grant to Northern Enterprises, Inc., of St. Albans, Vermont, to help build a food incubator facility to serve the northern part of the state. The grant will help to fund construction of a publicly-owned and FDA-licensed food business incubator to serve entrepreneurs and provide culinary packaging resources to other local firms.

The incubator will foster both the agricultural and tourism clusters in rural Vermont. It is expected to spur private investment in the region by providing office space and technical assistance to grow food-related entrepreneurial ventures. It will additionally enhance

Vermont's agriculture-based and food-based economy, and providing new opportunities to entrepreneurial Vermonters.

This investment is part of a $1.875 million project that will help create 25 jobs and save 22 jobs, while providing critical tools for the long-term transformation of the regional economy.

- **$4.5 million to the Illinois Institute of Technology in Chicago**

In September 2009, the EDA awarded a $4.5 million Recovery Act grant to the Illinois Institute of Technology (IIT) in Chicago to help refurbish an existing building at the Institute's University Technology Park for use as a life sciences business incubator with wet and dry laboratories.

The project will support the region's competitive strengths in biotechnology and related clusters, building upon private investment in the Chicago region and enhancing the university's efforts to create good paying jobs in the community.

IIT's leadership comprise strong advocates of the economic vitality of the South Side Chicago community, where they are located, and the grant makes it possible to continue upgrading the work environment that supports a creative team of professionals focused on the nation's national security and research interests.

This investment is part of a $6.48 million project that will help create 370 jobs and generate $17 million in private investment in an urban neighborhood.

The Importance of EDA Reauthorization

The Economic Development Administration has earned a robust long-term reauthorization. EDA has leveraged over $130 billion in private-sector investment and helped create more than 4 million jobs in its 45 years of its existence. Each public dollar that EDA invests attracts an average of $26 in private capital investment. EDA has proven itself as an effective and valuable

partner for economic developers, a successful stimulus for private investment and has shown time and again that it can be trusted to move large amounts of funding in an efficient and judicious manner.

Although EDA has been a key player in economic development it has not always received the recognition it deserves. When companies move offshore, when industries change, when military bases realign, and when disaster strikes, EDA is there to help communities rebuild stronger than before. From short-term dislocation to long-term economic restructuring, EDA serves as an instrumental resource for community revitalization. No other federal agency can fill the role of the Economic Development Administration. It is the sole agency charged with leading the federal economic development agenda.

While EDA has always been a critical player, the current leadership staff contains the right people at the right time. Faced with the arduous task of leading the federal economic development effort in the midst of the most severe economic downturn since the Great Depression, EDA has boldly risen to the challenge. Not only are they doing the day-to-day work of assisting communities, they are also listening. They are responsive. They are engaged. For the first time in a long time, communities have a true federal partner in economic development.

Assistant Secretary John Fernandez knows economic development from both the public and private perspective. As a former mayor, he knows exactly what it means to a community when a large employer closes, leaving over a thousand employees without a job. He's done the hard work on the ground, fighting to improve the quality of life in his community. We are extremely pleased that Assistant Secretary Fernandez is at the helm of EDA.

Deputy Assistant Secretary Brian McGowan has served communities as an economic developer for over 15 years. He has been active in advancing the profession, serving on the board of the California Association for Local Economic Development (CALED) and holding a membership with

IEDC while working for the State of California. Deputy Assistant Secretary McGowan knows first-hand the challenges of economic developers across the country.

From an economic developer's perspective, it is quite refreshing to see professionals with real-world economic development experience leading EDA. While it may seem self-evident that having economic developers lead EDA is a good idea, this was not always the case.

The leadership at the Washington, D.C. office is aided in its mission by a strong network of regional offices with direct experience dealing with the economic realities of their regions. Out in the field, the regional staff is the face of EDA; they are the partners on the ground. The six regional offices direct most of EDA's assistance and interface with local economic development professionals on the ground. The regional staff works tirelessly to find creative ways to meet the economic development needs of the communities in their regions. Enough cannot be said about the value of EDA regional staff.

Recommendations for Reauthorization

IEDC recommends a robust, long-term reauthorization of the Economic Development Administration and that the committee considers the following points for reauthorization legislation:

- **Increase funding**

The perilous economic state of the country demands greater resources for EDA however this has not been case. In the Recovery Act, EDA received $150 million, which is less than one percent of the $275 billion allocated in the legislation for grants, loans and contracts. While EDA did receive a $21 million increase from FY2009 to FY2010, the president's FY2011 budget requests a $7 million overall decrease in EDA funding, including a $9 million decrease in Economic Development Assistance programs and a shift away from public works. We understand that the administration and Congress must make tough choices in the face of a

tough budget climate; however diminishing EDA's resources at a time when communities need the agency the most is counterproductive to fostering a strong economic recovery.

In November, the Senate Committee on Environment and Public Works passed the Economic Revitalization Act of 2009 (S. 2778) which calls for the reauthorization of EDA through 2013 and appropriations of $500 million per year. We fully support a similar level of funding in reauthorization legislation from the House.

In December, Chairwoman Norton and Congressman Carnahan signed a letter supporting $500 million for EDA in a House jobs bill. We commend the Chairwoman and Congressman Carnahan for their efforts in this endeavor, and their astute recognition of the vital role that EDA plays in job creation. We are hopeful that any final jobs bill that Congress passes will follow their leadership.

- **Augment staff**

While the EDA has strong leadership in place, it currently lacks sufficient staff to fully meet its mission and its potential. Over the past several years, the EDA has experienced severe personnel reductions and this matter needs to be rectified. We recommend that EDA get a significant increase in resources for competent, dynamic staff. After receiving a $5 million increase from FY2009 to FY2010 for salaries and expenses, the president's FY2011 budget only requests little more than $2 million for salaries and expenses. Again, we recognize that the administration and Congress must make tough choices, yet providing support for EDA staff is providing support for communities. The extent of EDA's ability to assist communities rests squarely upon the capacity of its staff. A more robust staff will lead to expedited application processing and vital funding getting to communities more quickly. The capacity of EDA's staff has a direct impact on the economic vitality of communities across the country.

- **Position EDA as the lead organization in economic recovery following disasters**

EDA should be officially designated as the lead agency for economic recovery following a disaster. FEMA is the lead agency for emergency management but is statutorily prohibited from engaging in economic development. The primary focus of EDA is responding to all forms economic recovery – from disasters to dislocation. EDA has decades of experience working with the private sector as well as a comprehensive perspective of economic development on local, regional, and national levels. In the work that IEDC has done on disaster recovery, members and clients have overwhelmingly remarked that EDA is one of the best federal agencies to work with. EDA understands the private sector better than most federal agencies, and the flexibility of EDA disaster funding has proven very helpful to economic development professionals working out in the field. Reauthorization should include designation of EDA as the lead agency for economic recovery, just as FEMA is the lead agency for emergency management. We recommend that Congress appropriate additional funds as necessary for EDA to carry out this charge.

- **Review the definition of "distressed"**

The criteria for classifying a community as distressed needs to be reviewed to ensure it is up to date with today's economic realities. The national economy is experiencing a seismic shift therefore traditional notions of "distressed" may not be as valid today as the day they were created. The economy also shifts rapidly, and regions may fall into distress even though recent numbers may not demonstrate it. With the economic downturn impacting a significant percentage of communities in the country, the definition of distress should be re-examined to ensure that communities that need EDA's help are able to receive it.

- **Ease match requirements**

The requirements for communities to provide matching funds in order to receive EDA funding should be lowered or waived during the current economic crisis. A grant matching requirement is very good method for holding communities accountable however, given the severe economic problems facing the nation, communities that need EDA's help the most may not be able to

marshal the resources necessary to produce the match. Such instances are counterproductive to economic recovery.

- **Continue support for regional initiatives**

We believe EDA can play a unique role in fostering regional engagement, and we are very pleased with the new Regional Innovation Cluster Initiative. Parochial boundaries can serve as false impediments to economic development. Municipalities of all sizes do not sit isolated from the economic conditions around them. Cities, counties, and towns too often compete with each other when the more significant competition may be thousands of miles away. Regional competitiveness is increasingly important in the global marketplace. Because EDA funding is competitive, it can strongly encourage multiple regional actors to work together. The agency's experience on the local, regional, and national level can be a great resource for communities to become more self-sufficient through regional cooperation. EDA's capacity to promote regional economic development should be supported in every way possible.

Conclusion

EDA is an invaluable partner in economic development. On behalf of the International Economic Development Council and communities around nation, we express our strongest possible support for the Economic Development Administration. We urge the committee to swiftly complete reauthorization with all of the robust resources that EDA deserves. We look forward to a continued partnership with EDA in making our communities and country stronger and more competitive.

In these difficult times, it's all about jobs, jobs, jobs. Economic development means jobs for our communities, and EDA is our strongest federal partner in creating jobs and opportunities for our citizens. Once again, we thank you for the opportunity to present our testimony before the committee.

Testimony by

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before the

United States House of Representatives Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings, and Emergency Management

February 25, 2010

Introduction

Chairwoman Norton, Ranking Member Diaz-Balart, and members of the Subcommittee, thank you for this opportunity to testify on behalf of the Economic Development Administration (EDA).

When I got the call from Secretary Locke to lead this agency, I was excited—not just by the chance to serve, but by the chance to serve in this way. I knew that President Obama and Secretary Locke were determined to renew American innovation and redefine economic development. As a former mayor, I have seen first-hand that development does more than improve bottom lines: it changes lives.

The EDA was an important partner with me and my community in Bloomington, Indiana when we faced the closing of a major consumer electronics company. EDA helped make it possible for us to collaborate with public and private sector partners to develop our strategy and implement it.

And now, as the leader of EDA, I am proud of the agency's reputation of fostering sustainable economic growth, cultivating job creation and encouraging innovative solutions that improve local and regional economic development outcomes. EDA's success is due in no small part to its focus on job creation and its flexibility of programs.

EDA's Focus

EDA focuses on economic development by providing unique planning and investment programs to help communities succeed in our global economy.

EDA works directly with local economic development officials through a bottom-up approach that both supports and relies upon a well-established network of local and regional economic development professionals. This collaborative approach results in grant investments that are well-defined, timely, and linked to a longer term sustainable economic development strategy. Linking EDA's investments to a community's strategic economic development plan enables the federal government to better leverage public and private sector investments.

Under President Obama, what Washington has begun to do is to facilitate collaboration, providing a framework for that discussion among all the stakeholders, to turn every region's vision into a new economic reality.

These innovative regions are not confined to any one part of the country. You can find them all over the map. We see this approach as the key to successful and sustainable economic growth in the 21st century by linking large and small, and urban and rural communities.

EDA's Flexibility

EDA advances regional approaches through both its planning program and its funding priorities for implementation grants. EDA's flexible program portfolio and organizational structure allows the agency to customize federal assistance in ways that offer the most effective investment to help communities succeed in our global economy.

Rather than a one-size-fits-all approach, EDA can fund customized solutions developed by our local partners ranging from traditional infrastructure investments, revolving loan funds, planning grants and other resources. By quickly responding to the often changing economic needs of the communities with which we work, EDA is able to help speed the transition to a more entrepreneurial, innovation driven society.

For example, EDA provided a $2 million Economic Adjustment Assistance investment to Renton, Washington to mitigate the economic impact of the loss of Airbus manufacturing jobs due to corporate restructuring. The investment supported the redevelopment of a 46-acre mixed-use commercial site for businesses focused on commercial services, high technology and life sciences which have helped to diversify the regional economy. The grantee estimates this helped create 2,500 jobs.

EDA also invested $925,000 to the Institute for Advanced Learning and Research (IALR) in Danville, Virginia to support the establishment and operation of a Technology Commercialization Team for Southside Virginia. The Team works to connect IALR research programs with entrepreneurs, small businesses, capital sources, and business assistance programs to promote the commercialization of technology for the start-up and

growth of high-tech, global businesses in the region. EDA's assistance to IALR has aided in the start-up or expansion of 30 companies through successful technology commercialization, which is promoting greater economic diversification for the region.

EDA Moving Forward

EDA is an integral part of the Administration's efforts to implement a new national innovation policy. A few months ago, the White House announced a blueprint for this new agenda, and the importance of long-term growth strategies and collaboration are at its core, providing a framework for discussion among all stakeholders. This collaboration will help regions assess their competitive strengths, design a strategy to bring together the technology, the human capital, and the financial capital it will take to compete, and to provide seed money for turning a region's unique strategy into reality.

That approach has already been reflected in the President's decision to direct a substantial amount of Recovery Act funding toward green and blue jobs, next-generation infrastructure, and education. Investment in these areas is putting people to work today—and just as importantly, it will create a virtuous cycle of investment, innovation, and job creation for tomorrow.

While many people perceive innovation and entrepreneurship to be the property of urban centers and focused on cutting edge new technologies, EDA is proving that this is not the entire story. Our projects reach every region and every segment of the population, from those with GEDs to those with PhDs. In the Great Plains, communities are adding

thousands of jobs thanks to the new wind power industry. I just returned from a visit to Duluth, Minnesota, where community colleges are partnering with the region's growing aircraft manufacturing industry. In Blacksburg, Virginia, the local science park is attracting an average of twenty new companies a year to a distressed Appalachian region.

In addition to these current programs, EDA is evaluating several proposals that have been generated internally and that come to us from our stakeholders. These include:

- Broadening permitted uses of public works funds; ;
- Enhancing EDA's tools and resources to provide economic development policy leadership; and
- Expanding access to capital through EDA's Revolving Loan Fund program.

The EDA is uniquely positioned to, and does, provide national economic development policy leadership at this critical time in our country's history. As I have traveled around the country, I repeatedly hear concerns about access to capital. EDA's Revolving Loan Program has been an essential financing tool in many communities, ensuring many small and medium size businesses' ability to successfully grow. As an example, EDA funded Worldwide Technologies, Inc. (WWT), a business incubator that provides technology products, services, and supply chain solutions to customers around the globe. WWT has grown from a small startup to a world-class organization approaching $3 billion in revenue and over 1,000 highly trained employees. WWT continues to achieve consistent financial growth and provide our partners with uncommon strength and stability. Today,

we know that early stage capital for new companies has become increasingly difficult to secure. We believe that EDA's Revolving Loan Program has the capacity to help address this critical challenge.

Infrastructure remains a critical part of regional innovation strategies. In particular, incubators, proof of concept centers, and science and research parks are part of this 21st Century infrastructure. EDA has invested in numerous incubators and provided support for research parks. Moving forward, we are considering options for strengthen EDA's capacity to accelerate such investments.

EDA Reauthorization

EDA's reauthorization presents a unique opportunity to modernize and improve the agency to meet the challenges of the new economy. This summer, EDA will celebrate the 45th anniversary of enactment of the Public Works and Economic Development Act of 1965. Throughout its existence, EDA has partnered with America's distressed communities to combat long-term economic decline and respond to the "sudden and severe" economic dislocations caused by the loss of a major employer or natural disaster. The Department of Commerce and the EDA are looking forward to working with the Administration and the Congress to ensure passage of reauthorization legislation this year.

Conclusion

We are extremely proud of the role that EDA has played for the past 45 years in creating strong and sustained economic growth in regions across America. However, as the world changes and our global economy grows more complex, EDA must reinvigorate itself to rise to these new challenges. Reauthorization presents a window of opportunity to allow EDA to align its priorities and program structures to improve the competitiveness of American communities. The enormous challenges we face today require a deliberate effort to ensure that EDA works even more effectively to help American communities compete in the global marketplace. As the President points out, we need to do more than get America back on its feet. The goal of EDA is not only to usher in a new expansion, but to make sure it is more enduring, rewarding, and broad-based. EDA stands ready to play its role in achieving that goal. Chairwoman Norton, Ranking Member Diaz-Balart, and members of the subcommittee, thank you for inviting me to testify on EDA Reauthorization. I look forward to answering any questions you may have.

Testimony to:

The Subcommittee on Economic Development, Public Buildings and Emergency Management

of the

Committee on Transportation and Infrastructure
U.S. House of Representatives
111th Congress

February 25, 2010

From the:

DELTA REGIONAL AUTHORITY

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Delta Regional Authority -- Testimony

Good afternoon.

Chairwoman Norton, Ranking Member Diaz-Balart and members of the Subcommittee, we are grateful for the opportunity to testify on behalf of the Delta Regional Authority ("DRA" or "Authority"), specifically regarding:

1. Use of ARRA Funds in Economic Development and

2. Future Plans to Continue Strengthening our Nation's Foundation -- Job Growth and Sustainable Regional Economies Through EDA.

Before I commence, please let me introduce myself. I am Chris Masingill and have served as Director of Intergovernmental Affairs to Arkansas Governor Mike Beebe since January 2006. Additionally, and also since January 2006, I serve as Governor Beebe's "designee" and "alternate" to the Delta Regional Authority. As you know, "designee" is the legal designation in DRA's statute for the person, who in the absence of his governor, has the same rights and responsibilities of his governor; whereas the "alternate" handles his governor's day-to-day DRA business. I am pleased to work in both DRA roles on behalf of Governor Beebe.

I would like to add, though, I was a student of and working partner with the Authority even before this tenure, as I was a special projects assistant in Senator Blanche Lincoln's office, when late in 2000, I was able to see firsthand, her work in the creation of the Authority.

And even more so in the years between 2001 and 2005, when I was district director to Congressman Mike Ross, in Arkansas's 4th Congressional district; a district squarely in the heart of the DRA footprint. Those years, in particular, I worked very closely with the Congressman, local elected leaders and economic developers to put together and secure funding for the very worthwhile projects so necessary for the people in our district. I am glad to report we were successful on several occasions, and the district is better for it.

As for our region, while culturally rich, we have suffered from some of the greatest poverty in our nation, as in too many areas and by any objective measure our education attainment levels are too low, too often our community infrastructure is old and decrepit, our health outcomes -- from birth onward -- impede the best development of our human capital and lastly, the placement and use of technology is, clearly, more from the last century than the present.

Accordingly, the Delta Regional Authority was created by Congress in December of 2000 and was actually one of the last bills signed into law by President Bill Clinton. This independent federal agency, the first of its kind created in almost 40 years, was to become a federal-state-local nexus for economic development in this part of the country.

The purpose of the Authority was simple -- to help reduce and mitigate the poverty so pervasive throughout the region. Our tasks are equally straight-forward, as we were to reduce

fragmentation and duplication of development services, serve as a regional planner and coordinator -- working with and reporting to other development agencies -- again, at all three levels of government, and administer a Congressionally funded federal grant program which would concentrate on transportation and basic public infrastructure (now including information technology), business development which emphasizes entrepreneurship, and job training emphasizing existing educational institutions.

While in a minute I will outline several DRA initiatives, I need to provide you a clear and succinct report of where, what, and how our federal grant program has performed, since our beginnings in 2001.

In our eight grant cycles, the Authority has invested some $74.6 million of its appropriation into 510 projects, and in turn, leveraged almost $354 million in other government funds (a 4.75 to 1 ration).

Please remember, that in Congress' wisdom, DRA funds can be used to increase the federal participation in a project, effectively serving as the state or local match. When initially conceived, given the dearth of local investment funds available, it was thought the DRA would be primarily be the "first-dollars in" or "all-the-dollars in" projects. However, with eight years of experience now, we know that our funds tend to be the "last-dollars in" -- the final investments needed to change a project from a "no go" to a "go", the leverage needed to commence and complete a project.

More importantly, though, DRA funds and those of our partnering agencies combine to create climates of opportunity, thereby attracting the private-sector investment to create and/or retain jobs in a sustaining environment. Specifically, such private-sector funds invested and being invested total more than $1.5 billion, which is a ratio of 20.1 to 1, private dollars to DRA dollars.

That means, in an overall eight-year context, investments made and pledged total almost $1.9 billion, with an overall ratio of 25.5 to 1.

What are these dollars delivering to the region? Since the inception of DRA's federal grant program, 294 projects have been completed with the following results:

- 5,472 jobs created,
- 5,313 jobs retained,
- 11,860 families received improved water and/or sewer and
- 3,315 individuals trained for jobs.

Further, DRA now has 140 projects which are active with projected outcomes including:

- 22,587 families who will receive improved water and sewer,
- 13,992 jobs which will be created,
- 9,455 jobs which will be retained and
- 589 individuals who will be trained for jobs already committed to the Authority.

I might add that most of our "active" projects cited above include a "participation agreement" between the grantee and the Authority, such that if the outcomes promised by the grantee do not materialize, then the DRA will require the pro rata share of that shortfall be remitted back to the DRA. In other words, if a grantee promises 10 jobs will be created and only 6 are produced, then the grantee will have to re-pay 40 percent of its grant back to the Authority.

At DRA, we think the keys to successful economic development outcomes include:

- Within an overall region-wide context, a better alignment and coordination of local needs to available resources, which DRA does through its own program of annually training the local development districts (LDDs), who serve as the Authority's front-line project developers. Simply stated, every year, DRA takes the steps necessary to ensure local developers know where the Authority is going, how it plans to get there, and what it plans to fund. Further, the DRA subsidizes LDDs' technical assistance to local project development as well as preparation of successful pre-applications for DRA grant assistance.

- Supplying local economic developers and community leaders -- both formal and informal -- with the tools, the data, the direction for investment to ensure the knowledge of such is deep and broad. This process is especially necessary as many of our rural areas struggle to know and understand what the federal agency opportunities are and how to succeed in capturing them.

- DRA complements its training and local capacity-building regimen through its:

  - "Regional Development Plan II" -- which is the Authority's plan to strengthen and help save both the small rural towns within our region and also the larger towns, those with the "critical mass" to help them elevate themselves and their surrounding areas, as we concentrate on improved digital and physical connections, a healthier workforce and attracting new residents to our region.

  - "iDelta" broadband plan for the region, how our communities can reduce the technology deficit between themselves and the rest of our nation, how to better develop this infrastructure so vital to education, to businesses and to families. Through this plan and USDA funding, as example, DRA is about to provide free, wireless broadband service to one of the Delta's poorest counties. Our next step is to expand that coverage to surrounding counties and even into another state.

  - "Multi-modal Transportation -- Assets, Needs and Recommendations" is the Authority's report to Congress and the Administration that we presented in 2008, which is helping to form the basis for more localized transportation, logistical and distribution development, and within a more-regionalized context -- almost 600 community leaders in 17 meetings throughout the region, added to our development of this report.

  - And, as our region traditionally maintains some of the nation's lowest health outcomes and therefore maintains one of the least healthy workforces, clearly retarding economic

development efforts, our "Healthy Delta" initiatives work to improve health outcomes throughout all cohorts -- age, race and gender cohorts, as we:

- Combine with USDA to fund three, multi-county diabetes mitigation pilot/demonstration programs, whereby we establish -- through service provision -- the direct link between a person's health and their productivity at work and we see those economic and health outcomes.

- Work in partnership with the Department of Defense's "Innovative Readiness Training", whereby communities receive two weeks of free medical and dental care. During the summer of 2009, DRA and DOD delivered free health services to more than 1,300 delta residents in two delta communities (Clarksdale, MS and Haynesville, AL), and in the summer of 2012, we project to deliver service to more than 7,000 delta residents in at least 6 more communities, in three states.

- Work through the State Department's J1-visa waiver program, which we call our "Delta Doctors" program, whereby we have assisted more than 100 foreign-trained physicians to practice for at least 3 years in some of our medically under-served areas

- Are about to initiate a specific "Healthy Workforce" program designed by representatives from all eight states to assist, empower and fund local efforts within self-sustaining context, again, to improve health outcomes in all cohorts -- age, race and gender.

In short, DRA is working to improve local economies in ways they need it done, and that help is certainly not limited to water and sewer projects. DRA works to deliver its outcomes through multiple, flexible, adaptable and timely approaches -- where success can be built on success.

Chairwoman Norton, Ranking Member Diaz-Balart and members of the Subcommittee, the Authority did not receive, so therefore did not use any ARRA funds, from the Economic Development Administration (EDA) or otherwise; hence, I cannot speak further to that question, except, we did partner with the State of Arkansas and some of its ARRA funds to develop a technology center. Our funds were used to procure a facility and the state's ARRA money was used to outfit the facility.

I would like to add, though, since ARRA's implementation, and in the context of DRA's future plans to continue strengthening our nation's foundation vis-a-vis job growth and sustainable regional economies through the EDA, we think the future is very bright. During the past 12 months, the Authority and EDA have worked to enhance our joint coordination and collaboration on economic development matters. Initial conversations have begun between the Authority and EDA's regional offices about emerging projects and endeavors which we think will eventually bring more resources into our region and help provide the better, more-sustaining environment we need, especially in our most economically distressed communities.

Further, during the past 12 months, DRA has worked to better ensure that its programs better synchronize with those in other federal agencies -- EDA included and from our perspective,

maybe even EDA in particular. We have found EDA staff to be extremely accessible and extremely helpful, as they provide us with much-needed insight and counsel. The Authority is ready to participate more broadly and more-often with the cabinet-level agencies.

Specifically, we have learned from EDA, our program and policy priorities are complementary. Like EDA, our focus is on supporting economically distressed and underserved communities; and like EDA, DRA views environmentally sustainable development and support of regional innovation and entrepreneurship efforts as critical building blocks for economic competitiveness in our region and thereby the global economy.

Accordingly, and I would say most profoundly, we have begun a dialog with EDA on how we might more easily facilitate joint projects and collaboration between our two agencies, which in turn would to better enhance the outcomes we need in our region. And from that perspective, we believe our ability to mitigate our region's poverty through improved health and economic outcomes while reducing fragmentation and duplication is now more in hand than ever.

We have appreciated our opportunity to speak with you and appreciate the support of this body.

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TESTIMONY OF LAWRENCE MOLNAR
PRESIDENT, EDUCATIONAL ASSOCIATION OF UNIVERSITY CENTERS
DIRECTOR, UNIVERSITY OF MICHIGAN EDA UNIVERSITY CENTER FOR ECONOMIC DIVERSIFICATION
HOUSE COMMITTEE ON TRANSPORTATION, AND INFRASTRUCTURE
SUBCOMMITTE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMEREGENCY MANAGMENT
February 25th, 2010

Madam Chairman, as you consider the lessons learned for the Economic Development Administration (EDA) from its Recovery Act investments and new plans to strengthen economic development through this important agency as your Committee moves forward on reauthorization of EDA, I testify to you today as President of the Educational Association of University Centers (EAUC). The EAUC is the advocacy organization for universities that participate in the EDA University Center Program. I also direct the EDA University Center for Economic Diversification at the University of Michigan (U-M). I would like to note that the members of EAUC also includes universities that have established economic development programs but are not currently funded through the EDA University Center Program.

I am honored to be invited to offer this testimony regarding the performance, contributions, and great potential of what I will call the higher education infrastructure in our country to economic transition, economic recovery, and economic development. States, communities, companies, organizations, and individuals and their families are facing tremendous socio-economic challenges that are in many ways equivalent or greater than those experienced during the Great Depression. In this challenging environment, the higher education infrastructure of universities, colleges and community colleges is underutilized and under-recognized. It has the true potential to provide vital projects, programs, and initiatives that will help to create jobs, generate revenue in the private sector, and drive economic growth.

Nationwide, the university community has responded to, and participated in, initiatives generated by the passage of the American Recovery and Reinvestment Act (ARRA). The stimulus funding has supported not only critical research, but also programs that have great potential to unleash new technologies, products, and processes that will in turn generate private sector revenue and create new, often *green* jobs.

Both EDA University Center Programs, and universities that have economic development programs not currently funded by EDA, have partnered with and assisted other organizations to apply for and receive funding for projects and programs under the ARRA. Examples include the EDA Center at the University of Nevada, which assisted the Metropolis Water Irrigation District in Elko, Nevada by providing data about potential economic impacts of a water project in that region.

Virginia Tech led a team of nearly 20 partners that was awarded $3.8 million to train workers for new, green jobs in the construction industry. This project will develop a green training

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curriculum in local communities hard hit by job losses. The grant is expected to train some 400 workers for these jobs.

At Southeast Missouri State, its economic development group worked with a community action agency to utilize stimulus funding for an entrepreneurial training program targeted at poor rural area. The University's Agricultural Department also assisted in gaining ARRA funding for establishment of an agricultural production cluster.

At my institution, the University of Michigan, we received over $150 million from a number of federal agencies for a wide variety of projects and programs, many of which have practical applications that have the strong potential to create new technologies and processes that will generate new high-skill, high-wage jobs. This is in addition to many research initiatives that are more basic in nature, but over the longer term also have great potential to contribute to growth in the economy and in creating jobs.

One of the initiatives at the University of Michigan funded through the ARRA is the establishment of a DOE-sponsored Energy Frontier Research Center that will explore new materials to better convert solar energy to electricity. The Center will focus both on fundamental research and on designing realistic materials based on this research. Dr. Stephen Forrest, the Vice President for Research at the U of M, recently stated "People at the University have enormous ability to grow new materials at the nano scale and bring new products to market."

At the University of Michigan we have also received ARRA funding to increase our ability to work with companies, many of them in the automotive sector, to help them diversify with new products and new markets, and help them to stabilize and then help them grow. Nearly 24% of the companies that have participated in the program for a year or more have actually added employees and the balance of those companies have an employee count that is down 4%, as compared to the average for Michigan manufacturers of 26%.

One suggestion that I would convey to the Committee is that when federal investments are made for research, especially basic research, that some additional percentage of the total research funding be provided for use as seed funding, to bring basic discoveries to commercialization. Currently, a gap exists between the funding of the basic research and the effort needed to demonstrate commercial applications to develop prototypes which will in turn lead to turning the research investment into a source of new jobs and new private sector revenue. The Small Business Innovation Research program operates in just such a matter, as does the Small Business Technology Transfer program.

As this committee considers the reauthorization of EDA and the nature of the changes or improvements that can be made to make it even more effective in working to strengthen regions and communities and their economies, and to generate private sector job creation, I would like to suggest some modest changes to the EDA University Center Program. In this regard, I represent the belief of the members of our association that these changes would significantly improve the University Center Program nationwide.

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At the current time, there are just over 50 EDA University Center Programs. However, there are eight states and the District of Columbia that do not have University Center Programs. We believe that each state and the District should have at least one EDA-funded University Center. Further, we believe that the program should be significantly expanded over a five-year period to as much as double the number of universities that receive funding for University Center Programs. This would greatly increase the ability of the Higher Education System in the United States to respond to the economic development needs of these states and to contribute to economic recovery, and job creation.

In addition to adding to the number of EDA-funded Centers, the funding level for each center, which has remained at an average annual level of $125,000 for nearly two decades, should be increased. We believe that federal funding for each center should be increased to $250,000 per year, and that the cost-share requirement should be adjusted to 80% federal share and 20% local share, given the severe economic constraints on the higher education system and individual institutions.

Another improvement would rectify a decision made under the previous administration's leadership at EDA which imposed a 'competition' on the University Center Program. The competition resulted in each university center being funded for a three-year period. Following this period, each Center is required to submit a new funding proposal in an open competition, with no assurance that the program would continue. In effect, when each university center reaches the 18-month point in the cycle, the funding is only assured for another 18 months.

This decision established a very unstable environment in which the centers were forced to operate. Economic development projects that often take several years to come to fruition are truncated. Toward the end of the funding cycle, economic development projects may not be a prudent investment with only months of assured funding for the University Center Program in each institution. At a minimum, we believe that a five-year competition cycle is acceptable but we suggest that a peer-review process to evaluate a programs efficacy on a five-year cycle is more productive.

Such a peer-review process was successfully employed for many years. It enabled high-performing programs to continue, provided a feedback mechanism for suggesting ways that programs could improve when necessary, and as a last resort, recommend ending funding for programs that failed to improve performance in a defined period of time. It has also been ten years since the EDA University Center Program has been evaluated either by the GAO or by an outside evaluator. We believe that such an evaluation should be implemented immediately, and that the competition should be suspended until the evaluation(s) is complete.

In addressing another very important point, I wish to convey to you the support of the members of the EAUC, as well as, in my opinion, that of the higher education infrastructure overall, for reauthorization of the EDA. The EDA has a long, well respected, widely acknowledged history, and indeed tradition, of working to address and mitigate economic distress. With the portfolio of programs supporting economic development projects in regions and communities across the nation, EDA is often the first and last resource to address economic distress and dislocation.

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As an example, I will highlight a program in the six-state region served by the EDA Chicago Regional office which includes Michigan, Ohio, Indiana, Illinois, Wisconsin, and Minnesota -- .the EDA Community Economic Adjustment Program (CEAP). My institution, the University of Michigan, leads this program that is entering its fourth year of operation. CEAP works with communities in our region that are suffering from the critically adverse socio-economic impacts caused by major manufacturing plant closures. Most, but not all, of these closures are in the automotive industry sector. We are working with dozens of communities to help them organize, identify critical areas of need and then to access federal and state programs to obtain funding to address the needs of dislocated workers, their families, and their communities. In this effort, we work closely with over 20 Federal agencies and the Presidential Automotive Communities Task Force.

A key characteristic of this program is the collaboration and partnerships that have been established among universities in the region. This component of the program provides the partnering EDA University Center Programs with the support, information, knowledge and tools to follow the CEAP model, and deliver critical assistance in the regions that are served by the partnering institutions. Included in the regional partnership are the University of Michigan, Cleveland State University, Ohio University, Purdue University, and the University of Wisconsin. Universities in the other two states are planned to join the partnership in the next fiscal year.

This multistate, region-wide collaboration means that many distressed communities have access to federal and state agencies and funding that they would otherwise not be aware of or not have the knowledge and experience to access. The program is very well-regarded by the communities and states that it serves. A key component is an Early Warning System whereby we monitor the status of literally hundreds of manufacturing plants in the region and issue an alert when a plant is at risk of a closure and mass layoff. This enables both the CEAP program as well as federal, state and non-profit agencies and organizations to generate a rapid response to address the adverse impacts of the sudden and severe economic dislocation and distress.

The economic security, national security, and global competitiveness of our nation are increasingly bound with the higher education system of colleges and universities in America. The economy of our nation is in a period of transformation from a primarily industrial-based economy to a post-industrial economy. This transformation is creating enormous challenges as jobs are lost in some sectors and regions, and jobs are created in other sectors and regions. It is increasingly essential that the higher education system continue to play an engaged and proactive role in the nation's economy. Helping to mitigate distress, helping communities recover, and creating new opportunities for growth and job creation are just some of the ways that universities remain engaged in moving our economy forward. Increased investment in and support for the nation's higher education infrastructure will yield a positive return for many generations to come.

In closure then, I would like to reiterate the key elements of my testimony today. The EDA is vital to economic recovery and economic development during this current time of challenge and

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as we approach the challenges and opportunities of the future. Speaking for the University Center Program and for the tremendous number of colleges and universities engaged at every level in economic development, it is critical to reauthorize EDA in a timely manner. The EDA University Center Program should be expanded, enhanced, and relieved of the burden of constant counterproductive competition. Universities are vital resources for economic recovery. Job creation and any further stimulus or jobs-related legislation should take the higher education infrastructure into strong account. I thank you for your attention to these issues and hope the committee will consider and incorporate them into your deliberations as you address EDA and its future. I would be happy to answer any questions now or in the future.

Jay Newcomb
President of the County Council
Dorchester County, Maryland
Testifying Before the United States House of Representatives Committee on Transportation and Infrastructure - Subcommittee on Economic Development, Public Buildings, and Emergency Management
Thursday February 25, 2010

Introduction
Chairwoman Norton, Ranking Member Diaz-Balart, and members of the Subcommittee, thank you for this opportunity to testify on behalf of Dorchester County Council and the citizens of Dorchester County Maryland, on the "Lessons Learned from the Recovery Act and New Plans to Strengthen Economic Development".

I would first of all like to voice the county's appreciation for the exemplary performance of the Economic Development Administration (EDA), in their assistance in helping the county spur economic growth and prosperity in the region, as a result of our being awarded the $3,000,000. grant. Ms. Anne Cavalier, our regional representative, and EDA's supporting staff truly personify EDA's mission which is to "lead the federal economic development agenda by promoting innovation and competitiveness, and preparing American regions for growth and success in the world-wide economy, as was stated by Assistant Secretary of Commerce, John R. Fernandez at a previous hearing.

Dorchester County, with its 1,500 miles of shoreline, is one of the largest land/water mass counties in Maryland, encompassing nearly 600 square miles of land and 70 square miles of water. The County-has 790 businesses currently employing 9,460 workers, of which approximately 12 of those businesses employ 100 or more workers. Dorchester County, Maryland has traditionally depended upon food processing, light manufacturing, and high-tech assembly to fuel the local economy before recent downsizings, and increased offshore manufacturing trends that caused a major loss of jobs. Even in times of domestic economic boom, Dorchester County has traditionally lagged behind Maryland's economic growth. Presently the County's unemployment rate is 12.1% (DLLR, December 2009).

Between 2007 and the present, Dorchester County with its population of 30,000 has lost nearly 1,000 jobs. With this EDA grant award, the County will now be able to diversify its industry mix to include value added agriculture, innovative aquaculture, and high-tech manufacturing. We also have existing companies that are working on green initiatives and bio-mass projects. The mixture of historical industry sectors and new high tech sectors that encourage innovation, offer a unique opportunity for our County to attract and train a workforce for jobs of the future.

It is estimated the Technology Park with create approximately 545 direct jobs.

"As a local elected official, I can testify first hand that successful economic development is achieved by investing in local economic, human, and physical infrastructure. The recent 2009 American Recovery and Reinvestment Act Funding (ARRA) awarded to Dorchester County to develop the new technology park will be the catalyst to spur economic growth and prosperity not

only countywide, but also regionally, as the nation begins to recover from the economic downturn.

The use of these funds will serve as a major catalyst for implementing an economic development strategy focused on sustainability, innovation & commercialization, developing a diverse workforce, stakeholder collaboration and career awareness beginning at the elementary school level through high school.

To proactively prepare the youth of our community for jobs of the future, the Dorchester County Council recently approved local funding commitments to build a new Career and Technology Center with an expanded curriculum. This will ensure we "grow our own" industry leaders as well as attract new talent to our County. Additionally, college bound students will have an opportunity to received career training in technology related fields at Chesapeake College, a two year community college located in both Cambridge, Maryland and Wye Mills, Maryland.

With regards to international investment, the County's "Sister County" relationship with Duren Germany has paved the way for private investment opportunities by international companies.

Federal funding has also provide needed resources to create a fiber optic superhighway with off ramps from the NASA facility on Wallops Island through the Eastern Shore and Southern Maryland, and will further increase the potential of the Technology Park's success. In the past the absence of this critical infrastructure has prevented the region from competing for high-tech economic development projects.

Other important variables that compliment the Technology Park include the University of Maryland Center for Environmental Science. The park will provide a location for post graduate candidates who desire to start environmental firms in the region, given our close proximity to the Chesapeake Bay.

Also, the expansion of the Cambridge/Dorchester Regional Airport will further accommodate corporate executives who regularly fly into the region to visit local operations. One of the State's signature conference resorts, the Hyatt Regency Chesapeake Bay Golf Resort, Spa and Marina located in Cambridge, Maryland offer opportunities to bring investors and corporate executives to the region, who will discover the County's business location attributes, and potentially consider locating their business in Dorchester County or the region.

The major lessons learned are without question, the critical importance of stakeholder collaboration with respect to creating seamless partnerships that expedite implementation of a bona-fide action plan.

The administration's and EDA's investment strategy geared toward targeting projects with potential to stimulate job creation and promote regional economic development, has the realistic potential to transform our regional economy Developing technology parks, business incubators, and other investments that spur entrepreneurship and innovation while contributing to sustained economic growth, is a wise investment strategy that could yield expeditious returns.

In Conclusion:
Chairwoman Norton, Ranking Member Diaz-Balart, and members of the Subcommittee, thank you for your time today and for inviting me to speak regarding "Lessons Learned from the Recovery Act and New Plans to Strengthen Economic Development". I look forward to answering any questions you might have at this time.

WRITTEN STATEMENT FOR THE RECORD

MICHAEL NORTON, EXECUTIVE DIRECTOR OF THE
NORTHWEST ARKANSAS ECONOMIC DEVELOPMENT DISTRICT
AND PRESIDENT OF THE
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS
BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT

WASHINGTON, DC
FEBRUARY 25, 2010

Thank you, Chairwoman Norton, Ranking Member Diaz-Balart and members of the subcommittee, for the opportunity to testify today in support of a multi-year reauthorization bill for the Economic Development Administration (EDA), as well as discuss the agency's role in recent stimulus recovery efforts.

My name is Michael Norton. I am the Executive Director of the Northwest Arkansas Economic Development District, headquartered in Harrison. I also currently serve as President of the National Association of Development Organizations (NADO). My professional background includes more than three decades in regional and local economic development, including 20 years in my current position.

The **National Association of Development Organizations (NADO)** provides advocacy, education, research and training for the national network of 520 regional development organizations, including the 378 multi-county Economic Development Districts (EDDs) designated and funded by the U.S. Economic Development Administration (EDA). NADO members – known locally as councils of governments, economic development districts, local development districts, planning and development districts, regional councils and regional planning commissions – are focused on strengthening local governments, communities and economies through regional solutions, partnerships and strategies.

Our nation's regional development organizations manage and deliver a variety of federal and state programs. Based on local needs and priorities, programs may include aging, census, community and economic development, emergency management and homeland security preparedness, GIS, housing, small business development finance, transportation and workforce development. A policy board of local elected officials, along with business, education and citizen representatives, governs and sets the priorities for each regional organization.

The **Northwest Arkansas Economic Development District** is a regional economic development agency serving nine counties (Baxter, Boone, Benton, Carroll, Madison, Marion, Newton, Searcy and Washington) in the northwest corner of Arkansas. The organization serves as a regional planning and development organization under the guidance of both the Delta Regional Authority (DRA) and EDA. In addition to our professional and technical assistance programs for local governments, businesses and non-profit entities, our organization operates an EDA-funded Revolving Loan Fund (RLF), operates the region's Workforce Investment Board (WIB) as designated by the U.S. Department of Labor (DOL), serves as a regional transit provider and operates senior service centers throughout the region.

On behalf of NADO members across the nation, Madam Chair, I would like to thank you and the members of the subcommittee for your support of EDA and its local partners. We appreciate the time you have provided to focus on this highly effective and vital agency.

First, Madam Chair, the members of NADO urge Congress to develop and pass a multi-year reauthorization bill for EDA. In addition, Congress is urged to support a bill that incorporates several changes designed to strengthen the effectiveness of EDA investments in distressed and underserved communities.

As the only federal agency focused solely on private sector job creation and sustainability, EDA is a vital resource within the federal portfolio for distressed communities striving to improve their local economies. Whether it is through infrastructure grants, strategic planning assistance, business development capital or technical assistance, EDA programs are designed to promote economic development in impoverished areas. Most importantly, EDA investments are typically the seed funds or gap financing that make locally-identified projects a reality in the nation's distressed regions.

With hundreds of communities and workers fighting to recover from devastating plant closures and downsizings, natural disasters, and limited access to credit and capital, EDA is becoming an increasingly valuable resource that pays dividends for distressed communities across the nation striving to attain economic stability. EDA is among the most cost efficient and effective federal programs because project investments are vetted through a comprehensive regional strategy process, require local matching funds, and leverage substantial amounts of private sector resources.

NADO believes there are additional policy initiatives and program reforms that, if instituted, could significantly improve EDA's performance in providing cutting-edge infrastructure and economic development assistance in distressed and underserved areas. These include:

1. **Modify local cost share rates for projects in distressed communities**. While the 2004 EDA reauthorization bill did not intend any changes, the agency made significant revisions by regulation to the cost share requirements for distressed areas. It is now much more difficult for distressed communities, especially small urban and rural areas, to meet the revised EDA match requirements. As a result, many regions and communities remain unable to implement the regional innovation and infrastructure projects necessary to support private sector businesses. These changes run counter to the agency's mission of providing seed capital and gap financing to the nation's most economically distressed communities.

2. **Local control and ownership of EDA's nearly 600 Revolving Loan Funds (RLFs)**. EDA's RLF program has the unique distinction of being one of the only federal grant programs that never loses its federal identity. The initial RLF grant and any income and interest derived from it are considered federal

property, indefinitely. As a result, RLF intermediaries are required in perpetuity to comply with costly reporting and audit requirements. Ownership of EDA RLFs should be fully transferred to the local intermediary once all of the initial funds have been loaned out, repaid and fully revolved. This would significantly reduce EDA's management burden while still ensuring local accountability and transparency is maintained. RLF capitalization investments should be treated like a grant to intermediaries, as it is named, rather than a loan program to intermediaries, as it is currently operated.

3. **Implement stronger incentives to reward regional collaboration, partnerships and initiatives among public and private leaders through EDDs.** While the 2004 EDA reauthorization bill established two new performance award programs, these initiatives are very limited in scope and have demonstrated very limited impact. As concluded in numerous international and national policy studies in recent years, federal programs such as EDA need much broader and more aggressive funding incentives to foster regional approaches to economic competitiveness. Congress should build upon the existing set of EDA-designated EDDs to facilitate, support and implement regional development projects and initiatives.

4. **Increase funding for EDA's core programs.** Public works and economic adjustment assistance programs should remain the primary focus of EDA. These includes sustaining and increasing funding and resources for the agency's traditional programs, as well as authorizing additional funding for newer initiatives such as the administration's proposed regional innovation clusters initiative. Funded at roughly $293 million in the FY2010 Consolidated Appropriations Act (P.L. 111-117), the agency's budget has declined more than 30 percent since FY2001. The funding authorization for EDA's core programs should start at the FY2008 level of $500 million and be increased each year to account for rising construction costs, mounting infrastructure improvement needs and increasing global competition. Declining resources for EDA's key economic and infrastructure program translates into fewer jobs created and fewer private sector dollars leveraged in our nation's distressed and underserved communities.

5. **Adjust baseline funding for the EDD partnership planning program.** The 2004 EDA reauthorization law set the mandatory minimum funding level for the EDA partnership planning program at $27 million. This account provides invaluable matching funds for EDDs, Tribes and local communities to pursue regional economic development goals and strategies. The demands on EDDs have increased significantly due to the current economic downturn, as well as new mandates by EDA and the evolving nature of the global economy. The program account should be raised to $34 million to provide additional assistance to distressed regions.

6. **Restore EDA's professional staff capacity in regional and headquarters offices.** Since 2002, the agency has undergone a significant downsizing of its professional workforce. As a result, EDA is starting to experience more difficulties in providing oversight and technical assistance and delays in grant processing. This affects not only the timely delivery of investment resources to distressed communities, but translates into increased costs. The longer communities are forced to sit and wait while EDA reviews and processes applications, reimbursement requests and program extensions, the more expensive it becomes to build and develop the infrastructure necessary to create sustainable jobs. Therefore, we encourage Congress to take actions necessary to maintain and rebuild the agency's six regional offices and to restore the professional career staffing capacity needed at its headquarters office.

Second, Madam Chair, EDA and its local partners have a proven and documented record of exceptional performance and accountability. The agency has developed a strong record in assisting communities that are struggling to overcome both long-term economic challenges and sudden and severe hardships. Through

its full range of program tools, the agency has been uniquely positioned to help areas recover from military base closures and realignments, manufacturing plant closings, natural disasters and declines in natural resource-based industries like coal, fisheries and timber.

Two independent, in-depth studies conducted in the past ten years have concluded that EDA projects have a significant impact on employment levels in the communities in which EDA investments are made. The most recent analysis released by Grant Thornton and ASR Analytics in September 2008 found that EDA's public works program generates "between 2.2 and 5.0 jobs per $10,000 in incremental EDA funding, at a cost per job of $2,001 and $4,611." These are highly impressive returns for any public economic development agency, whether at the federal, state or local level.

The 2008 Grant Thornton study strongly correlates with the 1997 study by Rutgers University and consortium of research partners. This comprehensive analysis found that EDA investments helped the nation's most distressed communities create long-term jobs at an average cost of $3,058 per job and indicated that the number of jobs created typically doubled in the six years succeeding project completion. The Rutgers report underscored that the near-perfect on-time completion of EDA public works projects is directly related to the planning phase that precedes project development and selection, especially the work performed by the national network of EDDs.

Despite EDA's long and documented history of successfully creating and retaining jobs and generating private sector investments in America's impoverished regions, as well as high performance rankings from the Office of Management and Budget (OMB), the agency is continually faced with fewer and fewer resources. Using the agency's performance outcomes in recent years, EDA could potentially help create or retain more than 85,000 private sector jobs and leverage roughly $4 billion in additional public and private sector investments in distressed areas if EDA's annual appropriations were restored to the FY2001 level of $439.8 million.

The numbers above provide a powerful reminder of the impact EDA's resources play in stimulating job growth in distressed communities and that even a relatively small change in funding can make the difference in generating thousands of jobs and attracting millions of dollars in new private investment.

However, job creation and retention figures and private sector leveraging ratios alone do not provide the personal story of EDA's impact in distressed and underserved communities at the grassroots level.

In 2007, the **Kingfield Water District** (Kingfield, Maine) with assistance from the **Androscoggin Valley Council of Governments** (Aurburn, ME), received $750,000 in EDA public works assistance to replace deteriorated pipelines serving a proposed "Poland Spring" bottling facility. The project supported the construction of a 200,000 square foot manufacturing facility built on 315 acres, four spring water withdrawal sites and four miles of pipeline. The LEED-Certified plant opened in 2008 and will eventually employ over 110 people. In 2009, the facility was recognized by Maine Governor John Baldacci as a model of environmentally sustainable development.

The **City of Brandon, South Dakota and South Eastern Council of Governments** (Sioux Falls, SD) received over $750,000 of support through EDA's Global Climate Change Mitigation Incentive Fund for road, storm water and sewer construction to expand the capacity of the Brandon Industrial Park and Corson Development Park. A manufacturer of wind towers, which are used to produce green energy, and four other companies will locate in the area creating 221 jobs and generating $40.4 million in private investment.

In 2003, the **City of Brewster, Minnesota** and the **Minnesota Soybean Processors** worked with the **Southwest Regional Development Commission (SRDC)** to secure $530,000 in EDA funding for the upgrade of the city's wastewater system in order to allow for the construction of a soybean crusher and bio-diesel production facility that would produce 30 million gallons annually of bio-diesel. The EDA funds helped leverage $85 million in private investment and created 60 jobs in a city with a population of roughly 500.

EDA recently provided $2.3 million to the **Eastern Shore of Virginia Broadband Authority** (Accomac, VA) for construction of 66 miles of fiber optic broadband network lines from the NASA Wallops Island Flight Facility to Cape Charles, Virginia. The network will provide high-speed broadband access to support the naval facility and expansion of existing financial, manufacturing, and research and development businesses in the region. This investment is part of a $4.75 million project that will help create 760 jobs and generate $109 million in private investment.

In 2000 through 2001, through the efforts of the **Central Oklahoma Economic Development District** (Shawnee, OK), EDA invested $560,000 to build sewer, water, transportation and fiber optic/broadband infrastructure in the **Okemah Industrial Park** (Okemah, OK). These funds leveraged $2 million in private sector investment and $600,000 in local and state resources, which resulted in the creation of 59 jobs. In 2004, utilizing the EDA-funded infrastructure, a second company, **SERTCO Industries, Inc.**, expanded its operations and created 49 new jobs with an additional $1.1 million in private sector investment. SERTCO is currently undergoing a second expansion within the EDA-funded industrial park, which will be completed this year and will add a minimum of another 40 jobs and result in an additional $800,000 in private sector investment. SERTCO has grown into a multinational corporation conducting substantial business in countries such as Argentina, Mexico, Canada and Pacific Rim nations.

The **Mohawk Valley Economic Development District** (Mohawk, NY) worked with **Montgomery County** to secure $1.6 million from EDA in 2002 to establish the 500-acre **Florida Business Park**. EDA resources were utilized in the site preparation process, including the installation of water and wastewater infrastructure. Several large corporations invested large amounts of capital in the park and expanded their businesses operations there, including **Target, Inc.**, which now owns nearly 300 acres of the park, employs more than 570 and invested more than $111 million. ***Beech-Nut®*** recently acquired 100 acres to build a new production facility that employs 490 people. In total, jobs created by EDA's investment in the park equal 1,100 in this distressed area. EDA's per job investment is roughly $1,570 per job and for each dollar of EDA funding more than $130 in private investment was realized.

In 2004, with assistance from **SEDA COG** (Lewisburg, PA), EDA provided $1.4 million to the **Coal Township Board of Commissioners** and the **Shamokin-Coal Township Joint Sewer Authority** to develop infrastructure for the SEEDCO Industrial Park, which was located on the site of an abandoned coal mine. The park is currently home to Reinhart Food Services who have invested an additional $21 million in the site and currently employ 320 people.

Inadequate public infrastructure remains among the most significant road blocks to economic development in small town and rural America. Without EDA's resources, local governments will fall further behind in dealing with aging systems, meeting the intensifying demands of business and industry, and overcoming mounting construction material and project costs.

EDA and its local government partners' main focus is investing in the public infrastructure and facilities that are not only needed to support the private sector, but also required by businesses and industries to operate

and succeed. Without public services such as water and sewer, access roads, rail spurs or industrial parks, private industry will locate or relocate to places with these essential amenities, whether somewhere else in the United States, or even more frequently, abroad.

Next, Madam Chair, while we remain fully committed to preserving and growing EDA's core public works and economic adjustment programs NADO applauds the administration's efforts to balance the agency's traditional infrastructure investment initiatives with new efforts focused on regional innovation that seek to define and harness 21st Century economic drivers and engines. NADO urges Congress to adopt a balanced approach to these initiatives by supporting the administration's proposals for Regional Innovation Clusters without sacrificing core infrastructure assistance resources that are still desperately needed by thousands of distressed and underserved communities across the country.

The administration's proposed Regional Innovation Cluster initiative focuses on fostering the establishment and growth of systems that can leverage a region's existing competitive strengths to boost job creation. It represents the next step forward in developing sustainable regional economies. As our nation seeks to define its competitive advantage in the growing global marketplace, having an in-depth understanding of our communities' unique strengths and abilities and a strategic plan to position and leverage these attributes is what will ultimately produce the higher-skill, higher-wage jobs desperately needed across this country.

However, many of our nation's small and underserved communities still lack the basic infrastructure in place that would allow them to develop a set of niche strengths and abilities to fully realize the potential the administration's initiative plays in developing cluster-based regional economies.

Throughout its history, EDA has been recognized as a national leader and innovator in the economic development field. Many cutting-edge practices have emerged from the agency's public works and economic adjustment assistance programs, such as business incubator buildings, smart technology parks, eco-industrial parks and the redevelopment of brownfields. Without the financial and technical support of EDA and its local partners, most distressed communities in small metropolitan and rural America would lack the capacity to implement these innovative projects.

Moving forward, we urge Congress and this committee to carefully consider the administration's proposal but with the caveat that any innovative economic system must first have a solid foundation of regional strategic planning, core infrastructure, access to capital and long-term organizational capacity to support it.

Fourth, Madam Chair, the economic development district planning program has proven to be a cost-effective and essential resource for our nation's distressed communities, particularly in small metropolitan and rural regions. This modestly funded yet highly effective program serves as an indispensible tool and critical lifeline for the nation's underserved regions.

According to the Regional Plan Association in its report *Rebuilding and Renewing America: Toward a 21st Century Infrastructure Investment Plan,* "America faces a host of challenges in the coming century. All of which will have profound impacts on the nation's future growth and development. Global economic restructuring, rising fuel and household costs, climate change, deteriorating infrastructure, all require strategies to maximize the nation's continued prosperity, opportunity and quality of life." The report adds that despite "these challenges, though, America is flying blind. No national strategy exists to build and manage the infrastructure systems needed to sustain inclusive economic growth and our competitive position in the global economy."

EDA's Economic Development District (EDD) planning program is the only program in the federal government that invests in regional economic development planning with a specific focus on increasing private sector employment. It is the only program of its kind that allows local government officials and other leaders to collaborate on a region-wide basis to strategically plan for their economic sustainability. Unfortunately, it is only authorized at $27 million each year (the FY2010 Consolidated Appropriations Act provided $31 million). With 378 EDDs, numerous tribal planning partners and other short-term grantees, these funds can only be stretched so far.

For roughly 30 years, the average multi-county regional planning grant for EDDs remained level at about $54,000. When measured in 1970 dollars, the real value is less than $10,718 today. By comparison, that same $54,000 is the equivalent of $272,047 when adjusted for inflation to 2005 dollars. Recently, Congress has provided modest increases in these strategy and project implementation resources, which have allowed EDDs to stretch limited state and local resources farther. However, the demand on EDDs from state and local governments, as well as the business, educational and nonprofit sectors to provide cutting-edge strategic economic development implementation assistance during these turbulent economic times continues to rise dramatically.

Local economic development is an exhaustive, lengthy and continuous process that takes strategic planning, regional collaboration, intergovernmental coordination and sustained organizational capacity and expertise, especially in today's rapidly shifting global marketplace. Through the EDA-required Comprehensive Economic Development Strategy (CEDS) process, EDDs foster regional cooperation, identify regional and local priorities and bring public, private and non-profit sector leaders together to work toward a common vision. All of these are difficult tasks that take significant time, a regional convener with credibility, and organizational capacity and sustainability. EDA's planning program provides the incentives, framework and matching grants to make it all work at the regional and local levels.

Because EDA projects must arise through the CEDS process and be matched by local funds, they consistently prove to be successful. EDA's on-time project completion rate, high rates of leveraging private sector investment and creating jobs at minimal tax payer expense would not be possible without the direct involvement and participation of the EDA-designated EDDs.

As demonstrated in a thorough program evaluation by the Center for Urban Studies at Wayne State University, EDDs have used their annual EDA planning funds to establish an impressive record of facilitating and leading a regional strategic planning process that "provides the critical backbone for economic development planning at the regional level.... EDD activities are both effective and essential to local development." The report adds that "EDDs very effectively use the EDA funding they receive. They have a strong ability to use that funding to leverage funding from other sources to pursue development activities."

The report also found "there is a strong emphasis on capacity building. These activities appear to be extensive and creative, and are well received by constituents within the EDD region." This reflects the fact that the vast majority of the nation's local communities lack the financial and organizational capacity to hire and sustain a professional community and economic development staff. According to US Census Bureau data, 70 percent (or 2,187) of the nation's 3,141 counties have populations below 50,000 while only 954 counties have populations in excess of 50,000. Of the 35,933 municipal and township governments across the nation, 98 percent or (35,195) have populations below 50,000 while only 738 encompass areas above 50,000 residents. Without the capacity achieved through the EDA planning program, the vast majority of

these local governments and communities would lack the ability to pursue professional strategic planning and development activities.

It is important to note that EDDs utilize the planning program for more than just the development of a comprehensive regional strategy for economic development—the program provides these entities with the flexibility and capacity to serve as important drivers and implementers of regional and local projects. By matching the federal share of the EDA program dollar for dollar, local governments are demonstrating their commitment to building the regional and local expertise required to pursue complex development initiatives and projects.

Since EDA's inception, **North Central New Mexico Economic Development District** (Santa Fe, NM) has helped its local partners obtain more than $70 million in EDA grants for infrastructure upgrades, disaster recovery, business lending and strategic planning initiatives across the region, including:

- $100,000 for Los Alamos County to develop an economic recovery strategy after the Cerro Grant Fire in 2000
- $1.2 million for Northern New Mexico College to construct a state-of-the-art facility to train auto mechanics, a major workforce need identified by employers in the region; graduates are expected to earn $31,000 annually in a county where salaries average $25,000
- More than $3.5 million for the construction of the Institute of American Indian Arts (IAIA) campus in Santa Fe, which provided a permanent home for the nation's premier arts institution for Native Americans; the campus now houses 150 students, with 350 students expected to be added by 2010

The CEDS activities of the **Southside Planning District Commission** (South Hill, VA) helped provide Mecklenburg County with the ability to secure over $750,000 in EDA resources to construct the Roanoke River Regional Business Park, which was completed in June 2007. Shortly following the completion of the facility, American Industrial Heat Transfer, Inc. announced its intention to locate in the park and make an $11 million investment. Its facility was completed in June 2008 and employs 85 people in this distressed area.

In 2007, through the planning process coordinated by the **West Florida Regional Planning Council** (Pensacola, FL), the region completed two projects that created significant jobs for this distressed area. First, Escambia County received $800,000 for infrastructure improvements at the Ellyson Industrial Park. As a result, Wayne Dalton Corporation announced plans for a $37 million expansion, which will add 200,000 square feet of space and create 146 jobs. Second, the Santa Rosa County Industrial Park received $800,000 for facility improvements, which has helped attract Hope Lumber, Meltpro and Boise Building Materials Distribution to the facility. More than 225 jobs were created as a result of EDA's investment, which would not have occurred were it not for the CEDS developed by the regional planning council.

Fifth, Madam Chair, we urge the committee to develop provisions that increase the amount of resources for EDA Revolving Loan Fund (RLF) intermediaries to support new business startups and expansions in distressed regions. We also strongly support new provisions to increase local control and autonomy once the initial RLF grant investment has been loaned out, repaid and fully revolved.

EDA's RLF program is one the most successful and powerful economic tools for addressing the credit gaps that exist in many distressed communities, particularly in underserved rural areas. By using limited public funds to leverage private capital, locally managed RLFs have provided business capital to thousands of new and existing companies that have difficulty securing conventional financing. Over the years, EDA has provided grants to nearly 600 RLFs with net assets approaching $850 million.

Capitalized with an EDA grant, RLFs are managed by public and private nonprofit organizations (including EDDs) to further local economic development goals by lending their initial capital and then relending funds as payments are made on the initial loans. Loans are typically used for fixed assets or working capital needs. Organizations are required to demonstrate that an RLF fits their local needs, as outlined in a CEDS and RLF plan.

The inclusion of RLF funds in a business deal usually encourages once-reluctant banks to also participate, since loan funds normally agree to let banks recoup their losses first from the business' collateral in the event of default. By providing such gap financing, loan funds have been instrumental in the growth of companies that otherwise would not have received credit assistance.

The **Omaha-Council Bluffs Metropolitan Area Planning Agency** (Omaha, NE) received $510,000 in EDA grant assistance to establish and capitalize an RLF to serve the business development capital needs in the five counties served by the EDD in both Nebraska and Iowa. The funds will help the region recover from floods which severely affected the area in 2008. The RLF will support innovation by encouraging entrepreneurs to start new ventures and existing businesses to expand profitable initiatives. The program is expected to create over 200 jobs and generate $4.1 million in private investment.

The **South Central Oregon Economic Development District** (Klamath Falls, OR) recently provided a $150,000 EDA RLF loan to Biotactics, a California-based company that produces biocontrols as an alternative to toxic pesticides. The company is expanding into Oregon to take advantage of the Klamath Basin's geothermal heat. The firm is locating in an agriculture industrial park in the region and is expected to employ 32 local workers in this distressed rural area within the first two years. The loan is leveraged within an additional $360,000 in state, local and private funds.

In 2008, the **Arrowhead Regional Development Commission's** (Duluth, MN) EDA-funded RLF provided roughly $300,000 in capital to businesses in the seven-county region, including $100,000 to Superior Thermowood, Inc. The loan was leveraged with an additional $600,000 from the Northland Foundation and Iron Range Resources. The company produces chemical-free, rot-resistant wood products using a drying process developed in Finland. The loan will be used to purchase and install a Finnish-made kiln for the thermal treatment process. The project will yield 11 advanced manufacturing jobs in this rural region.

In 2002, the **Mo-Kan Regional Council** (St. Joseph, MO) provided the Shatto Milk Company with $119,000 in financing to expand from a traditional dairy operation to a value-added niche producer making hormone-free milk distributed in glass bottles. The company has grown from two employees to 13-18 employees, depending on the season. In 2006, the Shatto Milk Company was named the Small Business Administration's (SBA) Small Business of the Year. Since its initial EDA RLF grant of $357,000 in 1990, Mo-Kan Regional Council's RLF has grown to over $2 million and has helped create 726 jobs and retain an additional 414.

Despite the effectiveness of locally-managed RLFs, we firmly believe there are several changes that could be adopted as part of a multi-year reauthorization bill that would improve the performance of the program at the local level. This includes:

- ✓ **Strengthening local control and ownership of RLFs.** EDA's RLF program has the unique distinction of being one of the only federal grant programs that never loses its federal identity. The initial RLF grant and any income and interest derived from it are considered federal property. As a result, RLF operators are perpetually required to comply with burdensome and expensive reporting and audit requirements. Ownership of EDA RLFs should be fully transferred to the local intermediary once all of the initial funds

have been loaned out, repaid and fully revolved. It should be treated like a grant program to intermediaries, as it is named, rather than a loan program to intermediaries, as it is currently operated.

- ✓ **Recapitalizing and broadening the scope of existing RLFs.** Allocate new resources to clear the backlog of EDA RLF capitalization and recapitalization needs. Due to changes in the agency's investment priorities and reductions in headquarters and regional office staff, the agency has cut back dramatically on the number of RLF grants to intermediaries in recent years. This is despite the proven track record of the RLF program in providing vital gap financing to local entrepreneurs and businesses struggling to secure traditional bank financing in underserved and distressed regions. In addition, there is a pressing need to streamline the reporting requirements and expedite the timing of intermediary requests to turnover underused RLFs to those operators in need of new or additional funds. Currently, we understand that most unused RLF money is returned to EDA or the U.S. Treasury and is not re-circulated to other RLFs for relending as authorized under current law.

- ✓ **Creating an RLF Users Advisory Group.** Over the years, EDA has funded nearly 600 RLFs with net assets of nearly $850 million. Since RLFs retain their federal nature in perpetuity, RLF operators must provide regular reports and comply with EDA guidelines forever. However, the agency has experienced significant staff cutbacks, including loss of senior management and program staff with RLF expertise over the past several years. As a result, it has become increasingly difficult for the agency to provide the necessary oversight, management and program innovations needed to keep the program at the cutting edge. NADO urges Congress to require EDA to establish an RLF Users Advisory Group to assist the agency in strengthening RLF program operations, reporting and management; sharing of program innovations and trends; and recommendations for modifying and expanding the use of RLFs to address the evolving finance and technical assistance needs of entrepreneurs and businesses in distressed areas.

Finally, Madam Chair, the members of NADO want to underscore the valuable role EDA plays, through its network of regional and local partners, in helping communities rebuild their economic base in the wake of catastrophic disasters and in creating and sustaining jobs during these times of economic uncertainty. EDA's toolbox of economic development investment resources provide communities with wide degrees of flexibility to tailor strategies to alleviate and overcome a variety of unique economic challenges.

First, the Consolidated Security, Disaster Assistance and Continuing Appropriations Act of 2009 (P.L. 110-329) and the Supplemental Appropriations Act of 2008 (P.L. 110-252) appropriated the agency a combined $500 million to assist communities with economic recovery and relief efforts following federally declared disasters in 2008. We applaud Congress for recognizing the critical role EDA can play in helping communities rebuild after debilitating disasters. Through the agency's support, communities are implementing a variety of initiatives that would not be possible were it not for the flexible resources available through EDA.

In the wake of disastrous floods and storms that struck Missouri along the Mississippi River in 2008, EDA provided grants to the **Boonslick Regional Planning Commission** ($300,000) and the **Southeast Missouri Regional Planning and Economic Development Commission** ($500,000) to recapitalize their RLFs, which will provide valuable gap financing to businesses impacted by storm damage. Combined, these investments will create or retain over 300 jobs and generate $6 million in private investment.

In March, the **Columbia-Pacific Economic Development District** (St. Helens, OR) received nearly $200,000 from EDA to develop an economic recovery strategy in response to December 2008 storms and to mitigate the economic impact of future weather events in northwest Oregon. Given the unpredictable climate of the

area, Columbia-Pacific EDD has worked to improve disaster readiness of the communities in the region. After storms hit the region a year earlier in December 2007 and caused over $130 million in wind and flood damage, the organization worked with EDA to hire a Flood Relief Coordinator/Economic Recovery Manager to work with government agency staff at all levels to coordinate recovery and preparation efforts on an ongoing basis.

In September 2008, to assist in recovery efforts following Hurricanes Gustav and Ike, **Acadiana Regional Development District** (Lafayette, LA) received $500,000 to recapitalize its RLF. These resources **will be used to facilitate business lending for dislocated and impacted businesses and persons affected by Hurricane Gustav throughout South Central and Southwest Louisiana. This has been coupled with an additional $150,000 in EDA resources to support enhanced technical assistance activities to assist in the coordination of recovery efforts.**

Also as part of its long-term economic recovery efforts, the **Acadiana Regional Development District** has received $2.4 million in supplement EDA disaster resources to construct a training, commerce and small business development assistance center. The center will house workforce training for electricians, plumbers and other skilled trade professionals that are much needed in the region for recovery of Hurricanes Katrina, Rita, Ike and Gustav. The project is expected to generate 150 jobs.

The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-05) provided EDA with $150 million to help stimulate immediate and short-term job growth activities. This funding was designed to assist communities with short-term job growth and economic dislocations brought about by recent downturns in the economy. EDA's network of EDDs provided support in the efficient distribution of stimulus resources, which allowed the agency to obligate funds in less than eight months, generating jobs and leveraging private sector resources successfully and expeditiously.

Stimulus projects included an array of community infrastructure assets, including water and sewer systems for industrial and business parks; intermodal transportation facilities and port improvements; job training facilities, business incubators and energy-related upgrades at new and existing industrial parks; and development finance loans for entrepreneurs and businesses struggling to secure traditional bank financing and to access the private credit markets.

Spring Valley, Minnesota received over $785,000 in EDA ARRA funding to construct water, sewer, and road infrastructure to expand the Kasten Farm Industrial Park, which is located in an area that has suffered severely from five major floods between 1999 and 2008. The facility is fully occupied and a planned expansion will create 11 new industrial lots for new companies or expansion of existing businesses. This investment will help create 219 jobs and generate $7.8 million in private investment.

The **Canyon-Owyhee School Services Agency (COSSA)** in Greenleaf, Idaho, with assistance from **Sage Community Resources** (Garden City, ID) received $2.5 million in EDA ARRA funding as part of a $5.1 million project to construct a professional-technical educational training center. Funding will be used to expand an existing facility to over 55,000 square feet and will allow COSSA to provide professional-technical programs that prepare area student for jobs in local industry and help them earn college credit. Through an agreement with College of Western Idaho the center will also provide adult education opportunities. The training provided by the expanded center will allow graduating students in this distressed portion of rural western Idaho to remain in the area and secure sustainable employment.

The **Dartmouth Regional Technology Center** is a 32,000 square foot business incubator owned and managed by the **Grafton County Economic Development Council** and the **North Country Council** (Bethlehem, NH). The center offers education and infrastructure support programs to assist researchers and entrepreneurs in refining business plans, identifying investment resources and providing them with basic business infrastructure and support. The center's current space is occupied, and a significant backlog exists with demand continuing to grow. To prevent new technology companies from locating out of the region, the North Country Council received over $4 million in EDA ARRA resources to double the center's existing space. If funded, the project will ultimately create 330 jobs and numerous short-term construction jobs that will become available immediately, once the project receives approval.

The **City of Kennedy, Minnesota** in coordination with the **Northwest Regional Development Commission** (Warren, MN) received $184,000 in EDA ARRA funding, as part of a nearly $400,000 investment, to purchase and retrofit a defunct school building for conversion into a green business incubator. The city is located in Kittson County which is a small agriculture-based rural county with a population of under 5,000, which has experienced steady population loss since the 1950s. Funding is being used to make the building energy independent through the use of geothermal heat and wind- and solar-based electricity. The primary tenant will be a wind energy developer. The project is a model for making the reuse of older public and commercial buildings feasible by reducing the barrier of high energy-based operating costs. The project is also helping the City of Kennedy and Kittson County diversify its job base and maintain a steady population base. The project will create 65 jobs in the sparsely populated community and generate $1.3 million in private investment.

In addition to providing investment resources needed by communities to overcome downturns in the economy, EDA still continues to play an important role in identifying new and emerging sectors of economic growth, job creation opportunity and cutting-edge economic development practices.

In closing, Madam Chair, the members of NADO offer our strong support for a multi-year reauthorization bill that vigorously preserves EDA's current mission and program focus of helping bring economic opportunities to all of the nation's distressed communities. Through its toolbox of development assistance and investment programs, EDA serves as a vital resource for distressed areas striving to improve their local economies through encouraging private sector job growth.

The agency should retain its historic flexibility to assist all of the nation's distressed communities and regions, whether they are struggling to overcome long-term economic challenges or sudden and severe hardships. In addition, the agency should develop new and innovative tools to allow regions to adapt to changing global economic conditions and challenges, especially new incentives to foster regional collaborations and pursue regional innovation strategies.

Thank you again, Madam Chair and members of the committee, for the opportunity to testify today on the views of NADO and its membership. I would welcome any questions.

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