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THE ECONOMIC DEVELOPMENT ADMINISTRATION: HOW TO IMPROVE EFFECTIVENESS THROUGH REFORMS AND CONSOLIDATIONS

(112–50)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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Washington, DC 20515

July 22, 2011

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BRIEFING MEMORANDUM

TO: Members of the Subcommittee on Economic Development, Public Buildings, and Emergency Management
FROM: Subcommittee on Economic Development, Public Buildings, and Emergency Management Staff
SUBJECT: Oversight Hearing on "The Economic Development Administration: How to Improve Effectiveness through Reforms and Consolidations"

PURPOSE OF THE HEARING

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Wednesday, at 10:30 a.m., in room 2253 of the Rayburn House Office Building to receive testimony regarding the Economic Development Administration (EDA) and how its programs can be improved. In addition, the hearing will also focus on how EDA's programs create jobs and how job creation can be maximized. The Subcommittee will receive testimony from EDA, the Government Accountability Office (GAO), local economic development officials, and the private sector.

BACKGROUND

The Subcommittee has jurisdiction over economic development issues and federal agencies created to promote economic development in communities suffering economic distress. Specifically, the Subcommittee has jurisdiction over EDA (an agency within the Department of Commerce), the Appalachian Regional Commission (ARC), the Denali Commission, and the Delta Regional Authority (DRA), as well and other regional commissions established in more recent years.

Economic Development Administration

EDA was originally established in 1965 by the Public Works and Economic Development Act. It was created to alleviate conditions of substantial and persistent

unemployment in economically distressed areas. The current mission of EDA is "to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy." In particular, EDA programs are intended to help local communities attract private sector investment to maximize job creation. EDA does this primarily by leveraging other investment. For example, EDA's public works program may help create the remaining infrastructure funding needed for a local community to attract a manufacturing facility to their area. As a result, EDA's grants are used in conjunction with private and local dollars to generate economic growth and create jobs.

EDA provides grants for projects through a variety of programs including: planning; technical assistance; public works; economic adjustment; trade adjustment assistance, and research and evaluation. Projects funded by EDA are generally located in areas exhibiting economic distress. In addition, all public works and economic adjustment projects must be consistent with an EDA-approved Comprehensive Economic Development Strategy (CEDS).

Key Grant Programs

Planning grants: Planning grants support the design and implementation of effective economic development policies and plans by local organizations.

Public works: Public works grants provide for infrastructure projects that foster the establishment or expansion of industrial and commercial businesses in communities experiencing high unemployment, underemployment, low per-capita income, or out-migration.

Economic Adjustment: Economic adjustment investments provide various types of assistance, including planning, technical assistance, revolving loan funds and infrastructure development, to help communities experiencing either a gradual erosion of or a sudden dislocation of local industry as a result of natural disasters, international trade competition, or major plant closings.

Trade Adjustment: Trade adjustment assistance provides technical assistance, through a national network of 12 Trade Adjustment Assistance Centers (TAAC), to certify U.S. manufacturing firms and industries economically injured as the result of international trade competition.

EDA Authorization History

The first authorization of EDA in 1965 expired in 1970. And, from 1970 through 1980, EDA continued to operate without a reauthorization. During this time, the EDA continued to receive appropriations, including $6 billion for public works projects in 1976 and 1977. In 1980, EDA's programs were reauthorized; however, that reauthorization expired in 1982, and until 1998, the EDA continued without an authorization.

The Economic Development Administration and Appalachian Regional Development Reform Act of 1998 (P.L. 105-393) reauthorized the EDA for a period of five years, and authorized funding levels that progressively declined from an initial amount of $398 million for fiscal year FY1999 to $335 million in FY2003. Additionally, this reauthorization put into place a number of the management and administrative reforms, such as efforts to target the most distressed areas. The Economic Development Administration Reauthorization Act of 2004 (P.L. 108-373) reauthorized EDA for a period of five years, through FY 2008.

Studies of EDA Programs

In 2008, EDA contracted Grant Thornton to study the costs and economic impact of EDA's construction investments. This study is similar in content to a study conducted by Rutgers University in 1997. The Grant Thornton study surveyed over 40 Federal programs. The Grant Thornton study concluded that EDA investments in rural areas have a significant impact on employment levels, generating between 2.2 and 5.0 jobs per $10,000 in EDA funding, at a cost per job of between $2,001 and $4,611. The study further concluded that EDA's investment in business incubators was worthwhile and concluded that this type of investment generates significantly greater impacts in the communities in which they are made than do other project types.

GAO Report

In March of 2011, the GAO issued a report on economic development programs across the federal government. Specifically, the GAO examined "80 economic development programs at four agencies—the Departments of Commerce (Commerce), Housing and Urban Development (HUD), and Agriculture (USDA); and the Small Business Administration (SBA)—to assess potential for overlap in the design of the programs, the extent to which the four agencies collaborate to achieve common goals, and the extent to which the agencies have developed measures to determine the programs' effectiveness."[1]

The GAO found fragmentation and overlaps among many of these programs. In previous GAO studies the GAO recommended specific "collaborative" practices agencies should consider implementing to streamline their programs and effectively leverage resources. These suggestions included:

- leveraging physical and administrative resources;
- establishing compatible policies and procedures;
- monitoring collaboration; and
- reinforcing agency accountability for collaborative efforts through strategic or annual performance plans.

While GAO has found that the agencies have taken some actions towards

[1] GAO-11-318SP, March 2011.

implementing these recommendations, the GAO found there had not been much improvement in streamlining policies and procedures and leveraging resources among agencies. In addition, with regards to EDA in particular, the GAO raised concerns about the quality of self-reported data EDA uses to evaluate its effectiveness and determine the number of jobs created.

WITNESSES

The Honorable John R. Fernandez
Assistant Secretary of Commerce for Economic Development
U.S. Department of Commerce

Mr. William Shear
Director
Financial Markets and Community Investment
U.S. Government Accountability Office

Mr. Steve Etcher
Executive Director
Boonslick Regional Planning Commission
National Association of Development Organizations

Mr. David L. Spaur
President
Merced County Economic Development Corporation

Mr. David Baker
Senior Vice President
FutureFuel Corporation

THE ECONOMIC DEVELOPMENT ADMINISTRATION: HOW TO IMPROVE EFFECTIVENESS THROUGH REFORMS AND CONSOLIDATIONS

WEDNESDAY, JULY 27, 2011

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

The subcommittee met, pursuant to notice, at 10:43 a.m. in Room 2253, Rayburn House Office Building, Hon. Jeff Denham (Chairman of the subcommittee) presiding.

Mr. DENHAM. The subcommittee will come to order. Today's hearing is on the Economic Development Administration, and how we can improve its effectiveness and maximize job creation. I appreciate Assistant Secretary Fernandez and Mr. Shear for being here today. I would also like to welcome our local and private sector witnesses who will testify later on this important topic.

In particular, I am thankful for the participation of Mr. Spaur, who is president of Merced County Economic Development Corporation, which serves many of my constituents and the interest of the Central Valley. Mr. Spaur and the other witnesses have firsthand knowledge of the impact that this economy has had on many communities around our Nation.

With high unemployment rates, large deficits, and an out-of-control debt that we are trying to get a handle on, we must ensure Federal economic development programs that are targeted, streamlined, and effective. My home State of California has an unemployment rate over 11 percent, and parts of my district have rates exceeding 17 percent. Finding real ways to generate job growth, support the expansion of private industry into distressed areas, and ensure long-term economic development is critical in this economy.

We hear talk about creating jobs through Federal spending. But all too often, these jobs never materialize, or they are short-lived. When EDA was created in 1965, its fundamental mission was to create jobs and generate economic growth in distressed areas of our Nation. Today EDA carries out that mission through a number of different grant programs. These programs leverage non-Federal and private sector dollars, recognizing that it is the private sector and, in particular, small businesses that are the engine of our economy. Studies have shown EDA's programs create jobs. For example,

a study completed in 2008 by Grant Thornton indicates that EDA programs create jobs at an average cost of $4,000 per job.

However, even given these studies, the GAO has raised key questions for consideration. In its March 2011 report, the GAO identified 80 programs and 4 different departments that did some form of economic development, including 8 EDA programs. The GAO found that these programs could be working better together to improve their service to their customers. The GAO also questioned EDA's process of auditing and accounting for the number of jobs created under its programs.

It is critical, particularly in this economy, that we ensure Federal programs are as efficient as possible. It is also critical in programs like EDA's to ensure processes are streamlined. With many Federal programs focusing on economic development, Congress must look at each program and find ways to streamline reform and, where necessary, consolidate.

With that said, EDA is the only Federal agency whose sole mission is to create jobs and spur economic growth nationally. While other agencies may have similar goals, those goals are typically tied to other policy objectives. And EDA tends to have the greatest flexibility in ensuring its dollars are spent to maximize job growth. That's why I am pleased to know EDA has been taking steps to enter into agreements with other agencies to improve coordination among some of the programs.

However, these partnerships take significant time and effort, because of inconsistencies in regulations and policies. We must find a way to either consolidate programs or cut the bureaucratic hurdles to better and efficient coordination.

I look forward to hearing from our witnesses today on these important issues. I would now like to recognize Ranking Member Norton from the District of Columbia for 5 minutes to make any opening statements she may have.

Ms. NORTON. Thank you very much, Chairman Denham. I particularly appreciate this hearing that you have called on the reauthorization of the Economic Development Administration, and I welcome today's witnesses.

Created over 45 years ago to alleviate substantial and persistent unemployment in economically distressed areas, EDA has helped retain and create jobs, reduce poverty, increase personal income, and improve the livelihoods of local communities, mostly from funds from private and other non-Federal sources. From funding research to business incubators, to workforce development, to small business development, and basic infrastructure, EDA assists local communities in developing the skills and infrastructure necessary to compete in today's global economy.

The EDA is the only Federal agency focused exclusively on economic development. Its proven track record was verified by an independent consultant, who concluded that the Federal Government receives a high return for the dollars invested in EDA. Specifically, it was confirmed that EDA's construction grant program generates 2.2 to 5 jobs per $10,000, resulting in a cost per job of $2,001 to $4,611.

In fiscal year 2010, EDA saw a return on investment of $6.90 in private-public investment for every Federal dollar invested. Of the

$285 million EDA awarded in fiscal year 2010, approximately $191.5 million funded construction projects that are expected to help create or retain approximately 48,500 jobs and generate nearly $6 billion in private investment.

EDA's effectiveness stems from its use of a bottom-up approach, by partnering with communities that can determine their own needs to develop long-term sustainable economies.

Last Congress this subcommittee held hearings on the need to reauthorize EDA. And in July 2010, the full committee reported by voice vote a bill to reauthorize EDA. It is clear that a bill to reauthorize EDA is a bill to create jobs at little cost to the Federal Government. And we know that EDA is vital to reducing unemployment in areas that would otherwise wait much longer than other areas for recovery.

Last month the national unemployment rate was 9.2 percent, while the District of Columbia unemployment rate was 10.4 percent, while some areas of the District are experiencing an unemployment rate of over 20 percent.

In a time of high unemployment, and with the economy struggling to recover from the recession, Congress cannot afford to let another opportunity to reauthorize EDA go by. Even though EDA is valuable to our Nation's economy—I would say invaluable, and singularly so, because there is no agency like it—there is, of course, room for improvement.

The General Accounting Office has identified EDA as an agency providing economic development programs similar to those of other Federal agencies, and believes that more collaboration among agencies is necessary. It is, however, important to note that even GAO agrees that its own conclusions are tentative, and that more work would need to be done before it could conclude that there is actual duplication and related waste or inefficiencies when it comes to EDA. Our own work over the years has found just the opposite, I must say.

I look forward to learning more about EDA's collaboration with other agencies to develop regional innovation clusters and any preliminary outcomes from this initiative, or from the work it has been doing and not reported thus far.

Once again, I would like to thank the witnesses for appearing today; the chairman, for calling this hearing. And I look forward to today's testimony. Thank you, Mr. Chairman.

Mr. DENHAM. Our witnesses here today on our first panel, we have the Honorable John R. Fernandez, Assistant Secretary for Economic Development, U.S. Department of Commerce, and Mr. William Shear, director of financial markets and community investment, U.S. Government Accountability Office.

I ask unanimous consent that our witnesses' full statements be included in the record. Without objection, so ordered. Since your written testimony has been made part of the record, the subcommittee would request that you limit your oral testimony to 5 minutes.

Assistant Secretary Fernandez, you may proceed.

TESTIMONY OF JOHN R. FERNANDEZ, ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, U.S. DEPARTMENT OF COMMERCE; AND WILLIAM B. SHEAR, DIRECTOR, FINANCIAL MARKETS AND COMMUNITY INVESTMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. FERNANDEZ. Thank you very much, Chairman Denham and Ranking Member Norton and members of the subcommittee. I certainly want to thank you for the opportunity to testify today on behalf of the Economic Development Administration.

Now, there is no denying that this is a tough economy. The country is recovering from the deepest recession since the Great Depression. And while there has been progress, economic and job growth has not been strong enough nor fast enough. We clearly have more work to do.

And while we acknowledge the work at hand, we must also operate in a constrained fiscal environment. One of the most important urgent things that we can do for the economy is to get our fiscal house in order, and reduce our Nation's deficit. In this context, the focus of today's hearing is particularly timely and very important.

When we look closely at thriving economies, we see at their core a business climate that supports innovation, industry clusters, the development and growth of entrepreneurs and small businesses. EDA's investments—public-private partnerships to create jobs and encourage business expansion. Importantly, the investments that we make support bottom-up strategies developed by the local and regional leaders. This orientation, that the best ideas bubble out from the regional and small business leaders, is a critical element of EDA's success.

Rather than pursuing a one-size-fits-all approach, EDA's funds customize solutions. EDA's unique portfolio of flexible programs allows us to respond to the changing regional conditions. We are able to do this, because EDA is the only Federal agency with economic development as its sole purpose.

I recently visited Fresno, California, an area particularly hard hit during the economic downturn. EDA funds helped construct the Claude Laval Water and Energy Technology Incubator. At WET, as they call it, start-up companies and entrepreneurs are doing cutting-edge research in the use of water, supporting the agricultural sector while helping small new businesses grow. WET reports that, since opening their doors in 2007, it has launched 15 businesses, leveraged $17 million in private capital, and created 95 jobs.

This incubator is also a good example of how EDA has been successful linking programmatic support across Federal agencies in a highly complementary way. At WET, the USDA, Rural Development, and the SBA provide programmatic support in a facility constructed with EDA funds. There are other examples in my written testimony of this kind of collaboration.

EDA is also using its knowledge of best practices to further advance regional economic growth strategies through coordinated Federal investments. For example, we recently announced the Jobs and Innovation Accelerator Challenge. The Jobs Accelerator, through a single competitive process, offers $33 million in funding from 3 different Federal agencies, as well as technical assistance

from another 13, so that we can support 20 competitively selected industry clusters with high-growth potential.

This initiative represents the Administration's policy priority to accelerate bottom-up innovation, while bringing together siloed Federal programs and promoting more coordinated Federal investment opportunities.

Now, every region across the country has unique economic challenges, opportunities, and assets. The diversity of these regional economies also reflects the complexity that often makes up an economic development ecosystem. Working with the regions to develop local economic development strategies, we can leverage these opportunities for the central purpose of increasing productivity and job growth.

EDA's bottom-up approach to economic development is the ability to customize our solutions that address what the communities want. And the distinct authority and focus we have with this mix of flexible tools really allows us to customize our activities. Our tools include planning, we have economic development technical assistance, we support innovation infrastructure. While all of these programs may have a distinct focus and authority together, they bring flexible tools that address the critical economic needs of distressed communities.

I want to also make a point that, you know, we are constantly looking for opportunities to improve how we operate. When I joined EDA it took, on average, 128 business days to get a decision on a grant. Today it is less than 20. We recently completed a public comment period on our regulations. Later this summer, we expect to publish streamlined regulations that are even more flexible, responsive, and improve accountability for the agency.

Mr. Chairman and Ranking Member Norton and other members of the committee, EDA is proud of our performance, and firmly believes that the agency will continue to be a catalyst for job growth throughout the country.

And I certainly look forward to answering any questions you may have today.

Mr. DENHAM. Thank you, Mr. Fernandez.

Mr. Shear, you may proceed.

Mr. SHEAR. Thank you. Chairman Denham, Ranking Member Norton, and members of the subcommittee. I am pleased to be here this morning to discuss the potential for overlap, duplication, and fragmentation in economic development programs. In March, and then more recently in May, we reported on this issue. My statement is based on this work.

Absent a common definition for economic development, we had previously developed a list of nine activities most often associated with economic development. Our recent work includes information on economic development programs at four agencies: Agriculture, Commerce, HUD, and SBA. Commerce administers 11 of the 80 programs we have included, with EDA representing 8 of the 11. According to the agencies, funding provided for these 80 programs in fiscal year 2010 amounted to $6.2 billion, of which about $2.9 billion was for economic development efforts.

Here I want to stress that our focus to date has been on the design of these programs. In other words, we have evaluated the per-

mitted uses of funds and have not, as of yet, drilled down to see how each program's funds are actually distributed among various uses.

In summary, based on our work to date, we have found that the design of each of these economic development programs appears to overlap with that of at least one other program, in terms of the economic development activities that they are authorized to fund.

Commerce, HUD, SBA, and USDA appear to have taken actions to implement some collaborative practices, but have offered little evidence to us so far that they have taken steps to develop compatible policies or procedures with other Federal agencies, or to search for opportunities to leverage physical and administrative resources with their Federal partners. And the agencies—and here I mean the four agencies across the board—appear to collect only limited information on program outcomes, information that is necessary to determine whether this potential for overlap and fragmentation is resulting in ineffective or inefficient programs.

Building on our past work, we are in the planning phase of a more indepth review that will focus on a subset of these 80 programs. Just last week we met with EDA to discuss the current engagement. At this time we think that we may have a focus on the programs that fund entrepreneurial efforts.

Based on the classification scheme we have used to date, six of the eight EDA programs can fund entrepreneurial efforts. Excluding community trade adjustment assistance, a program that did not receive any appropriation in fiscal year 2010, the remaining five programs are: grants for public works and economic development facilities; economic adjustment assistance; global climate change mitigation incentive fund; economic development technical assistance; and research and evaluation. The two remaining EDA programs, economic development support for planning organization and trade adjustment assistance, are classified as supporting one activity: plans and strategies.

In our May 2011 report, we compared the 80 programs by identifying the primary targeted recipient for each program. And in our work going forward we plan to further differentiate the programs.

In this work we plan to: identify the services that each program provides; explore alternative definitions for economic development and update, if necessary, the economic activities that are generally accepted as being directly related to economic development; evaluate the efficacy of collaborative relationships that have been established by the agencies and identify additional opportunities for collaboration; determine and apply criteria for program consolidation; and assess how program performance is measured.

Chairman Denham and Ranking Member Norton, this concludes my prepared statement. I would be happy to answer any questions.

Mr. DENHAM. Thank you for your testimony. Mr. Fernandez, you highlighted the WET incubator program on the campus of Cal State Fresno. Can you elaborate on how the EDA funds were used to create this incubator, and what was EDA's investment, and what are some of the key outcomes that you have seen already?

Mr. FERNANDEZ. Thank you, Mr. Chairman. Yes. The WET project came—you know, you have to back up. Before there was a proposal to fund WET, EDA was engaged with some of our part-

ners there to develop strategies. And WET was an investment that was built on the strategies that they developed on how to diversify the economy and how to build on the assets they had.

So it was tied to that initial strategy, which is an important distinction about how we make our investments. All of our competitive applications have to be tied to a clear economic development strategy that is sustainable. And that is why I think you see the sustained impact of these investments.

WET itself was in—we invested $1.8 million to help with the construction. Those funds were matched by local sources. And as I noted in my testimony, since 2007 we have seen the results of the 15 new companies, $17 million—there is several companies that are already becoming market leaders in their industry sector, 95 new jobs.

But, most importantly, it has been a catalyst to bring together private and public support for this industry sector that they are trying to grow. So you see companies like Amazon and Microsoft providing programmatic support to the tenant companies. You see not just USDA's Rural Development and SBA providing program support, but also the city of Fresno, other cities in the area, and the workforce investment board.

So, together, you know, we funded to help fund the facility, but other agencies, public and private, are bringing the programmatic support to support those entrepreneurs and help them grow their businesses.

Mr. DENHAM. And the GAO has raised concerns about the self-reported nature of EDA's job creation figures. Can you talk about how EDA arrives at some of the job creation numbers, and what steps you are taking to ensure that those numbers are correct?

Mr. FERNANDEZ. Yes. I think this is a very important question that GAO has reported and brought up. And you know, as they note, our applications require that the various applicants submit estimates, estimates on projected job growth, as well as potential private sector leverage. They are self-reported, and that has been one of the areas that folks have brought up from time to time, in terms of the accuracy.

But it is important to note that, you know, in addition to the Grant Thornton study that essentially validated the methodology that EDA uses to generate the projected impact of these investments, that our GPR reports, which include the job numbers and the private sector leverage, have been consistently, you know, on target. And I think there is only 1 year in recent reporting where the projected estimates were less—or the actual job creation numbers were less than projected, and that was from the 6-year count off of investments made in 2001.

But what we do is that, in addition to the self reporting, there is a vigorous process at the front end, where people on the ground with the agency do due diligence. And they understand what is happening in the community and the regions, they know who the players are, and there is a little bit of art that goes along with the science of evaluating projects.

We also do annual reporting from the recipients. They report back on the outcomes. We do these what we call——

Mr. DENHAM. Does that annual reporting also include a 6-month, a 1-year, 2-year, 5-year review on——

Mr. FERNANDEZ. It is the——

Mr. DENHAM [continuing]. The sustainablity of those jobs?

Mr. FERNANDEZ. Yes, it's 3-, 6-, and 9-year increments.

Mr. DENHAM. Three, six, nine.

Mr. FERNANDEZ. Because, I mean, most of economic development is really—in our work, it's really about building assets that communities can use to leverage production activity and growth of businesses. And they tend to have a long-term or medium-term impact. So we use a 3-, 6-, 9-year reporting.

But we do—we call them A123 audits, where we look at the reporting, look for anomalies, look if it's consistent with our own studies and analysis over the years. We do a sampling of site visits. We can only do a limited number, based on resources we have. But that's another mechanism that we use to go validate the numbers.

But again, I mean, the Grant Thornton study essentially said that, while there are limitations to self-reporting, in the main the numbers that we are using to estimate impacts are pretty consistent with their findings.

Mr. DENHAM. Thank you. My time has expired. Ms. Norton?

Ms. NORTON. Thank you, Mr. Chairman. I wish you would discuss the stimulus funds that the EDA got, how they were used, and what the results thus far are.

Mr. FERNANDEZ. Well, the—thank you. The Stimulus Act allocated about $150 million to EDA for our programs. $147 million of that went directly into our projects. We were able to obligate 100 percent of those funds within the first year of the program. And to date we have dispersed about 63 percent of the funds. So all but one of the projects are actually in progress.

You know, it was a limited amount of money, but the vast majority of our dollars went into construction projects, infrastructure projects. So, you know, we have not been to the—we are not to the point where we are getting the 3-year reporting on outcomes, but we anticipate that the lift from those dollars are going to be significant, and consistent with our other programs.

Ms. NORTON. I wonder if both of you could comment on the real effects—the effects on the ground—if there is no reauthorization this year. Does it matter that there is no reauthorization? What is the effect?

Mr. FERNANDEZ. Well, I mean, you know, there is real effects and perceived effects. I think that as long as the budget includes funding for EDA, it certainly enables us to continue——

Ms. NORTON. Well, what does the budget include now? What—how much cut in 2011 was proposed? I suppose you don't know yet for 2012. How much down or up, or whatever it turns out to be in 2012?

Mr. FERNANDEZ. The continuing resolution for fiscal year 2011 maintained our program support at the same level as the previous fiscal year. We did have a cap on our salary and expenses, which has created some challenges for us. We don't know what is going to happen in 2012. The proposal the President made actually increased funding for EDA in a modest way, but that was in the context of a discretionary, non-defense spending freeze. And I think

the statement of the prioritization of economic development—you know, we look forward to seeing the outcome of the budget process.

Ms. NORTON. Yes, do you have a comment on that?

Mr. SHEAR. Our focus tends to be on the programs that are in place, the expenditures that are made, and we don't focus on reauthorization. But one of the things that we'll be looking for with reauthorization, as well as the appropriations process in EDA's plans, is what resources EDA has in place to evaluate the investments that they are deciding to make, and how they evaluate those investments after they are made.

Ms. NORTON. Yes. Indeed I have a question on that. I must say that the leveraging effect of EDA argues very strongly for funding it. It's not as if this agency gets any money. What this agency does is to give the functional equivalent of the seal of approval that work that the community wants to do, and then they come in. They see the government thinks this is worthwhile, and then the private sector—if you will forgive me—piles on, and sometimes the State and local governments, as well.

I don't think there is anything else like it, so it would be pretty penny unwise and pound foolish to cut this leveraging effect.

Finally, this notion of what the impact is that both Mr. Shear and Mr. Fernandez comment on, I noted that there was something I find very interesting used, because it's very difficult, I understand, to estimate impacts and to discuss them intelligently. The—one of your consultants, Grant Thornton, apparently installed something called an "impact estimation tool" on the EDA computer system.

So, one, I would like to know how this works, whether you are using it, and I would like to ask Mr. Shear, in light of the GAO report that says that estimate impacts are sometimes unreliable, whether you think this kind of a tool will be effective.

So first let's hear from Mr. Fernandez.

Mr. FERNANDEZ. Yes, I think your question——

Mr. DENHAM. Very quick response, please.

Mr. FERNANDEZ. We use a version of the tool that uses the same methodologies. But I can't say with certainty we actually use the specific computer program—or at least the algorithms—that they created. Ours are very conservative, I would note.

But I would note, if I could, Mr. Chairman, quickly, another thing that Grant Thornton noted is that while we have focused on job creation and private sector leverage, arguably we underestimate and under-report the full economic benefit and community benefit of the investments we make, because we are not looking at induced impacts, we are not looking at the broader community impacts.

Many agencies at the State and local level use things like implant that have input-output models that can really tell much more robust economic impact from investments we make.

We are taking a very narrow sliver here. But for us, the jobs and the leverage are really important, but we got to get back to what are our investments really designed to do. And they are to create assets, economic development assets in communities that they can use to help advance their economic development strategy. And it is

hard to completely evaluate the full economic benefit of increasing the asset base in the community.

Mr. DENHAM. Thank you, Mr. Shear. Anything to add very briefly?

Mr. SHEAR. Yes. I will start out by saying we think the Grant Thornton study is useful. The tool itself I can't speak to, and so I defer to Mr. Fernandez.

But the point you made—which is an excellent one—this is difficult to estimate. It is a very difficult exercise. And, to some degree, we are going to be looking not just at what Grant Thornton addressed, but where and how EDA has implemented Grant Thornton recommendations for improvement. We are also going to look more generally at the metrics that are used to evaluate EDA investments.

Mr. DENHAM. Thank you. Mr. Crawford?

Mr. CRAWFORD. Thank you, Mr. Chairman. I have just a real quick question for Mr. Shear. Thank you for your time today.

Do you believe more jobs will be created with less cost, if some programs were consolidated? And if so, talk about some of those programs, what they would be.

Mr. SHEAR. Many times, outside of the committee setting, I have gotten that question. And I really have to revert back to the idea that we have identified areas of potential overlap. We will look for areas where consolidation could be helpful and where collaboration could be helpful. But it is difficult to put our finger on it at this point.

I will just mention some of the programs. There are some programs that address counseling and training for entrepreneurs. Some of those programs have been a focus of the small business committees. There is also some focus as far as some programs, such as community development block grants, which are many times used for economic development purposes, is a way to provide funding where the locality has more control, in contrast to EDA.

So, there are different approaches for economic development, but we really can't yet identify any where consolidation or different types of coordination and collaboration could really improve. We are trying to get to that point.

Mr. CRAWFORD. I yield back.

Mr. DENHAM. Thank you. Ms. Edwards?

Ms. EDWARDS. Thank you, Mr. Chairman, and thank you very much, gentlemen, for your testimony.

I have a couple of questions for you, Secretary Fernandez. You mentioned in your testimony that the grant cycle had been significantly reduced. And it does strike me that that is one of those areas where, if you look at the comparable—the agencies that were compared in the GAO report, where there have been significant issues raised about the length of time that it takes to proceed through a grant cycle, and then that distance in time creating some differences in terms of what was originally planned versus what can be accomplished, and I guess I wonder, in a coordination role, whether there are some things that you have learned, in terms of tightening up that process, that actually could be useful to some of the other agencies that are also doing similar economic development activity.

Mr. FERNANDEZ. Well, thank you. I guess I would put this in context. I mean I spent nearly 20 years doing economic development, primarily at a local level. I was a mayor for 8 years, worked in real estate and investment. And, you know, that experience kind of colors my perspective.

And when you're the customer, the bottom line is you need a decision. Even if it's a decision that says no, if I can't get my deal financed I need to know so I can move on to Plan B. So that was kind of the perspective that I bring to EDA. And when you look at a process that was taking, on average, over 128 days, that is very difficult for folks to make informed decisions, particularly in these economic times, and where money is tight.

So, I guess what—the lesson learned would be that we did a pretty deep dive into every step of the process. We did, like, a fishbone analysis and said, "Here is all the different things that happen. Where are their opportunities to consolidate activities? Where are their activities that aren't really value-added into the decisionmaking process," and got rid of them.

But most importantly—and this was a substantial change for EDA—we went to a quarterly tranche system with firm deadlines. Prior to this new process, we didn't have a firm deadline. So we would have rolling applications, which—you know, there is an upside to that, as well. But when you're competing for limited money, you never know where you're at in the cycle, and you never know who you're competing with. And, as an agency, it is hard for us to tell the story from an accountability and transparency perspective.

So, we were able to come—you know, do this new process. We had a lot of stakeholder input. And we did this in a way that hasn't diminished the consultive role that EDA plays.

So, when you submit an application today, within 15 business days we will do a quick merit review and tell you where there are strengths and weaknesses in your application, and give you an opportunity to fine-tune it, make it stronger. And then, when we go into the competition, we know that we are getting projects that have been really well put together, and it is highly competitive.

And, you know, when we look at how we measure impacts, and whether or not it is a good program or not, I mean, one of the things we have to bake into our thinking is that there is a lot of due diligence that goes in at the front end for EDA selecting projects, because we are so oversubscribed that we can't justify not selecting highly competitive projects.

The other thing I would just note, though, is that—really, based on my own experience—is that in many instances it is not a matter of whether you consolidate programs. But are you coordinating them? And so you have different kinds of Federal resources that are really more complementary than duplicative. But the trick is that if you are trying to do a multidisciplinary solution to a problem on the ground, you still got to have a streamlined, synchronized decisionmaking process.

The way it is today is that you may have to go to three different Federal agencies that have three different grantmaking processes, three different timelines, and when you add it all up together you really have increased my transaction costs, and the decision cycle is unpredictable, and usually way too long.

So, what we have tried to do is take the lead in these coordinated efforts, where we bring multiple agencies together to complement our investments, do it in a seamless system that has a set deadline, where all of the decisions are made. And that is something that our customers desperately want, and I think that is where there is a tremendous opportunity to enhance the performance of all these programs, not necessarily by consolidating, but enhancing the collaboration and coordination.

Ms. EDWARDS. Thank you. And just as my time closes, I wonder if Mr. Shear could comment on this. Because I think when you look at the other programs that you evaluated, this is a huge complaint that we get, both from the local level—about the process of getting those grants. And is that something that you actually looked at?

Mr. SHEAR. In our work over the years—which has taken us to EDA a number of times—we are aware of the problem. It has been a while since we did audit work to focus in on them. But we are certainly aware of the problem. And when there are different ways that localities can make use of Federal funds to try to affect economic development, different types of community development, or to build up its small businesses, it does become a problem when it is hard to get decisions from any one agency, or when you find yourself having to meet the requirements of agencies that don't have compatible policies.

Ms. EDWARDS. I strongly suggest a really deep look at the grant cycle process, and where that crosses over these agencies, because I think that there are some real lessons to be learned there.

Anyway, my time has run out. Thank you.

Mr. SHEAR. Thank you.

Mr. DENHAM. Thank you. And thank you for your testimony. Your comments have been very helpful today. I know that there are a number of other questions that we have; we will submit those to you in writing.

I will now call our second panel of witnesses: Mr. Steve Etcher, executive director of Boonslick Regional Planning Commission; Mr. David Spaur, president, Merced County Economic Development Corporation; and Mr. David Baker, senior vice president, FutureFuel Corporation.

I ask unanimous consent that our witnesses' full statements be included in the record. Without objection, so ordered.

Since your written testimony has been made part of the record, the subcommittee would request that you limit your oral testimony to less than 5 minutes.

And at this time I would like to recognize first Mr. Crawford for a short statement.

Mr. CRAWFORD. Thank you, Mr. Chairman. I am privileged to introduce one of our witnesses today, Mr. David Baker, the senior vice president of operations support for FutureFuel Chemical Company located near Batesville, Arkansas, in the district that I am privileged to represent. FutureFuel has a 30-year history in developing and manufacturing complex specialty chemicals. Today FutureFuel is an active participant in the U.S. biodiesel industry.

Additionally, FutureFuel is engaged in the evaluation of technologies used to manufacture cellulose-derived fuels and other bio-

based products that have the potential to reduce our dependence on foreign oil.

Shortly after the November election I had the privilege to visit with David and the leadership at FutureFuel. I was extremely impressed by their team and their facilities, located on the banks of the White River. They are a leader in Arkansas, as well as the Nation, by investing in research and development that is led by well-qualified doctorate-level researchers. Their company is a prime example of the manufacturing process being driven by high-tech research and development.

It is my honor and privilege to introduce before the committee Mr. David Baker. Thank you for being here.

Mr. DENHAM. Thank you. And Mr. Etcher, you may proceed.

TESTIMONY OF STEVE ETCHER, EXECUTIVE DIRECTOR, BOONSLICK REGIONAL PLANNING COMMISSION, AND EXECUTIVE COMMITTEE MEMBER, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS; DAVID SPAUR, PRESIDENT AND CEO, MERCED COUNTY ECONOMIC DEVELOPMENT CORPORATION; AND DAVID BAKER, SENIOR VICE PRESIDENT, FUTUREFUEL CHEMICAL COMPANY

Mr. ETCHER. Thank you, Chairman Denham, Ranking Member Norton, and members of the subcommittee, for the opportunity to testify today about Federal economic development programs, including the U.S. Economic Development Administration, or EDA. My name is Steve Etcher. I am the executive director of the Boonslick Regional Planning Commission, located in Warrenton, Missouri. I also currently serve on the executive committee of NADO, which is a national membership organization for the Nation's 540 regional planning and development organizations, including the EDA's 380-plus economic development districts.

I would like to respectfully make three core points this morning.

First, Mr. Chairman, I would like to stress that EDA is unique among the portfolio of Federal economic development programs. The agency's program flexibility, partnership structure, and performance results are exceptional within the Federal system. As GAO noted earlier, there are currently more than 80 Federal programs related to domestic, community, and economic development. While many of these line item programs are housed within larger departments and agencies, EDA is the only Federal agency with the sole mission of creating high-quality jobs in the United States.

Our second main point, Mr. Chairman, is that many of the programs outlined in the recent GAO reports support broader community development activities, rather than focusing strictly on job creation and economic growth, like EDA. While both of these related activities are necessary, especially for distressed communities, it is important to note how EDA supports regional and local economic development partners.

By Federal law, EDA typically requires a 50 percent local cost share, and significant private sector investment. This helps to ensure local officials are committed to a project's success. EDA's investments are focused on high-quality, long-term jobs. And, by Federal law, EDA's investments must be tied into a regional, com-

prehensive economic development strategy developed and vetted by local officials, including the economic development districts.

EDA is uniquely designed to address almost any economic development activity, both from areas suffering from chronic distress, as well as more sudden and severe dislocation, such as plant closures and natural disasters.

Our third main point, Mr. Chairman, is that there are many opportunities for reform within Federal community and economic development programs. This includes elevating EDA's role as the lead Federal economic development agency. This is important for better coordination and consistency. Rather than focus solely on opportunities across the four major Departments of Commerce, HUD, USDA, and SBA, as outlined in GAO's May 2011 report, we see greater opportunities for agencies and programs within each of these departments to be streamlined, better coordinated, and reformed.

Another option is to focus on coordinating and prioritizing Federal community and economic development investments based upon regionally based, locally driven, comprehensive development strategies, known as the CEDS. While an area must have a CEDS to qualify for EDA funds, these regional strategies should be used more aggressively to inform, coordinate, and prioritize investments by other related Federal agencies.

Finally, today's modern economy requires that distressed and underserved regions be prepared for the innovation and knowledge economy. Therefore, it is essential that EDA, as the lead Federal economic development agency, be more closely aligned with programs for workforce development, research and development, and science and technology, not just the traditional infrastructure partners.

Mr. Chairman, please allow me to close by giving you a specific example of how our EDD, which is part of EDA's network of economic development districts, has helped prepare our region for the future. Our region was drastically impacted by major flooding in 1993, 1995, and again in 2008. Entire communities were destroyed. Businesses, infrastructure, homes, and jobs were completely washed away. EDA provided matching resources for our organizations to assist these flood-ravished communities.

Our efforts were not focused on the immediate emergency response, like those efforts of our local responders and FEMA. Instead, our role is to work with our local communities and develop long-term economic recovery strategies, and to take strategic actions that will make our region more resilient during future natural or economic crisis. With support from EDA, we decided to tackle these challenges differently. We innovated, we collaborated, and we helped our local communities envision a life without the constant threat of flooding.

In three separate communities during the past 20 years we physically relocated these flood-ravaged communities out of the flood plain, obtaining local buy-in, planning the logistics, and leveraging this change into new economic opportunities.

We agree that Federal development programs can be better integrated, streamlined, and updated. We also feel that EDA and its

EDD partnership network should serve as the backbone for these efforts at the regional level.

Thank you again, Mr. Chairman, and members of the subcommittee for the opportunity to appear before you today. We appreciate your interest in this timely and important issue, and we look forward to continuing this dialogue.

Mr. DENHAM. Thank you, Mr. Etcher.

Mr. Spaur?

Mr. SPAUR. Thank you, Chairman, members of the committee. Congresswoman Edwards, I heard your comments, take those to heart, and Mr. Crawford.

I am Dave Spaur, president, Economic Development Corporation, Merced County, located in the Central Valley of California. It is an eight-county region, I am one of eight counties. I served on that committee several years as its chair, been in the Central Valley over 10 years, and I have served on the board of directors of the International Economic Development Council. I do partner with NADO, and appreciate the assistance that these organizations provide to us, particularly in rural communities.

I have about 25 years of economic development experience, mostly in California, a little bit in Arizona. I have worked in rural communities, I have worked in urban communities. Started working with Sierra Economic Development District. Kind of straddles Lake Tahoe, so it gives you a little bit of perspective of where it's at. They're a planning organization and an economic development organization, not an easy task.

I wanted to state to this committee some of the important things, and focus my comments on some of the projects that we have been working on in the Central Valley.

As you have heard from the chairman's opening comments, our unemployment rate is 17 to 22 percent. Some of our cities are 23, 24, and 25 percent. And they have been that way for the past decade, or for the last 30 years. I am sure some of your communities are the same way. Chronic unemployment is an issues.

Strategies is what reduces that. Infrastructure investment is what reduces that. We were on the Forbes list as the worst community for foreclosures in the entire United States. We were rated number one. I am proud to announce today we are rated number four. We haven't moved up the list much, but programs like EDA help us do that, and they are extremely important. There is just not enough funds to go around, so you have competing communities and competing counties. And I think, Congresswoman Edwards, some of the complaints you hear about EDA is, because there is not enough money to go around, we tend to compete with one another.

EDA is a very stringent and conservative program under the Department of Commerce. And I think when they were first formed there might have been scrutiny. Are we really going to create jobs? And as a result, they have deed restrictions on properties when you enter into an agreement to build an incubator, or bricks and mortar for a building to help a company. On water and sewer—I have done airports, I have done water and sewer. And very stringent numbers on you have to create jobs. Because they are all about creating jobs.

But the job reporting really doesn't get reported right. Because of their conservative approach, even the Grant Thornton report is counting direct jobs related to that project. There is hundreds of other jobs created after that project happens.

EDA, what it is not, it is not an earmark. We all know earmarks have funded many infrastructure projects. Earmarks are very important in our district, as well as your district.

Our experience is the bid process has been streamlined, but that is where a lot of complaints do come from. It is not a complaint to get rid of EDA, it is a complaint that we wish it were faster, we wish we got the money sooner.

EDA is extremely cost effective. It forces private sector to come to the table. It forces me to provide a dollar-for-dollar match, which—really, no other program does that out there. And it does bring the private sector and the public sectors together.

The EDA leverage you have heard is really seven-to-one. For every dollar they put in, it leverages another $7. I think that that is extremely important.

It's got a heck of a portfolio of projects. But accessing those portfolio of projects would be best practices. And I was fortunate to learn about one in Pomona, Cal Poly Pomona, on leveraging dollars for a hospital, for a blood bank, and for a biotech life science center. That came from Will Marshall, who handles southern California and the Central Valley. And I was trying to do the same thing in Sacramento, and he shared with me how that could be done. If we had more access to EDA and their other programs, we could look at best practices and we could look at better strategies on solving solutions across the United States. It's just not enough funds and not enough staff to go around.

You have a list of the projects here. In Merced we have an Air Force base that closed, Castle. It has been difficult to get jobs there. But UC Merced came along, and UC Merced partnered, and we got a $4 million grant to bring in infrastructure, critical infrastructure. That has created the Solar Institute. And the Solar Institute is the world's foremost authority on energy efficiency, not just solar, but energy efficiency. And that center is now spurring off new company startups, and we assist those company startups. We don't get to count those jobs after those initial dollars went in; we wish we could.

Also, Fresno, the $1.8 million that went into the WET lab, the WET lab started as a Central Valley business incubator. They design nozzles, drip irrigation to meter water, fertilizer, and the spray of pesticides. This technology is used in Israel. They have over 400 members. Most of their members are international. We don't get to count those jobs, the innovations that come out of that lab, not just for California, but across the world. We don't get to count those hundreds of jobs and hundreds of businesses that are created from that one important lab and partnership.

Kings County, another county next to us, has benefitted, as well as the city of Stockton. And I wanted to point out the city of Stockton did an intermodal facility with the dollars that they received from EDA. A competitor to me in Fresno. And it relocated our intermodal facility when I worked in Fresno up to Stockton. It has created 27 companies as a result. It has become a logistics hub for

the Central Valley. And each one of those eight counties in the Central Valley has benefitted from the jobs. Now, I am mad, I am angry I lost that intermodal facility to Stockton. But I am relieved, for the Central Valley, that it is creating jobs up and down the valley, and overall, it is helping the goods movement in California and reducing poor air quality.

Mr. DENHAM. Mr. Spaur, if you could, wrap it up.

Mr. SPAUR. Certainly. The rest of the projects I think you can see in my testimony that is written and provided to you. I think what is most important is you need to realize EDA, as a program for economic developers, really needs to be thoroughly vetted, so you understand the benefits, so you understand there is not overlap there. There may be overlap in other programs.

And if you wanted a strategy that could cut across the various programs, I think the Economic Development Administration, along with its partners, could deliver that for you. Thank you very much.

Mr. DENHAM. Thank you, Mr. Spaur.

Mr. Baker?

Mr. BAKER. Thank you, Chairman Denham, Congressman Crawford, and Congresswoman Edwards, and other members of the subcommittee, for this opportunity to testify today about our experience with the U.S. Economic Development Administration, our region's economic development district, and the impact that it has had on our company.

My professional background includes four decades of chemical industry, both domestic and international, with Eastman Chemical Company. I worked in Asia and Europe, and while domiciled there, worked with economic development agencies in those countries.

FutureFuel Chemical Company is a subsidiary of FutureFuel Corporation. We are traded on the New York Stock Exchange now with symbol FF. We currently own 2,200 acres of land southeast of Batesville in north central Arkansas. We occupy about 500 acres of that site with continuous manufacturing facilities, laboratories, and other infrastructure. In perspective, Batesville's population is 10,000; the county's population is 37,000.

Before we acquired the site, Eastman Kodak and Eastman Chemical constructed the site for production of photographic and imaging chemicals. Over the years they added other specialty chemicals. The site did quite well in some years. Unfortunately, it became non-core to Eastman Chemical Company. Employment declined from 750 in 1998 to approximately 400 when we bought the site.

After the acquisition in 2006, we had an objective to become a world leader in the U.S. biofuels industry, which we had just begun at the site, while maintaining a facility status as a world-class specialty chemical manufacturer. The new ownership quickly realized that in order to facilitate growth, we needed infrastructure changes, additions in rail, truck, and storage. So we knew we could generate projects that could achieve those goals, but not without the infrastructure.

By 2008, FutureFuel had developed a portfolio of time-sensitive business opportunities. We shared those with White River Planning and Development, a district designated an economic develop-

ment district by EDA. We also had shared our vision of the future with county leadership and Arkansas Economic Development Commission.

White River Planning arranged a meeting for us with EDA in Austin, to share our vision, goals, and needs. And we were able to work with them and secure a grant that was granted in late 2009 to Independence County. The grant was $3.4 million. The State of Arkansas gave us a grant of $2.4 million. Independence County provided some early site work for the project. We provided capital. And that total project was $7 million.

The rail project should be complete late this year. Parts of it are usable. The results thus far, we have moved from an annual capacity for biodiesel from about 12 million gallons when we bought the site to more than 30 million gallons. We are completing projects that will give us 59 million annual rate using feed stocks that are not in the food chain. So we're a chemical company with technology, as Congressman Crawford indicated, that move into those areas.

We also have increased or doubled our truck traffic in that time period. We doubled our rail traffic. We are adding many new products, including an anode material that goes into electric drive vehicles.

Our region had experienced a lot of job losses, GDX almost 600 jobs lost, White-Rodgers 125. We believe we are a success. We believe that all agencies believe that we have created what we said, the grants were funded. We have reacted to those. We continue to grow. We believe those resources will continue to grow our region. So we will add to the 100 jobs that we have already created at the job site.

So, in closing, FCC is proud of our accomplishments as a new company. With the help and guidance of our economic development district on how to identify and leverage resources through a small investment from EDA, combined with local and State assistance, we have been able to experience tremendous growth at our site in rural Arkansas during an extremely turbulent and challenging business climate.

Thank you, Mr. Chairman and members of the committee, for the opportunity to share with you today. Pleased to answer any questions.

Mr. DENHAM. Thank you, Mr. Baker. Thank you to all of our panel for your testimony. I will now recognize each Member for 5 minutes, starting with Mr. Crawford.

Mr. CRAWFORD. Thank you, Mr. Chairman. I just want to ask my constituent a couple of questions here.

You highlighted in your testimony that your county in Arkansas in predominantly rural and agriculture in nature. How important are infrastructure projects such as the one you highlighted to spurring economic growth in rural areas?

Mr. BAKER. Yes, I think it is very important for a county and a State that has experienced, like the rest of the country, unemployment problems. We add jobs to the region. It attracts other industries to support the industries already there, and it grows the infrastructure for the county, in order to have goods and services that aren't available in the area come in and locate there.

Mr. CRAWFORD. Excellent. As you may know, the GAO has identified 80 programs in 4 different departments that fund economic development programs. Did your company explore any other Federal programs? And, if so, was there any particular reason—or, if not, were there any particular reasons they were not pursued?

Mr. BAKER. We have looked at those programs that are a fit for our company. So we were a recipient of a U.S. rural grant for biodiesel. That has helped us expand. We are constantly looking to see how we can leverage our dollars, which have been significant at the site, with Federal to grow and provide jobs.

Mr. CRAWFORD. OK. And finally, given your experience with EDA on this project, are there areas of improvement you would recommend?

Mr. BAKER. We have had a very good experience. I am sure there are things that could be helped. The time cycles, obviously, are slow. But they are to make sure that the projects are worthy of funding. So, in order to get the good projects, obviously that part of the program needs to be intact and working well.

Mr. CRAWFORD. Thank you, Mr. Baker. I yield back, Mr. Chairman.

Mr. DENHAM. Thank you. Ms. Edwards?

Ms. EDWARDS. Thank you, Mr. Chairman. And again, thank you to the witnesses.

Mr. Etcher, I am really intrigued by your testimony, and by the experience of your members. And I wonder. In the GAO report one of the things that was pointed out was this idea of multiple programs, potentially some duplication of activities. But it does seem to me that duplication, in and of itself, is not a reason not to fund in these areas.

I mean I was a grantmaker at one point, and one of the ways that we use duplicative funding was to try to experiment with some things, to see, in some places where, you know, something could work, and maybe something else would work someplace else.

And so, I wonder if you could comment about that, because I worry about going down a track of saying, "Well, this is duplicate, and so therefore, stop doing one thing," as opposed to looking at this more holistically, and looking at the idea of collaboration.

Mr. ETCHER. Thank you. That is an excellent question. I guess my initial response is when I hear the word "duplicate," I am thinking of something that is exactly identical. And I think within that Federal program, or 80 Federal programs, you are not going to find exact replication of each and every one of those programs. They may have a broad mission of economic development or community development, but they are each individually uniquely designed to address a specific need or clientele or eligibility. So, you are not having two programs offering the exact same service, the exact same benefits. They are all unique.

The beauty of that, from a practitioner's standpoint, though, is you can take your local and regional needs and apply them to those specific programs that respond specifically to those needs that are local and regional.

So, while we can streamline it, and I think we can do more integration, more coordination, to just blanketly call them duplicative—they are not exact.

Ms. EDWARDS. Thank you. And I wonder if you could speak to this idea of what it takes to coordinate and collaborate.

One of the things that I have learned is that coordination and collaboration require funding. You cannot just expect agencies to do it on their own. Or local governments to do that on their own in a region, because people are strapped for resources, they have their own mission and activity.

And I wonder if you could speak to the role that the EDA can play in encouraging and underwriting the kind of collaboration and coordination that is actually necessary to achieve success.

Mr. ETCHER. Excellent question. And EDA already plays a role in that. They fund, through their planning partnership program, the economic development districts. What that does is it provides expertise, at the practitioner level, to help encourage coordination among local, State, and the various Federal programs. Obviously, that investment is critical to our organization. That is what gives us the staff resources to bring the various funding agencies together, whether it be SBA and EDA, or whether it be CDBG and the EDA.

Without that local expertise—and some of that expertise is not cheap. I mean it takes more and more and more to sustain these organizations. But without that, I think what you would have is a very siloed approach to every specific problem, versus looking at what is good for the community and the region, the State, and the Nation, as a whole. So, EDA's investment allows that holistic address.

Ms. EDWARDS. And then, of course, the worry is that once you get those silos, you actually end up spending way more money than you needed to on a given project or strategy, or community.

I want to turn to Mr. Spaur for a minute, because I just have a bit of time left. And it is to ask about this—I mean I think EDA does a great job in terms of what they do for smaller and rural communities. I come from this large, metropolitan region. But buried within that large county are 20-some-odd municipalities that struggle with their own economic activity.

And I wonder if you could speak to the role that EDA can or should play in those kind of areas, where you see pockets of disinvestment, but they get buried en masse beneath, you know, a larger urban area.

Mr. SPAUR. Absolutely, Congresswoman. I think Mr. Etcher hit the nail on the head, that comprehensive economic development strategy, the planning process that the EDA funds in their districts, really requires or forces collaboration. It is asking each community—so we have 6 communities in Merced County, I had 15 communities in Fresno County. Each one of those communities has to outline its priority projects. When they do that, you look at where there is leverage and where there is not. Are any of these compatible? If we fund one, could it help the other in the other city? And many times it can. Cal Poly Pomona was a good example. For UC San Francisco in San Francisco and Sacramento with UC Davis and Shriners Hospital.

But these strategies force the collaborations. So we are trying to combine an eight-county economic development district. The first 2 years were competition among counties. They didn't want one dis-

trict to control the submittal of grants. What it did do is it looked at all the projects in each of those counties and said, "Hey, we have clusters. We've got logistics, we've got agriculture, we have biofuels, we have different—these life sciences that are going on," and of course the WET lab that binds them all together.

Once we put all those together, the competition started dropping. Once EDA streamlined its submittal process—it's still not really fast, but it's quicker—once that happened, now we are able to pull the district and say, "We don't control the submittals, you can submit them electronically. But if you want technical assistance, if you want alignment or help on your strategy, we will help you do that." So now, those small cities or rural cities get big-city help.

Ms. EDWARDS. And I am way out of time. Thank you, Mr. Chairman.

Mr. DENHAM. Thank you. And thank you, Mr. Spaur. Actually, my final question is on that exact example that you gave on this California Central Valley coalition that you are putting together, forming. How far along are you in that process of forming the coalition between all the eight counties?

Mr. SPAUR. We are at the completion stage. The last step is for each board of supervisors to pass a resolution and make an appointment to the board. We have the governor's letter. We probably have to refresh it, because we have a new governor. But we have the last step.

Our comprehensive economic development strategy is out of date, so it is time to update it. So now is a good time to do it, when we submit the resolution to each of the counties. The only thing that is left is to seat the board. Now that we have eliminated the competition among the counties, and they are actually coming together to collaborate—these are very difficult times, so it is much easier to get people to collaborate.

We just wish there were more funds for these economic development districts. We just wish there were more funds for the individual projects. They are oversubscribed. And the forming of the district will help us prioritize or lower the competition, so we can fund the most needed projects first.

Mr. DENHAM. We also want to work with the State governments in leveraging dollars that may be available there. I know that the California partnership has been defunded. Is there anything that can be done with the California partnership and working with the formation of EDD, or are they just two completely separate issues?

Mr. SPAUR. Yes, sir, there is. The California Partnership for the San Joaquin Valley was an Executive order by the governor, and it formed these eight counties. We already had an eight-county group called the Central Valley Economic Development Corporation. Each economic development corporation, or EDC, pulls $11,000 together. And in that we do the business retention and business recruitment.

We have been coming to Washington and talking to USDA and HUD and all the agencies. And all the agencies have said, "Partner regionally, work on innovation, and produce jobs, or no funding. Earmarks are gone. You need to collaborate." So this California partnership is the collaboration. This new economic development district is part of that collaboration. If we are going to get any more

funds, it will be because we are regional, we are innovative, and we create jobs, and we work together.

Mr. DENHAM. Thank you. And finally, I would just ask a quick response from each of you before we close.

The common theme I heard from each of you is that it is too slow, we need to create more efficiencies. Can you give me specific examples of how we could better facilitate getting money moved quickly and into the hands of locals to be able to create jobs? Mr. Etcher?

Mr. ETCHER. Thank you, Mr. Chairman. I think EDA has taken some very progressive steps to streamline their process. I think other agencies can look at that process and say, "We need to be more responsive, we need to be timely in the marketplace."

We are in a very competitive environment. And if the agencies continue to take lengthy processes, not only just in the evaluation and approval of the grants, businesses are going to go elsewhere, where they can be accommodated in a timely fashion.

But moreover than that is there is a lot of process, once an application is funded, until construction can begin. And we need to continue to look at how can we reform and streamline that process so we are not an obstacle to business expansion and job creation in our regions.

Mr. SPAUR. Congressman, I think that EDA has done a great job in streamlining the process, and it has helped us greatly. They just—they don't have enough reps. If they had more reps to help you, coach you through the process, then you would get the projects done a lot faster and get them submitted faster, and eliminate some of the duplication. If there were more funding there, they wouldn't be oversubscribed, and they wouldn't overscrutinize. They are very stringent, and very conservative. It is because they just don't have the dollars to go around.

Mr. DENHAM. Thank you. Mr. Baker?

Mr. BAKER. Yes. In our experience, our economic development district has been very helpful. They had a lot of experience in dealing with these programs before, have guided us through that. They were very efficient and effective. EDA was responsive. But again, there is a time lag there.

So, I think experience with people in the program itself with the economic development district working with EPA helps. But also it continues to be an immense amount of paperwork that needs to be completed in certain sequences, in order to bring those projects to fruition. And if companies like ours have very time-sensitive business opportunities, they could lose those before they really developed.

Mr. DENHAM. Thank you. I would like to thank each of you for your testimony today. It has been helpful in today's discussion.

If there are no further questions I would ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted to them in writing, and unanimous consent that the record remain open for 15 days for any additional comments and information submitted by Members or witnesses to be included in the record of today's hearing.

[No response.]

Mr. DENHAM. Without objection, so ordered.

I would like to thank our witnesses again for their testimony today. And if no Members have anything to add, the subcommittee stands adjourned. Thank you.

[Whereupon, at 11:55 a.m., the subcommittee was adjourned.]

OPENING STATEMENT OF
THE HONORABLE RUSS CARNAHAN (MO-03)
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGMENT
U.S. HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
Hearing on

The Economic Development Administration: How to Improve Effectiveness through Reforms and Consolidations

Wednesday, July 27, 2011, 10:30 A.M.
2253 Rayburn House Office Building

Chairman Denham, Ranking Member Norton, and Members of the Subcommittee: Thank you for holding this hearing on the Economic Development Administration (EDA). Today's hearing provides a dialogue on ways we can ensure the EDA maximizes its potential, bolsters local economic growth, and rejuvenates job creation.

Established in 1965, the EDA works to generate new jobs, retain existing jobs, and to stimulate commercial growth in economically distraught areas. The EDA provides assistance to communities that need it the most: rural and urban areas of the U.S. that are experiencing unusually high unemployment or other severe economic stresses.

By partnering with state and local governments, the EDA focuses on clear regional priorities. In recent months, America has seen its share of natural disasters, from Joplin to Tuscaloosa. In these uncertain economic times, we must support the EDA's efforts to help distressed communities recover from natural disasters and the depletion of natural resources. At the same time, it is up to us to make certain the EDA is as efficient and effective as possible.

In my home state of Missouri, the EDA recently gave granted over $300,000 to the Harry S. Truman Coordinating Council to support the recovery and economic revitalization in the tornado-impacted Joplin region. In the wake of a sobering natural disaster, funding like this is an example of the support system local business owners need as they try to advance economic recovery and growth.

The Missouri Department of Economic Development has issued a call for Missouri cities and counties to develop public infrastructure projects through EDA grants. The state has encouraged projects that facilitate full time job creation, help develop industry, and that leverage local funding and effort. We in Congress must go back to our districts and make sure local partners know these funds are available through the EDA.

We must do all we can to create jobs and support local industry, especially in regions of the country that have struggled the most during the recession. I believe that Americans are the most innovative people in the world. By promoting innovation and competitiveness, we can help prepare all American regions for a stake in an increasingly globalized economy.

As with any government agency, Members of Congress must oversee the EDA's actions and program success. The 2011 GAO report has recognized some inefficiencies and overlapping. The GAO has recommended a more collaborative intra-agency approach to streamline economic recovery and job creation efforts. Establishing compatible policies and procedures, monitoring collaboration, and ensuring accountability are crucial elements to success. I am pleased to see this subcommittee looking seriously on ways the EDA can be more transparent and organized.

We all share in the EDA's economic mission for America. I look forward to hearing from our witnesses today on ways we can adjust and streamline the EDA to be the most cost-effective organization it can be.

Statement of the Honorable Michael H. Michaud

Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings, and Emergency Management

"The Economic Development Administration: How to Improve Effectiveness Through Reforms and Consolidation."

July 27, 2011

As our economy continues to recover, it is imperative that we look for ways to strengthen the programs that create jobs. Particularly in these tough times, the Economic Development Administration (EDA) stands to play an important role in job creation by providing needed financing to projects that have made a difference throughout the country.

However, opportunities do exist to make EDA even more effective. By implementing commonsense reforms that streamline overlapping programs, encourage collaboration between agencies, and ensure that projects are carried out effectively, we can free up additional resources for job creation and ensure that EDA can continue its mission for years to come.

EDA has played an important role in Maine, supporting projects that have been crucial to the economic well-being of entire communities. Recently, the agency announced that it would provide the Loring Development Authority in Limestone with the funding necessary to make critical water infrastructure upgrades. Without the upgrades, 1,300 jobs based out of the Loring Commerce Center would have to continue to rely on a water treatment facility that was built in the 1950's. This facility is in serious need of renovations; and failure would have placed every one of these jobs in jeopardy.

In the Katahdin Region, a decision to shut down the East Millinocket paper mill has devastated the local economy by putting 450 Mainers out of work. The region, which already suffers from a high unemployment rate, depends on these jobs. As I work with stakeholders throughout Maine to try to fund a resolution, I am certain that EDA will play a meaningful role. If the facility is restarted, EDA is in a position to provide the technical assistance and infrastructure investments necessary to make the region more competitive. If a new owner is not found, EDA can help to support and create new and diverse job opportunities for the residents of the Katahdin Region.

In 2008, a study by Grant Thornton determined that EDA investments in rural areas create between 2.2 and 5 jobs for every $10,000 in funding. These programs have been and will continue to be a cost-effective use of taxpayer dollars that facilitate needed improvements in communities throughout the country. However, there are always going to be opportunities to make improvements. Moving ahead, I look forward to working with my colleagues on the Transportation and Infrastructure Committee, as well as the organizations and businesses in Maine that depend on EDA, to make sure that the agency is as effective as possible.

WRITTEN STATEMENT FOR THE RECORD

DAVID BAKER, SENIOR VICE PRESIDENT
FUTUREFUEL CHEMICAL COMPANY
INDEPENDENCE COUNTY, ARKANSAS

BEFORE THE
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT

WASHINGTON, DC
JULY 27, 2011

Thank you, Chairman Denham, Ranking Member Norton, Congressman Crawford and members of the subcommittee, for the opportunity to testify today about our experience with the U.S. Economic Development Administration (EDA), our region's Economic Development District (EDD) and the impact it has had on our company.

My name is David Baker and I am the Senior Vice President of Operations Support for FutureFuel Chemical Company located in Independence County, Arkansas. My professional background includes more than four decades in the chemical industry both domestically and internationally. Prior to my time with FutureFuel, I have held assignments with Eastman Chemical Company in chemical and pharmaceutical manufacturing in Indonesia, Singapore, Hong Kong and Wales.

FutureFuel Chemical Company (FFCC), a subsidiary of FutureFuel Corporation (FFC), is a public company with common stock trading on the New York Stock Exchange under the symbol "FF". We currently own approximately 2,200 acres of land six miles southeast of Batesville in north central Arkansas fronting the White River, with nearly 500 acres of the site occupied with batch and continuous manufacturing facilities, laboratories and associated infrastructure.

The region in which we are located consists of Batesville (population 10,248), and Independence County (population 36,647). The area economy is characterized as being predominantly rural and agricultural in nature with a mixture of services, tourism, and industrial employment.

Before our acquisition, the site was formerly Eastman SE Inc., a subsidiary of the Eastman Chemical Company. Original construction of the plant in 1975 was for the production of proprietary photographic and imaging chemicals for Eastman Kodak. Over time, they developed a diverse portfolio of biofuel products, and fine chemical and organic chemical intermediates used in a variety of end markets including chemicals for paints and coatings, plastics and polymers, pharmaceuticals, food supplements, household detergents, biocides and agricultural products. At its peak, the site had approximately 750 full time employees. After 1998, Eastman Chemical Company no longer considered products at the plant to be part of its core business and slowly terminated major investments at the site and the plant was soon divested.

After our acquisition in 2006, we have worked to become a leader in the U.S. biofuel industry, while maintaining the facility's status as a world-class specialty chemical manufacturer. The new ownership quickly realized the company's potential at the facility and also recognized that a vital component needed for growth was infrastructure capital. We knew that we could increase our production, shipping and overall profitability if we were able to improve our rail system and eliminate bottlenecking in transportation.

In 2008, FutureFuel developed a portfolio of time sensitive new business opportunities which we then shared with White River Planning and Development District (WRPDD), Independence County leadership and the Arkansas Economic Development Commission (AEDC). Upon hearing about our ideas, opportunities for growth and need for infrastructure capital, White River Planning and Development District, designated as an Economic Development District by EDA, facilitated a meeting for us with the EDA Austin regional office where we were able to share our vision for development, outline our challenges and discuss the possibility of using EDA's grant programs to help accomplish our goals.

In late 2009, Independence County was awarded a $3.4 million grant from EDA for construction of rail, a rail switching station, and railcar and truck cleaning facilities. The state of Arkansas then provided a grant of $2.4 million for this project, Independence County provided site preparation and FutureFuel deeded land to the county and provided capital. The total project cost approximately $7 million.

The rail project is scheduled to be completed in late 2011 and this investment, along with other FFCC capital investments, has had a tremendous impact on our ability to attract new business and to create jobs. We have been able to significantly increase our annual capacity for biodiesel from 12 million gallons to more than 30 million gallons. We are completing projects that will give us a 59 million gallon annual rate. Rail traffic and truck traffic have more than doubled and we expect additional growth in both rail and truck traffic in 2011. We have created over 100 new quality jobs since our infrastructure projects began.

Since 2006, our sales revenue (combined Eastman SE, Inc. and FFC) has grown from approximately $150 million to $219 million in 2010. Employment has increased from 410 full time employees to over 500 full time employees. Many of the jobs created require higher technical skill levels in operations, laboratory, engineering and other disciplines.

This is very significant for our region considering that during 2008 and the first two months of 2009, the region's industrial employment experienced severe setbacks due to relocations, cutbacks and closures. The region has suffered the loss of manufacturing facilities such as GDX Automotive (581 jobs), White-Rodgers (125 jobs), and LaCroix Optical (20 jobs) during that time period.

In rural Arkansas, FutureFuel Chemical Company is continuing to innovate and our chemicals and biodiesel segments have experienced major growth in the last few years. Because of our technical expertise at the site, our biodiesel product is considered a premium product with superior wintertime performance. Our proprietary technology allows us to use feedstocks that are not in the food chain. We are also working on the commercial production of anode materials for high performance lithium-ion batteries for electric drive vehicles. All of these advances require a solid infrastructure and transportation system.

We are not going to stop there. We have already identified areas for future growth and expansion. We are looking to increase our biodiesel capacity and are considering chemical projects which could use the new rail connections. We have also engaged in development work on cellulosic feedstocks for energy and chemicals. We are well situated geographically for feedstocks (crop waste, municipal waste, wood waste and other carbon sources) if the right technology can be utilized. All of these require significant public infrastructure transportation assets.

In closing, Mr. Chairman, FFC is proud of our accomplishments as a new company. With help and guidance from our Economic Development District on how to identify and leverage resources, and through a small investment from EDA combined with local and state assistance, we have truly been able to experience tremendous growth in rural Arkansas during an extremely turbulent and challenging business climate.

FFC, EDA, AEDC and Independence County all believe that this grant has been, and will continue to be, a success story. The federal and state agencies delivered on the grant funding and FFCC has created jobs which enhance the economic growth of north central Arkansas. Without this investment in infrastructure, FFC could have lost time sensitive business opportunities.

Thank you again, Mr. Chairman and members of the subcommittee, for the opportunity to appear before you today. I would be pleased to answer any questions.

WRITTEN STATEMENT FOR THE RECORD

STEVE ETCHER, EXECUTIVE DIRECTOR
BOONSLICK REGIONAL PLANNING COMMISSION
AND
MEMBER OF THE EXECUTIVE COMMITTEE,
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

BEFORE THE
HOUSE TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS
AND EMERGENCY MANAGEMENT

WASHINGTON, DC
JULY 27, 2011

Thank you, Chairman Denham, Ranking Member Norton and members of the subcommittee, for the opportunity to testify today about federal economic development programs including the U.S. Economic Development Administration (EDA). I plan to discuss three core issues this morning:

1. What makes EDA unique among the federal portfolio of economic development programs?
2. How is EDA positioned to be the lead federal economic development agency?
3. What are the opportunities for reforms and improvements across the full spectrum of federal community and economic development programs?

My name is Steve Etcher. I am the Executive Director of the Boonslick Regional Planning Commission, headquartered in Warrenton, Missouri. My professional background includes more than two decades in regional and local economic development, including almost 20 years in my current position.

I also currently serve on the Executive Committee of the National Association of Development Organizations (NADO), which is a national membership organization for the nation's 540 regional development organizations focused on strengthening local governments, communities and economies through regional solutions, partnerships and strategies. A core part of NADO's membership is the network of more than 380 multi-county Economic Development Districts (EDDs) designated by the U.S. Economic Development Administration (EDA) through its partnership planning program.

NADO and its membership of regional development organizations (RDOs) are part of the nation's intergovernmental partnership system of federal, state and local officials. The vast majority of RDOs, including those serving as EDA Economic Development Districts, are public-based entities governed by a regional policy board with majority control by local elected officials. As mandated by various federal programs, RDO boards often include business, nonprofit, education and community leaders. In addition, the legal basis for many RDOs originates under federal law, such as the Public Works and Economic Development Act (EDA's authorization law), and through state statute, gubernatorial executive order or joint powers resolution of local governments.

While many regional development organizations in smaller metropolitan and rural regions were originally founded solely as EDA Economic Development Districts, the vast majority have expanded and diversified their programs and services over the years. Now, most EDDs play a key role in community and economic development, emergency management and homeland security preparedness, Geographic Information System (GIS) data analysis and information management, business development finance, technology and telecommunications, transportation and workforce development.

The **Boonslick Regional Planning Commission** is part of the statewide network of 19 regional planning commissions/councils of governments in Missouri. As an Economic Development District, we are a voluntary association of cities and counties, formed in 1968 to serve three counties (Lincoln, Montgomery and Warren) and to provide a forum for local governments to solve common problems. Like many other EDDs, our organization's role in our region has expanded, and we now aid the region with community and economic development, small business finance lending, disaster mitigation and

post-disaster recovery, public administration, transportation planning, water quality planning and workforce development.

First, Mr. Chairman, I would like to discuss what makes the U.S. Economic Development Administration (EDA) unique among the portfolio of federal economic development programs. Speaking as a regional development practitioner, the flexibility, partnership structure and accountability of EDA's programs are exceptional within the federal system.

As the U.S. Government Accountability Office (GAO) has outlined in a series of reports this year, there are currently more than 80 federal programs related to domestic economic development. While many of these line-item programs are housed within larger departments and agencies, EDA is the only federal agency with the sole mission of creating high quality jobs in the United States through public-private partnerships, strategic planning and investments, and thought leadership. Therefore, EDA offers a sound foundation for Congress and the administration to better realign and integrate federal economic development support for planning, technical assistance and project implementation.

As outlined in GAO's May 2011 report, "Economic Development: Efficiency and Effectiveness of Fragmented Programs Are Unclear," we want to reinforce and clarify several important points about the current portfolio of federal community and economic development programs.

- **Many of the programs outlined in previous GAO reports support broader community development activities, rather than focusing strictly on job creation and economic growth.** Community development is essential for distressed and impoverished areas to become development ready, especially by addressing fundamental quality of life and place needs such as public infrastructure, affordable and quality housing, environmental cleanup, health care access and access to capital. These are important investments which may have a direct role in job creation and retention, but such economic indicators are often not required under these programs. The May 2011 GAO report (GAO-11-477R) clarifies this point and starts to make clearer distinctions between these two discrete yet complementary objectives.

- **By federal law, EDA projects typically require a 50 percent local cost share and significant private sector investment,** ensuring that local leaders and businesses are committed to the project's success. **In addition, EDA investments are focused on high quality jobs,** especially in manufacturing, science and technology, and emerging knowledge-based industries and sectors.

- **By federal law, EDA project investments must be tied into a regional Comprehensive Economic Development Strategy (CEDS) developed and vetted by local officials (including Economic Development Districts)**—this helps ensure projects have significant local support and are part of a broader regional plan, rather than just isolated, uncoordinated local projects.

- **EDA program investments are made by federal career officials on a merit-driven, competitive basis within its six regional offices**—even before the current prohibition on congressional earmarks, EDA was one of the very few federal agencies with no congressional earmarks in its annual appropriations bill.

- **EDA is uniquely designed to address almost any economic development activity,** from strategic planning, public works and infrastructure, business development finance, entrepreneurship and business incubation, and research and thought leadership. The agency also has the program expertise and tools to address chronic poverty and distress as well as sudden and severe issues such as post-disaster economic recovery, international trade-impacted communities and plant closures or downsizing – issues that EDDs are keenly aware of.

Due to the agency's focused mission yet flexible policies and programs, EDA investments are among the most efficient and effective in government. According to an independent analysis conducted by Grant Thornton and ASR Analytics in 2008, EDA's public works program has a significant impact on employment levels in communities where EDA investments are made. The researchers found that EDA generates "between 2.2 and 5.0 jobs per $10,000 in incremental EDA funding, at a cost per job of between $2,001 and $4,611." These findings mirror an exhaustive national study of EDA's public works and economic adjustment assistance programs by Rutgers University and a consortium of researchers in 1998 which found that EDA's job creation and private sector leveraging ratios are highly cost effective and rank at the very top of any public economic development agency.

Equally important, the Rutgers report notes that the number of jobs created typically doubled in the six years succeeding project completion. The Rutgers report also underscored that the near-perfect on-time completion of EDA public works projects is directly related to the planning phase that precedes project development and selection, especially the work performed by the national network of EDDs.

Through its network of regional and local partners, EDA helps distressed communities and regions identify and address their needs, challenges and assets through strategic planning and project investments. EDA matching funds serve as a catalyst for change, whether through feasibility studies at the front-end of business development projects, gap financing that completes larger funding packages, or for basic infrastructure that private industry expects local communities to possess.

In my region, for example, EDA played an instrumental partnership role with our EDD and numerous other entities in assisting a small aluminum smelter, Bodine Aluminum, pursue new business opportunities. The company needed a new location to place a spin-off business that would utilize a new vacuum aluminum smelting technique. In leveraging EDA's public works assistance with other public sector resources and significant private sector investment, the new business was established in Troy, Missouri in 1992. Since then, the company has become part of Toyota North America and manufactures engine components for Toyota assembly plants across the country. Through limited seed capital by EDA, the company has created 850 local well-paying jobs in this small town and now offers multiple opportunities for additional spin offs and development.

Second, Mr. Chairman, EDA is uniquely suited to be the lead federal agency in economic development because it has in place the policy, program and partnership framework to drive our federal economic development efforts in a more strategic, coordinated and efficient manner.

From a local perspective, there is a tremendous need for a strong federal partnership role in economic development. The realities of today's intensely competitive global economy require a strong intergovernmental partnership among federal, state and local officials, as well as improved public-private collaboration. Therefore, it is vital to have a lead federal agency such as EDA to serve as the main point of contact at the federal level for our local communities.

EDA has the mission, legislative flexibility, program tools and intergovernmental partnerships necessary to be the lead federal economic development agency. The main challenge is to align EDA's mission as the lead federal economic development agency with the allocation and coordination of federal appropriations, resources and authority.

POLICY

EDA's underlying authorization through the Public Works and Economic Development Act, along with its new authorities in the COMPETES Reauthorization Act of 2010, provide the agency with the policies needed to be a full-service economic development agency. While other federal agencies and programs should continue to play a vital complementary role (especially in project investments), EDA should be elevated as the primary coordinator of federal economic development strategies, planning and program integration. For example, EDA's Comprehensive Economic Development Strategies (CEDS) process should be used to prioritize and vet investments by agencies beyond just EDA. These could include USDA Rural Development, Small Business Administration, HUD, EPA and others. Through EDA's partnership planning program, EDDs engage a variety of public, private and nonprofit leaders within each region.

PROGRAMS

EDA's current portfolio of public works, economic adjustment, strategy development, business finance, technical assistance and research and evaluation programs are available so that communities can apply for assistance tailored to fit their unique needs. EDA has developed a strong record in assisting communities struggling to overcome both long-term economic challenges and sudden and severe adversities. Through its full range of program tools, the agency is positioned to help areas recover from military base closures and realignments, manufacturing plant closings, natural disasters and declines in natural resource-based industries like coal, fisheries and timber.

Through the public works program, EDA invests in locally identified projects that establish or upgrade the physical infrastructure needed to support local industries and businesses. Because of its flexibility, EDA public works dollars are used for a variety of projects such as skills-training facilities, technology

infrastructure, renovation and construction of business parks, broadband, as well as rail spurs, access roads, port improvements and water infrastructure for businesses.

Our EDD has used EDA programs for public works to support business expansion, trade adjustment assistance to respond to major economic shifts, revolving loan funds to provide capital to local entrepreneurs and businesses, and disaster recovery aid to strengthen our long-term economic resiliency. These strategic investments by EDA have enabled our businesses, communities, employees and residents to thrive under difficult circumstances and have ultimately improved the quality of life in our region.

In 1993, Porta-King Building Systems, a small start-up company that manufactures modular building systems, was looking for a site. The company wanted to locate in an industrial building in the small town of Montgomery City, Missouri. However, the city lacked the water and sewer capacity to meet the projected needs of the company. In partnership with EDA, we worked with the city, local banks and state officials to finance the needed public infrastructure improvements. As a result, Porta-King created 40 new high quality, private sector jobs in this rural community.

Fast forward 18 years to 2011. The United States experiences the devastating terrorist attacks on New York City and Washington, D.C., and security is heightened across the entire country. So how does this relate to EDA? Since its beginning in Montgomery City, Porta-King Building Systems has diversified and now specializes in fully armored security modular systems. Many of the security booths you now see at military bases, airports, office complexes and other locations are manufactured in Montgomery City by Porta-King. What began as a small start-up business has grown to be one of the largest employers in the area employing more than 150 skilled local craftsmen.

Also in EDA's program portfolio is the Revolving Loan Fund (RLF) program, which can be a powerful tool for addressing the credit gaps that exist in many distressed communities, particularly in underserved rural areas. By using limited public funds to leverage private capital, locally managed RLFs have provided business capital to thousands of new and existing companies that have difficulty securing conventional financing. Over the years, EDA has provided grants to nearly 600 RLFs with net assets approaching $850 million.

Our organization also operates an EDA RLF for our region. Through this fund we have facilitated the financing for dozens of local businesses and hundreds of local employment opportunities, truly making a difference in our communities.

In my region, a local entrepreneur, Dale Schwoeppe, dreamed of owning his own high tech tool and die business. In 2005, with assistance from our microenterprise fund, he began operations in the garage behind his house, a small specialty shop employing 5 highly trained individuals. Needing additional space, we used our EDA RLF in 2010 to lend him the money for a new building. Today, Schwoppe Tool & Die is located in a new 20,000 square-foot building in nearby Marthasville, Missouri. They employ 18

highly trained individuals and are a premier tool and die specialty shop in the region that serves numerous sectors including the aerospace industry around St. Louis.

Spudmasters Gourmet Potato Chips is one of our most recent RLF customers. This small business manufactures gourmet, specialty potato chips and sells them throughout the Midwest. This firm is noteworthy for its entrepreneurial spirit, but also its desire to improve our region and community. Spudmasters constructed its manufacturing facility in Bellflower, Missouri—one of the most distressed communities in our region with a high percentage of low-income households, single parent households, poverty and utilization of public assistance. Only a handful of employment opportunities existed in the community. Along came Spudmasters, which needed an unusual composition of shift employees. Recognizing the family responsibilities of potential employees, they shifted working schedules to accommodate single parents. Spudmasters has employed as many as 20 workers since their startup—creating opportunities for self-sufficiency in the midst of poverty.

PARTNERSHIPS

EDA has an existing network of more than 380 multi-county Economic Development Districts and more than 50 University Centers. All EDA projects arise through an extensive regional strategy process that must be matched by local funds. This not only ensures that the projects have been thoroughly vetted, but that they fit into a strategic, comprehensive regional plan, where local communities are vested in the projects. This results in EDA projects being completed on time, leveraging an impressive ratio of private sector investment and creating new jobs at minimal tax payer expense.

EDA's economic development district planning program is the only program in the federal government that invests in regional economic development planning with a specific focus on increasing private sector employment. It is the only program of its kind that allows and encourages local government and community leaders to collaborate on a region-wide basis to strategically plan for their economic sustainability.

Local economic development is a lengthy and continuous process that requires strategic planning, regional collaboration, intergovernmental coordination and sustained organizational capacity and expertise, especially in today's rapidly shifting global marketplace. Through the EDA-required Comprehensive Economic Development Strategy (CEDS) process, Economic Development Districts like mine foster regional cooperation, identify regional and local priorities and bring public, private and nonprofit sectors together to work toward a common vision. EDA's planning program provides the incentives, framework and matching grants to make it all work at the regional and local levels.

EDA is currently conducting a national evaluation of EDDs, and we look forward to the findings. In 2002, a similar national study conducted by the Center for Urban Studies at Wayne State University found that EDDs are effective at developing and coordinating local plans, implementing specific projects and initiatives, and providing professional expertise and capacity to distressed and underserved communities. This study concluded that EDDs have used their EDA planning funds to establish an

impressive record of facilitating and leading a regional strategic planning process that "provides the critical backbone for economic development planning at the regional level... EDD activities are both effective and essential to local development."

The report adds, "EDDs very effectively use the EDA funding they receive. They have a strong ability to use that funding to leverage funding from other sources to pursue development activities." It is important to note that EDDs utilize the planning program for more than just the development of a comprehensive regional strategy for economic development—the program provides these entities with the flexibility and capacity to serve as important drivers and implementers of regional and local projects. By matching the federal share of the EDA program dollar for dollar, local governments are demonstrating their commitment to building the regional and local expertise required to pursue complex economic development initiatives and projects.

More importantly, as the federal government looks at strategies to integrate programs, coordinate investments and avoid duplication of services, the EDD regional governance and leadership structure offers a proven platform. Our EDDs are publicly audited, accountable and transparent organizations. We are governed primarily by local elected officials, yet have oversight by federal and state agencies. We work to foster regional collaboration and pursue regional priorities. And, we are focused on holistic approaches to regional community and economic development, not just a particular silo within economic development.

Mr. Chairman, please allow me to give you an example of how our organization, part of EDA's existing network, has served as an extension of EDA and has utilized EDA resources for disaster relief. Our region was drastically impacted by major flooding of the Mississippi and Missouri Rivers in 1993, 1995 and again in 2008. Entire communities were destroyed. Businesses, infrastructure, homes and jobs were completely gone. EDA provided matching resources for our organization to hire a regional disaster response coordinator to assist flood-ravaged communities. Our efforts are not focused on the immediate emergency response, like those efforts by local first responders and FEMA. Instead, our role is to work with our local communities to develop long-term economic recovery strategies and to take strategic actions that will make our region more resilient during future natural or man-made disasters.

As a result of the EDA investment, we decided to tackle these challenges differently. We innovated. We collaborated and we helped our local communities envision a life without the constant threat of flooding. In three separate communities in 1993, 1995 and again in 2008, we undertook what many would deem impossible. We could have easily re-built the existing communities knowing that future devastation was certain. Instead, we took on a project to physically relocate these flood ravaged communities out of the floodplain. Physically moving the towns was the easy part. The greater challenge was to facilitate a community-wide project with real impacts of many individuals. We had to convince these communities and residents that this was an opportunity to create better community and economic opportunities for future generations.

To date the Village of Rhineland (1993 flood) is safely anchored on a hillside overlooking the Missouri River floodplain and has witnessed economic growth, new residential construction, and business start-ups for the first time in 50 years.

The City of Winfield (1995 flood) is now located on the rolling hills of Lincoln County without fear and trepidation every time a storm rolls in, or the Mississippi River is projected to flood. Homes and businesses continue to sprout up in this community in spite of the recent economic downturn.

The City of Silex (2008 flood) is currently in the process of moving 73 homes to a hillside overlooking the nearby floodplain. This city, in which new homes had not been constructed since the 1960's, is now seeing new homes being built and businesses rebounding.

These communities are just three of many examples of how regional economic development districts are enabling distressed communities rebound from incredible disaster and devastation to become contributors to the regional economy.

Third, Mr. Chairman, there are many opportunities for reforms within federal community and economic development programs. While we recognize the immediate need for budget savings, there are very limited options for significant savings within the true economic development accounts due to the size and type of federal assistance—loan guarantees, direct loans and subsidy-based lending programs. Therefore, most of our recommendations focus on improved program integration, strategic investments and resource alignment.

Overall, the HUD Community Development Block Grant (CDBG) program accounted for nearly $4 billion of the $6.2 billion identified by GAO as part of the 80 federal community and economic development programs in FY2010. About $2.9 billion of the larger total was actually awarded for economic development within the four major departments. Even much of this aid was in the form of loan guarantees, direct loans and business lending accounts, particularly within SBA and USDA Rural Development.

Based on this reality, following are our recommendations for improving federal agency collaboration and performance:

- **Elevate EDA's role as the lead federal economic development agency.** This could include aligning federal economic development policies, investments and resources, as well as improving federal coordination with state and local officials through EDA and its partnership structure.

- Rather than focus solely on opportunities across the four major departments of Commerce, HUD, USDA and SBA as outlined in GAO's May 2011 report, **we see greater opportunities for agencies and programs within each of the departments to be streamlined and reformed.** While it may be important to retain the eligibility and intent of these programs, many could be consolidated within larger accounts or targeted more effectively to advance broader regional strategies and priorities.

- Since it is a major challenge to consolidate and realign programs across federal departments and congressional committee jurisdictions, **another option is to focus on coordinating and prioritizing federal community and economic development investments on regionally-based, locally-driven comprehensive development strategies.** Currently, public and private sector leaders in more than 380 regions use the EDA Comprehensive Economic Development Strategy (CEDS) process to develop a long-term vision, set strategies and identify priority project needs and opportunities within their region. While an area must have a CEDS to qualify for EDA's modest project implementation matching funds, these regional plans should be used more aggressively to inform, coordinate and prioritize investments by other related federal agencies.

- **Today's modern economy requires that distressed and underserved regions be prepared for the knowledge economy.** Therefore, it is essential that EDA—as the lead federal economic development agency—be more closely aligned with programs for workforce development (i.e., Labor's Employment and Training Administration), research and development (i.e., National Science Foundation, National Institutes of Health, Department of Energy, Small Business Innovation and Research, etc), and science and technology (i.e., NIST's Manufacturing Extension Program). For example, the Boonslick RPC, like nearly 100 of our regional counterparts, is the EDA Economic Development District and delivers parts of the U.S. Department of Labor's Workforce Investment Act programs within our region. Yet, we currently see minimal program integration or policy guidance at the federal level that allows us to be truly innovative and efficient. Even though we function as an essential one-stop shop for our region and are actively engaged in economic development, community development, workforce development, transportation planning and local land use planning, we recognize opportunities to improve program integration, efficiency, coordination and delivery.

The global economy is shifting and advancing so rapidly that regions and local communities must now respond swiftly, even as they experience great pain and turmoil through these ongoing transitions. Whether a region has suffered from long-standing economic distress and poverty or is faced with more sudden and severe economic dislocations, all of America's local communities need to make positive contributions to sustain our nation's economy. This should be our primary goal.

Thank you again, Mr. Chairman and members of the subcommittee, for the opportunity to appear before you today. We appreciate your interest in exploring new opportunities for improved federal economic development policies and programs, including through the leadership of EDA and its network of Economic Development Districts.

We look forward to continuing the dialogue with you. I would be pleased to answer any questions.

Statement by
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July 27, 2011

Introduction

Chairman Denham, Ranking Member Norton, and members of the Subcommittee, thank you for inviting me here today to testify on behalf of the Economic Development Administration (EDA).

There is no denying that this is a tough economy. The country is recovering from the deepest financial crisis since the Great Depression. President Obama and the Congress have taken many bold actions over the past two years to move our economy in the right direction. While there has been progress, economic and job growth has not been strong enough, nor has it been fast enough. We clearly have more work to do.

While we acknowledge the work ahead, we must also operate in a constrained fiscal environment. As President Obama has consistently stated, one of the most important and urgent things we can do for the economy is get our fiscal house in order and reduce our nation's deficit. In this context, the focus of today's hearing is particularly timely and extremely important.

When we look closely at thriving economies, we see at their core, a business climate that supports innovation, industry clusters, and the development and growth of entrepreneurs and small businesses. EDA's investments cultivate public/private partnerships that support strategies to capitalize on regional assets to create jobs and encourage business expansion. Importantly, the investments we make support bottom-up strategies developed by the local and regional leaders we serve. This orientation – that the best ideas bubble up from regional and small business leaders – is a critical element of EDA's programs.

Rather than pursuing a one-size-fits-all approach, EDA funds customized solutions such as innovation infrastructure, business incubation, revolving loan funds, planning grants, and other resources within urban, rural and regional economies. EDA's unique portfolio of flexible programs allows us to respond to changing regional conditions faced by our local government and regional partners. We are able to do this because EDA is the only federal agency with economic development as its exclusive mission.

Partnerships that support local solutions

I recently visited Fresno, California, an area particularly hard hit during the economic downturn, and had the opportunity to sit down and talk with local officials and business leaders. EDA assisted in developing and implementing Fresno's economic development strategies with key partnership investments.

For example, EDA funds helped construct the Claude Laval Water and Energy Technology (WET) Incubator on the campus of Cal State Fresno. At WET, start-up companies and entrepreneurs are doing cutting edge research in the use of water supporting the agricultural sector while helping grow small businesses. WET reports that, since opening its doors in 2007, it has launched15 new businesses, leveraged $17 million in private sector investment and created 95 new jobs. Companies like PEAR California, Pure Science and STI, are rapidly becoming market leaders.

This incubator is a good example of how EDA supports economic development from the ground up. While it is the local entrepreneurs and the university who created the jobs, EDA's investment served as a vital catalyst for the local partnerships necessary to spur innovation and new business development. The incubator has been successful linking and aligning programmatic support and sponsorship from private companies such as Amazon.com and Microsoft, and public organizations such as the local Workforce Investment Board (WIB), City of Clovis, City of Fresno, USDA Rural Development, and the Small Business Administration (SBA).

Coordination, not duplication

The WET Incubator is but one example of how EDA's investment can be used to align other federal programs in highly complementary ways. EDA has a long-standing practice of coordinating with other Federal agencies. For example, the Black Hills Business Development Center in Rapid City, South Dakota, promotes the development of early stage technology based companies. EDA funded the construction of this facility, while a SBA- funded Small Business Development Center, located within the incubator, provides services and programming support

for the tenant businesses. In 2010, EDA awarded $800,000 to the Innovation Depot located in Birmingham, Alabama to rehabilitate existing office space to make it more suitable for start-ups and meet area demand. The Birmingham Area SBDC office is located in the Depot and performs the traditional services of the SBDC. These examples illustrate how we can maximize investments from programs with similar goals in a highly complementary fashion. We will be the first to acknowledge, however, that we can do even more to align and leverage diverse funding opportunities across the federal government with the needs of our local communities.

EDA is using its knowledge of best practices to create several new initiatives designed to further advance regional economic growth strategies through coordinated federal investments. For example, EDA's Office of Innovation and Entrepreneurship recently announced the Jobs and Innovation Accelerator Challenge. The Jobs Accelerator, through a single competitive process, offers a combined $33 million in funding from three federal agencies as well as technical assistance from 13 additional agencies to support 20 competitively selected industry clusters with high growth potential in urban and rural regions across the nation. Each of these investments will serve as a catalyst for leveraging private capital from an array of sources such as foundations, financial institutions, corporations and other private sector partners.

This initiative represents the Administration's policy priority to accelerate bottom-up innovation. The Jobs Accelerator also meets the Administration goals for the smarter use of existing government resources by bringing together siloed Federal programs and promoting more coordinated federal funding opportunities that offer more efficient access to federal resources.

The response to this competition has been extremely positive and we believe this can be a model for better integrated federal economic development investments.

Providing a customized portfolio of solutions to complex problems

Every region across the country, from California's Central Valley to Central Appalachia, has unique economic challenges, opportunities, and assets. The diversity of each of these regions' economies also reflects the complexity that often makes up an economic development ecosystem. Through its six regional offices, EDA deploys economic development professionals assigned to assist communities in each state. These economic development representatives work directly with local officials to provide assistance and guidance in developing strategies for economic growth.

Working with these regions to develop an effective local economic ecosystem that can leverage these opportunities and assets is the central purpose of our investments. Key to EDA's bottom-up approach to economic development is the agency's ability to provide customized solutions that address the economic needs unique to every community. While EDA's programs each have a distinct focus and authority, together they represent a portfolio of flexible tools that the agency utilizes to address the critical economic needs of distressed communities.

The tool set

Building or re-building a regional economy is not easy, particularly during these tough economic times. Each community's needs will be different depending on the infrastructure and assets they

have to work with. This is why all of EDA's programs empower communities to help themselves.

EDA has planning tools. EDA supports more than 380 Economic Development Districts (EDD) across the country. Each EDD is comprised of a collection of counties and communities that work together to support, develop, and implement Comprehensive Economic Development Strategies for their regions. These strategies capitalize on each region's comparative strengths and assets to spur innovation and investment that will ultimately lead to long-term economic prosperity.

EDA provides economic development technical assistance to communities. EDA's University Center program helps colleges and universities effectively leverage their resources to provide technical assistance and economic development strategy support to the communities they serve. One University Center, the Delta Center at Arkansas State University, provides technical support, strategic planning services, research and analysis, training and leadership development for local government, chambers of commerce, and development organizations across Arkansas. Through the Delta Center, University faculty works directly with community leaders to identify assets and leverage them to build the community and grow the economy. Since the beginning of 2010, the Delta Center has assisted more than 440 firms.

EDA supports innovation infrastructure. EDA will fund infrastructure necessary to meet a Region's strategic economic development goals and needs, which in turn results in job creation. This includes infrastructure used to develop basic economic development assets as well as

infrastructure that supports innovation and entrepreneurship. Some examples of innovation and entrepreneurship-related infrastructure that support job creation include business incubators, business accelerators, proof of concept centers, science and research parks, venture development organizations and technology transfer centers. EDA's Office of Innovation and Entrepreneurship plays a unique role in this arena.

In 2010, the Office of Innovation and Entrepreneurship launched the i6 Challenge, a competitive grant program to support technology commercialization and entrepreneurship. Jointly funded by EDA, the National Institutes of Health (NIH) and the National Science Foundation (NSF), the i6 Challenge invested a total $12 million in the six winning projects, one in each of EDA's regions. In Atlanta, Georgia the Global Center for Medical Innovation (GCMI) received one of the awards to accelerate the development and commercialization of next generation medical devices. Building on the success of this initial i6 Challenge, EDA's Office of Innovation and Entrepreneurship is partnering with USDA and the US Environmental Protection Agency (EPA) to fund the i6 Green Challenge. We expect to announce the six winning projects later this summer.

Smarter money, continuous improvement

As a model of smart, lean government EDA works with regions to fully leverage existing assets. While EDA has had tremendous success in our programs, we continue to look inward and evaluate our processes. One thing was very clear: in order to meet the needs of its stakeholders in the 21st century, EDA needed to move at the pace of business. With this in mind, the agency embarked on a comprehensive internal study of its grant making process in 2010. EDA

leadership engaged stakeholders in a collaborative process to create a new grant application system that would significantly reduce the time it takes to respond to each application, while still maintaining exemplary levels of customer service. This evaluation process culminated in an overhaul of the EDA's grant application process to increase the efficiency, accountability, and transparency of the competitive based system. Since its initiation in October 2010, EDA's new process has significantly increased our efficiency and enabled the agency to decrease the time it takes to make funding decisions from 128 business days to 20 business days or less.

Also, we recently completed a 70-day public comment period where we invited stakeholders to make suggestions on where EDA can eliminate regulations that are obsolete or interfere with small business and job creation. Our goal is to make sure EDA's regulations reflect best practices and help the agency work even more effectively with our public and private partners to create jobs and promote competitive regional economies. Later this summer, we expect to publish streamlined regulations that are flexible, responsive, and improve accountability.

Closing

Mr. Chairman, Ranking Norton and members of the subcommittee, thank you for your time today, and for inviting me to talk about EDA. EDA is proud of its reputation as an agency that can achieve positive results and as an agency that does not shy away from innovative solutions or rigorous evaluation of its programs to improve local and regional economic development outcomes. I am proud of the agency's continued leadership on these issues and firmly believe that EDA will continue to be a catalyst for economic growth and job creation throughout our country. I look forward to answering any questions that you may have.

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Economic Development, Public Building, and Emergency Management, Committee on Transportation and Infrastructure, House of Representatives

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ECONOMIC DEVELOPMENT

Efficiency and Effectiveness of Fragmented Programs Are Unclear

Statement of William B. Shear, Director
Financial Markets and Community Investment

U.S. Government Accountability Office
GAO 90 YEARS 1921-2011
ACCOUNTABILITY * INTEGRITY * RELIABILITY

GAO-11-872T

Chairman Denham, Ranking Member Norton, and Members of the Subcommittee:

I am pleased to be here to discuss the potential for overlap, duplication and fragmentation in economic development programs. In March 2011 and more recently in May 2011 we reported on potential duplication among federal economic development programs, and in this statement I will discuss this work.[1] We are involved in ongoing work focusing on economic development programs; if they are administered efficiently and effectively, they can contribute to the well-being of our nation's economy at the least cost to taxpayers. Absent a common definition for economic development, we had previously developed a list of nine activities most often associated with economic development. These activities include planning and developing strategies for job creation and retention, developing new markets for existing products, building infrastructure by constructing roads and sewer systems to attract industry to undeveloped areas, and establishing business incubators to provide facilities for new businesses' operations.[2]

Our recent work includes information on 80 economic development programs at four agencies—the Departments of Commerce (Commerce), Housing and Urban Development (HUD), and Agriculture (USDA) and the Small Business Administration (SBA). Commerce administers 11 of the 80 programs. According to the agencies, funding provided for these 80 programs in fiscal year 2010 amounted to $6.2 billion, of which about $2.9 billion was for economic development efforts, largely in the form of grants,

[1]See GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011); *List of Selected Federal Programs That Have Similar or Overlapping Objectives, Provide Similar Services, or Are Fragmented Across Government Missions*, GAO-11-474R (Washington, D.C.: Mar. 18, 2011); and *Efficiency and Effectiveness of Fragmented Economic Development Programs Are Unclear*, GAO-11-477R (Washington D.C.: May 19, 2011).

[2]In commenting on our May 2011 report (GAO-11-477R), the Department of Commerce stated, among other things, that prior GAO reports have focused on the types of investments made without an appropriate definition of economic development. Because federal agencies do not have a standard definition of what constitutes economic development, we identified programs using a list of activities that are generally accepted as being directly related to economic development.

loan guarantees, and direct loans.[3] Some of these 80 programs can fund a variety of activities, including such non-economic development activities as rehabilitating housing and building community parks.

My testimony today discusses our work on (1) the potential for overlap in the design of these 80 economic development programs, (2) the extent to which the four agencies collaborate to achieve common goals, and (3) the extent to which the agencies have developed measures to determine the programs' effectiveness. We also discuss our framework for analysis going forward.

In summary, based on our work to date, we have found that

- the design of each of these economic development programs appears to overlap with that of at least one other program in terms of the economic development activities that they are authorized to fund;
- Commerce, HUD, SBA, and USDA appear to have taken actions to implement some collaborative practices but have offered little evidence so far that they have taken steps to develop compatible policies or procedures with other federal agencies or to search for opportunities to leverage physical and administrative resources with their federal partners; and
- the agencies appear to collect only limited information on program outcomes—information that is necessary to determine whether this potential for overlap and fragmentation is resulting in ineffective or inefficient programs.

Building on our past work, we are in the planning phase of a new, more in-depth review that will focus on a subset of these 80 programs. We plan to evaluate how funds are used, identify additional opportunities for collaboration, determine and apply criteria for program consolidation, and assess how program performance is measured. Commerce's Economic Development Administration (EDA) programs will be part of this review.

[3]In March 2011, we reported that the funding provided for these 80 programs in fiscal year 2010 amounted to $6.5 billion, of which about $3.2 billion was for economic development efforts, according to data we received from the agencies (GAO-11-318SP and GAO-11-474R). We are reporting different funding figures in this product because SBA revised the original information they provided to us in December 2010.

For our May 2011 report on potential overlap and fragmentation in the federal government's economic development efforts, we utilized information from previous GAO products as well as our ongoing work following up on the recommendations in those products. We also relied on our recent evaluation of economic development programs at Commerce, HUD, SBA and USDA. During this evaluation, we compiled publicly available information on each program to determine the economic activities that the programs can fund and the ways the agencies distribute economic development funding, as well as the geographic areas and primary recipients that the agencies target. We then relied on the agencies to review this information, confirm its accuracy, and provide clarifications as necessary. Based on the information we collected and the clarifications that the agencies provided, we determined that these data were sufficiently reliable for the purposes of this review. Our report also includes self-reported data on program funds from the agencies for background and contextual purposes. We relied on the agencies for the program-specific funding data because the agencies are the only source for this type of information. We met with officials from each of the agencies to discuss each of the programs and the program missions. The work on which this statement is based was performed from October 2010 through May 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Overlap Appears to Exist in the Design of Economic Development Programs

Our work involving 80 economic development programs at four agencies—Commerce, HUD, SBA, and USDA—indicates that the design of each of these programs appears to overlap with that of at least one other program in terms of the economic development activities that they are authorized to fund. For example, as shown in table 1, the four agencies administer a total of 54 programs that can fund "entrepreneurial efforts," which include helping businesses to develop business plans and identify funding sources.

Table 1: Economic Development Activities by Agency

	Program by Agency				
Activity	**Commerce**	**HUD**	**SBA**	**USDA**	**Total**
Entrepreneurial efforts	9	12	19	14	**54**
Infrastructure	4	12	1	18	**35**
Plans and strategies	7	13	13	7	**40**
Commercial buildings	4	12	4	7	**27**
New markets	6	10	6	6	**28**
Telecommunications	3	11	2	8	**24**
Business incubators	5	12		7	**24**
Industrial parks	5	11		5	**21**
Tourism	5	10		4	**19**

Source: GAO analysis of information from Commerce, HUD, SBA, and USDA.

Note: In December 2010, USDA officials provided us information on the economic activities that each of their economic development programs can fund, which we reported in our March 2011 report (GAO-11-318SP). In April 2011, they provided revised information for six of their programs that we incorporated into our May 2011 report (GAO-11-477R).

While some of the 80 programs we assessed fund several of the nine economic development activities, almost 60 percent of the programs (46 of 80) fund only one or two activities. These smaller, narrowly scoped programs appear to be the most likely to overlap because many of them can only fund the same limited types of activities. For example, narrowly scoped programs comprise 21 of the 54 programs that fund entrepreneurial efforts. Moreover, most of these 21 programs target similar geographic areas.

Eight of the 80 programs we reviewed are administered by EDA. These programs include:

- *Grants for Public Works and Economic Development Facilities*: provides grants that support the construction or rehabilitation of essential public infrastructure and facilities necessary to generate or retain private sector jobs and investments, attract private sector capital, and promote regional competitiveness, innovation, and entrepreneurship.
- *Economic Development-Support for Planning Organizations*: provides grants to support planning organizations for the development, implementation, revision, or replacement of a comprehensive economic development strategy, short-term planning efforts, and state plans designed to create and retain higher-skill, higher-wage jobs,

particularly for the unemployed and underemployed in the nation's most economically distressed regions.

- *Economic Adjustment Assistance*: provides grants that address the needs of distressed communities experiencing adverse economic changes that may occur suddenly or over time, and generally result from industrial or corporate restructuring, new federal laws or requirements, reduction in defense expenditures, depletion of natural resources, or natural disaster.
- *Global Climate Change Mitigation Incentive Fund*: provides grants for projects that create jobs through, and increase private investment in, efforts to limit the nation's dependence on fossil fuels, enhance energy efficiency, curb greenhouse gas emissions, and protect natural systems.

As illustrated in table 2, EDA's programs can fund several of the nine economic development activities. In addition, EDA's programs are intended to target businesses that are located in economically distressed areas.

Table 2: EDA Economic Development Programs

		Economic Activities											
Program name	Fiscal Year 2010 Enacted appropriation[a]	Plans and strategies	Commercial buildings	Business incubators	Industrial parks	Infrastructure	Entrepreneurial efforts	New markets	Telecommu-nications	Tourism	Urban/ rural	Primary Targeted Recipient[b]	Award Type
Community Trade Adjustment Assistance	$0	X	X	X	X	X	X	X	X	X	Not Specified	Businesses adversely affected by international trade impacts	grant or direct payment
Grants for Public Works and Economic Development Facilities	$158,930,000		X	X	X	X	X	X	X	X	Not Specified	Economically distressed areas	grant or direct payment
Economic Development/ Support for Planning Organizations	$31,391,000	X									Not Specified	Unemployed and underemployed residents located in economically distressed areas	grant or direct payment
Economic Development/ Technical Assistance	$9,800,000	X		X	X		X	X		X	Not Specified	Economically distressed areas	grant or direct payment
Economic Adjustment Assistance	$45,270,000	X	X	X	X	X	X	X	X	X	Not Specified	Economically distressed areas	grant or direct payment
Research and Evaluation Program	$1,963,000	X					X	X			Not Specified	Economically distressed areas	grant or direct payment

		Economic Activities											
Program name	Fiscal Year 2010 Enacted appropriation[a]	Plans and strategies	Commercial buildings	Business incubators	Industrial parks	Infrastructure	Entrepreneurial efforts	New markets	Telecommu-nications	Tourism	Urban/ rural	Primary Targeted Recipient[b]	Award Type
Trade Adjustment Assistance	$18,987,000	X									Not Specified	Businesses adversely affected by imports	grant and services, technical support
Global Climate Change Mitigation Incentive Fund	$25,000,000	X	X	X	X	X	X	X		X	Not Specified	Economically distressed areas	grant or direct payment

Source: GAO analysis of information from Commerce.

[a]According to Commerce officials, the program listed above that did not receive funding in fiscal year 2010 is still an active program. It is denoted by "0" in the table.

[b]Primary targeted recipient is the end user that the agencies are focused on serving. In some cases, the agencies provide the program dollars to an entity such as a nonprofit or local government that administers the funds to serve the primary targeted recipient.

Agencies Are Collaborating on a Limited Basis

To address the potential for overlap and fragmentation among federal programs, we have previously identified collaborative practices agencies should consider implementing in order to maximize the performance and results of federal programs that share common outcomes.[4] These practices include leveraging physical and administrative resources, establishing compatible policies and procedures, monitoring collaboration, and reinforcing agency accountability for collaborative efforts through strategic or annual performance plans.

Findings from our work show that Commerce, HUD, SBA, and USDA appear to have taken actions to implement some of these collaborative practices, such as defining and articulating common outcomes, for some of their related programs. However, the four agencies have offered little evidence so far that they have taken steps to develop compatible policies or procedures with other federal agencies or to search for opportunities to leverage physical and administrative resources with their federal partners. Moreover, we found that most of the collaborative efforts performed by program staff on the front line that we have been able to assess to date have occurred only on a case-by-case basis. As a result, it appears that the agencies do not consistently monitor or evaluate these collaborative efforts in a way that allows them to identify areas for improvement. We reported in September 2008 that the main causes for limited agency collaboration include few incentives to collaborate and an absence of reliable guidance on consistent and effective collaboration.[5] In failing to find ways to collaborate more, agencies may miss opportunities to leverage each other's unique strengths to more effectively promote economic development, and they may fail to use taxpayer dollars in the most efficient manner.

[4]GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005); and *Rural Economic Development: Collaboration between SBA and USDA Could Be Improved*, GAO-08-1123 (Washington, D.C.: Sept. 18, 2008).

[5]GAO-08-1123.

Lack of Information on Program Outcomes Is a Longstanding Concern

Lack of information on the outcomes achieved by these programs is a current as well as longstanding concern. This information is needed to determine whether this potential for overlap and fragmentation is resulting in ineffective or inefficient programs. For example:

- EDA continues to rely on a potentially incomplete set of variables and self-reported data to assess the effectiveness of its grants. This incomplete set of variables may lead to inaccurate claims about program results, such as the number of jobs created. Moreover, EDA staff only request documentation or conduct site visits to validate the self-reported data provided by grantees in limited instances. We first reported on this issue in March 1999 and issued a subsequent report in October 2005.[6] In response to a recommendation we made in 2005, EDA issued revised operational guidance in December 2006 that included a new methodology that regional offices are to use to calculate estimated jobs and private-sector investment attributable to EDA projects. However, during our review we found that the agency still primarily relies on grantee self-reported data and conducts a limited number of site visits to assess the accuracy of the data. While acknowledging these findings, EDA officials stated that they employ other verification and validation methods in lieu of site visits. These methods include reviews to ensure the data are consistent with regional trends and statistical tests to identify outliers and anomalies. We plan to assess the quality and adequacy of these methods as part of our work going forward.

- SBA has not yet developed outcome measures that directly link to the mission of its Historically Underutilized Business Zone (HUBZone) program, nor has the agency implemented its plans to conduct an evaluation of the program based on variables tied to its goals.[7] We

[6]GAO, *Economic Development: Observations Regarding the Economic Development Administration's May 1998 Final Report on its Public Works Program*, GAO/RCED-99-11R (Washington, D.C.: Mar. 23, 1999) and GAO, *Economic Development Administration: Remediation Activities Account for a Small Percentage of Total Brownfield Grant Funding*, GAO-06-7 (Washington, D.C.: Oct. 27, 2005).

[7]The purpose of the HUBZone program, established by the HUBZone Act of 1997, is to stimulate economic development in economically distressed communities (HUBZones) by providing federal contracting preferences to eligible small businesses. The types of areas in which HUBZones may be located are defined by law and consist of census tracts, nonmetropolitan counties, Indian reservations, redesignated areas (that is, census tracts or nonmetropolitan counties that no longer meet the criteria but remain eligible until after the release of the 2010 census data), and base closure areas.

reported in June 2008 that while SBA tracks a few performance measures, such as the number of small businesses approved to participate in the program, the measures do not directly link to the program's mission.[8] While SBA continues to agree that evaluating program outcomes is important, to date the agency has not yet committed resources for such an evaluation.

Without quality data on program outcomes, these agencies lack key information that could help them better manage their programs. In addition, such information could enable congressional decision makers and others to make decisions to better align resources, if necessary, and to identify opportunities for consolidating or eliminating some programs.

Framework for Future Analysis

Currently, we are in the planning phase of a new, more in-depth review that will focus on a subset of these 80 programs, including a number of EDA programs. In our May 2011 report we compared the 80 programs by identifying the primary targeted recipient for each program, and in our work going forward we plan to further differentiate the programs. Effective assessment of duplication and overlap must be informed by an understanding of programs' goals and outcomes. To this end, in our future work we will identify the services that each program provides, program outcome measures, and collaborative procedures. In addition, we plan to explore alternate definitions for economic development, and update if necessary, the economic activities that are generally accepted as being directly related to economic development; evaluate how funds are used; identify additional opportunities for collaboration; determine and apply criteria for program consolidation; and assess how program performance is measured.

More generally, as the nation rises to meet the current fiscal challenges, we will continue to assist Congress and federal agencies in identifying actions needed to reduce duplication, overlap, and fragmentation; achieve cost savings; and enhance revenues. As part of current planning for our future annual reports, we are continuing to look at additional federal programs and activities to identify further instances of duplication,

[8]GAO, *Small Business Administration: Additional Actions Are Needed to Certify and Monitor HUBZone Businesses and Assess Program Results*, GAO-08-643 (Washington, D.C.: June 17, 2008).

overlap, and fragmentation as well as other opportunities to reduce the cost of government operations and increase revenues to the government. We will be using an approach to ensure governmentwide coverage through our efforts by the time we issue our third report in fiscal year 2013. We plan to expand our work to more comprehensively examine areas where a mix of federal approaches is used, such as tax expenditures, direct spending, and federal loan programs. Likewise, we will continue to monitor developments in the areas we have already identified. Issues of duplication, overlap, and fragmentation will also be addressed in our routine audit work during the year as appropriate and summarized in our annual reports.

Chairman Denham and Ranking Member Norton, this concludes my prepared statement. I would be happy to answer any questions at this time.

Contacts and Staff Acknowledgments

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Related GAO Products

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Written Statement for the Record

David Spaur, President and CEO
Merced County Economic Development Corporation

Before the House Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings,
and Emergency Management

"The Economic Development Administration: How to
Improve Effectiveness through Reforms and Consolidation"

Washington, DC
July 27

Chairman Denham, Ranking Member Holmes Norton and members of the Subcommittee, thank you for the opportunity to be here today.

I am David Spaur, President and CEO of the Economic Development Corporation for Merced County located in the heart of the California Central Valley. Previously, I served as the Chairman of the eight County Central Valley Economic Development Corporation, and have also served on the Board of Directors for the International Economic Development Council (IEDC).

I have 25 years of economic development experience working for local chambers of commerce, and city, county and non-profit corporations in the states of Arizona and California, with the last twenty years working with EDA districts and projects in both rural and urban communities. I have served on the Sierra Economic Development District, a four county organization, and I am currently in the process of completing the formation of an eight County Economic Development District (EDD) for the California Central Valley.

First, I would like to state how important this Subcommittee is in helping workers, businesses, homeowners and communities across the country. In this time of severe economic hardship we have to be reactive to address these immediate needs and proactive to plan for longer term economic development strategies. Chairman Denham, we appreciate all the work you and the Subcommittee have done to address these current economic challenges with rapid response efforts and strategies for long term, sustainable and competitive economic growth.

My comments today are focused on the strength and value of EDA programs and projects to

strengthen economies and create jobs. I have highlighted some projects from the Central Valley to provide some context for my remarks and as a reference for those of you who may be less familiar with rural California.

Many of our counties and communities have unemployment rates ranging from 17% to 28%, and these stifling numbers have persisted for the past three decades. By measures like unemployment, California's Central Valley is faring even worse than the rest of the economy – whose grim numbers you may already be familiar with. Merced County was ranked number one in foreclosures and today we are ranked fourth and at the current rate, or lack of growth, it could take decades before we experience a full recovery. The state of Nevada has the highest unemployment at a level of 12.4 percent, followed by Chairman Denham's home state of California at 11.8 percent and the Counties of Merced, Madera and Fresno share an unemployment rate of 17-22%. Many small communities have a higher rate of joblessness. People, companies, and communities are suffering. We need to focus our attention on job creation, investment into infrastructure, sustainability and innovation

I'm here to testify that what has helped us the most to create jobs and improve local economies have been programs offered by the Economic Development Administration.

Here's why we need EDA.

Other countries have national strategies for economic development. We have EDA. If we're going to get out of this economic downturn, we need to have strategic direction. EDA is the only federal agency focused solely on private sector job growth and economic sustainability.

Working with partners in both local governments and the private sector, EDA helps distressed communities generate jobs, retain existing jobs, and stimulate industrial and commercial growth. EDA's mission is, and I quote, "to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy." While some other agencies including the Federal Emergency Management Agency, The Department of Housing and Urban Development, The Rural Development Administration at the Department of Agriculture, the Small Business Administration and the Economic Adjustment program at the Department of Defense all have programs to help economic dislocation and revitalization, only EDA is purposed solely for economic development and only EDA has the institutional knowledge, dating back to its creation in 1965, and expertise to lead this important task. FEMA, for example is limited by statute and mission to disaster recovery; they do not do economic recovery. We all know how important it is for a region to rebuild its economy in the aftermath of a natural disaster. EDA has a proven track record of helping communities rebuild.

Let's review the cost-effectiveness of EDA, something we all are mindful and appreciative of in these fiscally challenged times. EDA is the most stringent and conservative of the Department of Commerce programs and that quality makes it the most productive. Its requirements demand performance. Communities are required to provide matching dollars on every project and to demonstrate that jobs have been created or retained or they have to pay the money back and sometimes with as much as a 20 year deed restriction. The projects I am sharing with you today are investments and should not be looked at as incentives. The EDA is an investment-based program that creates jobs and delivers improved infrastructure with a specific goal to improve local and regional economies.

First, let's start out be saying what EDA is not. EDA projects are not earmarks. In a world without EDA, there would be more earmarks in the political process. We all know earmarks have funded many an infrastructure project, for example. Instead of earmarks paying for pet projects in Congressional districts, EDA's programs allocate resources according to a competitive bid process. From our experience, the bid process is also very streamlined and compares favorably to other federal agencies. We submit the paperwork and according to a system of criteria based on level of need and return on investment, crucial resources are granted.

EDA is cost-effective and has proven results. In Fiscal year 2010, EDA awarded over $285 million in investments, of which $191.5 million was for construction and infrastructure investments that are expected to create about 48,500 jobs at an average investment of $3,950 per job. We've seen this translate to jobs for workers of various skill levels – from machinists and technicians in advanced manufacturing to high tech R&D workers.

EDA is an Agency that pays for itself – and more. On average, every dollar the agency invests attracts about $6.90 in private/public capital investment. Since 2005, EDA has awarded 1.2 billion in grants that are expected to generate more than 314,000 jobs.

EDA funds are matched. This makes local taxpayers, and those of us who work to grow the economy on their behalf, invested and accountable. Local communities are required to match all disbursements of EDA grant money at a level of between 20% and 50% dependent on the degree of economic distress in the community. We are investment partners with the EDA and the

private sector to create and retain the jobs, businesses, industries and technologies that are competitive in the worldwide economy.

EDA has a portfolio of investments that will produce strong future returns. EDA investments leverage jobs in the private sector that will be competitive in the global marketplace. In addition to stalwart Public Works and Economic Assistance, Economic Adjustment Economic Development Planning programs – it has sorely needed programs in Trade Adjustment Assistance and the Global Climate Mitigation Incentive Fund that reflect national priorities of helping communities to become more globally competitive and gain a foothold in the growing clean energy sector.

The funding for infrastructure is of particular importance for me. Over half, or $133 million in EDA's appropriations, goes to Public Works and Economic Development Assistance. This helps communities make the transition from being distressed to being competitive in the global economy. For rural economic developers like myself and a chorus of economic developers in IEDC and around the U.S., infrastructure is a key ingredient to stimulating industrial and commercial growth. Funding in this category can mean many things - from traditional infrastructure projects like water and sewer system improvements and Brownfield redevelopment to the development of technology-based facilities and business and industrial parks with fiber optic cable. Without EDA investments, many of the infrastructure projects that could catalyze a whole region are out of reach for resource-poor rural communities or distressed communities.

The fact is local and State governments don't always have the infrastructure dollars to start or finish a project and the private sector is best known for its ability to build new buildings once the infrastructure is in the ground - what we term or call legacy based infrastructure. The government is expected to provide the basic services including water, sewer and roads. However, EDA has developed a solid methodology for investing public dollars in basic services and leveraging private investment. It's a formula that has a track record of leading to job creation and economic development. I will now provide some examples of projects that are achieving that goal. The examples also illustrate cross-cutting partnerships – from industry and entrepreneurs to universities and worker job training programs.

First, examples from my region.

1. **Merced County, California**

Merced, like many communities who suffered base closures in the 90's, was faced with the issue of not only replacing jobs but also retooling an economic base that was shaped largely around a military installation. EDA pitched in and outlined ways we could introduce innovations into our economy. The first program was an upgrade of critical infrastructure for the old Air Force Base that attracted and developed a partnership with the University of California Merced (UC Merced.) In March 2001, EDA invested $4,680,983 to develop a high-tech commercial/industrial center by providing telecommunication infrastructure (fiber optic lines, upgraded telephone system, wireless internet system and a video/teleconferencing center). As a result, UC Merced has located and established the Solar Institute as part of their Merced Research Center. In addition, this infrastructure provided the necessary capacity for the opening

of a technical call center for AT&T. Since then, 176 jobs have been created, 56 have been retained and the project has attracted $3.2 million in private investment.

2. Fresno County, California

Fresno County, Water and Energy Technology (WET) Incubator on the campus of Cal State Fresno has spun off new partnerships between Fresno State, the Central Valley Business Incubator, Alliance Small Business Development Center and UC Merced. Together, we are partners in the commercialization of new solar efficient projects and the start-up of a new company.

3. Kings County, California

In Kings County, there was a great demand for serviced industrial land – or legacy-based infrastructure - and little available. In 2003, EDA invested $2.08 million into a project that extended road, water and sewer services to open up 180 acres of industrial land for use and also provided rail access in the city's designated industrial area. The project made improvements to wastewater treatment plants. As a result, as of April 2009, the area has attracted $180 million in private investment and Kings County attracted new light and heavy industry, including manufacturing and food processing resulting in 175 new jobs.

4. City of Stockton, California

In 2004, EDA made a $5.98 million investment in the construction of a water transmission line that opened up over 2,800 zoned industrial acres in the South Stockton industrial area. The project also constructed railway in the first phase of infrastructure of the BNSF Logistic Park. This park is now a powerful economic engine in the region and a major distribution hub in northern California. Within the park, Sears has a 780,000 square foot distribution warehouse

employing several hundred people. ECD Refining purchased a building to serve as a state-of-the-art electronics recycling plant. As of 2010, 2,910 jobs have been created at the Park and 210 have been retained. The project has drawn nearly $470 million in private investment.

5. Bakersfield, California

In 2007, EDA provided a $1 million grant to the Bakersfield Association for Retarded Citizens in Kern County California in 2007 to assist with the construction of a 20,000 square foot Industrial Training Facility at BARC's 22 acre industrial park. Since the project was completed in July 2010, the facility has enrolled more than 600 adults with developmental disabilities and is training them in skills that will allow them to work in the agriculture, transportation, logistics and warehousing sectors. This helps previously unemployed adults become productive members of the economy and reflects EDA's commitment to unleashing the potential in all segments of our economy and workforce.

6. Los Angeles County, California

EDA gave two grants to the Cal Poly Pomona Foundation located in Los Angeles County in order to help create a 65-acre master planned community of technology-based enterprises called Innovation Village. The Village focuses on biotechnology and life sciences and is located on the California State Polytechnic University, Pomona campus. Two EDA investments in 1998 and 2006, totaling $3.82M, along with matching funds from the state of California and other partners funded the construction of the Center for Training, Technology, and Incubation in the Village. The funding also supported the development of infrastructure (roads, water and electrical lines, water tank, landscaping and tenant improvements) to two Foundation owned wet labs. This project was a partnership between the private and public sector, industry and the university.

NASA, EDA, the California Technology, Trade and Commerce Agency, the College of the Extended University (CEU), and the Cal Poly Pomona Foundation were all partners in the project which has created 440 jobs, retained 400 jobs and has attracted 75 million in private investment as of January 2011.

In Closing

EDA needs to be a robust agency. It is the only agency dedicated to the nation's economic development. There is no greater imperative than that today as we climb out of the worst downturn since the Great Depression. EDA should be reauthorized at current and/or greater levels.

Because the economy is a national problem, we need a federal agency dedicated to it. Local and state governments will always do the majority of the job to grow economic development in communities around the U.S. But many communities in the nation need a jumpstart. EDA has a record of showing a meaningful return on investment. Its grants to local communities are matched by local and state dollars and have been shown to leverage almost 7 dollars of private investment for every taxpayer dollar invested. And many communities do need the assistance before they can go-it-alone – communities, for example, where the manufacturing sector is suffering, where a hurricane has hit or where farmers are struggling to compete in the global market.

EDA has helped communities in distress caused by multiple factors - the closure of defense bases, the loss of manufacturing due to automation and globalization or the effects of natural disasters such as Hurricane Katrina or the Deepwater Horizon oil spill. As a result, EDA has an arsenal of creative strategies and a proven record of helping communities revitalize their economies. We must appreciate the expertise of EDA and fund the agency if we are serious about short-term and long-term recovery from this economic downturn.

Finally, Mr. Chairman, while EDA has done much to benefit Merced County and the State of California, I would like to tell you about a project near and dear to my heart. A project, which I believe, is key to the growth of our region's economy. The Central Valley Economic Development District formed in partnership with the eight counties of the San Joaquin Central Valley. We have worked together over the past five years to formulate the first ever eight county Economic Development District in California. This is critical to our region because we all share high unemployment.

In the Central Valley, we have created new partnerships between Universities, non-profits and Federal Agencies. Over the past three years we have completed an eight (8) county Comprehensive Economic Development Strategy or CEDS, as EDA likes to call them, to better focus and concentrate our combined economic development efforts to create jobs and a sustainable regional economy. In the next few months we will seat the first Board of Directors of our new EDA District and become better prepared to provide technical assistance to small rural communities who lack the staff and knowledge to access EDA grants and programs. Our goal is to provide access to EDA funds that will link our programs of innovation up and down the

Valley together to fundamentally restructure our economy of high unemployment into an economy of low unemployment, high productivity in agriculture, and prosperity from innovation and commercialization of ag technology products, energy efficiency products and goods movement-mobility and logistics. This effort will have a profound and positive change on Mr. Denham's district.

On behalf of communities around the country working hard to stay competitive in this challenging global economy, I urge you to continue to provide strong support for the Economic Development Administration so that it can provide aid to multiple projects across the U.S. These are lean times, but EDA has a record of providing a meaningful return on investment in terms of private dollars and jobs. We look forward to EDA continuing to partner with us, and the private sector, in our efforts to generate and retain jobs and stimulate industrial and commercial growth in order to build stronger communities for a stronger America.

Thank you.

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