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# MANUFACTURING CLOSURES IN NORTH LOUISIANA: IMPACT ON SMALL BUSINESSES AND LOCAL COMMUNITIES

## HEARING

BEFORE THE

## COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

APRIL 14, 2009

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ONE HUNDRED ELEVENTH CONGRESS

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# MANUFACTURING CLOSURES IN NORTH LOUISIANA: IMPACT ON SMALL BUSINESSES AND LOCAL COMMUNITIES

**TUESDAY, APRIL 14, 2009**

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
*Shreveport, LA.*

The Committee met, pursuant to notice, at 9:30 a.m., in the Shreveport Convention Center, 400 Caddo Street, Shreveport, Louisiana, Hon. Mary L. Landrieu (chair of the committee) presiding.

Present: Senator Landrieu.

## OPENING STATEMENT OF THE HONORABLE MARY L. LANDRIEU, CHAIR, AND A UNITED STATES SENATOR FROM LOUISIANA

Chair LANDRIEU [In progress]. Our hearing today is looking to provide a snapshot on the impact of manufacturing closures on North Louisiana communities. In South Louisiana, we have the lowest unemployment in Terrebonne Parish at 2.9 percent, and as the Congressman knows, the highest unemployment in West Carroll Parish at 16 percent. Some of the plant closures, as Mayor Hawkins will testify today, for instance, in his town of Bastrop have doubled the unemployment rate of the parishes such as Morehouse. So we range from parishes that have low unemployment and fairly strong and robust economies to those that are really challenged by the economic situation of the country and our region. So the field hearing today is to talk through some of that, and we have asked our panelists to provide their insights for our Committee.

North Louisiana has been especially hard hit, in particular, in the last year alone, with more than 2,000 manufacturing-related layoffs, including Georgia Pacific Plywood in Logansport, 280 employees; General Motors in Shreveport, 422; International Paper in Bastrop, 550; Weyerhaueser strand products mills in Simsboro and Dodson, 185. For communities in this area, a loss of 10 jobs and 20 jobs there, let alone hundreds, it is a serious blow to communities that rely in large measure on these large employers.

The closing of the International Paper mill in Morehouse Parish last year was particularly tough for Bastrop and the surrounding communities. I want to applaud Senator Alexander—Congressman Alexander—my apologies for elevating you to the Senate. Some say the House and Senate are equal branches of Congress. [Laughter.]

Sometimes I disagree with that terminology, the equal branches, the House and the Senate. But Congressman Alexander and the work that he has done to come to the assistance of Bastrop and other communities in his district should be commended. But, again, last month we received word from Pilgrim's Pride that it would be closing its Farmerville facility, 1,300 employees, 260 or more independent growers. Operations in Athens, Choudrant, and Arcadia are challenged.

I want to applaud the State's efforts along with the congressional delegation, but the State and the State Legislature primarily for coming up with an opportunity for a $50 million investment to try to keep that operation moving forward. As I understand it, those negotiations are ongoing as we speak. We are hopeful that that would work out in a positive way, but they are very complicated and difficult negotiations from what I understand. We are very hopeful. I visited the parish just yesterday.

Now, on a more positive note, while we have had some closures that are affecting small businesses—and that is what we want to hear about this morning—there are also some great assets in this community that we will not go into in full detail today, but obviously our forestry industry is the same in north Louisiana for many years, wood products, food processing, auto manufacturing, and the millions—thousands, I should say, of small businesses that are dynamic and expanding. Barksdale Air Force Base, which we just got some exciting news over the last several weeks about Global Strike Command being located right here in Shreveport-Bossier area, bringing an additional 1,000 jobs and opportunities for small businesses to be part either of contracting or indirectly supplying that operation.

Obviously, sustaining in north Louisiana for many, many years, decades, the oil and gas industry. The Haynesville Shale is underway. That development, despite the depressed price of natural gas, which is now about $4, is still going very strongly.

So there are great natural assets, the gaming industry, the riverfront development, but these manufacturing closings are causing a challenge, and all over the country manufacturing closings of large companies are affecting small businesses, and we want to talk about that today and talk about strategies that we might apply to help the situation. And please do not let me forget—and I will submit more for the record—to mention the four universities in this region—UL at Monroe, Louisiana Tech, Grambling, LSU-Shreveport, Centenary College, and Southern University in Shreveport—excellent universities in this region that are really bringing forward to help promote economic development in this area.

Let me also mention the film industry in north Louisiana. I had the pleasure to visit with some of the leading citizens in that area last night, and it is very exciting. The Robinson Film Center typifies how Shreveport is developing, becoming a center for film, music, and art. And, of course, the health care industry sustains the community as well.

Now, this is not a comprehensive list. I do not mean to leave anyone out, but I want the testimony to be balanced. We do have challenges related to these plant closings. We do have some tremendous assets in north Louisiana that we are proud of, and that is

true of every community in America. And our Small Business Committee wants to explore this issue.

But today's hearing will cover these and other important issues, and without further ado, since Congressman Alexander has to leave, I understand, to be the keynote speaker in Monroe, let me now open it up. He needs no introduction, Congressman Rodney Alexander, who is from Quitman, Louisiana, represents the 5th Congressional District. He was first elected in 2002. He knows this district well, having graduated from Jonesboro-Hodge High School and Louisiana Tech University. He also served in the U.S. Air Force Reserves, and he serves now on the Appropriations Committee, the Agriculture Committee, and I can tell you he has been a terrific Congressman for our State and a great partner to me in representing the areas that we share in common. I thank him for his aggressive efforts in many ways.

So we will start with the Congressman, and then we will move to Mayor Glover, the City of Shreveport, who is helping us host this event today. We are grateful. A lifelong resident of Shreveport, Cedric Glover was educated in public and private schools in Caddo Parish. He served as a member of the city council and he was the youngest person ever elected to the council. In 1995, he was sent down to Baton Rouge to represent this community in the House of Representatives and then he was elected mayor of Shreveport, the first African-American mayor to serve in this post.

Clarence Hawkins has been a veteran mayor in our State, serving in public service for over 40 years. He attended school in Laurel and Jackson, Mississippi. He received his degree from Grambling. He worked as a teacher in Morehouse Parish, received his Master's of Education from Northeast Louisiana University. He was elected the 33rd mayor of Bastrop. He served for five terms. He served as Past President in the Louisiana Municipal Association Executive Board.

So we have three outstanding leaders. Congressman, why don't we start with you, and then I would invite the Congressman to join me on the dais for as long as he can stay for the hearing. Thank you.

[The prepared statement of Senator Vitter follows:]

U.S. Senator David Vitter
U.S. Senate Committee on Small Business and Entrepreneurship
Statement and Questions for the Record
April 14, 2009
"Manufacturing Closures in North Louisiana: Impact on Small Businesses and Local Communities"

I would like to thank Chairman Landrieu for holding the hearing in Louisiana, and Congressman Alexander for coming to talk about the impact of manufacturing in the Fifth District of Louisiana. I would also like to thank Mayor Glover and Mayor Hawkins for their leadership and work for Shreveport and Bastrop. They've clearly been outspoken advocates for their communities, and I look forward to continuing to work closely with them.

I am pleased to have the U.S. Senate focus on the importance of manufacturing jobs and economic growth here in Louisiana, and the implications of plant closures in North Louisiana. Louisiana manufacturing jobs are important to rural communities and families, and we need to continue focusing our efforts to prevent closures and job losses. I believe we can accomplish this by helping businesses become more competitive by incentivizing growth, which allows businesses and manufactures the ability to not only retain jobs, but also increase employment.

North Louisiana has faced some serious challenges in the last year with hundreds of jobs lost. After the closing of the International Paper Mill, I was pleased that the delegation did get some help for the displaced employees from Trade Adjustment Assistance Program in the Labor Department. This assistance will help many of those displaced employees receive some assistance and training. Then, the area took another blow as Pilgrim's Pride closed its chicken plant, and I am certainly hopeful that these jobs could be saved with the State's work and help in brokering a deal to help sell the plant. In May, I will continue trying to do what I can to help by holding a Worker Assistance Forum in Farmerville.

**STATEMENT OF HON. RODNEY ALEXANDER, A REPRESENTATIVE FROM THE STATE OF LOUISIANA**

Mr. ALEXANDER. Thank you, Senator, and good morning. I do apologize for having to leave. I need to be in Monroe by noon for a luncheon there. But it is a pleasure for me to be here this morning and to sit with these distinguished gentlemen to my left and who I consider not only to be colleagues but good friends, having worked closely with them over the years. Mayor Glover and I had the opportunity to work together on the Health and Welfare Committee as State legislators, and as you can tell, we are both extremely healthy. [Laughter.]

Mr. ALEXANDER. I have worked with them over the years, and it is a pleasure for me to be sitting here with them. And, Senator, I want to thank you for being here today and thank you for the work that you have done. Thank you for allowing us to work with you on projects that affect not only the 5th Congressional District but the State of Louisiana. And there are many sitting in the audience behind me that I want to thank for their participation, the quick response that we have had. Oftentimes the public is quick to criticize governmental agencies, but we do not do as much as we need to do to applaud agencies when they perform their duties successfully and quickly.

We have had, as you said, some disasters in north Louisiana, especially northeast Louisiana, over the past year. Mayor Hawkins probably as well as anybody can testify to the fact that business has been devastated in his district, but there are many behind us that [inaudible] with your help, Senator. You allowed us to sign on as cosponsors of the letters to [inaudible] from Washington to Baton Rouge to assist in the problems there.

We are not out of the woods, of course. I was glad to see just yesterday the President lifted the travel ban to Cuba. I have been to Cuba. I look forward to the chance that we will open more trade to that country, helping small businesses across the State of Louisiana and across the South. So there are some reasons for us to be optimistic about the future, but at the same time be cautious about the concerns that we have.

As you said, timber and timber-related businesses in Louisiana have driven the State for many years as the number one product. But times change and there is not the need for timber like we have known in the past, and there are some adjustments that have to be made. And it is working with agencies that care about the future that make it easier for us to overcome some of the problems that we have.

But we ultimately [inaudible] for all of us. It can be better for those that come after us, and that is what we are all charged with, is doing what we can to make sure that life is just a little bit better for those who come after us.

Thank you for allowing me to be here, and I just want to say thank you to the people that have allowed me to be a spokesman for them in Washington for the last few years. And we enjoy working with you and look forward to working with you in the future. Thank you.

[The prepared statement of Mr. Alexander follows:]

PREPARED STATEMENT OF HON. RODNEY ALEXANDER

**Manufacturing Closures in North Louisiana:**
**Impact on Small Businesses and Local Communities**

Chairwoman Landrieu, Ranking Member Snowe, and distinguished Subcommittee members:

Thank you for inviting me here today to discuss manufacturing closures in North Louisiana and the impact these closures have on small businesses and local communities. As the economy continues to sink further into a recession communities in North Louisiana are suffering greatly.

Let me begin with a short timeline of recent events in my district, which stretches from the Arkansas border down to Point Coupee. On November 21, 2008 International Paper "indefinitely" closed its plant in Bastrop due to a weakened national and global economy. On Friday, December 12, 2008, the company announced that the closure was permanent. Within the next four days, Senator Landrieu, the Louisiana Workforce Commission and I put forth extensive efforts to secure Trade Adjustment Assistance for those impacted by the closure. Additionally, in cooperation with the Economic Development Agency of the Department of Commerce, quick progress was made in seeking funds for Economic Assistance due to the sudden and severe loss in the area. Two months later, Pilgrim's Pride closed its plant in Farmerville.

This sudden and severe economic loss, coupled with the economic hardships that have plagued the area due to the numerous hurricanes in Louisiana, creates a stressed environment for business to survive. The communities in North Louisiana are suffering and will continue to suffer if steps are not taken to alleviate the struggles businesses face in times such as these.

One major aid to areas such as North Louisiana is the Renewal Community/Empowerment Zone Program Incentive, which provides certain businesses in designated communities with tax incentives, grants, loans and technical assistance to encourage investment in these communities, which have experienced severe economic decline.

As stated by the Northeast Louisiana Economic Alliance on their web site titled *Renewal Louisiana*, "what have been vacant lots or abandoned buildings have been turning into new business complexes and affordable housing. Employment opportunities for residents have expanded and support services including childcare, education and healthcare have been strengthened, thus enabling residents of our nation's poorest communities to participate more fully in the workforce.

"Such positive changes have been achieved as a result of the relationships formed between residents, private and public partners and the faith community, all of whom have worked hard from the grassroots level to effect positive change in their communities."

In recent months, we have seen industries and corporations across the nation fail because they were unable or unwilling to remain innovative and adaptive to the changes occurring in the country and the world. For example, American automakers have been in severe financial crisis, in large part because they have failed to adapt to the market that is more focused on conserving energy and leaving less of a carbon footprint.

Louisiana must learn from these mistakes. I believe diversity is vital to our local economy. We must not rely solely on a select few businesses to make our economy work. Instead we need all our businesses to work together to ensure our economy maximizes its full potential. If one should fall, there will be a hundred others to fill the void. In a marketplace increasingly focused on the future, we must not stay focused on the present or past, but rather we must look to become competitive in the marketplace by utilizing our vast resources and our Louisiana ingenuity, and by focusing on the future of Louisiana and the United States of America.

Chair LANDRIEU. Thank you, Congressman. Again, you are welcome to join me up here for the time you have remaining.

Mayor Glover.

Mr. GLOVER. Thank you, Senator. I do not want to deviate from the protocol that you have laid forth, but my mother would expect me to ask, since I am serving as the host here today, if it might be appropriate for me to yield to my guest, my dear friend Mayor Hawkins, and allow him to proceed.

Chair LANDRIEU. Your mother raised you well.

Go right ahead, Mayor Hawkins.

**STATEMENT OF HON. CLARENCE W. HAWKINS, MAYOR, CITY OF BASTROP**

Mr. HAWKINS. Thank you, Honorable Mayor Glover. Thank you for passing the buck. [Laughter.]

Mr. HAWKINS. Senator, thank you for allowing me the opportunity to come, and I was ecstatic when I received the invitation to come and appear before this Committee and allowed the opportunity to speak. Thank you as well for what you have done for this State and for this region, and our Representative Alexander as well.

As you have spoken about the closures that have occurred in northeast Louisiana, we can truly say that our State and Federal officials have been extremely responsive to us. This catastrophe that has occurred in our Nation, and specifically we speak for north Louisiana, has been devastating. But to know that the folks that we elect to serve us at higher levels personally care enough to come to our small communities, that really makes a difference, that [inaudible].

The closures that have happened in Bastrop, in particular, were not immediate. Both of you have been involved since 2005 and prior to then. The closure of IP was the culminating event in a series of events that have occurred over the last 20-plus years as we reflect historically. International Paper Company, which has been in Bastrop for almost a century now, has been going through spates of closure since the 1980s. Bastrop had over 2,000 employees involved in the paper-making industry back during that time. It diminished to about 550 when they finally closed earlier this year.

One of the things that we have learned as we have done an analysis, with the help of the State and Federal Government, is that these closures are the end result of some indicators that if we paid attention to, I think we would be ahead of the game. Maturing and declining industries have signs when they stop growing. They have signs and indicators for small businesses as well. When maturing and declining industries stagnate, small businesses lose their opportunities. Entrepreneurship stops developing. And I think we have been extremely reactive, and the reactions that have taken place in the Louisiana Department of Economic Development from the State and Federal Government are very appropriate. But had we been corrected and read the signs, I think we would have made it a little bit more palatable.

We are surviving. It has been emotionally and economically devastating to us. [inaudible] perspective, International Paper Company represented about 20 percent of my operating budget. Emo-

tionally, there are many factors that deal with elections, but we had an election on April 4th, and it is true that I have served Bastrop for 20 years. We had none of the negatives that usually go with incumbents being not reelected: no malfeasance in office, no criminal charges; to use one of our favorite Governor's terms, not being caught with a dead girl or a live boy. None of that kind of stuff happened. But the attitude of the people was they wanted change. That was not the major reason, but that was a contributing factor to the sustainability of government. When economic devastating activities happen, people lose hope. They lose their rational capacity to think wisely—not that I should have been elected, but they start looking for life preservers, and change might be a life preserver.

One of the interesting situations that happened just recently—and we can attribute it, I think, to the closure of IP—is a staple in most communities, Kentucky Fried Chicken closed in Bastrop. That sounds comical to me to learn that if a chicken place closed in the South, that is a signal. And I use that to indicate that plant closures, economic conditions, whether globally inspired or because they were maturing or declining, definitely have an impact, and it reduces the potential of small businesses to grow.

Thank you.

[The prepared statement of Mr. Hawkins follows:]

**Manufacturing Closures in North Louisiana**

*Introduction*

First we must recognize that a mature or declining industry has an effect on the community much earlier than the actual closure. Industries at that stage of life are not making investment into facilities so the service sector businesses that would normally cluster around growth will begin to fade away. There is also much less opportunity for entrepreneurship and new development because resources and infrastructure are consumed by the existing industry.

*Tax Credits*

Mature industries generally produce significant local tax revenues for the community. The ultimate closure diminishes the tax base and some of that tax burden will shift to the surviving businesses. This comes at a time when revenues may be declining, resulting in "layoffs" or additional closures. Tax credit programs for designated "crisis communities" in the form of employee tax credits could help employers maintain their workforce during the stabilization and recovery period. A program designed to reduce lay-offs and provide an incentive that would allow employers to retain trained personnel would work to reduce government cost associated with unemployment. Incentives could be modeled from employee credits offered in the Renewal Community Program.

*Designation of "At Risk" Community*

When we say "crisis community" we are referring to the aftermath of the closure. However, this is not something that usually catches communities by surprise. Economic Development agencies know which industries are declining or shifting to global markets. Waiting for a closure before addressing the crises is a reactive response. A system should be implemented that identifies "at risk" communities by measuring the decline of jobs associated with an industry as a percent of total employment. Loses within a certain time frame could be used as a signal to make additional resources available to that community. In Bastrop the final closure was 550 jobs, but in fact it was over a thousand associated with the Louisiana Mill. At one time, International Paper had several thousand employed operating two mills and a liquid packaging plant.

*Focus on Sustainability*

Our economic system is currently based on growth and consumption. Most community leaders and stakeholders want growth. However, our primary consideration should be sustainability of communities and preservation of assets and value. To do this we must identify the capacity of the infrastructure and work to identify what emerging industries might match with the community. By doing this we not only preserve the value within a community but maximize existing assets to create productivity.

*Funding for Proactive Planning*

Funding to study utilities, transportation and raw materials available in an "at risk" community would help sustain that community through a major closure. Identifying excess capacity could be used as a transitioning tool before a closure takes place. Some communities will be stronger than others but we can position these communities for recovery according to their potential. We may addressing this somewhat, but implementation should be strengthened.

*Conclusion*

In Bastrop, the community has worked on Strategic Plans. We have cleaned up, improved gateways, supported educational projects and provided tax breaks. The community has really worked at not succumbing to the negative elements, while recognizing the decline the pulp and paper industry loomed on the horizon. Ultimately, we have no control over private assets, profitability or global competition.

Communities should take a proactive approach at identifying what their product will become after they are no longer a "specific industry" town. The resources that support a large industry such as water, sewer and emergency services are in place. When those are not used, the resources are diminished or disappear. Taking a more technical approach about what is available is an important part of a successful recover. Being able to utilize the community's current capacity helps sustain the community, preserves public assets and develops policies to channel those resources into successful business re-development.

April 9, 2009, Mayor Clarence W. Hawkins, Bastrop, Louisiana

Chair LANDRIEU. Thank you, Mr. Mayor.
Mr. Glover.

**STATEMENT OF HON. CEDRIC B. GLOVER, MAYOR, CITY OF SHREVEPORT**

Mr. GLOVER. Thank you, Senator. It is indeed a privilege to have the opportunity to be able to be here today. I want to thank you for your leadership as well as your commitment and your vision for Louisiana. Your continual presence throughout the entirety of the State, Senator Landrieu, is a great inspiration and has really been appreciated. I am also extremely honored to have the opportunity to be able to sit here at the table with my former chairman, Rodney Alexander. He and I served together, but there is only one individual who I continually refer to as "my chairman" whenever I have a chance to be in his presence, and that is Congressman Alexander, because when I was a member, he was the Chair of the House Committee on Health and Welfare.

Chair LANDRIEU. And what Committee did you two terrorize? [Laughter.]

Chair LANDRIEU. Health and Welfare?

Mr. GLOVER. Absolutely. He led with great courage and aplomb, and it was always a pleasure to have the opportunity to be in his presence and to work with him, to do, I believe, some things that hopefully made the State of Louisiana a little bit healthier as well.

I am also greatly honored to be here today with an individual that I respect. In 1992, when I was a young cub member of the Shreveport City Council and was given the great pleasure and privilege to be a part of what was called "Leadership Louisiana," and [inaudible] down to Alexandria to meet my fellow participants, and I was just simply awed by the room of individuals assembled. I wondered how it is that a young 26-year-old could find himself in the midst of such distinguished individuals as Mayor Hawkins and Kathleen Blanco and so many others who were a part of that class of 1992. So I thank you for giving me the chance to be here to participate today.

I also want to express my appreciation for all the various individuals from the Small Business Development Center, [inaudible] Shreveport and the leadership there, as well as our Chamber, our Development Foundation, my staff, the city of Shreveport, and all of the citizens who came out and participated yesterday, as well as those who are here this morning.

Our community, Senator and Congressman, has suffered some serious blows in the area of jobs, most notably, the elimination of the entire ship at GM Shreveport. There are numerous suppliers and vendors who have had to downsize their operations as well. The loss of even one job to the citizens of Shreveport causes me great concern. As mayor, I hold economic development as one of my primary responsibilities.

Studies have shown that approximately 85 percent of new job growth comes from existing businesses. Of those new jobs, 75 percent are created by small business. Business retention and expansion are two elements of my administration. Government often creates obstacles that limit small business growth. We as a government must focus on developing partnerships with the business

community to address and eliminate these obstacles. While we will continue to [inaudible] manufacturing, distribution, and retail companies relocating to our region, we must focus on the bird that is in our hand. Some of the finest companies in America are right here right now in northwest Louisiana.

The number of jobs lost always seems to be bigger news than jobs gained. Just last month, we celebrated a groundbreaking by [inaudible], adding approximately 450 new jobs to the Shreveport economy. This is an existing business that decided to expand right here in Shreveport. It had opportunities to go other places, but we made the case for northwest Louisiana, and that case prevailed.

In addition to growth in the oil and gas industry, our film industry is also [inaudible] a cushion to help soften the impact of the nationwide recession. The expansion of digital media in our area has served as a catalyst for the growth of many small businesses in this field. These industries attract and retain young, vibrant entrepreneurs. Shreveport has been recognized in the last 2 years by MovieMaker Magazine as one of the top five places to make movies, [inaudible] production and to engage in these creative endeavors. For the last year alone, over $280 million has been spent in the production of film and media here within the Shreveport area. And with the help of the Louisiana Legislature, we hope that that success will continue for years to come.

We have strong, dependable, healthy small businesses all over our community. Now is the time for those businesses to thrive. The city of Shreveport will do its part and join hands with each one of these businesses to help them flourish, because we understand that small businesses and the workers who populate them are the backbone of our economy.

Successful efforts in economic development depend on the ability to provide those resources that are critical to job development. The Federal Government seeks to provide assistance through valuable programs such as the Small Business Administration as well as the Economic Development Administration. These programs and others provide education, training, increased access to capital, and direct financial assistance to small businesses. But we can do better. We pledge to work with you and with small businesses to make them better. City government will continue to serve on the front line of economic development and job growth. We will continue to use all available resources to promote job growth. While the loss of even one job is tragic, the gain of one job by any one of the citizens of Shreveport is a blessing. We will count our blessings one job at a time, and one job at a time we will emerge from this recession.

Thank you, Senator, for giving me the opportunity to come before you today.

[The prepared statement of Mr. Glover follows:]

PREPARED STATEMENT OF CEDRIC B. GLOVER

Our community **has** suffered some serious blows in the area of jobs, most notably in the elimination of an entire shift at gm Shreveport. There are numerous suppliers and vendors who have had to downsize their operations as well. The loss of even one job to any one of the citizens of Shreveport causes me concern. As mayor, i hold economic development as one of my primary responsibilities.

Studies have shown that approximately 85% of new job growth comes from existing businesses. Of those new jobs, 75% are created by small business. Business retention and expansion are key elements in my administration. Government often creates the obstacles that limit small business growth. We, as government, must focus on developing partnerships with the business community to address and eliminate these obstacles. While we will continue to actively pursue manufacturing, distribution and retail companies to relocate to our region, we must focus on the "bird in the hand". Some of the finest companies in America are right here in northwest Louisiana.

The number of jobs lost always seems to be bigger news than jobs gained. Last month, we celebrated a groundbreaking by Schlumberger, adding approximately 450 new jobs to the Shreveport economy. This is an existing business that decided to expand in Shreveport, largely due to the recent flurry of activity in the oil and gas business.

In addition to growth in the oil and gas industry, our film industry has also served as a cushion to help soften the impact of the nationwide recession. The expansion of the digital media industry in our area has served as a catalyst for the growth of many small businesses in this field. These industries attract and retain young, vibrant entrepreneurs. Shreveport has been recognized in the last two years by movie maker magazine as one of the top 5 places to make movies. Direct production expenditures exceeded $280 million last year, and with the help of the Louisiana Legislature, we will see that number continue to rise. The film and digital media industries have spawned numerous small businesses that are vital to their success.

We have strong, dependable, healthy small businesses all over our community. Now is the time for those businesses to thrive. The city of Shreveport will do its part to join hands with each one of these businesses to help them flourish, because we understand that small businesses are the back bone of our economy.

Successful efforts in economic development depend on the ability to provide those resources critical to job development. The federal government seeks to provide assistance through valuable programs such as the small business administration and the economic development administration. These programs, and others, provide education, training, increased access to capital and direct financial assistance to small businesses. But they can be better. We pledge to work with you and with small businesses to make them better. City government will continue to serve on the "front line" of economic development and job growth. We will continue to use all available resources to promote job growth. While the loss of even one job is tragic, the gain of one job by any one of the citizens of Shreveport is a blessing. We will count our blessings, one job at a time. And, one job at a time, we will emerge from this recession.

Chair LANDRIEU. Thank you both very much for very insightful comments about the situation that you are both facing, and I thank you both for being optimistic and forward-looking and continuing a positive vision, which is why you two have been excellent leaders for so long in our State.

Let me ask both of you, if I could, the first question, and I will do a round of about 10 minutes of questions, and then we will move to our second panel.

In your communities, what Federal programs have you found the most helpful in situations when either plants have closed or workers are laid off or business is impacted? And there are any number of programs offered, I think, through the SBA, Commerce, and other agencies. Can either one of you talk about either the Department of Labor in terms of the TAA funds for Bastrop workers, transitional assistance, HUD renewal programs, USDA Rural Development? In your experience, in your current or previous offices, have you found any Federal programs to be particularly effective?

Why don't we start with you, Mayor Hawkins.

Mr. HAWKINS. Especially going from the proactive approach, the renewal community [inaudible] available for employers as it relates to employees is extremely beneficial, and this [inaudible] of diagnosing and prescribing situations to address potential closures [inaudible] community is extremely important. [inaudible] audience with the authority [inaudible] development. And even though the renewal community—the growth in the renewal community [inaudible] is extremely good, its limitations are it is on a census tract basis, and census tract based on population, poverty, [inaudible]. And in many cases, the industries that need to be impacted are outside of the [inaudible] census tracts. So we were able to [inaudible] help, get some concessions made. The International Paper Company as an example was not in the census—original renewal community designation. That program is extremely beneficial as well as Labor coming in doing the things that they do, the TIA, TAA, whatever it is called, and the displaced worker program, the [inaudible], all those are extremely beneficial.

Chair LANDRIEU. And have you heard specific stories from some of the workers about the training that they have received? Do they find it to be quality training? Is it helping them actually connect to other jobs either in the region or somewhere else in the State? Just your general sense of the quality of these training programs.

Mr. HAWKINS. Absolutely. It is always amazing, the people [inaudible] every dark cloud has a silver lining, and many of the individuals who were impacted by IP and Jordache Apparel back in 1996 took advantage of the Federal and State retraining program, and they have launched careers that they ordinarily would not have gone into had the status quo. So, naturally, we did not want to lose the industries, but thank God for the government being, the Federal and State government being there, to provide them assistance and redirecting them to [inaudible].

Chair LANDRIEU. I know the Department of Labor is here. They may be able to answer this question if you do not know the specifics. But in terms of the unemployment benefits for the workers in Bastrop, these 550, can you generally describe what those bene-

fits are or have been? And if not, I want to ask the Department of Labor, if they have that information, to come forward.

Mr. HAWKINS. And I would be calling on them for more specifics, but one of the criticisms that we heard [inaudible] was that the unemployment benefits in Louisiana have a disconnect. We [inaudible] with the program in Louisiana versus Arkansas as it related to the period of time that was covered. I think there were some attempts made in Louisiana to change that, but——

Chair LANDRIEU. Will the Department of Labor come forward, please, and see if you can give this testimony for the record if you know it? If not, we will have to submit it in writing. Mr. Juarez, what is the general situation that—and you are out of the Dallas Office. Could you identify yourself?

Mr. JUAREZ. Yes, Joseph Juarez. I am the Regional Administrator of the Dallas office.

Chair LANDRIEU. Could you comment on the situation as it relates to the 550 workers, either specifically in Bastrop or generally, the unemployment benefits for people laid off and opportunities through your department for either retraining or low-interest loans or trying to move them to self-sufficiency?

Mr. JUAREZ. Certainly. The first line of defense would be the basic unemployment insurance, which in Louisiana [inaudible] $284 a week. You have got the basic 26 weeks. As you are certainly aware, it has been extended where you can draw now up to at least 52 weeks, depending on what the State determines the people [inaudible].

Chair LANDRIEU. Could you repeat that? What are the maximum benefits?

Mr. JUAREZ. $284 in Louisiana a week, and the basic entitlement would be for 26 weeks.

Chair LANDRIEU. Could it be extended at the option of the State?

Mr. JUAREZ. Absolutely, extended benefits, and the Federal Government is paying that extended benefit now, an additional 26 weeks, for a total of 52 weeks. And then the State would have the option to extend further. That would require State legislation.

Also, I think a benefit which was alluded to are the training benefits that are provided. The Louisiana Workforce Commission, Workforce Investment Act, we provide extensive retraining to individuals who cannot go back into those jobs, and training could, again, go out to 2 years, provide assistance while they are being trained, a myriad of supportive service programs to include child care, transportation, assistance with supplies and equipment that they might need for training.

Chair LANDRIEU. And is that training done on site? Or does that training occur off site in a community college? And what kind of training? And what are the costs associated with it?

Mr. JUAREZ. The training could take various forms. It could be on-the-job training. It could be customized training that we would develop with the employer. A lot of training is through community colleges. It could be through private training institutions.

The average cost will vary. It will depend if you do short-term training, if someone just needs short-term training to get back in.

I also should mention incumbent worker training, the State has discretionary dollars that they can use for incumbent worker train-

ing. That also would apply to the State of Louisiana, which I think has one of the more aggressive incumbent worker training, which you have provided general revenues through the unemployment insurance tax for incumbent worker training.

So the training can take a myriad of forms, be provided, again, on-site, in community colleges, and other training institutions.

Chair LANDRIEU. Are you aware or Mayor Hawkins, you may be aware of the specific new training or options for training that was designed specifically in the Morehouse incident, the incident of the plant closing there? Was there a special training program developed either designed by the management in anticipation of lay-offs or by the workers themselves who anticipated this might happen or by the leaders of the community what training might be more beneficial than others, health care, construction, IT, et cetera? Do you know any specifics about that?

Mr. HAWKINS. One of the things that we are doing—and this is looking forward. We are in the middle of a [inaudible] study which will help our community determine its direction in the future. We have been single-industry dependent for generations. The paper mill was our [inaudible]. People looked forward to going to work there, retiring from there, and receiving the benefits forever.

So historically the training that has taken place through the workforce development of the State has been training that was specifically related to the paper-making process almost until the closure, because nobody felt that the paper industry—the paper mills in Bastrop would close. So the training [inaudible] related to the paper-making industry, now people who are taking basically—taking basic inventory tests to determine what their likes are and what their potential is to see where they will go.

Regrettably, in small communities, in small rural communities, especially in north Louisiana, the training that people become involved with, unless it is [inaudible] related in most cases, the training that people will acquire will also cause them to have to leave because there are not that many opportunities for employment there.

Chair LANDRIEU. Well, I think you raise a good point, and I have a question for Mayor Glover, and then we are going to move to our next panel. While incumbent training programs are absolutely, I think, very important to partner with businesses to make sure that their current workforce as well as training for the jobs they are doing, I do not think that we can do that at the expense of aggressive retraining programs for employees that, through no fault of their own, even having worked faithfully for 15, 20, sometimes 25 years, find themselves in a period in their life where their one skill is no longer required in that industry. And I think that is what government needs to ensure, that we have the right programs and partnerships to give that particular family an opportunity to honor their lifetime work and service. And that is what I want to really focus on.

In addition, it occurs to me about what is happening in these communities that since now many families are dual-income families and one spouse is laid off, let's say, from one of the plants up in north Louisiana, the other spouse is employed at an ongoing concern, but the one spouse that is unemployed has to relocate for

work, locate outside of a 2-hour driving distance, if the spouse then has a choice to either follow the spouse to work and quit their job or to maintain that job and commute—which some couples do. My husband and I actually did that ourselves. But I understand that if the spouse left their job to accompany the family to another location to work, that person is not entitled to unemployment compensation under our current law.

I think that we have to very strongly consider the flexibility required in our laws today to try to accommodate as many of the families' choices that are very tough choices that these families are making and really honor the family unity and honor the spirit of the family being together. We have had many families separated through just terrible catastrophes and disasters.

There is a young man I just met working, Mr. Bair, at one of your hotels, and with sort of sad eyes he looked at me and said, "Senator, you do not recognize me, but I am from New Orleans. And part of my family is there, and part of my family is here." Just as an example, I hear that every day. And he is enjoying it here, but he wants to get home.

So I think that our laws, particularly as from our perspective, from Louisiana's perspective, need to really be sensitive to the many challenges that families are dealing with to stay intact and to keep that check or checks coming through that front door to maintain themselves.

Mayor Glover, let me ask you, what programs in your experience as mayor have been most effective? What would you want to suggest, anything that we might adjust or modify any of those programs? And if you could give any specifics, that would be helpful.

Mr. GLOVER. Well, I am going to have to join, I believe, the chorus that has already stressed the success that both the Department of Labor has managed to achieve [inaudible] in terms of [inaudible] indirectly remember as a younger man dealing with the initial contraction, downsizing and ultimate closure of the AT&T Western Electric plant, an operation at one point that employed somewhere in the neighborhood of 6,000 people, and in a similar fashion as Mayor Hawkins just described, the very course [inaudible] downsized, reduced its employment numbers until its eventual closure as a result of the retraining provisions, workforce training provisions, education provisions within the Department of Labor for folks who are in those types of situations.

One of the areas in particular I know that was enriched here in the Shreveport area that there are legions of folks who are now within the health care industry who were formerly employed with Western Electric, General Motors, or other companies that downsized, shut down, and individuals found themselves in situations having to acquire skills that allowed them to support themselves and their families. We are thankful that health care is such a significant part of this area's economy that those individuals could stay here and find themselves employment situations that were not only stable but that afforded them an opportunity to livable wages as well as to be on a career track that could lead to additional growth and additional opportunities.

And so we are beginning to see some of the initial phases of that manifest itself again within this area with the General Motors situ-

ation as I am counting the individuals throughout this region who are once again availing themselves of those opportunities. And what appears to be even one reality of our situation is that no matter how dire or how down the economy can be, if you are within the health care industry, especially those who [inaudible], then they are able to be able to find not just employment but the kind of employment that allows them to support themselves and their families in a decent fashion.

Chair LANDRIEU. Well, I am glad you raise that issue, and it is right on point. I was at a dinner last night, and I understand that there is a requirement, I believe, a 30,000 gap in the number of nurses required in Louisiana right now. Now, I do not know how much it is region to region, but right now hospitals and the health care industry could hire an estimated 30,000 qualified nurses.

So when you think about how much effort government puts into running after a manufacturing plant here and the money required to put up to save 1,000 jobs there, it seems to me that a very smart strategy might be to eliminate whatever barriers and obstacles there are right now to training nurses required to meet that requirement. And from my perspective as a United States Senator, I am often asked to extend H–2B visas to people coming in with special skills, and I am happy to accommodate the industry of a State that continues to cry for skilled workers, and I understand, particularly in places like Terrebonne Parish, with a 2.9-percent unemployment rate. But it is hard for me to justify that action when I am looking at Morehouse Parish with a 16- or 13-percent unemployment rate, or Shreveport-Bossier with a 6- or 7- or 8-percent unemployment rate or other places. And I am questioning: What is the disconnect between our resources and assets to train our people for jobs that are here now waiting to be filled?

So I hope that the series of these hearings will help develop some strategy and call attention to some of these issues, and I am hoping that some of our panelists can expand on that on the second panel about what some of these options are.

Do you have any comments about that from the Department of Labor? Are you all involved in any kind of way working in partnership with States to identify the career options that are available even in these difficult times?

Mr. JUAREZ. Yes, Senator. One of the, I think, strong services provided by the Louisiana Workforce Commission is labor market information. And you are absolutely right, and certainly you are aware that this Administration strongly supports putting people in training in high-growth industries where there is a future. The stimulus dollars, the Recovery Act dollars to provide an additional 80 percent or so of what we already put into the system we hope doubles the number of individuals that will be in training. But it has to be the type of training that you are discussing. It can't be the short-term training that as the economy gets better, but it goes down, then the person is out the door. And I think the health care industry is an excellent example of the type of training.

Remedial training is also available to our training system and I think provides those stepping stones, if you will, for individuals that do not have that education, that they can get into this higher type of education that is needed for these types of careers.

Chair LANDRIEU. Well, let me just mention for the record as we close—and I invite this other panel to come forward. But under education and training, the State has received $718 million through the Economic Recovery Act for education and training. In addition, $188 million for Special Education Part B State grants to improve educational outcomes for individuals with disabilities, raising the Federal contribution to nearly 40 percent. The level established by the law was authorized more than 30 years ago. Finally, a $5 million grant for a State employment service grant to match unemployed individual job openings through State employment service agencies and allow Louisiana to provide customized reemployment services.

There is a $9.8 million dislocated workers grant that has been authorized for the State. There is an $8.8 million Department of Labor adult State grant. There is a $20 million Department of Labor youth State grant. There is a $9.8 million grant for vocational rehabilitation. And that is just to list a few of the additions and investments that the Federal Government is making in this specific area for the State of Louisiana.

So we are hopeful that the State and the local officials, nonprofit organizations, and community-based organizations will take advantage. I know, Mayor, you and Mayor Hawkins have a copy of this document that our office provided. I am very proud that our office was the first Senate office to provide a customized document to our own State. This, I understand, is now being modeled throughout the Senate. We provided this to our elected officials weeks ago so we could get comfortable with what is in this recovery package and fashion some remedies that will help our people throughout the State face the challenges that are here and before us.

So, without any further ado, I thank this panel for your testimony, and I thank Mr. Juarez for answering our questions. Thank you both. And the record will stay open, if you have any further things to submit, for 2 weeks.

Mr. GLOVER. Thank you, Senator.

Mr. HAWKINS. Thank you very much.

Chair LANDRIEU. Thank you all.

While the next panel is coming forward, let me recognize the elected officials that are in the audience. Senator Lydia Jackson is here.

If the next panel will come forward, Karen Nardini, Acting State Director, Rural Development, U.S. Department of Agriculture; Michael Ricks, Louisiana Small Business Administrator; Corinne Dupuy, Director, Manufacturing Extension Partnership of Louisiana; and Tana Trichel, president and CEO of Northeast Louisiana Economic Alliance.

We will give Mr. Ricks a minute to come to the witness table.

While we are waiting for Mr. Ricks, let me begin by introducing Ms. Tana Trichel first. As I said, she is the President and CEO of Northeast Louisiana Economic Alliance. In this capacity she represents over 14 parishes for economic development and works with State and local groups to create and retain jobs. The Northeast Louisiana Economic Alliance is also responsible for the two largest U.S. Department of Housing and Urban Development renewal com-

munity areas in the United States: the Northern Louisiana Renewal Community and the Central Louisiana Renewal Community.

Corinne Dupuy is the Director of the Manufacturing Extension Partnership of Louisiana. She received a bachelor's degree in mechanical engineering from the University of Louisiana at Lafayette, ULL, in 1986 and her master's degree in engineering from the same university in 1995. She has been part of the Extension Partnership program since its inception and was Deputy Director of the program in Louisiana from 2001 to 2004.

Michael Ricks is Louisiana District Director of the SBA. He was born and grew up in New Orleans, received his bachelor's degree from the University of Houston, graduated from the Naval Postgraduate School, an MBA from Troy University in Alabama. He is medically retired from the army, and is a former infantry officer. Thank you for your service, Mr. Ricks. And he has served as Louisiana District Director for the SBA since last year. Prior to that he was District Director in Alabama.

And, finally, last but not least, Karen Nardini is Acting Director of Rural Development of the U.S. Department of Agriculture. She is a native of Alexandria, Louisiana. She was appointed Administration Director in 1996. She began her career with USDA in 1979.

So why don't we start with you, Ms. Trichel, and thank you for your written testimony. But if you could summarize that testimony in the 5 minutes that has been allocated to you today, I would appreciate it.

**STATEMENT OF TANA TRICHEL, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NORTHEAST LOUISIANA ECONOMIC ALLIANCE**

Ms. TRICHEL. Okay, thank you very much, Senator. We appreciate your efforts in our work with the renewal community. You have been out in the region working and promoting this benefit that has been so important to our region.

We can document that the Commercial Revitalization Deduction Allowance has created 3,000 jobs since 2002, and that there has been over $250 million newly constructed businesses within these two renewal communities, the two urban renewal communities.

The good news is that the program is working. The bad news is that we were progressively unemployed and progressively poor to qualify for the program in the first place. I appreciate Mayor Hawkins' comments regarding this program, because I believe that the extension of these benefits will be critical to helping rescue us from the problems that we are now experiencing in this difficult economic time.

Our job is, of course, to create jobs and to help whenever we can. When IP shut down in Bastrop, we worked and partnered with the Louisiana Workforce and local economic development leaders to put on a work fair, and we did this one differently. We invited companies only that had openings that were similar in their labor needs, and we were able to get jobs for 100 people of the 264 who came to the work fair.

Additionally, I am glad you mentioned the educational component because we invited the technical schools and universities to

come, and we had 160 interviews for people who were encouraged to seek educational opportunities in high-demand fields.

We have success stories in the region that can demonstrate the effectiveness of the Renewal Community Benefit Program. A small business in Winnsboro added four employees, built a new structure, and doubled their business. We have a company in Arcadia that added 235 employees and expanded their building. Union Tank testifies that renewal communities were an important component of their locating in Alexandria, Louisiana, and we have story after story and testimony that we could offer you.

We feel that this program is currently at risk. However, it was recently costed at $11.5 billion to extend the renewal community program, but the Department of Housing and Urban Development can document that the program thus far, which was regionally cost at $11.5 billion at its inception, has cost about $3 billion. So we are very [inaudible] we feel that the extension money does not cost that much at all. And we appreciate your efforts and encouragement and are hoping that this bill gets the attention that would be important to our area.

When Pilgrim's Pride lost 1,200 jobs in Farmerville, we provided community economic triage. Assuming the worst, we looked at food, shelter, education, how were we going to handle people who did not have health care and could not pay for it. And I must say that it was a shining example of what a community can do if it works together, partners, and has a common goal.

The risk to jobs in that area was so much higher, the impact has been estimated at 5,000 jobs if we lose the 1,300 jobs at Pilgrim's Pride. That is a loss of services in the city, the loss of services in the parish. The school cannot be supported at its current level. So it is so much more devastating than just the loss of jobs, other small businesses closing, as Mayor Hawkins alluded.

One of the bright spots we have in our area—you were talking about training, and although [inaudible] is not here, I would like to mention the fast-track training program which we will give to any employer a trained workforce or we will train them for free. This new program that is modeled after Georgia was key in our luring Gardner Denver Thomas to put their headquarters in Monroe, moving it from Sheboygan, Wisconsin.

Another bright spot in our region is Franklin Farm. You are so familiar with that initiative. But it is at the moment the only State-owned site being marketed to the manufacturing industry. We have focused on the automotive industry, and we have not let up on those efforts. We have pent-up demand in changing—the changing automotive environment means there are still opportunities out there. But the objective is to create a massive number of jobs at one time. We have been poor forever. We have had wonderful initiatives to help us in our poor situation, but jobs cure poverty. And this is our wonderful opportunity to make that happen in northeast Louisiana.

In fact, we are now ranked in the top growth sites in the Nation. With a little more work, we are hoping to [inaudible] we hope to encourage them. We believe that this site can be moved to the number one spot in the Nation.

We realize that we face as many challenges as we have opportunities, but we do not want to lose any of our opportunity efforts.

We appeal to Congress and we appeal to you to give Federal consideration to the passage of the EZ, EP, RSD legislation. Those are various versions of the same initiative, and most every State in the United States has one of those programs, and that we [inaudible]——

Chair LANDRIEU. Does it have a real name?

Ms. TRICHEL. Yes, the EZ–EP–RSD Coalition effort to—it is Senate bill—it does not have a number this year, but I will get that information to your office for sure.

[The information follows:]

Ms. TRICHEL. We are grateful for your dedication and your commitment. I want to say thank you personally for saving Louisiana after Katrina. You know, that——

Chair LANDRIEU. Thank you. There were a lot of people that helped with that, and it is still in the works, particularly with the people from Morehouse Parish, the challenges before them in a parish of 24,000 and how difficult this 1,400 loss of jobs is going to be and the potential impact of an additional 5,000 jobs in the area. That is not necessarily counting the impacts of the hundreds of growers that are in the region, and if a solution is not found, it could have ripple effects all the way through south Arkansas and that plant shutting down as well. And there is only a part of the processing plant to be kept intact. But I will share that the public in St. Bernard lost—the community of St. Bernard lost every home and every business in St. Bernard Parish in Katrina. And it will be the 4-year anniversary this August, and that is a 100- percent loss of homes, physical loss of homes, and 100 lost businesses. That parish is slowly but surely, through just the heroic efforts of the people of that parish and the help that the rest of us have been able to provide for them, they saw a future that looked extremely dim 4 years ago.

So you always have to put these things in perspective. As difficult as things may be, there is a road forward, and there is a way up. And if you put the right strategies in place, which is what this hearing is about in some measure, we can grow better and stronger communities, even out of, you know, these very frightening and troubling and in some ways catastrophic situations.

Do you have any closing remarks? Because your time is almost up for testimony.

Ms. TRICHEL. One more thing, and I hate to end on a negative, but I failed to mention the $1 billion farming disaster that we had last year that we are recovering from all over the State. But we appreciate your efforts, again, Senator and thank you for having this hearing.

[The prepared statement of Ms. Trichel follows:]

April 13, 2009

Briefing for Senate Hearing 4/14/2009

Shreveport, LA.

Northeast Louisiana Economic Alliance is one of eight Regional Economic Development organizations working directly with the State of Louisiana to create jobs, retain jobs and serve our 53 communities and Parish Governments. We also work with local Economic Development Organizations to garner available resources to improve our communities, our workforce, our education attainment and to provide a strategic plan for the future development of the Region. We are presently undergoing a Regional Study to form a more complete economic strategy.

Because of the historic poverty and high unemployment, Louisiana has focused resources to this area to both preserve jobs and to target opportunities for the region. Louisiana's new "Fast Start" workforce program guarantees a trained workforce and is one of the reasons Gardner Denver Thomas located into the Monroe area.

One of the major incentives for businesses locating or expanding in Northern and Central Louisiana has been the Renewal Community. The designated census tracts in the state cover all or parts of 25 Parishes. The bad news is that we qualified in 2001 to be a recipient because of our pervasive poverty and high unemployment. The good news is that it is working. Although we cannot document the number of jobs created by the wage credit, frequent employer testimony indicates the numbers have been significant. For instance, a veterinary clinic in Winnsboro, LA hired 4 additional employees (with benefits) and expanded from a small animal practice to a small and large animal practice.

A company in Arcadia, Louisiana added 235 employees to their employment figures and expanded their building because of the wage credits and Commercial Revitalization Deduction Allowance. Union Tank now of Alexandria, LA opened a plant hiring 650 employees. Union Tank got significant CRDAs.

We can document through the Commercial Revitalization Deduction Allowances and the construction of new facilities in the last six years of over $250,000,000 in the most poverty stricken area of the state. These facilities added over 3,000 new jobs as a result.

During the present economic time, we have had significant losses as well. International Paper closed a plant in Bastrop, La. They took more than one million in wage credits during the last 4 years—a factor that contributed to their staying longer in the Bastrop community. Yet those jobs are now gone. This

was a 550 job loss. The anticipated impact in lost jobs is estimated at 2500. The impact to the community will be a reduction of services of fire, police and city services as a result of lost tax revenues. But if Renewal Community legislation is extended, we have an opportunity to draw jobs to the area to replace the ones lost. Car dealerships in the area are at risk as well as many other businesses. Many businesses are being lost. This is coupled with the worst farming disaster our Region has suffered in farming memory—over $1 Billion dollars.

Louisiana was faced recently with the threat of losing 1200 jobs at Pilgrim's Pride in Farmerville, Louisiana. The state of Louisiana was very aggressive in putting up $50,000,000 in incentives to save these jobs. A company is willing to take over the chicken plant and Renewal Community benefits would be a "save" for those jobs in the coming few years. Otherwise, the economic impact would be a total loss of 5,000 jobs in Union and surrounding Parishes and the loss of many services the Parish now enjoys.

As we face tough economic times, the poorest city areas and rural areas, the poorest areas of the Nation will suffer greatly.

As our economic development effort continues, we have a great opportunity in our premier mega site, Franklin Farm. The state has invested over $10,000,000 to bring this 1440 acre site located in the center of the Northern Renewal Community to be one of the top sites in the Nation. If we are to permanently cure poverty in Northeast Louisiana, this effort will be key as the state is marketing to large job creation of over 1,000 and hopefully up to 6,000 jobs in this one effort. But the competition for large projects is intense and global. Our state is committed to provide incentives to inspire choosing Louisiana. Renewal Community incentives would be singularly effective as an incentive not widely available and would set us apart in this quest.

We are committed to changing our area's poverty forever for the better. Because of this commitment, our state and our communities are drawing together to improve our communities and our economic development efforts. We are fortunate that our state had set aside reserves to take care of Union Parish and that the strong efforts it is making have been effective.

But like other states, we are facing deep deficits and the ability to continue aggressive efforts will be impacted. Louisiana will not likely be able to commit to the job opportunity/retention fund boldly, as in the past. As a state, we are facing loss of jobs and services.

We are grateful for the dedication and commitment of Senator Landrieu to the betterment and advancement of Louisiana. These stalwart efforts have made a difference. The citizens of our Region are indebted.

Chair LANDRIEU. You are speaking about the losses from Ike and Gustav?

Ms. TRICHEL. Yes.

Chair LANDRIEU. That was about a $1 billion—almost a $1 billion loss to our State, somewhere calculated by Commissioner Strain between $700 million and $1 billion. I am happy to report that we were able to secure under the American Recovery Act $750 million to help our farmers. Now, not all of that money will come to Louisiana, but a good portion of it. I am thinking that approximately 50 percent, based on what Commissioner Strain has been able to negotiate, will come directly to the impacted parishes that were really not—the Federal Government was not as helpful as I thought they should be, and one of the things I was able to get in the recovery package was $752 million help through the Department of Agriculture. Those funds are on their way, and they are being worked out now. So that will be very helpful to counties in the south and particularly the parishes in Louisiana.

Mr. Ricks.

**STATEMENT OF MICHAEL RICKS, DISTRICT DIRECTOR, LOUISIANA DISTRICT OFFICE, U.S. SMALL BUSINESS ADMINISTRATION**

Mr. RICKS. Chairwoman Landrieu and distinguished members of the Small Business and Entrepreneurship Committee, thank you for the opportunity to testify before you today on the topic of manufacturing closures in northern Louisiana and the impact that these closings will have on small Businesses and communities in general.

The Small Business Administration is acutely aware of the difficult economic situation being experienced by small businesses in the State and throughout the Nation. Recent closures of several large businesses in northern Louisiana has severely impacted many small businesses in our community that depend on these large firms for revenue and jobs.

SBA's Louisiana District Office stands ready to assist small businesses in this area by providing access to capital through our guaranteed loan programs and also through the provisions included in the American Recovery and Reinvestment Act of 2009, counseling through our entrepreneurial development program, our SBDCs and Women's Business Centers, and also SCORE chapters throughout the State, and also procurement contracting opportunities that small businesses can leverage through our procurement counseling representatives that work with Federal agencies to ensure that small businesses have an opportunity to participate in Federal contracting.

SBA's entrepreneurial development programs delivered by Louisiana Small Business Development Centers have worked in partnership with the Entrepreneurial Development Office and also the university system, and they provide 11 centers across the State to deliver that service. In addition, we have six SCORE chapters throughout the State and two Women's Business Centers—one located in New Orleans, and I think that you were very instrumental getting it started, and also another on in Lafayette, Louisiana.

The numbers speak for themselves, and last year, our total counseling resource partners served 13,380 clients, and based on per-

formance to date this fiscal year, we are expecting a 21-percent increase. So, understandably in difficult economic times, we are seeing an increase in requests for assistance, and the SBA will work to ensure that we can deliver the requested services and in an efficient way.

Consistent with overall credit markets, the SBA loan volume under our guaranteed loan programs is below fiscal year 2008 levels. In Louisiana, as you mentioned, the lending activity here in this State is not as bad as across the country, but we are still pacing at only 72 percent of 2008 levels. Early indications are that some of the changes that were made by the Economic Recovery Act are having a demonstrable impact on lending activity in the State. Loan approvals, for example, over the last 2-week period have increased 148 percent over what we were experiencing in the first few weeks of this current fiscal year. So I believe that it is possible, given these trends, that in Louisiana our loan volume could actually exceed last year's with these changes.

Commenting on that, providing guarantee percentages up to 90 percent from our normal 75 percent in our standard 7(a) loan program has had a significant—is a significant factor in increased participation by SBA lending partners. It is clear that these risk mitigation steps have been effective in increasing participation by our lending partners. The elimination of borrower and lender fees on SBA-guaranteed loans has also had a positive effect not only on lender participation, but has also provided substantial benefits to small business borrowers. While I was preparing this statement, I took a call from one of our lending partners in Monroe, Louisiana, who had used SBA to fund a restaurant and a pharmacy, and he called back with very positive statements about how the SBA quickly and efficiently provided a $15,000 and a $13,500 refund back to these businesses after the loans had already been closed. It is these kinds of things that the SBA has to maintain and continue to do to assure—to demonstrate that we have a commitment to our lending partners to efficiently deliver our services and that the SBA is committed to implementing effectively and efficiently these policies to increase economic activity.

Government contracting under the 8(a) loan program has been robust. We have 115 certified 8(a) firms in the State of Louisiana, and over the last 3 fiscal years where we have complete data, a total of $656,704,651 with 773 contracts and contract modifications have been earned by these 8(a) firms. As Hurricanes Katrina, Rita, and Wilma recovery construction contracts reach their conclusion, we are seeing a drop-off in contracting opportunities for these 8(a) firms, but even though these are dropping off, we are still seeing contracting dollars maintained at levels higher than prior to post–2005. So indications are that we are going to continue to have robust growth in the program.

Chair LANDRIEU. One more minute, please.

Mr. RICKS. Yes. Everyone is rightly concerned about the SBA HUBZone certification program. Currently, we have 291 certified HUBZone firms in Louisiana, and the administration has begun an aggressive site visit plan to ensure that these small businesses are in compliance with the requirements.

Again, I thank you for the opportunity to address the Committee, and I appreciate the opportunity not only to answer your questions, but also to hear what other people have to say so that I can more effectively do my job.

[The prepared statement of Mr. Ricks follows:]

**Testimony of**

**Michael Ricks**
**District Director**
**Louisiana District Office**
**U.S. Small Business Administration**

**Before the**

**Committee on Small Business and Entrepreneurship**
**United States Senate**
**April 14, 2009**

Chairwoman Landrieu, Ranking Member Snowe and distinguished members of the Small Business and Entrepreneurship Committee. Thank you for the opportunity to testify today on the topic of Manufacturing Closures in North Louisiana: Impact on Small Businesses and Local Communities.

The U.S. Small Business Administration (SBA) is acutely aware of the difficult economic circumstances being experienced by many of our small businesses throughout the State of Louisiana and throughout our Nation. The recent closure of several large businesses in Northern Louisiana has severely impacted the many small businesses in our community that depend on these large firms for revenue and jobs. In addition, the compounding impact of these closures has resulted in reduced revenues for our local communities, thereby putting a strain on local municipalities. For example, the closure of Pilgrim Pride's processing plant has resulted in the loss of 1,300 jobs at the plant and nearly 300 local independent contract chicken growers that support the plant. In fact, since last fall, there have been at least seven other major plants that have closed or laid off employees. More than 3,000 jobs have been lost as a result.

SBA's Louisiana District Office stands ready to assist small businesses in the area by providing access to capital through our guaranteed and direct loan programs and through the provisions included in the American Recovery and Reinvestment Act of 2009; through entrepreneurial development programs in the form of business counseling and technical assistance and through government contracting opportunities via Procurement Center Representatives who work with Federal agencies to keep the small business community informed of available contracting opportunities.

SBA's entrepreneurial development programs are delivered by the Louisiana Small Business Development Center headquartered in Monroe, Louisiana and run by Director Mary Lynn Wilkerson. The Small Business Development Center (SBDC) works in partnership with the Louisiana Entrepreneurial Development Office and the University systems to operate 10 centers

across the State. There are six SCORE chapters across the State, run by Len Sedlin, State Director for SCORE, and two Women's business centers, and one in Lafayette whose Executive Director is Sheri Lazare, and the WBC in New Orleans run by Director Angele (an-jay) Von Der Pool. The counseling resource partners work together, leveraging the unique characteristics of all the organizations to provide effective support to Louisiana's small businesses. The numbers speak for themselves; last year our counseling resource partners served 13,380 clients, and based on performance this fiscal year to-date, we are expecting a 21 percent increase in demand. In these difficult economic times it's understandable that requests for assistance would increase, and SBA will work to increase the effectiveness of the entrepreneurial development programs.

Consistent with overall credit markets, SBA lending volume under our main guaranteed loan programs is below FY 2008 levels. In Louisiana SBA loan activity is currently at 72% of 2008 levels. Early indications are that the changes implemented by the Recovery Act are having a demonstrable impact on lending activity in Louisiana. Loan approvals over the last two week period have increased 148% above the weekly average from the preceding weeks of this fiscal year. Given the trends we are seeing, I believe it is possible that we could exceed last year's Louisiana loan volume when this fiscal year concludes in October 2009.

Providing guarantee percentages up to 90%, from the normal 75%, under our standard 7(a) loan program is a significant factor in increased participation by SBA lending partners. It is clear that these risk mitigation steps have been effective in increasing participation by our lending partners. The elimination of borrower and lender fees on SBA-guaranteed loans has also had a positive effect not only on lender participation, but has also provided substantial benefits to small business borrowers. While I was preparing this statement I took a call from one of our lending partners in Monroe Louisiana that told me that a restaurant and a pharmacy funded with a SBA loan in that city received a fee refund totaling $15,000 and $13,500 respectively and that these refunds were received from SBA's centers in a timely and efficient manner. It is this level of customer service that is a key component to increased participation by lenders, and demonstrates a pronounced commitment by the SBA to implement efficiently and effectively the policies needed to stimulate increased economic activity.

Government contracting under our 8(a) program has been robust. We have 115 certified 8(a) small business firms in our District Office portfolio. Over the last three fiscal years where we have complete data, a total of $656,704,651 in contract dollar for 773 contracts and contract modifications have been earned by certified 8(a) firms. As Hurricane Katrina, Rita and Wilma recovery construction contracts reach their conclusion; we are seeing a drop in Federal construction contracting opportunities in Louisiana, though we are well above pre-Katrina/Wilma/Rita contracting activity this fiscal year. While Recovery Act contracting opportunities are in the process of being implemented, our District Office has been contacted by a number Federal contracting officers on proposed small business contracting opportunities which will be executed. We stand ready to assist these agencies to leverage Federal Contracting dollars for small business moving forward.

Many are rightly concerned about the SBA HUBZone certification program, but I can assure this committee that the Administration and this district office is committed to ensuring all eligible small businesses are given a fair opportunity to participate in the HUBZone program. We

currently have 291 certified HUBZone firms in Louisiana. The administration as begun an aggressive site visit plan to ensure program compliance and the district office is on track to meet our site visit goals this fiscal year. We have completed half of the required reviews and we expect to complete this task by the end of the fiscal year. Not all the HUBZone firms will be visited, but the Administration has set realistic targets this year for all district offices, with the overall goal of completely all reviews in a timely and cost effective manner.

Again I thank you for this opportunity to address the committee and I appreciate the opportunity not only to answer your questions, but to hear the testimony of the community leaders, and find ways that the SBA can best serve their needs.

Chair LANDRIEU. Thank you, Mr. Ricks. I will have a few questions as we come back after the panel has completed the testimony.

Ms. Dupuy.

**STATEMENT OF CORINNE L. DUPUY, DIRECTOR, MANUFACTURING EXTENSION PARTNERSHIP OF LOUISIANA**

Ms. DUPUY. Good morning, Senator Landrieu. I would also like to take the opportunity to thank you for the work that you have done in the State, and especially for manufacturers. You have been of great assistance to our program as well.

As you mentioned, I am the Director of the Manufacturing Extension Partnership of Louisiana, and I very much appreciate the opportunity to talk here today about the MEP. We are the NIST MEP affiliated center in the State of Louisiana hosted by UL-Lafayette. The mission of the MEP is to provide Louisiana manufacturers value-driven best practice solutions that increase profitability and productivity. With a field office located right here in Shreveport, we have firsthand appreciation of the difficulties Louisiana manufacturers are facing. In the last 3 years, eighteen manufacturing facilities have closed in north Louisiana with an estimated loss of 5,243 jobs. While the current economic downturn poses serious challenges for Louisiana manufacturers, I believe it also provides an impetus for companies to consider their future. Now, more than ever, the Louisiana manufacturers require access to tools that allow them to cut costs and increase productivity but also position their companies for growth through the identification of new markets and new customers—both in the U.S. and abroad.

MEPOL and the entire MEP network of centers are working to provide manufacturers with those tools. We are making a difference. In 2008, in Louisiana alone, we helped our clients generate new and retained sales of $120 million, achieve cost savings of $73 million, and create and retain more than 1,977 jobs. This data comes directly from measurements by the companies once we finished work with those companies.

In supporting Louisiana manufacturers, we work with many partners, including the Louisiana Small Business Development Centers, the [inaudible] Technical Assistance Centers, USDA Rural Development, the Southwest Trade Adjustment Assistance Center, Louisiana Economic Development, and the Louisiana Workforce Commission.

A recent success was our work with a company called Louisiana Binding Service. Louisiana Binding was devastated by Hurricane Katrina in 2005. They are an archival products manufacturer specializing in custom high-end document binders. Owners and brothers Pat and Scott Williams made the tough decision to relocate to DeRidder, a small community in rural Beauregard Parish near the Texas border, after losing their facility in Harvey, Louisiana, which is near New Orleans.

Following the relocation, they had numerous issues and challenges with the workforce and training them and having skilled workers. Only a couple of their previous employees with the necessary skills permanently relocated with the company. They needed training for their new workers. LED asked MEPOL to come in and assess their situation.

MEPOL assessed their workforce issues and coordinated training. The company underwent leadership and motivational classes to combat work ethics and morale issues. After training was complete, with a more cohesive team in place, Louisiana Binding began a series of lean training to streamline and standardize their process.

As a result of the devastation of Hurricane Katrina, which included widespread mold and water damage, an innovative solution to protecting important documents was realized by the Williamses. The Williams brothers designed a "Disaster Safe County Binder," and in late 2007, with the help of MEPOL, filed for a provisional patent.

The services Louisiana Binding received from MEPOL attributed to $12 million in increased and retained sales, $750,000 in cost savings, and 115 jobs create or retained in a very rural community. And as we understand, by the end of this year, they plan to open a second facility back in the New Orleans area with hiring initially 30 people.

I believe that with additional resources, new collaborations, and expanded partnerships, MEPOL and the entire MEP network will be positioned to not just help companies survive in the near term, but also work with these organizations to set them on a path to sustained and profitable growth. Much like our response to the recent natural disasters, we are ready to pull together in this economic disaster with targeted responses to meet Louisiana manufacturers' most immediate needs and provide tools to help them prepare for the future.

I would just like to add that we also were successful in receiving USDA Rural funds for manufacturers in the rural areas of the State with your support, and also through LED's small and emerging business program, we received a small amount of funds to help manufacturers become involved.

Thank you.

[The prepared statement of Dupuy follows:]

Manufacturing Extension Partnership of Louisiana

# Testimony of Corinne Dupuy

Field Hearing on the Impact of Manufacturing Closures on Local Small Businesses

MEP • MANUFACTURING
EXTENSION PARTNERSHIP

Corinne Dupuy
4/14/2009

# Testimony of Corinne Dupuy
Director
Manufacturing Extension Partnership of Louisiana
Before the
U.S. Senate Small Business Committee

## Hearing Entitled "Manufacturing Closures in North Louisiana: Impact on small Businesses and Local Communities."

April 14, 2009

Good morning Senator Landrieu and members of the committee, my name is Corinne Dupuy. I am the Director of the Manufacturing Extension Partnership of Louisiana (MEPOL). I appreciate the opportunity to talk to you today about the MEP. We are the NIST MEP affiliated center in Louisiana. The mission of the MEP is to provide Louisiana Manufacturers value-driven best practice solutions that increase profitability and productivity. With a field office located right here in Shreveport, we have first-hand appreciation of the difficulties Louisiana manufacturers are facing. In the last three years, eighteen manufacturing facilities have closed in North Louisiana with an estimated loss of 5,243 jobs. While the current economic downtown poses serious challenges for many Louisiana manufacturers, I believe it also provides an impetus for companies to consider their future. Now, more than ever, the Louisiana manufacturers require access to tools that allow them to cut costs and improve productivity but also position their company for growth through the identification of new markets and new customers – both in the U.S. and abroad. MEPOL and the entire MEP network of centers are working to provide manufacturers with those tools. We are making a difference. In 2008, in Louisiana alone we helped our clients generate new and retained sales of $120M, achieve cost savings of $73M and create and retain more than 1977 jobs. In supporting Louisiana manufacturers, we work with many partners, including the Louisiana Small Business Development Centers, USDA Rural Development, Southwest Trade Adjustment Assistance Center, Louisiana Economic Development and the Louisiana Workforce Commission.

A recent success was our work with Louisiana Binding Service (LBS). LBS was devastated by Hurricane Katrina in 2005. LBS is an archival products manufacturer specializing in custom high end binders. Owners and brothers Pat and Scott Williams made the tough decision to relocate to DeRidder, a small community in rural Beauregard Parish near the Texas border after losing their facility in Harvey, LA near New Orleans.

Following the relocation, numerous issues challenged the company. Only a couple employees with the necessary skills permanently relocated with the company. The company needed training for the new workers. Louisiana Economic Development, asked MEPOL to come in and work with LBS.

MEPOL assessed their workforce issues and coordinated training. The company underwent leadership and motivational classes to combat work ethics and morale issues. With a more cohesive team in place, LBS began a series of lean training to streamline and standardize their process.

As a result of the devastation of Hurricane Katrina which included widespread mold and water damage, an innovative solution to protecting important documents was realized. The Williams brothers designed a Disaster Safe County Binder™. In late 2007, a provisional patent was filed with MEPOL's assistance.

The services LBS received from MEPOL attributed to $12 million in increased and retained sales, $750,000 in cost savings and 115 jobs create and/or retained.

I believe that with additional resources, new collaborations and expanded partnerships, MEPOL and the entire MEP network will be positioned to not just help companies survive the near-term but also work with these organizations to set them on a path toward sustained, profitable growth. Much like our response to the recent natural disasters, we are ready to pull together in this economic disaster with targeted responses to meet Louisiana manufacturer's most immediate needs and provide tools to help them prepare for the future.

Chair LANDRIEU. Thank you very much, and I particularly appreciate your sharing the specific story about a success, because it really helps us to learn of the opportunities that business lost and people think they could recover, but through the tragedy they found a great need to find a new way to protect documents from natural disasters. Whether it is a hurricane, a tornado, or an earthquake, I would say that is quite an expanding business model or opportunity considering as the country searches for solutions to prepare themselves better for a disaster. So we are very encouraging by what you shared about that business, and please give the owners my congratulations.

Ms. DUPUY. Thank you.

Chair LANDRIEU. Ms. Nardini.

**STATEMENT OF KAREN G. NARDINI, ACTING LOUISIANA STATE DIRECTOR FOR RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE**

Ms. NARDINI. Senator, thank you for the opportunity to discuss the opportunities for business and industry available through USDA Rural Development.

USDA Rural Development is committed to the future of rural communities. Nationally we administer over 40 programs that help provide infrastructure, housing, community facilities, and job creation and retention. Our economic and community development mission is supported by a diverse program portfolio.

We strive to help build and expand Louisiana's workforce through our business and cooperative programs. We help build strong infrastructures in Louisiana's rural communities through our electrical, water and waste, community facilities, and telecommunications programs, in addition to our mission to finance homes and apartment complexes in rural areas.

During the past 5 years, USDA in rural development has invested about $2 billion in rural Louisiana through our business, community, and housing programs. We also seek to increase the impact of Federal funds by partnering with other Federal and State agencies as well as nonprofits, to respond flexibly and efficiently to the needs of Louisiana residents, businesses, and communities. When a rural community is facing a crisis, we respond by working with local, State, and Federal partners to identify ways to provide assistance.

In recent months, as plant closures were announced, USDA Rural Development worked with LED, Louisiana State University Agricultural Center, Louisiana Department of Agriculture and Forestry, Louisiana's Governor's office, and the Small Business Administration to identify ways to assist impacted communities. Our agency also worked with Louisiana's Commissioner of Agriculture, Louisiana's Commissioner of the Office of Financial Institutions, and Louisiana State University's Business and Technology Center to examine financial options for closed plants.

We deployed our staff to communities in crisis to provide the information on USDA Rural Development funding opportunities, and we regularly follow up with partner agencies, community leaders, and borrowers, to assess those needs and address those needs.

In the two parishes most impacted by recent plant closure announcements, Morehouse and Union, USDA Rural Development has invested almost $73 million. Our portfolio includes hospitals, community water systems, a farmers' market, homes, apartments for families and the elderly, fire departments and equipment, law enforcement facilities and equipment, community waste systems, and more.

This investment could be greatly influenced by adverse impacts of any plant closures. We are committed to working with the affected communities to restore a healthy, growing economy.

When nature's storms struck Louisiana, we joined forces with our partners to help Louisiana's communities recover. Now, as Louisiana faces an economic storm, USDA Rural Development is working with our partner agencies to help Louisiana's communities recover.

We will protect our investment and continue to work to find financial solutions to the economic problems in Louisiana.

Senator, thank you for the opportunity to present this information on behalf of Rural Development today.

[The prepared statement of Ms. Nardini follows:]

**Statement of**
**Karen G. Nardini**
**Acting Louisiana State Director for Rural Development**
**U.S. Department of Agriculture**
**Before the**

**U.S. Senate Committee on Small Business and Entrepreneurship**
**Field Hearing on the Impact of Manufacturing**
**Closures on Local Small Businesses**

**Shreveport, Louisiana**
**Tuesday, April 14, 2009**

Madam Chair and members of the Committee, thank you for the opportunity to discuss the opportunities for business and industry available through USDA Rural Development.

USDA Rural Development is committed to the future of rural communities. Nationally we administer over 40 programs that help provide infrastructure, housing, community facilities, and job creation and retention. Our economic and community development mission is supported by a diverse program portfolio.

To build a strong infrastructure for Louisiana's rural communities, USDA Rural Development provides loans, grants, and loan guarantees for rural community water and waste systems, telecommunications, and rural broadband. We also provide funding for essential community facilities such as hospitals, fire stations, police stations, and town halls. In addition, our initiatives finance homes and apartment complexes in rural areas. We touch every aspect of community life with our programs.

During the past five years, USDA Rural Development has invested almost $2 billion in rural Louisiana through our business, community, and housing programs. We also seek to increase the impact of federal funds by incentivizing private investment and by partnering with other Federal and State agencies, as well as non-profits, to respond flexibly and efficiently to the needs of Louisiana residents, businesses, and communities.

**Business and Cooperative Programs: Background**

USDA Rural Development strives to help build and expand Louisiana's workforce through our business and cooperative programs. Several of our programs provide support directly to rural businesses, while others provide risk management tools to banks working in rural communities - an especially important role for the Federal Government in recent months. We provide loan guarantees to lenders to help them grow industry in rural areas and create jobs. We also provide Rural Business Enterprise Grants, Rural Business Opportunity Grants, Value-Added Producer Grants, Renewable Energy/Energy Efficiency Grants, and finance locally-controlled revolving loan funds through the Intermediary Relending Program - all with the goal of helping to improve economic opportunities in rural areas. Our cooperative programs promote the use of cooperatives as a viable business model to help groups get the goods and services they need, from marketing crops to providing dependent care services so family members can successfully return to the workforce.

**USDA Rural Development Addresses the Plant Closures**

There are many investments and success stories that we could discuss, but I know the Committee is especially concerned today with the current recession and the impact of manufacturing closures on small businesses. Northern Louisiana has been very affected by the current recession. Today, I would like to provide two case studies of how we are responding.

Among the Louisiana industries suffering in the recession are forest products and poultry processing. In Union and Morehouse Parishes alone, related plant closures could cost the region more than 3,000 jobs. The immediate consequences of these plant closings are impacting independent poultry and timber producers throughout the region and causing many to fail. Secondary financial impacts of these plant closures will be felt by area hospitals, utility companies, community facilities, businesses, and homeowners—many of whom receive financing from USDA Rural Development or USDA Farm Services Agency.

As plant closures were announced, USDA Rural Development began to work with Louisiana Economic Development, Louisiana State University Agricultural Center, Louisiana Department of Agriculture and Forestry, Louisiana's Governor's Office, and the Small Business Administration to address ways to assist impacted communities. Our Agency also worked with Louisiana's Commissioner of Agriculture, Louisiana's Commissioner of the Office of Financial Institutions, and Louisiana State University's Business and Technology Center to examine financial options for plants facing closure.

Louisiana State University's Business and Technology Center Mobile Business Classroom deployed to Farmerville, Louisiana, on March 16 and 17 to provide a forum for plant employees and independent producers to learn about available options. The mobile classroom is funded by a USDA Rural Development Rural Business Enterprise Grant.

In community meetings and mobile classroom workshops, representatives of Rural Development presented information to producers on how to form a cooperative and described financial options available to cooperatives through Rural Development financial programs, including detailed information on Rural Development's Value-Added Producer Grant Program and Business and Industry Guaranteed Loan Program.

Producers were informed that a Notice of Funds Availability (NOFA) would be issued soon for Rural Development's Value-Added Producer Grant Program, and they were told that one use of this grant program is to fund cooperative feasibility studies. Producers were also informed that a cooperative could apply for a $40 million Rural Development Business and Industry Guaranteed Loan to purchase a plant facing closure.

Finally, producers were encouraged to contact Rural Development for assistance in establishing a cooperative. They were also encouraged to contact Louisiana State University's Agricultural Center and Southern University's Agricultural Center for assistance.

Morehouse Parish has also been affected by plant closures. In the months leading up to the closure of a major paper mill, Rural Development worked closely with the community of Bastrop, Morehouse Parish, and Morehouse General Hospital to fund hospital renovations and debt refinancing. The hospital faced an uncertain future due to serious financial problems, and there were talks of closing its doors. Rural Development was able to provide a life-line via our Community Facilities Direct Loan and Guaranteed Loan Programs and our Business and Industry Guaranteed Loan Program. This was very important to management of the threatened mill, which requires that a hospital be located in any community that a plant is in operation. As it turned out, Rural Development was able to prevent the closure of the hospital, but the paper mill eventually closed its doors. The hospital remains, however, as a strategic asset to the community as it seeks to attract new industry to replace the lost jobs.

USDA Rural Development is continuing to work with Federal, State, and local entities to address the plant closures in Morehouse and Union Parishes.

**USDA Rural Development's Investment in Morehouse and Union Parishes**

USDA Rural Development has invested over $37 million in Morehouse Parish and $35.9 million in Union Parish. Our current portfolio in Morehouse and Union Parishes includes hospitals, community water systems, a farmer's market, homes, apartments for families and the elderly, fire departments and equipment, law enforcement facilities and equipment, community waste systems, and more.

This investment could be greatly influenced by adverse impacts of any plant closures. We are committed to working with the affected communities to restore a healthy, growing economy. We will do this both through our regular program dollars and the additional funding made available through the American Recovery and Reinvestment Act (ARRA). Although I cannot discuss individual projects prior to their approval, I can tell you that the ARRA funding will soon become available and that we are working to expedite projects that will be funded through this initiative.

**In Summary**

USDA Rural Development enjoys a long-term working relationship with Federal, State, and local entities in Louisiana.

When nature's storms struck Louisiana, we joined forces with our partners to help Louisiana's communities recover. Now, as Louisiana faces an economic storm, USDA Rural Development is working with our partner agencies to help Louisiana's communities recover.

We will protect our investment and continue to work to find financial solutions to the economic problems in Louisiana.

Thank you for the opportunity to present this information to your committee.

Chair LANDRIEU. Thank you very much, and I want to by thanking you, Ms. Nardini, for being so quick in following up on the hearing yesterday where I suggested that maybe the SBA and the USDA could work more in partnership, because the Small Business Administration—which I now have direct oversight of as the Chair of this Committee, it occurs to me that many of the programs that we are operating are very similar to the USDA. And if we can join forces in Louisiana, I think we can be even more effective through our communities. So I thank you very much, and I understand you have already had a discussion this morning with the SBA representatives, and I appreciate that, Mr. Ricks.

Let me ask—and I think someone from the Department of Commerce is here—if you would just come forward, if you could and give us a little bit more—I think it is Amy Debrozinski. Thank you, Amy. I may have butchered that name there, but could you correct me for the record?

Ms. DEBROZINSKI. Most of the folks call me "Amy D," Senator.

CHAIR LANDRIEU. "Amy D," all right. But thank you for being here. Could you just comment in a little bit more detail about this Manufacturing Extension Partnership Program. I understand it was created by law and funded in 1996, so it has been around for over a decade. Can you describe the Federal Government's perspective on this program and maybe add something to what has already been testified to by Ms. Dupuy?

Ms. DEBROZINSKI. Yes, I would love to. Thank you for the opportunity today. The program actually started in 1989. It went national in 1996, so we have been operating for 20 years, two decades, and Corinne has given a great example of what happens at the local environment, and the national program brings together all of these resources so we are able to share best stories and best practices across the country and to bring observations that we may see in one State, bring it to bear to the local communities.

Also, she highlighted a very important part of our program. We strongly believe in partnership. It is in our name, and we have tried to seek out other government agencies, whether they are at the local, State, or Federal level, to do just what you have indicated. We need to leverage the resources we have. Everything is going to be constrained in the future, and what we really need to do is build on those investments so that it comes to the benefit of these small businesses and manufacturers.

Chair LANDRIEU. Can you give, besides Ms. Dupuy's, an example or two from Louisiana or from any State that might come to mind, some success story that typifies the kind of work that you all try to do on behalf of this program?

Ms. DEBROZINSKI. I don't have one specifically from Louisiana. We submitted one for the record from Louisiana [inaudible] an interesting one for today is our program to work with companies, and specifically in the Midwest, we have identified the impact on the auto industry and [inaudible] pertains to the South as well, but the idea of market diversification. As Corinne indicated in her example, the idea that companies have to recognize that they may go into different industries. And our experience [inaudible] to help companies comply with regulations and new standards, whether they are national standards or international standards, gives us the oppor-

tunity to help those companies realize that they be more than an auto supplier. They could get into the medical industries, into new technologies, and things like that, and that is the area that we are very focused on right now.

The people of Louisiana, their association with the university is a great opportunity for us to really take the technology and research that is happening in the universities and move that out to our small companies. So that is what we are looking forward to.

Chair LANDRIEU. Thank you. And, Ms. Dupuy, state for the record where you all are currently located, and you have, I think, three offices in Louisiana.

Ms. DUPUY. Yes, ma'am. We are headquartered at UL-Lafayette in Lafayette, Louisiana. We have an office in Shreveport [inaudible], and we also have an office at LSU in Baton Rouge serving the [inaudible].

Chair LANDRIEU. I am very interested, and I am going to pursue this program to learn more about it through the Department of Commerce. I do understand that it was scheduled for elimination annually under the last administration, and Congress stepped forward to keep this program running. So I would like to learn more about it, as I was a part of helping to keep this program operating, and see how it can be even more effective here in Louisiana.

Let me ask you a few questions, Mr. Ricks. I know you are a New Orleans native but your recent experience has been in Alabama. I am very pleased to hear you say that in the last 2 weeks, according to your testimony, the loan approvals have increased 148 percent. I would suggest and ask you if you agree or if you could comment, there would be some other pressures pushing these numbers, that this would probably be a direct impact of the Economic Recovery Act that, again, reduced the fees—eliminated the fees, which can be in some instances substantial for these small businesses and banks. We have eliminated those fees and raised the guarantee of these SBA loans from 75 percent to 90 percent in our attempt—and we hope a successful attempt—to unfreeze the credit markets and get credit flowing to business that have proven profitable and sustainable for decades that now look out and see the next year or two as a very difficult time to manage through. And we want to do what we can to unfreeze those credit markets and thought that perhaps this action—I am hoping that these reports that you are giving us for Louisiana are being reflected around the Nation.

So my question is: Is that the record that you submitted? And do you have any indication that these numbers are jumping like this around the country?

Mr. RICKS. I don't have any specifics to point to, you know, I do not have any broad data that shows where the increase is across the country. But indications are, based on my cursory analysis of what is going on not only in Louisiana but other districts that are in our region, we are seeing an increase in lending activity. It is my opinion that the reason why the numbers are going down is because of the changes in the Economic Recovery Act.

Increasing the guarantee percent at 59 percent actually has a couple of effects. Number one, it provides a greater risk mitigation for the lender, makes him more likely to make the loan, since their

exposure goes down significantly; but also an important factor [inaudible] as you know, the guarantee rate on an SBA business loan does not count against a lender's lending limits. So right now we are having this—when you look at the credit market that is clogged up, one of the reasons is—the banks, they have money to lend out, but because of lending limits imposed by regulators in the interest of institutional safety, they cannot do it. Well, the guarantee percentage, that SBA guarantee percentage does not count against their lending limits, so 90 percent of the loan that they make does not count.

So, in theory, what you could have is you could have $10 million in loans that you can have and would like to make, but your lending limits are only going to let you make a million dollars in loans rather than lending out the whole $10 million, because if you take each loan and you put a 90-percent guarantee on top of it, of course, do the math, you only have 10-percent exposure, so there is only $1 million of the $10 million that you are actually making count against the lending limit. Lenders are starting to see this, so I think you are going to begin to see more activity.

Some other changes, the secondary market, the creation of the secondary market by the administration I think sent a positive impact nationally. These kinds of programs have a limited effect on Louisiana because most of our lenders here in Louisiana want to make loans and keep them on the books. There is not a real market for secondary market sales, but we are seeing that. We do have some [inaudible] lenders that operate in that space, like Chase Bank, [inaudible] of Houston, and I expect to see some numbers increase there as well.

But that, I think, is going to have a big impact on getting some of the larger national lenders back in the business of making loans. They are going to be able to sell those loans in the secondary market, free up the money, and then make more loans.

The elimination of lending fees, I think—of course, it has a direct impact on the businesses because that puts more money in their pockets. I mentioned in my opening statement that—and that is just while I was preparing the document. I get calls all the time from people telling us that this is going to have a significant impact on their ability to keep their doors open because now they have got more money in their pocket.

So, you know, if do the math, $15,000 or $13,500, that is a significant impact on a small business, and so, yes, eliminating the fees I think has had an impact. But as far as lenders are concerned, it is a lot easier for the lender to sell the concept of an SBA guarantee to a potential borrower when there are no funding fees attached. One of the key obstacles that you have with lenders participating in the program is, you know, all of our lenders are in competition with each other; they are all out there looking for the best loan deals. And when a potential borrower is sitting across the table from them and they do the risk analysis and determine, well, you know what we could do, this is with an SBA guarantee, well, now that loan officer has to sell the idea of a loan, an SBA loan, to that potential borrower. When there is a 3.5-percent funding fee on top of that, it makes it a lot more difficult.

What ends up happening is, you know, they may leave and they may go to another bank, and the truth of the matter is that actually extends the capital access problem. You know, the worst thing you can do when you find yourself in an economic bind is to drag it out. You need money, you need it as soon as possible.

Chair LANDRIEU. You need it today.

Mr. RICKS. Right, and it is a psychological barrier. And I think what we are seeing is it is a lot easier for a bank to say, "I've got to do an SBA loan. What is it going to cost me?" Nothing. You know, there is no funding fee. So it makes it a lot easier for banks. It makes it easier for them, sort of a package, didn't cost—require them that they do not have large—the smaller the bank, the less likely they are going to have a dedicated staff for government-guaranteed lending, and if we can—so they have to outsource that service to third parties. And not having to pass that funding fee on to other people makes it a lot easier for them to absorb that cost.

So, overall, I think it has had an impact here in Louisiana. I would venture to guess—and I will be happy to provide you with some more specific details later, but it is my opinion that these changes are going to have more of an impact in Louisiana than you are going to see in other parts of the country because of the unique characteristics of the banks that we have here. Our banks want to stay in the State; they want to make money in the State. They want to make money—they want to [inaudible] in the State.

Chair LANDRIEU. And they are generally very healthy.

Mr. RICKS. They are very healthy. We don't have to paint them with a broad stroke, but, generally speaking, community banks in Louisiana are significantly healthier than other community banks across the country, and they are certainly a lot healthier than the national banks across the country. So I think that these—since they have money to lend, all they need is a method to either get around lending limits or also mitigate some of the risk factors, and that is what these changes in the Economic Recovery Act have done.

Chair LANDRIEU. Well, let me follow up by asking you this: Given that—and I agree 100 percent with what you have just outlined. That has been my observation, which is why my Ranking Member, Senator Snowe, and I fought so hard to get this included along with our colleagues in the House, in the House Committee, to have this included in the stimulus package, the American Recovery and Reinvestment Act. But what is SBA planning to do? And as you know, Mrs. Mills, it was her first day on the job, the Administrator, on Monday. Her confirmation went through the Senate Thursday before we left. So she is very new to the job, but not new to the area.

What is the SBA doing specifically and maybe you could say what you are doing in this region to reach out to Louisiana community bankers—those that are federally chartered as well as State chartered—to educate them about these new rules, the elimination of fees, and to encourage them to be partners with the SBA? Because I understand—I always am puzzled why only—I think it is less than 50 percent of our banks participate, and I would like to actually see a 100-percent participation rate so that the people that I represent can walk into any community bank in their own town

and avail themselves of the opportunities offered by that bank, stand-alone or in partnership with the Federal Government through the SBA. And I have been puzzled for many years about why that is not the case. So would you comment, please?

Mr. RICKS. Yes, thank you. Well, first, what we have been doing since the change in administrations is we have had a significant focused effort by the Office of Field Operations to outreach to community banks and get them more on board. I will say this: That is something that I did in Alabama, and I did here in Louisiana even before the change of administrations. I agree with you, Senator, that our goal should be to try—the best opportunity for a small business to succeed is to develop a relationship with their local banks.

In the past, in previous administrations, it did not really—it wasn't that kind of focus. It was more of, you know, if we can get money—if a non-bank, out-of–State lender can make a loan to somebody, then that is great. And don't get me wrong. I certainly appreciate our out-of–State non-bank lenders. Certainly they do offer a significant service. But I think that in the long run a local bank is going to give the borrower not only more favorable terms, but also the service that they are going to need as a relationship with their lender to guarantee success. I have to say that because that has always been our focus. You know, we have been outreaching to banks.

One of the principal problems we have when you are trying to market to local community banks like that, my experience is they are all in competition with each other. So it is not realistic to say, hey, let's all have a big meeting and talk about SBA lending, because they do not want to do that. And that is fine. I understand that.

So our approach has always been one on one. You know, you really have to fight these battles one at a time, go from lender to lender to lender, because each lender has a different business model, and you have to understand what they want to do and develop a training strategy that fits with their business model.

Chair LANDRIEU. Well, also—and I understand that. I have been puzzled by this myself, particularly when there is a 90-percent guarantee that the Federal Government is willing to absorb. I mean, we are absorbing the risk and are in a position to be able to do it. Of course, we are lending—you know, there are standards of lending. You must meet a certain standard, and you must be creditworthy. But we give a little more leniency than potentially a bank standing on risking their own capital, but that is what Government can do and what it should do.

But there has got to be some incentives that potentially the Federal Government or the State, particularly those that are State chartered, in terms of encouraging banks, you know, not with a stick but with a carrot, to be aggressive in really seeking out opportunities to lend, because I will tell you, on the small business side—we have had many small businesses testify before the Committee. We did not structure this particular meeting this way because we needed to enlist this information for the record first. But I intend to follow up with panels of small business owners. We hear from small business owners in a variety of different fields

their inability to access loans from banks or from traditional credit lenders and that the markets are frozen to them. Their lines of credit are being reduced. Their interest rates are being increased. And we will never find our way out of this recession unless we are aggressively identifying creditworthy emerging businesses and give them the money and get out of their way and let them expand to create the jobs to take the place of the 1,400 that we potentially are going to lose at Pilgrim's. We need to make up those 1,400 jobs somewhere. It is going to take a lot of small businesses to get the assets and resources. This archives company is an example that could potentially pick up two or three of those workers, or four or five or six or seven. Is there coordination between MEP and SBDC on this issue?

Ms. DEBROZINSKI. I can provide the answer from a national perspective, and Corinne Dupuy can provide the answer for the local level. But we have been working with the SBDC centers, and specifically Antonio Doss, the Assistant Associate Director at the SBA, who is in charge of the SBDC programs.

Chair LANDRIEU. Say what SBDC is for the record.

Ms. DEBROZINSKI. Small Business Development Centers. And so we have been able to work together with him, and so our national network of centers who are focused on [inaudible], their national network of centers who are focused on small businesses, the larger population, have been able to work together and identify—the Small Business Development Centers work more with the folks at the entrepreneurial level to really identify how to start that business. We think that [inaudible] manufacturers and the operational level and the technology assurance.

Chair LANDRIEU. Do you want to add anything, Corinne?

Ms. DUPUY. Absolutely. I would just like to say that the Louisiana SBDCs and the MEP of Louisiana have signed an MOU, a cooperative agreement indicating that we promote such programs. And the way that pretty much works, for instance, I will talk about in the Lafayette area, the Small Business Development Center and UL–Lafayette, when they get a manufacturer that comes in and they need assistance beyond the business plans or starting—entrepreneurial starts, they will send them to the MEP to take it a step further. We might have an entrepreneur that comes in with a new product design. The Small Business Development Center will take them to a certain point; then they are referred to us, and we help them get patent applications, create prototypes, help them with marketing, and other things. So it sort of takes it a step further.

When we are done with the portions that we work on, we refer them back to the SBDCs, and so it works out very well. The SBDCs sort of act as a marketing arm for the MEP program. They are in a lot more locations than we are. So it really works out well.

Chair LANDRIEU. And I understand that Mary Lynn Wilkerson, our State director, is here. Would you mind coming forward if you would like to add anything? And while you are maybe thinking about that, let me ask Mr. Ricks: You said that in the 8(a) program in Louisiana we have 115 certified 8(a) small businesses. Can you share with us how they are divided around the State? Do you have the regions broken down inside of Louisiana?

Mr. RICKS. I don't have that specifically, but I will tell you that a concentration of 8 (a) firms are—and this is true across the country—aware of what the Federal contracting opportunities are. We have a significant number of 8(a) firms that participate with Army Corps of Engineers projects along the intracoastal waterway and also the greater New Orleans area. So we have a concentration of 8(a) firms there.

We also have concentrations of 8(a) firms around Federal installations like Fort Polk and Barksdale Air Force Base as an example, and that is really mostly construction-related 8(a) opportunities. According to the Federal Regulations, these are locality based so it makes sense that they are near, in and around these areas. But we have a number, and I will be happy to supply specifics as to where they are located and get that back to you. But we do have a number of 8(a) firms that really are not locality based, where they are in the State but they actually leverage 8(a) contracts in other district offices as well. So they might be based here in the State, but they are actually leveraging contracts elsewhere.

Chair LANDRIEU. And do you have any information, either during your time of service or prior, about how many companies apply to be 8(a) in Louisiana, how many are accepted, and how many are denied? A general, rough estimate or percentage.

Mr. RICKS. Many times what ends up happening, it is difficult to tabulate that information because people drop off at different times. We have a number of people that express interest in the program, and then when they come to our certification seminars—we are going to have one today, as a matter fact. Once they realize what the 8(a) program is all about, they realize that it is not really something for them. It is really a program just for people who want to leverage Federal contracting opportunities. So if you are a restaurant, you know, there is not going to be a whole lot of opportunities.

So it really is focused on different kinds of business sectors and what kind of opportunities are available. My guess is probably about for every 8(a) firm that comes into the program, you have at least four others that express some interest in the program, and when they drop off really depends on—most of them drop off on their own, and once they get into the application process and they realize what the reporting requirements are going to be and some of the unintended costs of actually participating in the program, they elect to withdraw prior to completion.

But I will get that to you. I don't know how many actually make it through the application process and actually drop off, but most—the SBA over the last few years has been very liberal in its interpretation of what is socially disadvantaged. So we have a number of people who come into the program that really do not fit the traditional dispatch business category. We have any number of women-owned businesses that operate in predominantly male fields, and the current interpretation is that is a social disadvantage, and they come into the program as well. People with disabilities is another one.

Chair LANDRIEU. And the point of this program is to try to promote opportunities for entrepreneurs from socially disadvantaged groups. I support the goals of the program. I want to try to make

sure that the quality of this program and the effectiveness is made stronger. I think we can all work on strengthening. And I say that because the Federal Government is a major buyer of services, just like any large corporation would be. And our Committee, both Republicans and Democrats, actually feel very strongly about having small businesses in America be able to provide services to the Federal Government and not have small businesses shut out of opportunities that are right there in their own backyard just because they are small. They can be very profitable, very efficient, and very well run. But just like any large corporation, large corporations are comfortable dealing with their peer groups. And it is very hard to get a large corporation to divide up their big contracts in small enough chunks that small businesses can get involved. And it is very important for the Federal Government in my view to try to do that, because a Federal contract sometimes could help a small business at a very critical time in their growth and then really help them to go to that next step and then grow.

So it is a strategy for growth as well as economic opportunity. And, I don't know, Mary Lynn, if you have anything you wanted to comment about that or something else.

Ms. WILKERSON. Mary Lynn Wilkerson, State Director for Louisiana Small Business Development Center. Thank you, Senator.

I would just reiterate what Corinne said. Right after the national program signed the memorandum of understanding, we here in Louisiana signed a memorandum of understanding, and I think we have had it at least 3 years. We probably in our network see about 300 manufacturers in any given year. That can be from thinking about it to in. My centers tell me all the time anecdotally that they send people to the Manufacturing Extension—MEPOL here in Louisiana, and we do—they come back to us. We do not formally track them, but we know that there is a significant number of the folks we work with that are referred to MEPOL.

In addition, with the contracting, we also—there is a Federal memorandum of understanding with the PTAC program. And Sherrie Mullins and Kelly Ford are here with the PTAC program. We do use that exactly as you said because some of these small businesses are seeing a downsizing in their sales, or strategies for Government contracting, State contracting, international trade. So we look for any opportunity. We work for lots of people through the PTAC program, and I know that they have significant contracts, last year probably about $1 billion in contracts, Louisiana companies, which is significant.

So, you know, you have three Federal programs that are working very closely together here in Louisiana.

Chair LANDRIEU. Well, I think people would be encouraged by that because, you know, many of our experiences, including mine as an elected official, and citizens generally, sometimes think that there is not as much coordination as there could be or should be between Federal agencies, and it seems complicated and duplicative. But I am very pleased to see that in this particular area there seems to be a fairly substantial level of understanding and cooperation among your individual programs and how you can maximize the Federal investment, which is substantial to get the maximum benefit of being helpful and supportive on Main Street, on the

ground in our communities, large and small, throughout the State, which is where our focus is going to be.

I am prepared to wrap up in just a few minutes. I do not mind at all having the Procurement Technical Assistance Centers come forward if you would like to just say a word for the record, if you would like to. While they are thinking about that, is there anybody else that wants to add something to this record before we close? Mary Lynn?

Ms. WILKERSON. One thing I did forget to say is we have also leveraged funding through U.S. Rural Development. We do have dollars and, in fact, have just requested reprogramming some of those dollars for northeast Louisiana since the problems we have had up there, so we will be trying to do some of that. And we are actually working with some ag people at the University of Louisiana–Monroe to develop task management so we can begin to work with the chicken farmers and other people to help them streamline their financials.

Chair LANDRIEU. And do you know how much money you are asking to reallocate?

Ms. WILKERSON. Well, we just sort of added all the parishes. I have about $190,000 right now left in that grant, and we have got—you know, so I can—it is not per parish, I do not believe specifically.

Chair LANDRIEU. But you are trying to allocate it and focus it for north Louisiana?

Ms. WILKERSON. Yes.

Chair LANDRIEU. I appreciate Mayor Hawkins staying with us. But the Pilgrim's Pride situation hopefully will work with the partnership between two private entities with the State serving as a financier in this situation. But if it does work, there could continue to be a need to help these growers particularly refocus and reorganize themselves so they become more diversified. And they are growing not only chickens but potentially thinking about the opportunity to grow something else so that if this happens again, they will have some sort of diversified product base.

There are all sorts of options, which brings me to a meeting I did yesterday on broadband technology, because getting high-speed Internet to some of our businesses, to our farmers, to our ag communities is absolutely crucial to strategic, strong economic development in the whole State, but particularly in rural areas.

Again, I am very proud that the recovery package—and President Obama and his administration feel very strongly about this and have invested $7 billion for the Nation. Now, some people testified that they could use $7 billion in California alone to accomplish this goal. So it sounds like a lot of money, but the needs of the Nation are great. We are positioning Louisiana, I am trying to position Louisiana to get as aggressive as possible in this effort because this is a lifeline to many of our small businesses who do not have access to high-speed Internet. If they did, they could more easily change or strengthen their business model. Not only do we want our businesses to have access, but we need them to have affordable access. Fifty dollars a month for a residence or several hundred dollars a month for a business is sometimes very difficult to achieve. So we are looking for some creative solutions as to how

we get our businesses, you know, on high-speed broadband and getting access in every corner of this State. And I am going to take that on as a special project and working with anybody that would like to work with me on it.

Let me ask you, if you could, to please identify yourself and you want to give a word or two about PTAC, Procurement Technical Assistance Centers, and identify your funding source.

Ms. MULLINS. We are funded through the U.S. Department of Defense, and we have to have local matching money. The program that I represent is based at UL–Lafayette. We are called the statewide program. The program that Kelly runs covers ten parishes in west Louisiana. It strictly depends on where our funding money comes from.

The program at UL has been there since the late 1980s. The past 5 years' worth of contract documentation we have collected from our clients indicates we have seen over $2.6 billion of contracts awarded at the Federal, State, and local level to our contractors, and those were folks that we have signed documentation——

Chair LANDRIEU. Is that nationwide?

Ms. MULLINS. No. This is in Louisiana only. I do not have the Federal numbers. I know that the Association of Procurement Technical Centers at this particular time is compiling the data for 2008.

We do work with some large businesses also. One of our success stories has been actually working with Textron over in the New Orleans area and working with them on their small business subcontracting plans, which includes our small businesses. So the majority of our contracts come from small businesses, but we also have a hand in the private contractors, which is an excellent way to connect up those small businesses.

Chair LANDRIEU. And why don't you share for the record—because it is something I am particularly proud of since I helped to keep the Textron plant open. Explain to the public what they manufacture.

Ms. MULLINS. Now you are asking me something tough here because I am not the one that is in that facility.

Chair LANDRIEU. Well, let me help you out. They manufacture an armored security vehicle which is mine resistant and is a vehicle that is in great demand in Iraq and Afghanistan, as our troops patrol the areas and are subject to sniper attack and explosive device attacks, which is a pattern of warfare in that area, and the armored security vehicles, which are manufactured for the whole Nation here in Louisiana, at the New Orleans plant and the Slidell plant were subject to be closed. And our delegation fought to sustain them, and then the Army after the attack of 9/11 ordered 400 vehicles. It was a huge contract, and I think what you do is step in to see that potentially some of the small businesses could participate in that project worth millions of dollars to contract to buy these vehicles. So you stepped in and worked with whom?

Ms. MULLINS. We worked with the small business office, their small business liaison office, actually put together a subcontracting plan, which is a requirement that they use small businesses. And our contractor—or, excuse me, my councilman in that area is a retired contracting officer, and he actually spent day after day after

day working with them, formulating a small business plan, and put it together to comply with the Federal guidelines. And then we worked with them on an event that they did where they brought in small businesses to meet with them.

Chair LANDRIEU. Okay. Ms. Trichel, do you have any other closing comments? I would like to wind down our panel. Just close for a minute or so, something that you want to testify to that you might have passed over.

Ms. TRICHEL. Well, I would like to discuss the SBA lending. I was the first certified lender in the State of Louisiana for Small Business Administration, and my experience in that banking position and since, working with small businesses to acquire loans, is that small banks in particular perceive SBA loans as [inaudible] making a bad loan good instead of making a good loan better. And I believe that if there was an awareness campaign I believe if there were some incentives for small banks to become certified lenders or "preferred lenders," as it is called today, the decision process would be easier.

Chair LANDRIEU. Thank you.

Mr. Ricks, anything?

Mr. RICKS. Just in light of that, I agree, I think that a goal, a worthy goal to get banks, local banks more involved in SBA lending would be to bring them on board as certified lenders, and the SBA does have two programs for that, the express program and the standard preferred lender program. That does make things a lot easier, but ultimately what we have to do is we have to do a very good job or a better job of convincing banks that SBA is their business model and how SBA fits and how the analysis needs to happen. And we are doing that now, and hopefully we will be able to get more people on board and make that work better for everybody.

Chair LANDRIEU. Thank you.

Ms. Dupuy.

Ms. DUPUY. I would just like to say that earlier you had asked about specific examples in the State of Louisiana, and we have submitted some to you for the record.

Chair LANDRIEU. Yes.

Ms. DUPUY. Specifically north Louisiana, we have already done that. But we have many more success stories, and we have a lot of data that is substantial. If you need any of that information, we would be happy to give that to you.

We would like to also offer you the opportunity to tour any of the facilities that we have worked with. A lot of the folks that we have worked with are very proud of the changes and the transformations that have taken place, and we would love to have you come in and see it.

Chair LANDRIEU. Well, I am very and specifically very interested in this because there is a great clamor around the country and a call that the manufacturing base in America is declining and collapsing, and I think there is another story to be told. I think there is some traditional manufacturing that has moved overseas. It has been very disruptive and very difficult for communities. The textile industry comes to mind. The petrochemical industry is challenged by that as well, which we see in the State. And as things move internationally, I believe that I can see real opportunities for new

kinds of manufacturing, using cutting-edge technology across the board. And we want—I would like our manufacturing sector in the whole Nation to be strengthened. But, of course, my focus is to see it strengthened in Louisiana, and I want to look for opportunities, and I want us to be smart about the assets that are already here and making them work.

So, Ms. Dupuy, I may want to take you up on a follow up, if not an official field hearing, a roundtable discussion to highlight some of these success stories.

Ms. DUPUY. Well, I think you would be pleasantly surprised at what you may find, what Louisiana can offer in terms of manufacturing.

Chair LANDRIEU. Thank you.

Ms. Nardini.

Ms. NARDINI. Thank you, Senator. I just want to summarize by saying Rural Development has about a $2.4 billion portfolio, and of that portfolio, about $235 million of that is our business cooperative programs. But the remainder of that money is in every other aspect of the rural communities, that all the things you heard me talk about today, the community facilities, the water, the sewage, the housing. So truly Rural Development has a big investment in rural communities, not just in the businesses but in all of the other things in the communities that are needed to sustain these businesses. And we truly are committed to the rural communities throughout the State and devising everything that we can to help them build and grow and sustain that growth.

Thank you.

Chair LANDRIEU. Thank you very much, and for the record—and I am going to submit this for the formal record, which is just an outline of the additional funding brought into the State through the American Recovery and Reinvestment Act. In the Department of Agriculture, there are substantial increases in the Aquaculture Assistance Grant Program, the Forest Service Grant Fire Management Watershed Program; the National School Lunch Program, which people do not realize is funded through the Department of Agriculture; rural broadband, which I spoke about; rural business programs, grants, and loans; rural community facilities grants and loans; rural utility grants programs; and rural water and waste.

Now, these are block grants that have come from the Federal Government in addition to the annual appropriations through the stimulus package to try to in some cases double and triple the amount of money that the Federal Government normally sends to the State, to try to get projects underway, hire people, you know, keep local government and nonprofits moving forward.

So I hope that people will be focused on what substantial help some of this funding can be for the programs and how small businesses in these rural areas can benefit directly and indirectly.

Any closing comments or remarks from the panel?

Ms. DEBROZINSKI. No. We just appreciated the opportunity and your focus on manufacturers and small businesses.

Ms. WILKERSON. Thank you on behalf of the College of Business. You have helped us. We are going to create the incubator in northeast Louisiana. It is the only region of the State that has not had one, and I think that is going to be beneficial to the region as well.

And your support to small businesses has just been incredible, and we appreciate that.

Chair LANDRIEU. Well, I intend to get even stronger now that I am the Chair of this Committee. I have been able to help somewhat as a committee member, but now as the Chair, I may be able to really bring additional focus to the SBA. Both Senator Snowe and I believe it should be elevated to a Cabinet level position. We have asked the President for that designation. Whether it comes or not, we remain hopeful, and that request will get due consideration by the President. The SBA was under the Clinton administration—part of the Cabinet, and we would like for it to be again. I think it is very important for small business to have a seat at the table when these major negotiations are going on about the credit markets and the TARP monies and the bailout funding. And I think that our idea, at least my idea as a Senator is to get help as quickly as possible to the Main Streets of Louisiana and to our other States. And I would like to see the Main Street ambassador in Columbia and Tallulah and in places like Concordia Parish that could use a great deal of help and support, and right here in Bossier and Caddo Parish region. So that is what the hope of this Committee is. We want to strengthen the SBA. We have already seen good comments and actions from this administration about increasing funding to the SBA. But I will say I will speak to this at a later venue about keeping taxes reduced and particularly on industries like oil and gas, which fund in large measure and support any number of small businesses throughout the country. It is under the Finance Committee's jurisdiction. But regulations, taxes, and effective programs do affect the amount of money for small business, so my Committee will track these issues and provide, where needed, a voice or forum for small business priorities.

Thank you, panelists, and for anybody in the audience that wants to submit testimony, the record will be open for 2 weeks. You could submit it in writing, and I will be here for another 20 minutes to take any personal comments that anyone has.

Thank you. We also have copies of the American Recovery and Reinvestment Act. This is a preliminary guide to competitive grant funding specific to Louisiana, and it was the first guide. I am very proud of our office. We worked with our other members of the delegation, but we led the effort to create this for the State, and we were the first Senate office to prepare it so our agencies here in Louisiana and our local communities, our mayors, our police jurors, our nonprofits understand what is available through competitive grants in large measure, some formula funding, but in large measure competitive grants that must be applied for to use this funding that is now available.

So, the Small Business Committee meeting will adjourn. Thank you.

[Whereupon, at 11:30 a.m., the Committee was adjourned.]

# APPENDIX MATERIAL SUBMITTED

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April 9, 2009

The Honorable Mary L. Landrieu
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Senate Committee on Small Business and Entrepreneurship
Washington, DC 20510-6350

Dear Senator Landrieu:

Thank you for the invitation to appear before the Senate Committee on Small Business and Entrepreneurship next week. Unfortunately, due to previously scheduled commitments, I will not be able to attend. In lieu of my attendance, I request that the attached statement be submitted for the record.

Sincerely,

John Fleming

JOHN FLEMING, M.D.
Member of Congress

PRINTED ON RECYCLED PAPER

**Statement by Congressman John Fleming, M.D.**

The most serious challenge facing Louisiana families and small businesses today is the state of the economy. Over 97% of the jobs in Louisiana come from small businesses. Many of these small business owners depend on the income tax breaks and incentives that are scheduled to be eliminated by President Obama's budget.

In the 4th District in particular, Energy means jobs, and the recently passed budget will threaten millions of jobs and punish thousands of independent small businesses throughout the country. President Obama has proposed removing over $30 billion in tax incentives for oil and gas producers, the vast majority of which are "mom and pop" small businesses, whom are already taxed above the industrial average. These small business owners rely on these incentives to reinvest capital in their companies, hire employees at good salaries and keep prices low at the pump for our working families.

It is suggested that the Haynesville Shale is the largest natural gas play in the United States and possibly one of the largest in the world. Wells producing in the Haynesville Shale are some of the largest producing wells in the entire continental U.S., averaging 10-20 million cubic feet of natural gas production a day. This momentous geological find has provided massive injections of capital into the 4th District, along with creating thousands of jobs. The Administration's budget stands to destroy all of this potential.

Just as troubling is the Administration's proposal to implement a cap-and-trade system. More accurately described as cap-and-tax, this $646 billion dollar tax increase will no doubt have a devastating effect on Louisiana's working families. Recent studies have shown that under a cap-and-tax system, the total energy bill for the average American household will increase by up to $3,128 per year and the country can expect to lose 3 to 4 million jobs. I too want to protect our environment, but believe we must do it in a way that keeps energy costs low for working families and protects our jobs and small businesses.

In a time of recession, the best way to encourage an economic turnaround, help preserve jobs, and spur widespread economic growth is to ensure that families and business owners face a lower tax burden. As the 4th District's Representative in Congress, I hope more of my colleagues will join me in putting the interests of the American taxpayer first.

**Comments for Consideration by the**

**U.S. Senate Committee on Small Business and Entrepreneurship**

**The Honorable Mary Landrieu, Chair**

**Donald R. Cravins, Staff Director and Chief Legal Counsel**

**Following the Field Hearing on the Impact of**

**Manufacturing Closures on Local Small Businesses**

**Held April, 14, 2009 in Shreveport, LA**

Submitted by:

Diana M. Simek
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Thank you for the opportunity of providing additional information to the U.S. Senate Committee on Small Business and Entrepreneurship. There are four (4) topics which I would like to address in this statement and the role they play in providing direct assistance to small businesses, including manufacturers, and entrepreneurs. The topics are:

- Business Incubation
- Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs (Page 6)
- Export Assistance for Manufacturers (Page 8)
- NIST's Manufacturing Extension Partnership Program (Page 10)

**Business Incubation**

For the past 14 years, I have served as manager of the Metro/Regional Business Incubator (MRBI) in Shreveport, Louisiana. The incubator is a job creation subsidiary of The Coordinating and Development Corporation (CDC), which provides a wide variety of business, workforce, and community development services to the parishes of Northwest Louisiana, including Bienville, Bossier, Caddo, Claiborne, DeSoto, Lincoln, Natchitoches, Red River, Sabine, and Webster Parishes.

I also currently serve as President of the Louisiana Business Incubation Association (LBIA), a statewide organization composed of 21 Business Incubators throughout the state. The sponsors of our member organizations range from universities to governmental agencies to private economic development organizations and community development committees. The types of clients we work with range from high technology to manufacturers to service providers to microenterprises. Our services are provided to incubator tenants as well as to start up and existing small businesses that are located outside of our incubators.

I was disappointed in the fact that not once during the April 14, 2009 Public Hearing was there any mention of Business Incubation as a source of assistance for manufacturers as well as other types of small business and entrepreneurs. This was

especially disconcerting to me since the primary emphasis for tenants in the Metro/ Regional Business Incubator is manufacturing and warehousing/distribution. I currently have five (5) start-up manufacturing companies in our Business Incubator and the products they manufacture are:

- Low energy lighting
- Outdoor feeders for animals and fowl
- Hair care products
- Erosion control and canopy covers
- Medical devices

Nationally, there are more than 1,000 Business Incubators providing a wide variety of services to start up companies as well as existing small businesses. These services, in many instances, parallel the same type of services that are provided by Small Business Development Centers (SBDCs) and include:

- Management and financial planning
- Marketing assistance
- Technology and technical assistance
- Seminars and other training programs
- One-on-one counseling
- Business planning assistance
- Legal, accounting, intellectual property and tax incentive information/assistance
- Networking contacts

While there are two funding programs available through the Federal government (the Economic Development Administration [EDA] and the USDA's Rural Development) for the construction of Business Incubators, no funding for working capital, such as that provided by the SBA to the Small Business Development Centers (SBDCs), is available to help Business Incubators in their efforts to provide their multitude of services to entrepreneurs and small businesses.

A recent study entitled, "Construction Grants Program Impact Assessment Report," conducted for the U.S. Department of Commerce's Economic Development

Administration by Grant Thornton, found that Business Incubators are more effective than roads and bridges, industrial parks, commercial buildings, and sewer and water projects at creating jobs. Below are some detailed findings from the report.

- In a recurring theme throughout the study, the authors note that "EDA's strategic focus on innovation and entrepreneurship makes sense, in that investments in Business Incubators generate significantly greater impacts in the communities in which they are made than do other project types."

- According to the study, EDA investments, on average, produce between 2.2 and 5.0 jobs per $10,000 in Federal spending, for a Federal cost per job of between $2,001 and $4,611.

- The results of the investments vary greatly, depending on the type of project (see table below). Business Incubators produce the greatest number of jobs per $10,000 in EDA investment (between 46.3 and 69.4), while community infrastructure projects (e.g., sewer and water projects) create the least number of jobs (between 1.5 and 3.4 per $10,000 in Federal investment).

- As a result, Business Incubators create jobs at far less cost than do other EDA investments. Incubators have a Federal cost per job of between $144 and $216, compared with $744-$1,008 for commercial structures, $1,291-$2,293 for roads and other transportation projects, $1,377-$1,999 for industrial park infrastructure, and $2,920-$6,972 for community infrastructure.

- The report notes that, by dollar invested and by number of projects funded, Business Incubation programs have historically been the least well-funded of EDA's public infrastructure projects.

**Local Jobs Generated Per $10,000 EDA Investment and Federal Cost Per Job**

| Project type | Estimated local jobs created (per $10,000 EDA investment) | Federal cost per job |
|---|---|---|
| Business Incubators | 46.3-69.4 | $144-$216 |
| Commercial structures | 9.6-13.4 | $744-$1,008 |
| Roads & other transportation | 4.4-7.8 | $1,291-$2,293 |
| Industrial park infrastructure | 5.0-7.3 | $1,377-$1,999 |
| Community infrastructure | 1.5-3.4 | $2,920-$6,872 |

Another EDA-funded study in the mid-1990s found that 87 percent of all firms that had graduated from NBIA member incubation programs were still in business – and about 84 percent of those graduates remained in the incubator's community. The jobs created by incubators aren't one-time construction jobs but enduring, high-paying positions that contribute to community and U.S. global competitiveness.

The Stimulus Bill provides EDA with $150 million to "promote comprehensive entrepreneurial and innovation-based economic development efforts to enhance the competitiveness of regions, resulting in increased private investment and higher-skill, higher-wage jobs in regions that have experienced sudden and severe economic dislocation and job loss due to corporate restructuring." The Federal funding opportunity (FFO) announcement notes that EDA funding cannot fund more than 50 percent of any project. A lower matching requirement of 25 percent would be helpful for many incubators hard hit by the current economy. A precedent already exists for a much-lower match requirement in EDA Disaster Assistance Funds available to ameliorate conditions in areas hard-hit by 2008 storms.

Additionally, President Obama's FY2010 budget contains an allocation for $50 million for Business Incubation. At the present time, these funds are dedicated to be used only to develop new incubation programs. Allowing these funds to be used by existing Business Incubators which are being hard-hit by local and state budget cuts, would ensure that the investments that states, communities, universities, and private economic development organizations have made in the more than 1,000 existing Business Incubators are maintained and high-functioning programs get support in these difficult economic times.

The National Business Incubation Association estimates that in 2005 alone, North American incubators assisted more than 27,000 start-up companies that provided full-time employment for more than 100,000 workers and generated annual revenue of more than $17 billion. Many thousands more jobs have been created by companies that have graduated from these programs and now operate self-sufficiently in their communities.

According to SBA statistics, small businesses:

- Represent 99.7 percent of all employer firms.
- Employ about half of all private sector employees.
- Pay nearly 45 percent of total U.S. private payroll.
- Generated 60 to 80 percent of net new jobs annually over the last decade.

- Make up 97.3 percent of all identified exporters and produced 28.9 percent of the known export value in FY 2006.
- Produce 13 times more patents per employee than large patenting firms

As noted in the studies cited above, Business Incubation has proven its effectiveness – without any type of working capital funding from the Federal government. How much more of an impact could Business Incubators be in growing the entrepreneurs and small businesses that are the engines of our nation's economic health if the incubators could receive funding similar to that provided to the Small Business Development Centers by SBA?

Since the vast majority of U.S. incubators are independently owned and operated and vary in the effectiveness of their programs, a logical method of providing Federal funding for other than construction to effective incubators would be to allocate the funds directly to state economic development departments, which, in turn, could channel the funding to the incubators that are most effective in their respective states.

**Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs**

As Vice President of the Ark-La-Tex Regional Export and Technology Center, Inc., and Manager of the Metro/Regional Business Incubator, both business development affiliates of The Coordinating and Development Corp., I have worked with the SBIR/STTR program since 1999. I am pleased to say that I was personally involved in the writing of SBIR Phase I and Phase II applications that resulted in the first company north of I-10 in Louisiana receiving more than $730,000 in DOD SBIR funding. Since this company was a tenant of our incubation, I was able to personally witness the vast improvements made possible by the availability of the SBIR funding to an innovative product, which later was purchased by the military.

Since 1999, I have worked with numerous companies across Louisiana to help them prepare their SBIR/STTR applications, and strongly support the efforts of Congress to keep this program active in order to give small businesses the opportunity

to participate in innovative research for the 11 government agencies that participate in the programs.

I do have one major concern that I would like to address and that is that too many universities have begun using the Bayh-Dole Bill (codified as Title 37 of the CFR) as a reason to require a small business cede their intellectual property rights to the university if a small business contracts with any of their professors on an SBIR research project. For this reason, I would like to request that a change be made to the SBIR/STTR program so that a statement is included in the SBIR regulations that is similar to the statement used in the old NIST Advanced Technology Program (ATP), namely:

*"Title to inventions arising from assistance provided by the Program must vest in a company or companies incorporated in the United States. Joint ventures shall provide to NIST a copy of their written agreement which defines the disposition of ownership rights among the members of the joint venture, and their contractors and subcontractors as appropriate, that complies with the first sentence of this paragraph. The United States will reserve a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any such intellectual property, but shall not, in the exercise of such license, publicly disclose proprietary information related to the license. Title to any such intellectual property shall not be transferred or passed, except to a company incorporated in the United States, until the expiration of the first patent obtained in connection with such intellectual property. Nothing in this paragraph shall be construed to prohibit the licensing to any company of intellectual property rights arising from assistance provided under this section." CFR Title 15, Section 295.8(a)(1), Intellectual Property Rights*

It is the business community that develops, manufactures, and markets new innovative products, not universities. The Bayh-Dole Bill has had a chilling effect on the working relationships with my SBIR clients and Louisiana universities in that they prefer to contract with an out of state or out of country university that is willing to undertake a research role for a fee, instead of requiring both a fee and ownership of intellectual property arising from an SBIR project. This chilling effect is clearly indicated in a report

entitled "Where has the Money Gone? Declining Industrial Support of Academic R&D," released by the National Science Foundation (NSF), in September 2006:

*"A three-decades-long trend of increasingly strong ties between industry and universities may have ended. Between 1972 and 2001, industrial support to universities and colleges grew more rapidly than any other source of support for academic research and development (NSB 2006, vol. 2: appendix table 5-2). A 1996 National Academy of Sciences report stated that "The prevalence and vitality of research partnerships between industrial organizations and universities have increased dramatically over the last two decades" (NAS 1996:1). A decade later, at an April 2006 meeting held at the National Academies, prominent industry and university speakers indicated that negotiations of sponsored research agreements, particularly disagreements over the treatment of intellectual property (IP), were negatively affecting the entire industry-university research partnership in the United States.[1] It was pointed out that U.S. companies increasingly choose to work with foreign rather than U.S. universities, encouraged by the more favorable IP rights that foreign universities offer and the strong incentives for joint industry-university research that foreign governments provide.*

**Export Assistance for Manufacturers**

As a Northwest Louisiana representative on the Louisiana District Export Council, I applaud the letter sent March 24, 2009 to Trade Representative Ronald Kirk by Senate Committee on Small Business and Entrepreneurship Chair Mary Landrieu, D-La., Ranking Member Olympia J. Snowe, R-Maine, and Sen. Chuck Schumer, D-N.Y asking Mr. Kirk to add an Assistant Trade Representative to focus exclusively on small business trade issues.

As a former owner of a small business that exported wood products to Japan, Thailand, and Mexico, I thoroughly concur with this sentiment. Additionally, I am requesting that the Committee ensure that continued funding remains available to support the multitude of services provided by the U.S. Commercial Service's Export Assistance Centers (USEACs), whose mission is to help Small and Medium Sized Enterprises (SMEs) find international markets for their goods and services.

Through their worldwide network of offices in U.S. embassies and consulates, USEACs offer a wide range of assistance to help SMEs explore markets and make sales. Their Gold Key Service and International Partner Search identify importers and agents interested in buying U.S. goods and services, the International Buyer Program brings qualified foreign buyers to American trade shows, and their market research allows Louisiana companies to identify the best international markets and do business there safely.

More important, the USEACs mainly benefit innovative small to- mid-size businesses such as Southland Printing Co. in Shreveport that manufacturers and sells parking tickets to more than 30 countries around the world or Artcrete Co. of Natchitoches that manufactures and sells its decorative concrete products internationally. There are many more SMEs in Louisiana that could be exporting their products or services. Unfortunately, too many of these companies don't believe that they have the resources or ability to sell overseas on their own -- paper work required to shipping internationally is complicated, finding qualified foreign distributors or dealers on their own is a major concern, and ensuring that they will be paid once a product has been shipped offshore make small businesses leery of becoming involved in exporting.

Having USEACs available to help SMEs understand that there are many advantages to diversifying their markets to include international ones gives a small company many advantages, including:

- Spreading risk across markets helps ensure that they can better weather the ups and downs of domestic business cycles.
- Due to the size and scope of the US market, companies may actually face *less* competition overseas.
- Exporters can often command a higher price for their goods and services
- U.S. government assistance programs, such as DOC/USEAC services, SBA and EXIM bank financing, and free trade zones give Louisiana exporters a competitive advantage.

The December 2008 report released by the Department of Commerce's U.S. Census Bureau and the Bureau of Economic Analysis on U.S. International Trade in Goods and Services demonstrated that U.S. exports of goods and services grew by 12.0% in 2008 to $1.84 trillion, while imports increased 7.4% to $2.52 trillion. More involvement of our small and mid-sized businesses in exporting would be a tremendous aid in improving the country's trade deficit. Only the USEACs can help make that happen.

**NIST's Manufacturing Extension Partnership (MEP) Program**

I have worked with the Manufacturing Extension Partnership of Louisiana (MEPOL) program since its beginning, and currently serve as a member of MEPOL's Industrial Advisory Board (IAB). I was very pleased with the interest in and support for MEPOL expressed by Senator Landrieu during the April 14, 2009 Public Meeting.

I would like to ask one thing of the committee members as it relates to the MEP program: over the 14 years that I have been associated with MEPOL, year to year funding has been a problem. Since the MEP program is the only Federally funded program that is entirely devoted to helping small and mid-sized manufacturers, I urge the Committee to help ensure that annual funding of the MEP program be maintained at a level sufficiently high enough to allow this organization to have the resources they need to adequately assist our manufacturers, who because of the value they add to our economy are so crucial to our country's current and future economic well-being.

Since I have a long standing involvement with both MEPOL and the New Orleans USEAC, I would like to make one further suggestion – that a Memorandum of Understanding (MOU) be signed between both these organizations on the national level so that any U. S. manufacturer assisted by one of these agencies will automatically be referred to the other agency if a need for additional services exists.

Thank you for allowing me to present this information and recommendations to your committee. I am sincerely grateful to Senator Landrieu and the Senate Committee on Small Business and Entrepreneurship for this opportunity.

**Questions for the Record for**
**Chair Mary L. Landrieu**
**for the**
**Committee on Small Business and Entrepreneurship**
**United States Senate**
**"Field Hearing on the Impact of Manufacturing Closures on Local Small Businesses"**

**Corinne Depuy, MEPL**

**Question #1 – Small Business Administration-Department of Commerce Coordination on Manufacturing Closures**

On March 4, 2009 Ranking Member Snowe and I sent a letter to the Small Business Administration (SBA), Department of Commerce (DOC), and the Department of Labor (DOL). I would like to submit this March 4th for the record. This letter pushed for improved improved agency coordination to help small businesses and communities impacted by manufacturing closures.

To date, the committee did receive a response from SBA on March 18, 2009 but has yet to receive a response from either DOC or the Department of Labor. I would also like to submit the March 18th SBA response for the record. The March 18th SBA response did indicate that the Administration was establishing a Small Business Inter-Agency Task Force but did not directly address SBA efforts in response to manufacturing closures. While I appreciate improved coordination of multiple agency programs that benefit small businesses, I would like to specifically know what DOC and SBA are doing to better coordinate on manufacturing closures.

In particular, I understand that DOC and SBA have discussed various options to incorporate business counseling and lending programs that manufacturers.

- Can you update the committee on these discussions and outline specific proposals or actions that may benefit small businesses impacted by manufacturing closures?
- Can you generally outline coordination in north Louisiana between MEPoL, Small Business Development Centers, and SBA lending programs?
- How does Small Business Development Center (SBDC) and MEP coordination work in Louisiana?
- How do businesses choose between SBDC and MEP services?
- Is the fact that SBDC services are free and MEP services are not a disincentive for businesses to access the MEP program?

**Question #2 - MEPoL Staffing in North Louisiana**

Under the previous Administration, each year the Manufacturing Extension Partnership (MEP) program was targeted for elimination. Every year, just like clockwork, the Congress foughy back and saved the program. Due to this situation, MEP was unable to expand and grow since it was in constant danger of elimination.

It is my understanding that MEP has sixteen staff in Louisiana, with two staff based in Shreveport. I am concerned that the current staff in the Shreveport office covers the entire region of Louisiana north of Alexandria. This is a huge geographic area and covers about 900 manufacturers.

- Can you describe the impact of the budget uncertainties on MEP in north Louisiana?
- Does north Louisiana warrant additional staff to address increased needs in the area? (Yes/No)
- If so, please outline what your recommendation is for additional staff in the area and how much funding may be needed for these staff increases.

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**Karen Nardini**

**Question #1 - USDA Coordination (Karen Nardini, Department of Agriculture)**

USDA has a variety of extremely helpful programs ranging from housing, grants/loans, and business counseling. I am interested to find out more about the the agency's role, in cooperation with other Federal agencies, on manufacturing closures.

- Are there any USDA programs in particular that benefit communities facing manufacturing closures?

- What partnerships currently exist between the Louisiana District Office and USDA in Louisiana?

**Question #2 - Rural Development Broadband Programs (Karen Nardini, Department of Agriculture)**

While it may not make sense for every community facing a manufacturing closure, I am interested in supporting local efforts to expand broadband access in north Louisiana. I believe that the recently enacted Recovery Act contains important funding that will help Louisiana, particularly our rural communities, in spurring economic development through improved access to communications technology.

USDA may not be able to comment at this stage on the Recovery Act provisions, but I would like to find out more information on the regular Rural Development broadband programs.

- Can you describe the existing loan, loan guarantee, and grant programs at USDA which may be of interest for north Louisiana communities looking to improve broadband access?

- Have their been any success stories in Louisiana on communities that have utilized USDA broadband funding to spur economic development? (Yes/No)

    - If so, please outline these awards and additional details on how funds were utilized.

Please provide my office with additional information on the Community Connect broadband grant program and when the annual application deadline opens/closes.

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**United States Senate**
**"Field Hearing on the Impact of Manufacturing Closures on Local Small Businesses"**

**Question #1 – Small Business Administration-Department of Commerce Coordination on Manufacturing Closures (Michael Ricks, Small Business Administration)**

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To date, the committee did receive a response from SBA on March 18, 2009 but has yet to receive a response from either DOC or the Department of Labor. I would also like to submit the March 18th SBA response for the record. The March 18th SBA response did indicate that the Administration was establishing a Small Business Inter-Agency Task Force but did not directly address SBA efforts in response to manufacturing closures. While I appreciate improved coordination of multiple agency programs that benefit small businesses, I would like to specifically know what DOC and SBA are doing to better coordinate on manufacturing closures.

In particular, I understand that DOC and SBA have discussed various options to incorporate business counseling and lending programs that manufacturers.

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**Question #2 – Rural Small Business Programs (Michael Ricks, Small Business Administration)**

While the Department of Agriculture (USDA) takes a leading role in assisting small businesses in rural areas, the SBA has many loan, contracting and counseling programs that also may benefit these businesses. I am interested in improving coordination between USDA and SBA to assist rural small businesses - especially those in north Louisiana impacted by manufacturing closures.

! From your experience with SBA, are there any particular SBA programs that are more relevant to rural small businesses? (Yes/No)

! If so, please outline these programs.

! Could SBA be more proactive, in cooperation with USDA, to make sure community banks in rural communities are aware of their programs and that the agency is meeting the needs of rural small businesses? (Yes/No)

! If so, please discuss ways to improve SBA outreach into rural communities, particularly in north Louisiana.

! What partnerships currently exist between the Louisiana District Office and USDA in Louisiana?

**Question #3 - SBA Staffing in North Louisiana (Michael Ricks, Small Business Administration)**

As part of the funding cuts SBA has taken over the years, SBA staff was reduced 26 percent from 2001 to 2008. This resulted in a staff reduction from more than 2,800 in 2001 to more than 2,000 full-time employees in 2008. This reduction has trickled down to the local level as well - our District Office in New Orleans had 21 employees in 2001 and now only has about 10 employees.

It is my understanding that SBA used to have a Regional Manager located in Shreveport. However, due to staffing cuts, this position was not filled when the previous staff retired. Given the economic challenges facing the region, I believe that we need someone based in north Louisiana.

! Did SBA previously have a Shreveport-based Regional Manager? (Yes/No)

! If so, please outline the dates in which this position existed and how long the position has been vacant.

! Would the agency support hiring an individual to fill this position? (Yes/No)

! If so, does the agency plan to fill this position in the next six months? (Yes/No)

! If not, or if the agency cannot comment at this time, please outline how much it

would cost to fill this position.

! Do other states have vacant Regional Manager positions, due to retirements or budget cuts? (Yes/No)

! If so, please outline where these positions are currently vacant.

U.S. Senator David Vitter
U.S. Senate Committee on Small Business and Entrepreneurship
Statement and Questions for the Record
April 14, 2009
"Manufacturing Closures in North Louisiana: Impact on Small Businesses and Local Communities"

To Mayor Cedric Glover:
Mayor Glover, I know first-hand that you are a hard-working advocate for Shreveport, and I truly do appreciate your work and service as mayor for Shreveport families. You stated that "government often creates the obstacles that limit small business growth." Could you please identify specific government obstacles that you've encountered that have hurt Shreveport small business growth?

U.S. Senator David Vitter
U.S. Senate Committee on Small Business and Entrepreneurship
Statement and Questions for the Record
April 14, 2009
"Manufacturing Closures in North Louisiana: Impact on Small Businesses and Local Communities"

To Michael Ricks:
Mr. Ricks, thank you for your work at the SBA and the continued recovery work you've been so involved with. You stated a few of the outreach programs and initiatives that the SBA has taken to help North Louisiana small businesses. What specific SBA programs have been most helpful or effective in this circumstance? Are there any changes that need to be enacted to help the SBA be more effective?

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**"Field Hearing on the Impact of Manufacturing Closures on Local Small Businesses"**

**Corinne Dupuy, MEPOL**

**Question #1 – Small Business Administration-Department of Commerce Coordination on Manufacturing Closures**

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In particular, I understand that DOC and SBA have discussed various options to incorporate business counseling and lending programs that benefit manufacturers.

- Can you update the committee on these discussions and outline specific proposals or actions that may benefit small businesses impacted by manufacturing closures?

  The Department of Commerce response was sent to Senator Landrieu on April 7. A copy of the letter, signed by Secretary Locke, is attached. DOC is in the process of preparing the status report on increased coordination referenced in the letter and will forward that to the Senator next week.

- Can you generally outline coordination in north Louisiana between MEPOL, Small Business Development Centers, and SBA lending programs?

  In general, MEPOL and the SBDC's in North Louisiana offer complimentary services to small/start up manufacturers or entrepreneurs. Non-manufacturers looking for MEP-type services are referred to the SBDC's as well. See next question for coordination examples.

  MEPOL refers clients to SBDC, and SBA and the Coordinating Development Corporation (CDC) for loan assistance. Diana Simek, CDC Business Incubator Director,

and MEPOL Industrial Advisory Board member is a technical assistance provider for Community Express Small Business Loans. Jackie Kelly at CDC has participated in MEPOL client appointments that needed loan assistance.

- How does Small Business Development Center (SBDC) and MEP coordination work in Louisiana?

MEPOL has a relationship with the individual SBDC's in Louisiana. A typical MEP/SBDC collaboration is outlined below:

> When very small/start up manufacturers or entrepreneurs with a new product ideas contact the SBDC, they will assist them with business plans, business start up, and training until they reach the point of needing MEPOL's technical services. Then they are referred to us for such services as engineering design, patent searches, patent designs and drawings, prototyping, setting up accounting systems etc. Once the projects with MEPOL are completed, the company is sent back to the SBDC for additional free services if needed.
>
> When very small/start up manufacturers or entrepreneurs with a new product ideas contact MEPOL, we refer them to the local SBDC for the initial services to get their business to the point where they are ready for MEPOL's services.

The following is excerpts from the Memorandum of Understanding signed by both MEPOL and Louisiana Small Business Development Centers:

> WHEREAS, LSBDC is a statewide network that delivers the specialized management and technical assistance to the small business community across Louisiana by providing comprehensive, high-quality assistance to entrepreneurs, and existing and potential small businesses through one-on-one counseling services, business education training, and business information resources. The LSBDC facilitates job creation through business startup and growth. The SBDC core services are entrepreneurial education, loan proposal assistance, business and cash flow planning, marketing research, and management strategy; and specialized services include international trade, technology transfer, and commercialization.
>
> WHEREAS, MEPOL is a statewide program that services the Louisiana manufacturing community by delivering innovative business and technical solutions which assure increased profitability and productivity and job retention in the manufacturing sector. The program promotes entrepreneurship and growth in manufacturing throughout the state utilizing the expertise of the internal staff and national network. MEPOL's core services include lean manufacturing, facility layout, polymer testing and consulting, marketing, engineering, quality, business management and strategy, financial analysis, information technology, website

design, rapid prototyping, product design and patent research. These services include assessment, consulting, training, and resource assistance.

WHEREAS, LSBDC and MEPOL do not currently compete with each other, and LSBDC and MEPOL desire to enter into a mutually beneficial arrangement so they can better serve the entrepreneurs and small businesses in Louisiana;

NOW, THEREFORE, the parties agree: to work together to enhance business growth throughout the state; to coordinate workshops, to provide information about each parties' programs and services when applicable to businesses; to include current events on websites and in newsletters, to assist Louisiana small businesses in areas that promote growth, expansion, training, innovation, increased productivity, and management improvement in order to expand and diversify the Louisiana economy and to enhance the economic well being of its citizens.

- How do businesses choose between SBDC and MEP services?

  SBDC and MEPOL services complement each other. We don't offer a duplication of services. When a very small/start up manufacturers or entrepreneur comes directly to MEPOL looking for services of the SBDC or other services that we know are available, we will refer them to those service providers first. The MEP's first priority is taking care of the customer and if that means sending them to other providers for more appropriate services then that is what we do.

  The MEP services are more technical in nature and often relate to process improvements, growth through new product development and market expansion and customized hands-on training as opposed to the SBDC's business development and training.

- Is the fact that SBDC services are free and MEP services are not a disincentive for businesses to access the MEP program?

  Not at all. The MEP's services are more technical in nature and are focused on manufacturers, many of whom have already taken advantage of the SBDC service offerings.

**Question #2 - MEPOL Staffing in North Louisiana**

Under the previous Administration, each year the Manufacturing Extension Partnership (MEP) program was targeted for elimination. Every year, just like clockwork, the Congress fought back and saved the program. Due to this situation, MEP was unable to expand and grow since it was in constant danger of elimination.

It is my understanding that MEP has a sixteen staff in Louisiana, with two staff based in Shreveport. I am concerned that the current staff in the Shreveport office covers the entire

region of Louisiana north of Alexandria. This is a huge geographic area and covers about 900 manufacturers.

- Can you describe the impact of the budget uncertainties on MEP in north Louisiana?

  MEPOL's strategic plan includes a plan for expansion in North Louisiana; however, due to budget cuts for the last 10 years, MEPOL has not pursued the expansion in an effort to sustain with recurring budget cuts. Currently, MEPOL has two employees in the Shreveport office, one Technical Specialist and the other is our Director of Business Development housed in Shreveport. When additional assistance in the Shreveport area is necessary, employees in the Lafayette or Baton Rouge area will travel to meet the demands. We recognize this is not the optimal solution, but we have been committed to serving the manufacturers of North Louisiana during years of budget uncertainties.

  Due to the economy, funding uncertainties, employee turnaround and a loss of revenue due to the two hurricanes last year, MEPOL would potentially serve 950 manufacturers per Technical Staff statewide. In April of 2009, we replaced two technical specialists (vacant positions) so our numbers for the 2nd Qtr of 2009 will be closer to about 738. We are holding open two vacant positions currently because of potential budget cuts by the university starting July 1, 2009.

- Does north Louisiana warrant additional staff to address increased needs in the area? (Yes/No)

  Yes

- If so, please outline what your recommendation is for additional staff in the area and how much funding may be needed for these staff increases.

  MEPOL's strategic plan indicates that by the end of June 2012, we would like to hire 6 new technical field staff members in the locations indicated below pending additional funding:

  - New Orleans – 1
  - Shreveport – 2
  - Alexandria – 2
  - Lake Charles – 2

  For a total of 17 Technical Specialist in the locations indicated.

  - New Orleans – 3
  - Shreveport – 3
  - Baton Rouge – 3

- Alexandria – 2
- Lake Charles – 2
- Lafayette – 4

Including 5 administrative positions, MEPOL's total staff count would increase to 22 employees.

This includes an additional 4 positions in the Northern part of the state of Louisiana. The cost for these additional staff members in North Louisiana would be approximately $590,000. This is assuming no-cost match required on additional funds. Currently the funding from NIST MEP requires a 2/3 cost match from either state and/or client project work. Our program income has been reduced by 50% over the last year because of the economy and cash flow issues with our clients and we would not be able to receive additional federal funding if a cash match is required.

UNITED STATES DEPARTMENT OF COMMERCE
The Secretary of Commerce
Washington, D.C. 20230

April 7, 2009

The Honorable Mary L. Landrieu
Chairwoman, Committee on Small Business
and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Madam Chairwoman:

Thank you for your letter regarding improved coordination by Federal agencies of programs that help manufacturers hit hard by the economic crisis.

As your letter notes, there is already significant coordination. For example, through the Manufacturing Extension Partnership program and the Economic Development Administration, the Department of Commerce has a long history of working with the Small Business Administration and the Department of Labor in meeting the needs of the Nation's manufacturers. Together, these agencies have expanded grant opportunities, developed the skills of manufacturing workers, and co-founded an interagency organization focused on sharing information and establishing strategic relationships that cross organizational boundaries.

Moving forward, we are committed to identifying new and expanded areas of collaboration that will provide the manufacturing industry with tools and services to address their most pressing needs in the current economic environment, including finance options and expanded workforce support. Acting Assistant Secretary for Manufacturing and Services Mary Saunders will provide you a status report on our increased coordination within 30 days.

I look forward to working with you to help our manufacturing sector, including small businesses and entrepreneurs. If you have any further questions, please contact me or James R. Schufreider, Acting Assistant Secretary for Legislative and Intergovernmental Affairs, at (202) 482-3663.

Sincerely,

Gary Locke

cc: The Honorable Hilda L. Solis, Secretary of Labor
Mr. Darryl K. Hairston, Acting Administrator, U.S. Small Business Administration

## Weeks of Unemployment Benefits Before July 2008

| State | State-Federal Extended Benefits * | |
|---|---|---|
| 26 | 13 | 7 |
| Maximum weeks in most states | Up to 13 weeks available in states that have certain levels of unemployment | Up to 7 extra weeks of EB at state option available when unemployment exceeds certain levels |

* Funded 50% -50% by States and Federal Government

## Weeks of Unemployment Benefits Currently Authorized

| State | Federal Emergency Unemployment Compensation | | State-Federal Extended Benefits ** | |
|---|---|---|---|---|
| 26 | 20 | 13 | 13 | 7 |
| Maximum weeks in most states | Up to 20 weeks available nationwide | Up to an extra 13 weeks paid in "high unemployment State" | Up to 13 weeks available in states that have certain levels of unemployment | Up to 7 extra weeks of EB at state option available when unemployment exceeds certain levels |

- New Program
- Benefits July 2008
- 100% Federally Funded Until December 2009

** 100% Federally funded after February 17, 2009