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ECONOMIC DEVELOPMENT ADMINISTRATION REAUTHORIZATION: RATING PAST PERFORMANCE AND SETTING GOALS DURING AN ECONOMIC CRISIS

(111–12)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

MARCH 10, 2009

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U.S. House of Representatives
Committee on Transportation and Infrastructure
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March 9, 2009

SUMMARY OF SUBJECT MATTER

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

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

SUBJECT: Hearing on Economic Development Administration Reauthorization: Evaluating Past Performance and Setting Goals during an Economic Crisis

PURPOSE OF THE HEARING

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Tuesday, March 10, 2009, at 10:00 a.m. in room 2167 Rayburn House Office Building to receive testimony regarding the reauthorization of the Economic Development Administration.

BACKGROUND

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

Many regions continue to experience high poverty, areas of significantly higher than-average unemployment rates, limited access to capital, low per capita personal income, and high job loss.

Established by the Public Works and Economic Development Act of 1965, the Economic Development Administration was created to alleviate conditions of substantial and persistent unemployment in economically distressed areas and regions. The mission of EDA today remains much the same as it was when originally founded, "To enhance community success in attracting private capital investment and lucrative job opportunities." EDA has stated that to fulfill its mission, it must be, ". . . guided by the principle that distressed communities must be empowered to develop and implement their own economic development and revitalization strategies."

EDA provides assistance for projects through a variety of programs: Planning; Technical Assistance; Public Works; Economic Adjustment; Research and Evaluation; and Trade Adjustment Assistance. Projects are located in areas exhibiting economic distress at the time of application. Projects located outside these areas may be considered if they directly benefit a distressed area. All Public Works and Economic Adjustment projects must be consistent with an EDA-approved Comprehensive Economic Development Strategy (CEDS).

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

The initial authorization of EDA, which was for five years, expired in 1970. From 1970 through 1980, EDA continued to operate without a reauthorization, though there were several legislative efforts to reorganize and reorient the Agency. During this time, the agency 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 Agency went without an authorization, surviving only on year-to-year appropriations.

The Economic Development Administration and Appalachian Regional Development Reform Act of 1998 reauthorized the Agency for a period of five years, and authorized funding levels that progressively declined from an initial amount of $398 million for FY 1999 to $335 million in FY 2003. Additionally, this reauthorization put into place a number of the management and administrative reforms already underway, such as efforts to target the most distressed areas and encourage regional cooperation.

The Economic Development Administration Reauthorization Act of 2004 (P.L. 108-373) reauthorized EDA for a period of five years, through fiscal year 2008. The authorized amounts for EDA programs were:

- Fiscal Year 2004 $400,000,000
- Fiscal Year 2005 $425,000,000
- Fiscal Year 2006 $450,000,000
- Fiscal Year 2007 $475,000,000
- Fiscal Year 2008 $500,000,000

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

In 2007, EDA engaged Grant Thornton to study the costs and economic impact of EDA's construction investments. This study is similar in content to the study conducted by Rutgers in 1997. The Grant Thornton study surveyed more than 40 other similar federal programs.

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

PRIOR LEGISLATIVE AND OVERSIGHT ACTIVITY

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

WITNESSES

Ms. Sandra R. Walters
Acting Assistant Secretary of Commerce for Economic Development
Economic Development Administration

Accompanied by
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Mr. Denny Coleman
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Mr. Lawrence A. Molnar
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Ms. Carolyn Dekle
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Mr. Jonathan Sallet
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Mr. Srikant Sastry
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HEARING ON ECONOMIC DEVELOPMENT ADMINISTRATION REAUTHORIZATION: RATING PAST PERFORMANCE AND SETTING GOALS DURING AN ECONOMIC CRISIS

Tuesday, March 10, 2009,

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

The Subcommittee met, pursuant to call, at 10:17 a.m., in Room 2167, Rayburn House Office Building, the Honorable Eleanor Holmes Norton [Chair of the Subcommittee] presiding.

Ms. NORTON. Welcome all, especially today's distinguished witnesses. We look forward to their important testimony as we consider the reauthorization of the Economic Development Administration.

This Subcommittee has jurisdiction over the authorization and oversight of programs promoting economic development in communities suffering long-term economic distress, including jurisdiction over the EDA which is part of the Department of Commerce.

The Public Works and Economic Development Act of 1965, which created EDA, authorizes partnerships between the federal government and state and local development entities to alleviate substantial and persistent unemployment in economically distressed areas and regions.

One of the most important goals in national economic development activities is to enhance community success in attracting private capital investment and good job opportunities. The work of the Economic Development Administration is a small but highly visible part of Federal efforts to enhance economic opportunity nationwide by increasing the overall productivity of economically distressed and poor communities and their share of the Country's general prosperity.

EDA's primary operation is a public works grant program designed to aid economically distressed communities by developing infrastructure in order to attract new industry that will create long-term private sector jobs. Projects funded through the program include the construction of access roads, port improvements, business incubator buildings and water and sewer facilities.

It is no coincidence that President Barack Obama chose economic development, that is to say not economic development but infrastructure development as the primary engine for job creation in the

recently passed stimulus bill. Data from across the spectrum of economists and the EDA's own work confirm that public infrastructure building is more effective in stimulating the economy than any form of public expenditure during economic downturn.

EDA was created to address issues of poverty, high unemployment, and geographic isolation by identifying distressed counties and setting aside the bulk of investment dollars to ameliorate these drastic conditions. Distressed counties, generally, under the EDA standard definition, have an unemployment rate of 1 percent greater than national average for the most recent 24-month period or per capita income of 80 percent or less than the national average. The Federal government, acting in partnership with States, private businesses and localities, has shown that persistent and substantial poverty can be reduced and eliminated.

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

Many regions across the Country continue to experience high poverty, areas of significantly higher than average unemployment rates, limited access to capital, low per capita income, and high job loss regardless of the state of the national economy. Consequently, in the 110th Congress, we reauthorized two economic development commissions and created three more. The five commissions are the Delta Regional Commission, the Northern Great Plains Regional Commission, the Southeast Crescent Regional Commission, the Southwest Border Regional Commission and the Northern Border Regional Commission.

These areas are among many which have expressed a desire to create regional economic development commissions similar to the structure of the Appalachian Regional Commission to provide additional funding for projects that stimulate regional economic development and to promote the character and industries of the region without supplanting existing institutions and programs that provide funding such as EDA, State agencies and local development organizations.

In today's troubled and uncertain economic times for the entire Country, the nuts and bolts of economic development for undeveloped areas take on vast importance. Job deficiencies reduce the tax base which, in turn, reduces the ability of governments to provide public infrastructure, which then reduces the ability to create and attract jobs and new industries. Thus, the circle must be broken, and the Economic Development Administration does indeed this cycle. It has a solid track record in leveraging public investment into private development.

A recent independent report by Grant Thornton and ASR Analytics found the EDA's public works program generates up to 5 jobs per $10,000 of public investment. This metric covers a wide variety of projects.

One of the more common investment examples was an EDA investment of $560,000 to build sewer, water, transportation and

fiber optic/broadband infrastructure in an industrial park in Okemah, Oklahoma in order to induce a private corporation to locate there. This project has already created approximately 110 jobs and is expected to produce at least 40 more in private investment.

An example from a big city was the EDA investment of $4.5 million in the Apollo Theater in Harlem, New York, the historic cultural anchor of the Harlem community. Though the investment produced only 28 jobs, less than 6/10th per $10,000, it played an outsized role in the revival of Harlem's major commercial strip, 125th Street.

Recently, EDA also provided funding to help preserve one of the most historic structures in the District of Columbia when the Eastern Market, one of the oldest markets in the United States, was damaged by fire, causing significant loss of economic activity and an institution that has defined the entire Capitol Hill residential community for more than a century.

EDA has approved funds for brownfields redeveloped as industrial parks, funds for an upgrade of a city's wastewater system to make it suitable for agricultural production facilities and funds for buildings with the infrastructure to support high-tech companies and many other types of cutting-edge development.

With this hearing, and after four decades of EDA's work in job creation, the Subcommittee is in a position to analyze the Federal role, the extent of the building and sustaining of the relationships at the State and local levels and, importantly, with businesses, citizens and civic organizations as well and to consider the increasing necessity of focusing on metropolitan as well as rural areas and retaining the public trust with special emphasis on economic development results.

We also will examine existing grant programs for economic adjustment assistance, research and evaluation and technical assistance. We will scrutinize how funding decisions are made and how past funding decisions reflect the efficiency of the agency.

This morning, we are very pleased to hear from experts with deep experience with EDA, who can help the Subcommittee assure that the agency performs at peak levels during this time of economic uncertainty.

I am very pleased to ask the Ranking Member, Mr. Diaz-Balart, if he has any opening remarks.

Mr. DIAZ-BALART. Thank you. Let me first start by thanking you, Madam Chairwoman, for holding this important hearing today on the Economic Development Administration and its reauthorization.

I also want to welcome all our witnesses that are here today, including a couple dear friends of mine, Carolyn Dekle who is the Executive Director of the South Florida Regional Planning Council. We have known each other for a few years. We would rather not talk about how long.

With her is Isabel Cosio Carballo, who I affectionately know as Chintu. We won't go into why.

Anyway, thank you all for being here and all the witnesses.

In 2000, the EDA granted the South Florida Regional Planning Council the authority to operate a revolving loan fund to create jobs and to strengthen the economic base of South Florida, and I

look forward to hearing your testimony today. I actually do know what you have been doing.

The EDA, as we all know, was established in 1965. At that time, Congress recognized that there were areas in our Country that were experiencing chronic high unemployment and out-migration, low per capita incomes, et cetera.

In addition, Congress also recognized that there were communities impacted by sudden and severe economic dislocations because of closing plants and natural disasters, for example. So the EDA was created to help spur jobs and growth in those economically distressed areas of the Country in which Federal funding could be a catalyst in attracting private sector investment, and that is key, attracting private sector investment.

Today, unfortunately, economically distressed communities are still prevalent, and they continue to be there. Continuing strategic investment is particularly important today when you look at the economic climate that we are living in. So the EDA programs obviously are intended to provide a balanced approach in the use of Federal dollars.

These programs effectively leverage Federal dollars to encourage investments by the private sector and to help local communities. Often, EDA funds help a local community fill in the gap needed for economic development projects become a reality. Without that money, a lot of times, those projects would not take place.

For example, in fiscal year 2007, EDA investments under its public works assistance program, revolving loan fund program and the construction and disaster recovery components of the Economic Adjustment Assistance programs totaled $209 million and were expected to create or retain 52,000, actually, 52,134 jobs, to be exact.

In addition, the EDA investments that year created or retained American jobs on an average cost of $4,000 per job, and the EDA leveraged over $26 in private sector capital investment for every taxpayer dollar that was invested.

Now contrast those numbers that I just told you, that I just read, with a return on investment expected from the American Recovery and Reinvestment Act that Congress recently passed. Taking the Administration's best estimates, their own numbers, the $787 billion appropriated in the so-called stimulus bill will create or save 3 to 4 million jobs. That is a cost of nearly $200,000 per job as opposed to $4,000, which is what we had talked about a little while ago.

The EDA grants, on the other hand, maximize each Federal dollar spent and create lasting investment in communities. They spark job growth and lay down the foundation for economic investment in distressed communities.

EDA grants have assisted communities devastated by natural disasters including, for example, the area of Homestead in South Florida, which I have the privilege and the honor of representing. Those grants facilitated private sector investment and helped to create or retain more than 700 jobs, and the results are there for everyone to see.

In 2004, President Bush signed into law the Economic Development Administration Reauthorization Act of 2004 which reauthorized the EDA's economic development assistance programs through

September of last year. Now legislation to reauthorize these programs was not enacted last year, and the programs were extended through a continuing resolution, a CR.

In addition, $150 million was included for EDA in the American Recovery and Reinvestment Act of 2009.

EDA has managed to do much with very, very little, with relatively little. As we move through these challenging times, it will be crucial, absolutely crucial, that EDA has the funding and authority it needs to help distressed communities in our Nation.

I hope that we will be able to move forward on reauthorization, and I thank the Chairwoman once again for this hearing. I hope we can strengthen this important program, and I look forward to working with the Chairwoman on this important issue.

I thank the witnesses once again for coming here to speak to us, and I am looking forward to this hearing.

I thank you again, Madam Chairwoman.

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

Are there members who have statements?

Ms. Markey of Colorado.

Ms. MARKEY. Yes, thank you, Madam Chair.

As a Representative of rural Colorado, I have heard a lot about the problems facing these communities in today's tough economic times. Having said this, I am pleased to read that the Grant Thornton study of the EDA concluded that when the EDA invests in a rural area the investment has a strategically significant impact on employment levels.

I know that the EDA has done a lot of work in Colorado and that the City of Pueblo in my colleague, John Salazar's district won the Excellence in Economic Development Award for 2006.

The EDA has an important and noble mission in assisting both rural and urban economically distressed areas. I commend the EDA for its work, especially in my own State, and look forward to discussing its reauthorization and working with them in Colorado's Fourth Congressional District.

Thank you.

Ms. NORTON. If there is no one on the other side, Mr. Arcuri.

Mr. ARCURI. Thank you, Madam Chair. I would like to thank you for holding this hearing, and I look forward to working with all my colleagues on both sides of the aisle to reauthorize the EDA bill this year.

Specifically, I hope that this reauthorization will provide assistance to counties and municipalities that want to study ways to streamline local government, recapitalize EDA revolving loan funds and maintain EDA's current bottom-up approach to economic development.

I think what makes EDA programs so successful, and the revolving loan fund in particular, is that the projects that receive funding are conceived at the local level. This ensures the projects that receive funding are the highest priority of the local government.

Along those lines, local economic development must be approached from the standpoint of getting the most out of scarce funding resources, consolidation and shared services can play a key role in making local governments more efficient and should not be dirty words to local communities.

In some areas of my district that I represent, there are village boards, town boards, county boards, water districts, sewer districts, fire districts and nearly as many law enforcement entities. This makes economic development very difficult.

But consolidation can work, and there is a place for it, but it must not be forced upon local communities. It should be something that we in the Federal Government help local communities implement if they so choose.

The fact of the matter is that there are communities that could benefit from working together without reducing the quality of services. But in order to be accepted, they need money to conduct studies, and plans must originate at a local level. The role for Congress in economic development administration should be to provide funds for local governments to study and, where necessary, implement consolidation if that is what the local communities believe is in their best interest. The Economic Development Agency could help in this regard.

Another critical economic development initiative is expanding our Nation's broadband infrastructure. Universal high-speed internet access is critical to revitalizing the economy in our Nation's rural and industrial cities. It is essential to creating new jobs, extending tele-medicine services to rural communities and ensuring our Nation's children are equipped with the skills they need to compete in a global economy.

Now, in the 21st Century, we face the challenge of promoting construction of a new kind of infrastructure, one that will guarantee every family in the United States high-speed broadband internet access.

I am also committed to strengthening and recapitalizing EDA's revolving loan fund. The previous administration seemed to think the revolving loan fund model was outdated and should be converted to a one-time grant program and liquidated. I couldn't disagree more.

EDA's revolving loan funds are the perfect example of the Federal Government providing the necessary funding to implement locally initiated projects. Better still, as these loans are repaid, additional funding is available for new initiatives. It is critical that EDA have the necessary funding to recapitalize the revolving loan funds in order to better assist growing communities all across America with their economic needs.

The public works program and the revolving loan fund provide countless examples of the positive impact EDA has on local communities, and I want to talk today about just one possible success story.

The district that I represent is home to two separate military facilities that were realigned after completion of the BRAC in 1993 and 1995. In Rome, New York, the closing of Griffiths Air Force Base resulted in a loss of 5,000 military and civilian jobs, greatly impacting the economy.

On the other side of my district lies the former Seneca Army Depot which occupies more than 10,000 acres in Seneca County. It was used as a munitions storage disposal facility for the United States Army. The property has since been transferred to the local industrial development agency.

The Office of Economic Adjustment was created to assist base closure communities. OEA provides funding to base closure communities for economic and community development, land use planning, real estate redevelopment, Federal real property programs and military programs and worker adjustment.

However, there is currently a 50 percent matching fund requirement for EDA funding assistance. Many communities are unable to raise the required matching funds.

As we look ahead to reauthorization, I believe the Committee should consider allowing base closure communities to apply for funding trough EDA with a less burdensome matching requirement. This will truly help communities that have already suffered job losses from base closures regain their economic footing and redevelop these sites to attract new employers.

Thank you, Madam Chair, for holding this hearing today. Again, I look forward to addressing these and many other pressing issues facing our communities as we attempt to rebuild and, hopefully, achieve economic success.

Thank you, and I yield back the balance of my time.

Ms. NORTON. Thank you, Mr. Arcuri.

If there are no other members that wish to make remarks, let us proceed to our first panel and ask Acting Assistant Secretary of Commerce for Economic Development at the EDA, Sandra Walters, to come forward. She is accompanied by the Acting Deputy Assistant Secretary of Commerce for Economic Development, Dennis Alvord.

Please take your seats, and we are pleased to receive a summary of your testimony. Ms. Walters or Mr. Alvord, each, you decide.

TESTIMONY OF SANDRA R. WALTERS, ACTING ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, ECONOMIC DEVELOPMENT ADMINISTRATION ACCOMPANIED BY DENNIS ALVORD, ACTING DEPUTY ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, ECONOMIC DEVELOPMENT ADMINISTRATION

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

EDA's mission is to lead the Federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. Through our grants, we help local governments create jobs and generate private investment. Our investments create the conditions in which jobs are created, often in the midst of economic hardship or adjustment.

We are proud of the Agency's accomplishments and believe we can assist American communities in the current economic climate.

Our focus on planning is critical to the Agency's success. While economic development planning is often overlooked, EDA's work with our partners in the field, designated Economic Development Districts, has proven invaluable in ensuring that communities think holistically about their economic futures. EDA has consistently found that projects which result from effective planning and

significant local support tend to have more positive impacts on communities.

EDA currently has 378 EDDs designated nationwide.

EDA's expertise has proven to be extremely valuable in responding to sudden and severe economic dislocations through our Economic Adjustment Assistance program. Whether dislocations result from a major employer closing a plant or a defense facility or from a natural disaster, EDA is able to assist communities in responding to the loss of jobs.

Last year, Congress allocated $500 million in 2 supplemental appropriations to EDA in response to the natural disasters. With this additional funding, EDA has assumed the role of secondary responder and is working closely with disaster-affected communities to help rebuild their economic bases. To date, EDA has invested in the redevelopment strategies of 11 States severely impacted by last summer's Midwest floods and continues to develop, review and fund applications from communities affected by hurricanes, wildfires and other natural disasters.

In addition, EDA received $150 million as part of the American Recovery and Reinvestment Act of 2009. EDA is ahead of the curve in its implementation of the Act and anticipates publishing a Federal Funding Opportunity Notice this week and will get the funds disbursed quickly to assist communities.

As EDA has celebrated its successes, it has also aggressively confronted its challenges, most specifically the administration of its revolving loan fund program.

In response to the Department of Commerce Office of Inspector General's September, 2007 report, EDA developed an action plan and published an interim final rule implementing many of the plan's milestones. EDA has successfully implemented six of the OIG's seven recommendations. EDA has made excellent process towards implementing the final recommendation.

In an effort to evaluate the Agency's strengths and weaknesses. EDA recently funded a study focused on assessing the economic impacts and Federal costs of the Agency's construction investments. The study showed that EDA investments in rural areas had a statistically significant correlation with increased employment levels in the communities in which they were made. Moreover, the study supported EDA's strategic focus on innovation and entrepreneurship by showing that EDA investment in business incubators were more correlated with job growth than other project types.

Chairwoman Norton, Ranking Member Diaz-Balart and members of the Subcommittee, thank you for your time today and for inviting me to give an overview of EDA's programs.

With me today is Dennis Alvord, the Acting Deputy Assistant Secretary for Economic Development, who oversees EDA's six regional offices.

We look forward to answering any questions you may have and working with the Subcommittee on legislation to reauthorize the Agency.

Ms. NORTON. Thank you very much, Ms. Walters.

We recognize the Agency hasn't had the appointments that it will get, but we are anxious to begin the reauthorization process and are pleased to have your testimony.

Could I ask you or Mr. Alvord, you have received $150 million, not a bunch of cash, I must say, because some of us recommended more than that. But you have gotten $150 million under the new stimulus act. How do you intend? What kinds of projects? What methodology are you going to use for choosing how you will spend that money?

Mr. ALVORD. Thank you, Madam Chair.

EDA is pleased to have received the $150 million in Recovery Act appropriations.

Ms. NORTON. By the way, has it come through yet?

Mr. ALVORD. It has.

Ms. NORTON. Just checking.

Mr. ALVORD. And we have been working very closely with our six regional offices to devise a strategy for the investment of those dollars that will achieve the greatest possible economic outcomes.

EDA intends to use its traditional process of allocating that funding out to its regional offices to make investments that will be consistent with the Bureau's established funding priorities and policy guidelines.

Ms. NORTON. Yes. But the bill had at its major focus for the kinds of spending you concentrate on, which is public infrastructure, creating jobs. So we are interested in how much of a focus on job creation.

There are lots of things you can do with money, particularly in these communities. But if the entire Country is underwater in unemployment, I can't even imagine. I just can't imagine if you are already distressed, what unemployment even means.

I am trying to get an idea of how one goes about creating jobs when a community doesn't have, didn't have jobs to begin with. So it is not that the business has lost jobs. It doesn't have as many businesses.

That is why your focus is on infrastructure because the theory has been apparently proved out that if you focus there, the link to jobs will come, and, importantly, you create jobs on the ground. So jobs will come from the infrastructure produced plus the people who in fact are building the infrastructure from the local community, and the jobs are being produced in that way.

So we are interested in this, in how this money. When you say the usual process, I don't know if it will go to help an incubator, which is one of the things that is always talked about, or what direction the central EDA will give to people who all of a sudden got some money.

Now, if you just say spend it in the usual way, how is the Administration going to be assured that its target figure of jobs is going to be met?

Mr. ALVORD. Madam Chair, consistent with the Act, our FFO will establish a funding priority to those areas in the Country that have experienced some type of sudden and severe economic dislocation or job loss that results from corporate restructuring. We are certainly acutely aware and cognizant of the very severe economic distress being confronted by many areas around the Country.

When we design our investments, we are very fortunate that we have a very robust network of multi-county economic development districts that establish in an annual planning process that helps to

identify prospective investments for their regions. So we are able to fairly readily piggyback off the good work that has been done by those districts to identify infrastructure projects that are ready to move forward in the near term and create the very types of jobs that you are talking about, both in terms of the near-term construction jobs created by the infrastructure investment as well as the longer-term jobs that we hope to realize.

And those come in a variety of formats. They may be in the form of infrastructure to support science and technology parks that will help the Country be a leading innovator in the future. It could be infrastructure and support of business incubators and other types of activities as well.

Ms. NORTON. Well, I tell you what, Mr. Alvord, first of all, I understand the great difference between EDA and some other agencies. If you are doing infrastructure for a big city or a State, you are working through an agency and just tell them what to do. Therefore, it is harder. It is harder here because the local community is in charge. This is the whole wonderful concept.

On the other hand, this is not loose change.

So you have a much more difficult job, it seems to me. You do not have a statutory mandate about the number of days to be on the ground that all of our local jurisdictions have or the money passes on.

But I tell you I believe that this Subcommittee has to insist upon some comparable discipline consistent with the local control, and I don't think that is impossible because at the end of the day every Subcommittee is going to have to show that jobs were created, and it they should have to show it.

We are working very closely with our other agencies under our jurisdiction to be as specific as we can, and we recognize the hurdle here. But I have to say that as responsive as the local communities have been to EDA, I am not sure anybody had funds that were given with a specific mandate. This is funds you would not have but for national unemployment.

I am going to have to ask you to get within 30 days something more specific about how you will inform the local communities that this is job creation money and how you will offer them guidance. I am very concerned that this is just another $150 million, that it simply goes into whatever programs are there. It should, but in choosing which ones should get priority, there is an additional mandate here. We have to show that some jobs were created.

As difficult as that is, I would like you to get us some sense of what that methodology would look like, to sit down and try to figure out because we certainly cannot. You know the regions. You now the localities. You would have to work with the regions. But I do not believe that an open-ended here is $150 million, put this into your existing work, as important as that is and as valuable as it is, would be sufficient to an extra—and that is what this has to be seen as—an extra $150 million.

Mr. ALVORD. We would certainly be happy to get you additional detail on our plan for the expenditure of the stimulus funds.

Just to clarify, you know EDA is very acutely focused on the issue of job creation, and we have seen since originally receiving these funds and expect that the vast majority of the funding will

go out in the form of infrastructure spending that would be directly related to job creation. That is our intent and our mandate, and I think all of our regional offices that will be responsible for the oversight and administration and project selection are also aware of that.

But we would certainly be happy to provide some additional detail.

Ms. NORTON. Well, again, I think people need directions when they get extra money that they wouldn't have gotten anyway with a mandate from on high.

Let me ask you one other question about money, and then I am going to go to the Ranking Member.

You are getting funds in the omnibus as well as the 2010 budget. What will be your approach to those funds?

Mr. ALVORD. Well, we anticipate that we are very pleased with the funding levels that have been provided in the House mark of the bill, and we expect to see in the omnibus.

Ms. NORTON. Do you recall the amount?

Mr. ALVORD. As I recall, it is approximately $240 million for EDA's Economic Development Assistance programs and $32.8 million for salaries and expenses which represents a small increase in EDA's salaries and expense account, allowing us to at least keep up with our adjustment to base costs. The Economic Development Assistance program funding level is down slightly, but will certainly allow us to maintain all of our core programs at a very robust level in the coming fiscal year.

We foresee establishing and putting on the street an FFO as soon as the omnibus has been passed, a Federal Funding Opportunity, so that we can get those funds out and working in communities on various job creation activities right away.

Ms. NORTON. Thank you.

Mr. Diaz-Balart.

Mr. DIAZ-BALART. Thank you, Madam Chairwoman. I couldn't agree with you more. I think you are right on target, as usual.

Again, thanks for being here, both of you.

There was a study completed by Grant Thornton in September, 2008, that provided a breakdown of the estimated number of jobs created by cost per job and also provided a methodology for EDA to measure performance. Has EDA been using this study and other tools to measure the impact of its funding?

Mr. ALVORD. EDA has been relying on a study that was done by Rutgers University and a consortium of other academic institutions in 1997. Now that the Grant Thornton study has been released and is final, we will be converting over to the Grant Thornton methodology for our future estimates. We are very pleased with the Grant Thornton study and we believe that it adds a new level of robustness to EDA's job targeting methodology, and we are looking forward to utilizing that in the future.

Mr. DIAZ-BALART. Kind of following up on the Chairwoman's question, that study also noted a range by project type of the cost per job created. Interestingly, the lowest cost per job related to business incubators, and the highest cost per job related to community infrastructure. Do you agree with these figures, and, if so, how might this impact your priorities, your prioritization?

Mr. ALVORD. Well, I think we do agree with the figures. I think the methodology is very sound, and we will be hearing more about that from the Grant Thornton witness later today.

I think we were pleased to see these results because we found them to be very consistent with the EDA funding priorities and methodologies that we have been pursuing. I think that among EDA's funding priorities for the last several years has been a focus on innovation and entrepreneurship and encouraging that at a regional and local level. And what we have seen most recently is a 2010 administration budget blueprint which puts a focus on the support for business incubators and those types of activities.

So we think that all of those things are very consistent and will help EDA to achieve, hopefully, even more robust job outcome figures and results in the future.

Mr. DIAZ-BALART. Good, good. There have been some concerns raised about the rules requiring that the revolving loan fund be in compliance with Federal requirements even after there are no Federal dollars involved, no Federal funding involved. Any thoughts on that and would you propose any changes to deal with that? Should we be changing anything to deal with that?

Mr. ALVORD. Well, I think since we don't yet have our new leadership on board, that would be an item that would be left to their policy prerogatives when they arrive. These are issues that have come up in the past with regards to EDA's revolving Loan Program, and we certainly look forward to revisiting them in the context of EDA's upcoming reauthorization.

Mr. DIAZ-BALART. Last question, Madam Chairwoman.

Five hundred million dollars was appropriated to EDA in response to hurricanes and floods and other natural disasters that occurred in 2008. How is EDA managing these funds and how will these funds be allocated? How much of them have been allocated and how will they be allocated?

Mr. ALVORD. That is correct. EDA received two supplemental appropriations in 2008, $100 million on June 30th and $400 million on September 30th. Those funds were targeted to the various natural disasters that occurred throughout the course of the fiscal year.

I am very pleased to report that all of those funds have been allocated out across EDA's six regional offices and that EDA is doing quite well. In fact, we are about where I would hope that we would be in developing projects, long-term recovery projects to respond to those disasters.

EDA is not a first responder in the case of natural disasters. We come in after the initial cleanup and repairs have been done to help to lay the foundation for long-term economic recovery.

As such, I would note that our Denver Regional Office has done a very good job developing a very robust pipeline of projects in response to the Midwest floods that occurred over the summer and, in fact, has a pipeline that exceeds their available allocation of funds for that disaster. Likewise, our Austin Regional Office has also developed a very robust pipeline in response to the hurricanes and other disasters that occurred over the fall months. And we continue to solicit applications for available funding across all six of

EDA's regional offices and are continuing to develop disaster response projects on a daily basis.

Mr. DIAZ-BALART. Great. Thank you.

No further questions, Madam Chairwoman.

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

Mr. Michaud has questions.

Mr. MICHAUD. Thank you very much, Madam Chair and Ranking Member for having this hearing, and I want to thank our two panels for testifying this morning.

I have just one quick question. As you know, in the Economic Recovery Act that was just passed, there was set aside $50 million for regional commissions. I would like your cooperation in ensuring that this funding would help support the new regional commissions that this Committee has supported and Congress passed to ensure that they get some funding consistent with the economic stimulus package and Congress' intent.

Mr. ALVORD. Yes, Congressman. Good to see you again.

Thank you very much for the question. I think we are certainly cognizant of your interest in this issue.

As you may expect, these matters are cleared through a number of entities, and they are currently passing our spending plan through the appropriate officials and the departmental and OMB levels to get approval for the disposition of those funds. But we certainly look forward with working with you in the future on this issue.

Mr. MICHAUD. Thank you, Madam Chair. I yield back the balance of my time.

Ms. NORTON. Thank you, Mr. Michaud.

Mr. Arcuri.

Mr. ARCURI. Thank you, Madam Chair.

That was one of my questions, and I would like to closely associate myself with the comments of Mr. Michaud in terms of urging you to sub-allocate that funding to these commissions. They are very important to development throughout the Country. So I would strongly urge that and hope that you do it.

My second question is in some sense related to what Mr. Diaz-Balart asked, and that is this. My experience in the last two years with the EDA was that they didn't really like working with revolving loan funds, and I always had a sense that there was some desire to see to it that the revolving loan funds somehow ended and the money that was disbursed throughout the community.

I have had an opportunity over the years to work on a revolving loan fund, and I have had the opportunity to see the kind of money that a revolving loan fund can leverage, private sector money, in helping some projects that sometimes people would consider maybe marginal projects but end up being very successful with the help of a good revolving loan fund.

I would just like to know what the sense is or what your sense is of the future of the revolving loan program with the EDA.

Mr. ALVORD. Thank you, Congressman.

I think we see the revolving loan fund as a very important tool in EDA's economic development toolbox, and it is a program that I think is incredibly necessary in the times that we are in where we are seeing a very severe contraction in the capital markets and

the need for greater levels of capital access in economically distressed regions throughout the Country.

The program has been confronted by a variety of challenges. EDA has stepped up and aggressively confronted those challenges. I think we have come a long way towards setting the program on the course that it needs to be so that we can again proactively use the program in the manner for which it is intended. In fact, we have seen a significant uptick in the number of recapitalizations and new revolving loan fund capitalizations, particularly as a result of EDA's disaster response work over the last several months. In 2009 alone, EDA has capitalized or established eight new revolving loan funds.

Mr. ARCURI. Just a point I would like to make is I think very often in recent times we think of revolving loan funds as helping in the time of distress, and they certainly do, but I would just like to point out they are also very beneficial.

I think it is probably obvious, but I would like to state the obvious for the record. It is so important. They so help to generate private investments in projects, and that is, I think, what we try to do on a local level. So I strongly urge that we continue the revolving loan fund program and in fact recapitalize some of the existing funds that are out there.

Thank you, and I yield back the balance of my time.

Ms. NORTON. Thank you, Mr. Arcuri.

Mr. Perriello of Virginia.

Mr. PERRIELLO. Thank you, Chairwoman Norton. Thank you, Ranking Member. Thank you all for your time.

The statistics that I have seen suggest that for every $10,000 of incremental funding to EDA in rural communities we can see 2.2 to 5 jobs created. Is that consistent with the new metrics that you are using, would you say?

Mr. ALVORD. Yes, it is. Those are the results of the new study that was performed for EDA by Grant Thornton, and those are the ranges that were presented as a result of that study. I should add that, anecdotally, we did some testing of urban areas and found consistent results as well.

Mr. PERRIELLO. What, if any limiting factors are there for you with the additional funding to implement? In particular, does the small increase for staff and salary allow you to move these at the pace that you feel necessary and are there any other barriers to that?

Mr. ALVORD. Well, we are very pleased that Congress has recognized the salary and expense needs of the Bureau, and I think that it will go a long way towards helping us to achieve robust outcomes in a timely manner. It is going to take us a little time to focus and get ramped up, but we are well on the way to doing that.

Mr. PERRIELLO. Thank you. I yield back.

Ms. NORTON. Thank you, Mr. Perriello.

Could I ask you about the status of funds you received in two supplemental appropriations in 2008?

A $500 million appropriation to the EDA, as we understand it, for the Midwest floods and after Hurricane Ike, what is the status of those funds? Is there any unobligated balance? What projects were funded?

Mr. ALVORD. Madam Chair, EDA is well along in its administration of those funds. The Bureau has obligated a small portion. I could find out what the exact amount is for you. But we are about where we hoped that we would be in terms of developing.

Ms. NORTON. What projects? I am trying to get a sense of what your work.

We have jurisdiction over FEMA as well. We have been very disappointed in the funds going quick enough to the communities that need them.

You got some FEMA-type funds, and we need to know where they went, what areas they went to, what the status of those projects are. You say you have obligated only a small amount of this money. Why is that?

Mr. ALVORD. Well, the reason for the lag in obligations really has to do with EDA's role. We pick up where FEMA and other agencies leave off. So, after they have provided the initial funds, EDA becomes a second responder and comes in and helps to create an economic foundation for a robust economic recovery in the affected areas.

Essentially, what we do is take a phased approach . The initial awards that EDA has made, that small amount of obligations that I referred to, is really focused on the front end, at creating strategies for recovery and helping to get disaster recovery coordinators on the ground, working with our Economic Development Districts and the affected communities to identify the larger construction and other investment projects that will be necessary to help with the economic recovery.

That work is taking place and is progressing very well, and both of our regional offices that received the largest amounts of disaster supplemental appropriations have very robust pipelines of infrastructure investments that are starting to queue up and work their way through.

The next wave of assistance has come in the form of RLF capitalizations and recapitalizations, so that for those communities that were affected where there are needs to provide either gap financing for businesses or individuals, we have those RLFs in place that can provide that type of disaster recovery gap financing.

Now the next wave will come in the form of the larger infrastructure investments. Both our Denver regional office which has been most active in responding to the Midwest floods as well as our Austin regional office which has been very active in the Gulf Coast have pipelines of projects that meet or exceed their available allocations under those disasters.

Ms. NORTON. First of all, I certainly endorse the approach you are taking. As you told the Ranking Member, you are not the first responder, and Congress means you to come in and help with the more permanent rebuilding, but I am concerned what happens to this money if it is not obligated.

I mean it was in a supplemental. It was not obligated. What happens to it?

Mr. ALVORD. I believe, and I will confirm this, that the money was no-year money.

Ms. NORTON. Oh, important. In light of our larger jurisdiction over FEMA, we would like to be kept abreast of the use of this money in particular and what areas, what projects were funded.

Let me ask you about the revolving loan fund. What did the IG report in 2007 say as to problems that were associated with the revolving loan fund?

Mr. ALVORD. The IG report outlined a number of management issues over the revolving loan fund program and, in particular, highlighted the need for EDA to be able to identify where cash needed to be sequestered and whether that when cash was sequestered, whether interest was then being remitted back to the treasury. It highlighted the need to have an annual single audit of revolving loan fund projects and a variety of other factors.

EDA has made very good progress. We put in place an extensive audit mitigation plan. We have achieved most of the milestones of that plan.

Ms. NORTON. I don't understand the audit mitigation. What is that?

Mr. ALVORD. Essentially, what we did is we went through the recommendations from the IG on the RLF audit, and we identified specific actions that EDA should take in order to mitigate the issues that were identified.

There were seven specific recommendations in the IG audit. EDA has now completed six of those, and the final one is the creation of a revolving loan fund management system that will allow EDA to better handle the reporting that occurs by the revolving loan funds and oversee the status of each of the different EDA revolving loan funds and the portfolio as a whole.

The portfolio is quite large. It includes a capital base of $826 million and 571 different reporting units. So it is a big task for EDA to oversee this portfolio on an ongoing basis.

We believe that the balloon payment at the end of this process will be the stand-up and creation of this revolving loan fund automated reporting and management system and that when we have that system fully in place—and we anticipate that we will be using it before the end or we will have it ready to stand up and start using it so that RLFs can report in an automated fashion at the end of this fiscal year, beginning in October—that we will be well on the way to setting this program on course and again making it a very important and vibrant investment tool in EDA's portfolio.

Ms. NORTON. There was no fraud noted in this report, this IG report, no problems of that kind found.

Mr. ALVORD. That is correct.

Ms. NORTON. That is remarkable and excellent when you consider that this program runs these revolving loans in communities through private banks. Isn't that for the most part?

Mr. ALVORD. They are primarily housed within nonprofit organizations.

Ms. NORTON. Like credit unions?

Mr. ALVORD. Local governments.

Ms. NORTON. Oh, local governments?

Mr. ALVORD. Local governments and multi-county economic development districts, quite often, oversee these funds and then work

with prospective applicants that have been rejected by banks for loans.

Ms. NORTON. What is the rate of repayment of the loans?

Mr. ALVORD. I will have to confirm that number for you. I don't know it off the top of my head.

Ms. NORTON. Please get us that number. It had been low. We would like to know, particularly during this period, what is the rate of repayment. We might expect there would be some issues today since there are issues with almost everyone in this economy.

Now the State contributions. One of our members mentioned in some circumstances he thought it should not be 50 percent. What is your view of the 50 percent in light of whether States seem readily to step up and match it?

Mr. ALVORD. I am sorry. The 50 percent requirement for the 50 percent local share?

Ms. NORTON. The State contribution percentage.

Mr. ALVORD. EDA's authorizing statute provides the Bureau with flexibility. Generally, we do start at a 50 percent matching rate. Depending in the level of economic distress, EDA has the ability to go up to an 80 percent matching rate. In special circumstances where a special need can be established or it can be demonstrated that taxing and borrowing authority of the jurisdiction has been exhausted, EDA can even go, in some instances based on Assistant Secretary approval, above 80 percent.

Ms. NORTON. Now in our stimulus package, there is no match, is there?

Mr. ALVORD. Standing matching rates apply to the funds provided through the stimulus.

Ms. NORTON. Well, let me ask you whether you think States are going to be able to match your 50 percent requirement or will there be adjustments?

Should there be adjustments made so that perhaps during this period the 80 percent or some such percentage, taking account of the state of State finances, would be in order?

Mr. ALVORD. This is something that we are certainly hearing a lot about, the inability of local jurisdictions to meet matching requirements. We are certainly acutely sensitive to those local needs.

I think that, regrettably, given the dire economic circumstances, many communities may qualify for more than a 50 percent share based on the economic metrics. For those that don't, we do have the provision that will allow us on a case by case basis to review those applications and consider whether they have met the threshold of exhausting available taxing and borrowing authority such that we can exceed even the 80 percent grant rate in some cases.

Ms. NORTON. This is my final question. Given the experience since the last reauthorization, have you any recommendations to this Subcommittee on changes we should make?

We depend upon the operating agency to know more about that than anyone. Based on what you hear from your regions, what you hear from the States, from private businesses who have been involved, do you have any suggestions for changes you would make, statutory changes, since this would be the opportunity during this reauthorization period?

To add, delete, would you just maintain it as it is? What would you do?

Mr. ALVORD. I would say that I think that things are operating fairly well at this time but that, given that EDA does not have any leadership on board at this time, I would defer to their policy prerogatives when that leadership arrives. I certainly think it would be a worthwhile process to engage in an open discussion about many of the ideas that have been put forward regarding EDA reauthorization and that we should solicit input when that leadership is on board from EDA's regional offices and career staff that are involved in the program.

We would certainly look forward to working with you on those items, moving forward.

Ms. NORTON. I will alert you of this. We have held this reauthorization hearing, and I don't know when this bill will be marked up or moved forward, and reauthorization occurs once in a blue moon.

I understand your deferral to the absent Chair of EDA, but if there are any urgent matters or any matters of some importance I would urge to be in touch with staff while we are considering changes of our own. We, obviously, would want you to know about our own changes and comment on them, but we would welcome your input.

I wonder if any other member has questions.

I would like to ask the Chairman who is responsible for the EDA, so I am particularly pleased to see him here because you are seeing the man who, if anyone can be said to have literally created the Agency, there he is, sitting before. So I think I should ask him if he has anything to say to you.

Mr. Chairman.

Mr. OBERSTAR. Thank you, Madam Chair, and thank you for those kind words.

Senor Diaz-Balart, thank you, Mario, for being here and for your interest and participation.

Yes, I was present at the creation of EDA. Actually, it started under President John F. Kennedy as an experimental program called the Area Redevelopment Act, ARA. It was limited to a number of States. After it had a four-year run, it was clear there was much more needed, and President Kennedy had committed to expanding on the basis of additional reports.

That was about the same time that Franklin D. Roosevelt, Jr. completed his assessment of the needs in Appalachia. So we merged the two ideas.

We brought them out in separate bills, the Appalachian Regional Development Act and the Public Works and Economic Development Act of 1965, signed by President Johnson on August 9, 1965. I have one of the green pens that he used to sign that bill into law.

And I have watched EDA over all the years. Then after I was elected Chair of the Economic Development Subcommittee and the Investigations and Oversight Subcommittee, I held extensive hearings on the operation and effectiveness of the programs of EDA.

What has been remarkable to me is that although various administrations have proposed to cut back or even to repeal EDA, it has survived all those assaults not because so much of the astuteness of members of Congress but because of the people in the com-

munities served by EDA. The economic development boards that consist of small businessmen and women, local elected government leaders, county and city and township, all who participate in shaping the projects that ultimately are approved for funding by EDA, show that it is a grassroots program. It works from the bottom-up. It doesn't get its direction from the top-down.

That character has brought significant bipartisan support. Democrats and Republicans alike, supported the Area Redevelopment Act and the Public Works and Economic Development Act in all of its subsequent iterations.

I was disappointed, frankly, over the last eight years that there were so many political appointees in this very small agency. It once was much larger than it is today, almost double the personnel size.

But for an agency of roughly 400 people to have 9 political appointees overseeing its operation, I thought was unnecessary. It was wasteful. It was just a place to park political pals. And they are gone, aren't they?

They are all gone, aren't they? Yes? Good.

It will start afresh, and I will insist with this incoming Administration: You need an administrator. You need an assistant administrator. Maybe you need a congressional relations person but not much more than that.

We need to revitalize the economic development representative staff. The EDRs have been cut back, and that has not been by accident or neglect. The EDR is the person in the field who is the filter, the filter between those who want to do something good but it may not be the right thing and may not be done in the right way and the EDA regional office and the headquarters office and their congressional delegation.

If the EDR does his job right, members of Congress don't get that last minute urgent appeal: save this project from the clutches of these evil people, and the EDA don't understand our needs.

Well, if the EDR is doing his or her job well, they do understand the needs and what is being proposed is maybe not always the right one. So, filtering out those projects and guiding local interests on preparing their proposal in the right way.

But various administrations, the Reagan Administration starting, and then Bush I and Bush II realized that the way to kill the EDA is to kill the EDR, and they cut back that staff substantially.

Madam Chair and Mr. Diaz-Balart, when we do the authorization, we need to rebuild that economic development representative staff. They are skilled economic development professionals. They are doing their job. They are out in the community with the business community, with the bankers, with the local government personnel, with local economic development teams in communities, in regional settings. We need that to reestablish that expertise in the program.

I think, frankly, if it had been up to me and Ms. Norton to write the economic recovery bill, I think we would have had EDA at the center of it. We would have had a lot of Republican support for that. EDA actually had over $465 million in the House version of the bill. It should have had a billion dollars.

There are projects that are ready to go, industrial parks that are ready to go to contract, to build, to develop. And if the purpose of recovery is to create jobs, who does it better than EDA?

I remember when Mr. Klinger, a Republican of Pennsylvania, was the ranking Republican on our Committee. Previously to being elected to Congress, he had been Chief Counsel at EDA. Bill Klinger really knew the programs and the operation of EDA very well.

We launched into a 6-month long inquiry into the operation and effectiveness of the programs, the result of which was that for the billion dollars that had been invested up to that time in EDA projects, every year, $6.5 billion in taxes were being paid to Federal, State and local governments from the jobs created by EDA. Every year, six times the investment was being repaid in taxes by businesses and individuals in jobs created by EDA investments. You don't get that kind of a turnover in the stock market, and that is a net national benefit.

So, reestablishing the EDRs and expanding their number, strengthening the regional offices, I think, is important for the future of EDA. I think we ought to also have a loan program.

In the beginning, EDA was a full package operation. The community would come in with their project for the industrial park or a grant for the industrial park for water and sewer and access road and electricity lines and so on.

And then, the business coming in and saying, well, this is new to the area. We need to train people. So EDA could provide training assistance.

The company didn't have working capital often. So EDA would provide working capital assistance.

And it all would turn out to be a complete package.

Or technical assistance, which still survives, but technical assistance not to do basic research but to take the project or product to market operation.

I think we ought to bring back those basic effective principles of EDA.

I don't think that EDA should create a new staffing for loans, but I think that should be, in effect, outsourced to the Small Business Administration but operating under different principles, under ones that we will establish for EDA.

I think the job training, which is such an important component of new economic development initiatives, could be done by the Labor Department but again under EDA funding for it.

A community doesn't have to go shop to SBA to get help for one thing, go to the Labor Department for something else, go to somebody else to get technical assistance but do it all within EDA as we once did, but not creating new staffing to do this except perhaps a handful to oversee the channeling of funds and have the ability to command the resources of the Small Business Administration, Department of Labor, technical assistance funding and to cooperate with local and regional initiatives. There are many university research and development, testing, training centers whose resources can be brought to bear on the needs of economic development.

We learned in the Appalachia program. We learned in Eastern Kentucky and in Southwestern Virginia or like the Rust Belt of Illi-

nois, Northern Indiana, Ohio, the Pittsburgh area of Pennsylvania that you have an area that has gone through 100 years of decline. You don't bring it back overnight.

And it takes more than just an industrial park. You also have to have drinking water and wastewater treatment, and you have to have advanced wastewater treatment, and you have to have transportation access in many of these places.

I will never forget going into West Virginia on our hearing, Mr. Klinger and I, Madam Chair. We went to a small town in which the mayor was also the chair of the local economic development committee, and he was a witness at the hearing.

He brought us on a walking tour of the town, and we stopped in his shop. He told a story:

Year after year, we would get prospects coming to our community and want to locate a manufacturing facility or a processing or an assembly plant. And they would ask, well, how is your river access? Well, we don't really have access to a river. We don't really have a river.

How about rail service? I tell you the railroad just doesn't come up to our town. And how about your airport? How is air service? Well, we don't have an airport, so we don't have air service.

How is your truck service and your highways? Well, we got this one-lane road in, and we got the one-lane road out. Then you would see them wilt, and they would go away and never come back.

But on the wall in back of the cash register was a little sign that read: God never put nobody in a place too small to grow. That should be the motto of EDA because it helped places so small as that to grow. If we do it right, it will give a helping hand, so people can pull their bootstraps, pull themselves. That is what EDA is all about.

Thank you, Madam Chair.

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

By the way, you heard the Chairman use the words, ready to go.

Mr. Chairman, I cautioned our witnesses that while they didn't have the same statutory mandate, that this was a job creation bill and that some oversight of their own regions was necessary for this $150 million.

And you heard it straight from the Chairman's mouth. It is he who set the standard, and there is a tough standard for States and localities in terms of numbers of days. You don't have that problem. Instead, you have the discipline of this Subcommittee that needs to know about what is the nature of your discipline within 30 days.

The Chairman also mentioned States' revenue or States benefitting which reminded me that I should have asked you about how much tax revenue is added to local budgets for every million dollars of EDA investment in, for example, a public works project.

Mr. OBERSTAR. Before the witness responds, may I ask the Chair a question? When is going to be the opening of the Eastern Market EDA project?

Ms. NORTON. Mr. Chairman, I prominently mentioned Eastern Market as an example of a beneficial EDA project.

Mr. OBERSTAR. Good.

Ms. NORTON. The Chairman brought to my attention the old O Street Market and suggested that the Eastern Market might well

fit the guidelines, and, lo and behold, they did. I think 25 percent of the project is being paid for by an EDA grant, much to the great joy and delight of the community.

This is a very interesting treasure because obviously it is a local treasure, but it is also a tourist treasure. When you have one of the oldest outdoor markets in the United States and people come to Washington, D.C. to see the Monument, well, they will also come to the Eastern Market.

Mr. OBERSTAR. Exactly. It is a national historic treasure. It is being rebuilt. There is supposed to be a grand opening.

Ms. NORTON. Coming this summer.

Mr. OBERSTAR. This summer. Good.

Ms. NORTON. The Chairman actually went with me to inspect the damage. The community was in mourning, and some of the vendors were there. He spoke to the vendors and raised everybody's hopes. It is taking shape. It is very important.

The EDA grant was very important, Mr. Chairman, because when a historic structure burns you just can't slap some bricks back up there. It has to be redone in the fashion that it was before as nearly as possible, so the EDA grant.

Now, here we are in a big city. You don't think of us as an EDA jurisdiction, but the fact is the grants can go and the community did in fact meet the guidelines. And so, members have to be alert, as I was not, but as the Chairman reminded me when the burning occurred.

In any case, could you report on the tax revenues for every million dollars invested?

Mr. ALVORD. Tax revenues that result as a result of EDA's investments are not a metric that we currently collect, although I would be happy to go back and have a discussion with some of my research staff and see whether we do have any data available on that that we can share with you.

Ms. NORTON. I think the Subcommittee is going to need to look into how we can make sure. In a real sense, that is the whole point. Jobs, yes. But, yes, the business begins to pay taxes to the community. People pay taxes because they have jobs, and it is all part of the same bundle.

The Chairman asked about these EDRs. The eyes and ears, as I see them, the real links, field reps kind of personnel. How many are there now at the EDA?

Mr. ALVORD. We currently have 20 field-based economic development representatives.

Ms. NORTON. What has been the high point?

Mr. ALVORD. I believe the high point was about 47 economic development representatives.

Ms. NORTON. My goodness, that is a cut of more than half.

Mr. ALVORD. It is a significant decrease.

Ms. NORTON. When was it at that high point? What year?

Mr. ALVORD. I would have to find out. It goes back several years now, probably a decade or more.

Ms. NORTON. Have your appropriations been raised annually?

Mr. ALVORD. The issue, Madam Chair, has been that during that time period EDA's salary and expense appropriations have stayed relatively static, which represented an erosion of available re-

sources due to increased costs. As a result, as staff retired or moved on, EDA was unable to continue to backfill behind in many of these positions. This occurred both among the EDR staff as well as at the regional office level and at headquarters.

Ms. NORTON. Could you supply within 30 days to this Subcommittee a personnel chart of everyone, every category on the EDA payroll?

Mr. ALVORD. We would be happy to do so.

Ms. NORTON. Field, regional and, of course, headquarters.

I have no further questions.

Mr. Carnahan, do you have questions?

Mr. CARNAHAN. Yes. Thank you, Madam Chairwoman. Thank you for holding this hearing and our Ranking Member.

I am new to this Subcommittee, although I have been on Transportation since I came to Congress after the 2004 elections. So, looking forward to this.

I hail from St. Louis. So I am especially glad to see Denny Coleman from back home here on the panel today.

We have very much benefitted in our communities in St. Louis. In particular, after the floods in 1993 and 1995, EDA was a critical partner in rebuilding. They have been critical in funding some of our incubator projects there that have been great for growing new businesses and new jobs and recently funding a project in St. Louis for a Midwest hub for U.S. and Chinese commerce.

So, again, we have had some very good successes working with the EDA, and we look forward to continuing that work.

I guess to get into a few questions, one of the things as I learn more and more about the EDA and its history—and certainly it is great to have Chairman Oberstar here to educate all of us on EDA's history—we also have some questions on how maybe we can use the substantial funding that goes through EDA, better and smarter, particularly in these tough economic times.

It has been there in economic downturns before to provide targeted funding for areas that truly need it. We certainly need that now more than we have in a long, long time. So, a couple of questions in terms of how we can use that money better and smarter and getting really the funding out to communities that really need it and can put it to work quickly.

I like your thoughts in particular in terms of reducing or waiving matching fund requirements, how much of an obstacle that has been to get projects that may be ready to go in their communities, but that has been an obstacle.

The other would be we have had substantial funding. I think over $150 million in disaster funding for floods during the Spring of 2008 and with Hurricane Ike. We have been told that EDA funding can only be used for flood-related projects, but that seems to be counter to what the EDA has done in the past, which is using disaster funding for more long-term economic adjustment.

Also, using funds, traditionally, they have been limited to building construction and program planning grants. Has there been any additional thought to expanding eligibility for the use of funds, again, to give a little more local creativity in terms of how we get those out there?

So I would like you to address the current limits that are on getting funding out there and ways that maybe we can be wiser about maybe knocking down some of those barriers, especially given the times that we are in.

Mr. ALVORD. Thank you, Congressman, for the question.

I think that with regards to general matching requirements, we are certainly sensitive to the needs of local jurisdictions in these very difficult and trying economic times. Generally, EDA matching share starts at 50 percent Federal, 50 percent local.

We do have discretion under our authorizing statute to go up to a 80 percent Federal share in the case where the community has higher levels of economic distress under the two main criteria that we look at, which are unemployment and per capita income.

We also, in dire circumstances, have the ability to go beyond that and to look for a demonstration that the local jurisdiction has exhausted its effective taxing and borrowing authority, and therefore we can exceed those grant rates under our special need criterion.

I think with regards to the disaster supplemental assistance, we do have a little bit more flexibility in the grant rate there. Where generally EDA has been providing a 75 percent Federal share to areas impacted by the natural disasters, which is consistent with what some of the other agencies that are responding to those disasters have been doing, under statute, we have flexibility to go up to a 100 percent grant rate with those investments.

We do have a fair amount of flexibility in the administration of those funds, but we can only work in areas that have received a designation pursuant to a FEMA disaster declaration pursuant to the Stafford Act. So, if you are hearing that communities have to be in flood-impacted areas, it is likely that what the regional office is conveying is that the county must be designated, and that may be through flooding or some type of other natural disaster that occurred in fiscal year 2008.

We do try to make investments with an eye towards long-term economic development outcomes and prospects. So, even in our disaster recovery work, what we are trying to do is establish a robust foundation for economic recovery with an eye towards long-term economic development.

Mr. CARNAHAN. The third part of my question was about expanding the eligibility for use of the funds.

Mr. ALVORD. Were there particular areas that were found to be ineligible that you were interested in?

As I said, we do have a fair amount of flexibility in the administration of those funds. We are funding activities such as technical assistance grants. We are funding disaster recovery coordinators, the recapitalization of revolving loan funds as well as infrastructure investments to try to bolster the economies of the disaster-impacted areas.

We would certainly be open to exploring other types of activities, provided that they are eligible under EDA's mother statute.

Mr. CARNAHAN. I guess, finally, do you have any sort of measurement or any way to quantify the funding that is out there, allocated, but maybe being held up because of some of the existing requirements that ought to be revisited?

Mr. ALVORD. I can't think of anything that comes to mind immediately that may be slowing funding and EDA's response.

I feel like we are about where we would expect to be, given that EDA is not a first responder. We are really a secondary responder to natural disasters, but we do have a very robust pipeline of projects that is moving forward in a phased manner. I think that our response has been quite timely, and we are certainly doing everything that we can within the resources that we have available to move that funding as quickly as possible.

Mr. CARNAHAN. I appreciate your being here today, and I will follow up with you and with our local folks, Denny Coleman and others, in terms of existing projects and requests that are out there to be sure that in our region, that if we have some needs and we need to look at some of those barriers to getting the funding out, that we are overcoming those.

So, thank you very much.

Mr. ALVORD. Thank you. I would be happy to work with you on that.

Ms. NORTON. Thank you, Mr. Carnahan of Missouri.

Mr. Cao of Louisiana.

Mr. CAO. Thank you, Madam Chair.

I just have one quick question to ask of you. Are you presently funding any projects in the New Orleans Metropolitan Area, the Second Congressional District in Louisiana?

Mr. ALVORD. I would be happy to look into exactly what projects EDA is funding.

I know that EDA has had a very robust portfolio of projects that we have moved forward in the Gulf Coast, really ever since Katrina and Rita hit several years ago. In addition, we had a very robust and I think timely response to Hurricane Gustav when it struck the Gulf Coast, and pursuant to the September 30 disaster supplemental of $400 million we will be making a large number of additional investments throughout the Gulf Coast.

I would be happy to provide additional information about some of the projects that we are working on to you.

Mr. CAO. Okay. Thank you very much.

Ms. NORTON. Thank you, Mr. Cao, and I thank both of you for this important testimony.

We are ready for the next witness. We want to hear quickly from Srikant Sastry, Partner, Grant Thornton.

TESTIMONY OF SRIKANT SASTRY, PARTNER, GRANT THORNTON, LLP

Mr. SASTRY. Chairwoman Norton and members of the Committee, it is an honor to appear to discuss Grant Thornton's work assessing the impact of the EDA's construction program.

My name is Srikant Sastry, and I am a principal with Grant Thornton's Global Public Sector practice in Alexandria, Virginia. I was the principal in charge of Grant Thornton's study for EDA, and sitting behind me and joining me today are Mr. John Adams, who led the study for Grant Thornton, and Dr. Peter Arena, founding principal of ASR Analytics. ASR was our partner on this project, and Dr. Arena was the study's principal investigator.

In April, 2007, EDA contracted with Grant Thornton to develop a methodologically rigorous evaluation of the effectiveness of EDA's construction program. We accomplished this objective through application of econometric methods, collaboration with EDA, consultation with key stakeholders such as OMB and GAO, discussions with other Federal grant-making agencies and independent review from a panel of academic experts.

Our review focused on job creation that resulted from EDA's construction grants. The complete history of our work is documented in the study itself, copies of which are available today for the members' inspection.

I would like to request that a copy of the study be included in the official hearing record.

Ms. NORTON. So granted. So ordered.

Mr. SASTRY. Thank you.

One purpose of our study was to refresh the analysis conducted for EDA in 1997 by a team from Rutgers University and Princeton University known as the Rutgers Study. The Rutgers team used direct observation of impacts of a sample of projects completed in 1990 to estimate the impacts of EDA's construction grants. The Rutgers Study found statistically significant impacts related to EDA construction grants.

Given the age of the Rutgers Study and the data it was based on, EDA asked us to review, validate and, where possible, improve upon it.

Our approach differed from the Rutgers Study's approach. We relied on public use data, specifically, jobs reports from the Bureau of Labor Statistics. This provided an external and unbiased source of data about employment levels.

We developed regression models that examined the correlation between EDA construction grant dollars and changes in employment at the county level. By design, we developed multiple models and presented ranges of results in our report. This was done to maximize the credibility of our estimates by not tying them specifically and necessarily to a single model reflecting a single theory of economic development.

The models we developed corroborated the results of the Rutgers Study, showing that EDA grants have statistically significant impacts in the non-urban communities in which they are made. Specifically, EDA construction grants generate between 2.2 and 5.0 jobs for every $10,000 of EDA investment.

To address urban impacts more directly, we supplemented our models by conducting 24 direct observation visits to primarily urban sites of completed projects funded in part by an EDA construction grant. Based on data obtained during these site visits, we developed jobs impacts estimates for each project. As documented in our report, the site visits yielded indicative results consistent with our non-urban area models and with the Rutgers Study.

Our models also showed that project type makes a difference. We classified EDA programs into one of five project types: roads and other transportation projects, commercial structures, industrial park infrastructure, community infrastructure and business incubators. Our models showed that each project type had its own unique range of impacts, each resulting in job growth.

We believe the methods and tools we developed in this study and adopted by EDA represent an effective and repeatable approach to measure job growth.

Thank you for the opportunity to address the distinguished members of this Subcommittee.

My full testimony has been submitted for the record. We hope our participation is helpful, and I would be happy to answer any questions you may have.

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

I am not trying to work up any business for you or any other consultant, but I was a little surprised to note that Congress has gone almost a decade without any assessment or evaluation of EDA.

Now try to give me your most objective to this question, but I am trying to find out what time frame. Given the resources, this is not the most expensive agency in the government and given the nature of the beast, it is not all centralized, how often do you think EDA's work should be evaluated?

Mr. SASTRY. That is a good question, Madam Chairwoman.

The way we set the model up, using public use data, makes it very cost-effective to update the models. So the process of doing so would not be an elaborate study, perhaps as was done in the Rutgers Study or even in the study that we did.

Ms. NORTON. Because you actually used a different methodology? It was so long ago.

Mr. SASTRY. That is right.

Ms. NORTON. Should the studies all use the same methodology? I note that you came to approximately the same conclusion.

Mr. SASTRY. Right.

Should they use it? We believe it is a very sound methodology, and, in fact, given the use of Bureau of Labor Statistics data, the models can be updated however often that EDA deems necessary or the Subcommittee deems necessary for purposes of reporting.

There is a risk of updating it too often. You have noise in terms of too many data points. Certainly, annually or biannually could be a target for update especially since it is cost-effective to do so.

I would also suggest that as significant variances in funding occur would be appropriate times to refresh the impacts of the study because the study itself is nonlinear.

Ms. NORTON. The variance here was going down.

Yes, I see what you are saying. For example, the Census is to the point now that it will give you something every couple years because they got a base from which to work.

Mr. SASTRY. Right.

Ms. NORTON. We will simply to evaluate that.

I know one thing, 10 years of funding right out of the Federal Treasury, even for an agency with this reputation, bothered me when I looked at it. You know we are not going to tell the GAO to go in there every other year. So we are trying to do something cost-effectively that gives us some feedback.

Now I think that feedback becomes, unless you think we are going to rise up and resurrect ourselves out of this recession, as we politely call it.

On reauthorization, I am looking very closely at EDA in a wholly different way. I mean this Agency was reauthorized at the height

of the economy expanding, and we got used to what I think will, I hate to say it, but I just think everybody has to understand it will never happen again. That is to say there are a whole bunch of structural changes happening in the world that are dividing up lots of what has been centralized in this Country.

And so, I am trying. As I have said earlier, I am trying to imagine in my own district which has been, for example, more protected from recessions than others because its major employer can't move out of town. Yet, high unemployment.

So I have a hard time fathoming how areas like this go through recessions except with horrible suffering—that is the only word I can use for it—that doesn't even meet the eye because they are in the byways and the parts that the media and the whole world just don't cover.

Now you can help me understand something because it has been used over and over again. I have looked at your chart, Federal Cost per Job. If you look at it, Federal cost as against the estimated local jobs generated, you will see everyone's and one indeed you chose to evaluate, infrastructure, roads and other transportation, falling.

Well, let me just give you the figure: 4.4 to 7.8 local jobs generated per $10,000. That is for roads. Federal cost per job, $1,291 to $2,293. Now explain what cost Federal cost per job means?

This was thrown around all during the stimulus debate. What is included in that figure and why is it, for example, so much higher than estimates?

Let's look at business incubators: 46.3 jobs to 69.4. Cost, is this $144 to $216 per job?

Mr. SASTRY. Yes, ma'am. Yes, ma'am.

Ms. NORTON. How do you explain?

Mr. SASTRY. Right.

Ms. NORTON. I am looking at those figures, and I don't think anybody on the floor in another debate knew what they were talking about. They just quoted these figures like this.

If you could disaggregate those numbers and why would people engage in infrastructure if it costs so much more than, I don't know, business incubators?

Mr. SASTRY. Right. If I might, Madam Chairwoman, could I ask that Dr. Arena address this question, specifically?

Ms. NORTON. Please. It could really help me a lot on this one.

Mr. ARENA. Good morning.

Ms. NORTON. Good morning.

Mr. ARENA. The chart that you refer to that has the variation in the different project types and the cost per job, this was based on a methodology that we presented to EDA to be able to disentangle some of the differences in the ways that their expenditures were put out. This was something that helped them align the methodology for measurement with their strategy for releasing funds in this program.

While we did come up with the variation in the number of jobs, it was outside the scope of our project to actually investigate why those differences exist.

Ms. NORTON. There has to be an explanation for this.

We continue to regard the same thing for industrial park infrastructure. Let's just use rough figures: 5 to 7 local jobs generated, $1.377 million to $1.999 million of Federal cost, also high, consistent with roads and transportation.

Now included in that is something that somebody needs to explain because members up here see those figures, and I know we don't understand what we are talking about when we are speaking from these. I know we do not understand what is included.

Mr. ARENA. Sure.

Ms. NORTON. I don't know if it is the material. I don't know what in the world is included, but unless there is some explanation for this you are going to hear people demagogue even something that has been accepted for generations as the best way to make jobs, which is infrastructure building.

Mr. ARENA. Right.

Ms. NORTON. Outside the scope? Well, how? I mean how do you know, therefore, that it is cost-effective since you looked at public infrastructure to begin with? That is the main feature of your study.

Mr. ARENA. That is right.

Ms. NORTON. How can you tell us that this is the right thing to do, given what you found with business incubators? We know you didn't study them as closely as you did infrastructure, but you certainly studied them closely enough to see these differences. I am bewildered.

But it didn't begin with you. It began with the infrastructure stimulus bill which everybody, by the way, was for except when specific costs came down. People threw these out because we don't understand them.

Mr. ARENA. Okay. I can explain the relationship of the jobs that we estimated and the funding expenditures by EDA.

To simplify our models, what we did is we looked at the total amount of spending by EDA in these categories in the localities in which they made investments and then measured that against the jobs created in a statistical model that allowed us to look at the input, which is EDA dollars spent in a community on a particular project type, and looking at what the statistical outcomes were for the jobs that were created in that community.

Ms. NORTON. First of all, you are looking at the jobs created in doing the roads and doing the other transportation. I have a feeling that in understanding the value one would have to get beyond the jobs created at that moment.

That is to say if the whole point of our stimulus and of EDA's work is to do infrastructure which then enables all kinds of other things to happen. Roads, bridges and so forth don't just happen because we want them pretty.

There has to be something in this to make people understand it. I tell you if you all got paid for this, you are going to go back and find out for me what this is all about.

Yes, it was your model. But the fact is it is every model I see. We paid for this model. Somebody has to make me understand these figures.

These figures are consistent with the figures that were thrown out for stimulus, high cost. It made it look like it costs a gazillion

dollars to build a highway in order to get a few jobs relative to that gazillion dollars.

Now something else is involved in this calculation. We are not equipped to make it, and I am not going to deal with a program whose major focus is public infrastructure without finding it out on my own. Here, you are dealing with, forgive me, a former academic. So it is hard for me to deal with what I don't understand.

But, for example, in writing my own statement, staff had given me figures to show that the Apollo Theater. I am a native Washingtonian who had the great joy of spending part of my adult life as a New Yorker and living in Harlem. So, that figure and they said it cost $4.5 million and it was like 0.6 jobs per whatever, $10,000, and produced 28 jobs. But, see, I know the Apollo and I know 125th Street and what has happened to it.

So I indicated what I happened to know, that when you keep the Apollo from becoming a dead icon in the middle of your major commercial strip, that is 125th Street, and it comes alive again with all of that fabulous history, all of the great entertainers of black America who passed through that. I know why 125th Street looked the way it did.

I am not saying it was the sole generator, but if I had to make a decision in New York about how do I go about regenerating 125th Street to what it was at the height of its center as an entertainment center, I would start with the Apollo. There is nothing else on 125th Street that even begins to have that stature.

Then, you know things of more stature begin. Shops of more stature gradually begin to move up. Now a lot of this happened during the Great Expansion. So I added that with no metric simply out of personal experience.

Now I can't do the same for these differences.

If we are going to reauthorize what amounts to a public works agency, we have to understand it. Be able to explain it. Be able to understand rather than parrot people who say and they tell us this time and again: You want to stimulate an economy, you start with infrastructure. Then you go to other things.

Tax cuts, all the rest of it, all the economists say that pales beside provide infrastructure.

Then I see these costs, and I am mystified. So somebody has to explain it to me.

Mr. SASTRY. Madam Chairwoman, in the interest of giving you a full answer to your very important question, we would like to be able to submit a detailed written answer for the record.

Ms. NORTON. I ask that you do that for me, please.

Mr. SASTRY. Sure.

Ms. NORTON. It is very important for me to be able to respond. We are very pleased with this Agency. We know what it has done. We know why we continue to focus on infrastructure.

I want to, finally, just ask you a question concerning you limited this to construction jobs, essentially.

Mr. ARENA. The construction projects.

Ms. NORTON. Yes. I am sorry.

Mr. ARENA. The jobs are jobs created in all industries.

Ms. NORTON. I mean construction projects.

Mr. SASTRY. But the jobs growth numbers reflect jobs created across industries, not simply the construction industry.

Mr. ARENA. These are permanent jobs that are created in the local economy due to the project that was undertaken by EDA.

Ms. NORTON. It seems to me you went to the right thing because that is what the Agency is all about.

Mr. ARENA. Right.

Ms. NORTON. But the jobs created from the infrastructure, you say, went across the economy.

Mr. ARENA. All industries, yes.

Ms. NORTON. So, you were able to say that when you do certain kinds of infrastructure you have an effect and to point to that effect well beyond the jobs, the infrastructure jobs, created?

Mr. ARENA. Yes.

Ms. NORTON. Well, I certainly wonder whether that has something to do with this cost per job because if that is the case I don't understand why the cost per job, the estimated number of jobs generated and the Federal cost per job are what they are. I just don't understand it.

So I ask you to do it and within 30 days. If you need more time, that will be granted. But we are in a reauthorization. We are not going to the floor and have these numbers flung around without being able to respond to them.

I think I am going to let you go because that is really the most important thing you could do for us. Thank you very much for the study.

Mr. SASTRY. Thank you very much.

Ms. NORTON. Could I ask the other very important witnesses to come?

The next witnesses really are, in a real sense, more important to us than others, without trying to be invidious here, because this gives us on the ground understanding of what this work is all about, and I am pleased to welcome Sharon Juon, Iowa Northland Regional Council of Governments and the National Association of Development Organizations, and Denny Coleman who is the President and CEO of the St. Louis County Economic Council and also representing the International Economic Development Council which are the two organizations that represent the development organizations.

I ask you to proceed to summarize your testimony.

TESTIMONY OF SHARON JUON, EXECUTIVE DIRECTOR, IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS AND PRESIDENT, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS, AND DENNY COLEMAN, PRESIDENT AND CEO, ST. LOUIS COUNTY ECONOMIC COUNCIL AND SECRETARY-TREASURER OF THE BOARD, INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

Ms. JUON. Thank you. Good morning, Chairwoman Norton, Ranking Member Cao and members of the Subcommittee.

Again, my name is Sharon Juon. I currently serve as President of the National Association of Development Organizations and Executive Director of the Iowa Northland Regional Council of Governments, an EDA-designated Economic Development District.

Thank you for the opportunity to testify today on issues related to the performance and reauthorization of the Economic Development Administration. I would like to make four main points this morning.

First, Madam Chair, EDA has proven time and time again, both in independent research evaluations and in real-world situations, that it is a results-oriented, partnership-driven agency that works. Whether it is through infrastructure grants, strategy planning assistance or business development capital, EDA investments are uniquely positioned to promote economic development in impoverished areas.

Even in the best of times, our Nation has hundreds of communities struggling to overcome chronic poverty or more sudden and severe economic dislocations caused by global trade, national disasters or corporate restructuring. Without EDA's resources, it would be nearly impossible for many of these distressed areas, especially in smaller urban and rural regions, to rebound and pursue new opportunities.

Therefore, we urge this Committee and Congress to enact a multi-year reauthorization bill for EDA that is aimed at helping depressed areas of the Nation. This includes reducing the local match rate for the most highly distressed areas. The previous Administration had significantly increased the local match as part of the 2005 rulemaking even though Congress had not addressed the issue in the previous authorization bill.

Second, NADO urges Congress to incorporate the roles and responsibilities of EDDs into law and to increase funding for EDA's planning program from $27 million to $37 million. This would provide the stability and resources needed for the nationwide network of 381 Economic Development Districts to thrive in today's new economy.

The EDA planning program is the only Federal program of its kind that allows local governments along with private and nonprofit sector leaders to collaborate on a region-wide basis to proactively prepare for their economic future. Without the assistance and expertise of Economic Development Districts, most of our local communities, particularly those in small metropolitan and rural regions, would not be able to package infrastructure and development deals.

Increased funding would allow our EDDs to more aggressively pursue regional job creation strategies, comply with EDA's significantly expanded program mandates and ensure underserved communities across the Nation are better positioned to overcome a new generation of obstacles brought on by global economics.

Third, Madam Chair, we urge Congress to strengthen local control of EDA's revolving loan fund program. The RLF program is one of the most successful and powerful economic development tools for addressing the credit needs in distressed and underserved areas.

RLFs are managed by public and private nonprofit organizations to further local economic development goals by lending their capital and then re-lending funds as payments are made on the initial loans. 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 more than 500 RLFs with net assets approaching $850 million.

EDA's RLF program has a unique distinction of being the only Federal grant program that never loses its Federal identity. The initial RLF grant and any income or interest derived from it is considered Federal property. RLF operators are forced to continually comply with expensive and burdensome reporting and audit requirements in perpetuity.

Ownership of EDA's RLFs should be fully transferred to the local intermediary once all of the initial funds have been loaned out, repaid and fully revolved. In some cases, RLF intermediaries have been operating their EDA funds for more than 30 years, yet they still need to comply with an ever changing list of EDA requirements and paperwork.

Finally, Madam Chair, we believe there is a need to provide stronger and broader incentives to foster regional collaborations and partnerships among local governments, private sector, educational, nonprofit and philanthropic institutions through the national network of EDDs. While the 2004 reauthorization bill established 2 new performance award programs, these initiatives are very limited in scope and have demonstrated minimal impact. EDA would benefit from much broader and more aggressive policy incentives and approaches related to regional economic collaboration similar to the Agency's former EDD bonus program.

In closing, Madam Chair, EDA is an agency with outstanding performance, especially for its modest size. As clearly demonstrated in the new Grant Thornton study, EDA is an efficient and cost-effective agency that has earned its reauthorization. As a regional economic development professional, EDA is an important and unmatched partner in resource for my region in Iowa.

Thank you again for the opportunity to testify, and I would welcome any questions or comments. Thank you.

Ms. NORTON. Thank you very much, Ms. Juon. That was brief and to the point.

Mr. Coleman.

Mr. COLEMAN. Good afternoon. Chairwoman Norton, Ranking Member Diaz-Balart and members of the Committee, thank you for having me here today to testify.

My name is Denny Coleman. I am the President and CEO of the St. Louis County Economic Council and also Secretary-Treasurer of the Board of the International Economic Development Council.

I am speaking here today on behalf of IEDC, the world's largest membership organization serving the economic development profession. We are a not-for-profit organization on the front lines of helping economic developers, from public to private, rural to urban, local to regional and even international, do their jobs more effectively.

Our members are currently faced with the greatest economic challenge in decades, and they have communicated clearly to us the urgent and necessary role that EDA plays in helping them confront the local downturns in their economies, the diminishing jobs, the struggling small businesses and the high rate of foreclosures.

I am here to share with you the vital role the Economic Development Administration plays in aiding distressed communities re-

build and revitalize their local and regional economies and to express the support of the International Economic Development Council for the bill before you reauthorizing EDA through 2013.

You have heard many statistics here today, and you know them well, on EDA's national successes. What I would like to do, if you will allow me just a moment, is talk about what EDA has meant to my home town of St. Louis.

I have been in this profession for 34 years, at my current job with the Economic Council of St. Louis County for 19, and we have had extensive experience using EDA resources.

EDA has been a partner in helping us expand our international trade capability through the World Trade Center, St. Louis. It has helped us spawn entrepreneurship through our St. Louis County Enterprise Centers, and it has helped develop and commercialize technologies. It also helped us train impoverished youth for careers in growth industries through our Metropolitan Education and Training Center.

More recently, EDA has awarded $1.7 million to help St. Louis develop as the Midwest hub for U.S. and Chinese commerce, increasing our exports to China and creating new jobs in communities throughout the Midwest.

Obviously, St. Louis County and our region are not the only recipients and those receiving help from EDA. From Aurora, Colorado to Albuquerque, New Mexico to New Orleans, Louisiana and communities throughout our country, EDA has assisted in making targeted discrete investments in projects that have really helped communities attain creative economies for the economies of the future.

I would like to finally share with you a few thoughts about recommendations for EDA.

I would like to say that we think there is enough money in the system. There isn't. Just in St. Louis County, we have ready projects to be built that would utilize one-third of all economic stimulus monies allocated for the Nation. These are projects in international trade development, technology commercialization, entrepreneurship and others. So, funding is very important throughout the entire gamut of the programs available through EDA.

And just a few other suggestions in addition to monetary: EDA should revisit its criteria for distressed communities. Virtually every State in the Union is in recession. We believe that is distress criteria enough. EDA should lower or waive matching requirements by communities, particularly during the next three to five years as we rebuild out of this economic crisis.

EDA needs to be reinvigorated with resources and staffing sufficient to wisely invest and manage these crucial funds. As Chairman Oberstar said before, just the EDRs that used to be available to us in each and every State were tremendous technical assistance.

And, finally, EDA needs to do more to support regional initiatives. We recognize at the regional level that economies do not respect local political jurisdictions, and therefore we would like to see EDA support initiatives that foster regional coalitions of economic developers around critical technology clusters and new innovative business ideas.

In conclusion, on behalf of communities around the Country working hard to stay competitive in this challenging global economy, I urge you to reauthorize the Economic Development Administration for another five years, and we look forward to partnering with EDA to generate and retain jobs and stimulate commercial and industrial growth.

Together, we build strong communities. Together, we build a stronger America.

Thank you very much.

Ms. NORTON. Thank you both very much.

Let me proceed first with the mention you just made, Mr. Coleman, of decreasing the match. You heard me ask that question about decreasing the match, the 50 percent match. You heard me ask that question, and you heard the EDA representatives respond that they, in fact, do this on a case by case basis.

Is this being done today, and on a case by case basis what would that mean in your region and in others?

Mr. COLEMAN. Well, EDA has been very responsive to our needs to date, to be as flexible as possible within the laws allowable.

Ms. NORTON. So they are already doing it, you think?

Mr. COLEMAN. They are being very helpful to try to do that.

I would just suggest that in this particular economic crisis we do that just across the board and increase that flexibility.

Ms. NORTON. So do you think case by case essentially means when they look, they are going to see?

You know some of these are in very much richer States than others, even though the part of the State has a very poor region in which it has not chosen to invest. Because of the great need, it would be plowing so much of its resources there.

Are you suggesting that, and this is what we really need to know from you and Ms. Juon, is the case by case basis, which is perhaps a standard of due diligence, producing the kind of results you think it should in an economy like this?

Mr. COLEMAN. To date, we would have to say that the responsiveness of EDA has been excellent in that regard. But, as we move forward with a deepening recession and more job cuts, we would like to make sure that flexibility remains.

Ms. NORTON. So what has it been up until now, Mr. Coleman?

Mr. COLEMAN. Pardon me?

Ms. NORTON. What has it been up until now? Do they eliminate it? Do they reduce it from 50 to something else? Give us some sense.

Mr. COLEMAN. What we have typically seen is they have made sure that when we are eligible, that our projects are shifted from grant matches of 50 percent to the 25 percent, from public works to economic adjustment assistance, from flood recovery matches to economic adjustment assistance. So they have had some degree of flexibility, and they have done that.

Ms. NORTON. Usually, when we see an agency, they know that if they did something like across the board they would also have to answer to us on what was the basis for that.

I must tell you I would have a hard time. I have a hard time seeing how rich States come up with the match, but you see we required it, and I am not sure there is any relaxation of that in the

States on the match in terms of the match, for example, for the funds that we released. I am not sure that there is that flexibility.

Now when you ask for an increase in funding and it is not for jobs, I have to ask you about the increase. NADO wants an increase in planning grants, pretty substantial, from $27 million to $34 million. What would be done with that increase?

What is being done now with the planning grants, Ms. Juon?

Ms. JUON. Yes. The planning grants are used to fund the capacity, the staffing at the local level to work with the businesses, with the communities, with the organizations to help them package the program that works for them for the job creation goals. Over the years, the requirements to have the capacity to provide that staff assistance have increased, and we have not been able to keep up with the staffing that we need that has that expertise to provide the assistance to those communities.

So, primarily, it is a staffing issue. While this may not be appropriate, we have not had an increase in many years, and so our ability to staff and provide the staffing and expertise necessary has lagged behind. It is hard to keep up.

Ms. NORTON. I will tell you why this doesn't fall on deaf ears. We are going to put money out there without the staff to do the necessary work to help communities who, after all, are disempowered communities in the first place, who don't have the expertise on the ground or else they wouldn't need us. If we are going to put the money out there without the staff, I wonder if that isn't penny-wise and real pound-foolish.

Everybody wants more staff, but I must say when we heard that reduction in the EDRs we were flabbergasted. So we are looking very closely at these agencies which have been bled of the necessary staff precisely where you think they would be most needed.

Mr. Coleman, when I hear the word, FEMA, you will always catch my eye. You mentioned the difficulty your region has had recovering from the 1993 floods and the 2008 floods. So I would like to know what role FEMA played in your recovery and whether the EDA programs fit with the FEMA role and what suggestions you would have in that regard.

Mr. COLEMAN. Well, our agency had very little direct relationship with FEMA. FEMA was obviously involved in rebuilding levees, but EDA helped us rebuild our economy.

EDA was there to help with small business incubator development in two of our flood-impacted communities.

They were also there to help us mitigate the effects of sort of the manmade catastrophe that hit us with the defense downsizing. We lost 27,000 jobs out of one company, McDonnell Douglas, and 60,000 jobs in the defense industry, region-wide. EDA was there to help us across a broad spectrum of programs that helped us diversify and strengthen our regional economy.

So, FEMA obviously is there to help rebuild certain aspects after a flood, but EDA really is the only agency we were able to turn to from economic development perspective.

Ms. NORTON. Well, of course, FEMA is not there for that purpose.

Mr. COLEMAN. That is correct.

Ms. NORTON. The baton handoff role, was it appropriate as far as you are concerned, so that when FEMA got through it seemed that you were ready to do with the EDA programs what was necessary?

Mr. COLEMAN. Madam Chairwoman, from our perspective, we dealt directly with EDA. Other elements of county and State Government dealt with FEMA in terms of that piece of the recovery, but we dealt directly with EDA in terms of the flood recovery and also with a consortium of Federal agencies: EDA, the Department of Labor and the Office of Economic Adjustment in the Pentagon for the defense industry cutback conversion projects.

Ms. JUON. Chairwoman Norton?

Ms. NORTON. Please.

Ms. JUON. May I address that as well?

Again, I am from Northeast Iowa. We were hit severely in the flood of 1993, floods of 1999 and, most recently, the floods of 2008. Because we represent 60 cities in 6 counties, we have worked very directly with FEMA on behalf of our cities and counties. FEMA has been fantastic in coming in and providing assistance, whether it is personal assistance in the housing arena or whatever the assistance, infrastructure.

Right now, we are going through the process of determining the buy-out. So it hasn't been completed. FEMA is very much still present in our area, and we are working with them very actively including in their long-term recovery planning process.

What I will say, though, that has been so critical with EDA's support, we received $300,000 from EDA to fund 2 full-time staff positions for 2 years as flood coordinators. These positions have been critical because there are so many organizations coming in to help our cities and counties, and yet no one is there to coordinate.

Even FEMA, whom we have enjoyed working with, has so many contractors, and the contractors don't communicate to each other. And so, we have provided through our EDA funding that communication link that even FEMA appreciates.

So we have been that glue that kind of holds all the different organizations, whether it be FEMA or SBA, whoever. The EDA has definitely come in through these funding positions to help bring all of those tasks together.

Now we have been awarded an RLF from the disaster recovery program, and that will go that next step beyond what SBA has done, beyond what HUD is doing. If we are going to have a focus of helping the businesses recover that were most directly impacted by the flood but then, beyond that, just building the recovery, as Mr. Coleman talked about, EDA has been critical.

We have worked with FEMA. It has been a great opportunity. But EDA has, again, been the one to bring all the resources to the table and help everyone understand everyone's role.

Ms. NORTON. We understand. I mean I don't want to leave the impression that we believe FEMA should have. We are just trying to meld our understanding of what FEMA does with our understanding of what EDA does.

I want to ask Mr. Cao for any questions he may have.

Mr. CAO. Thank you, Madam Chair.

It seems to me that based on your testimony that Federal agencies are not communicating with each other in order to work with each other to rebuild a devastated area, and I can assure you I can use New Orleans as an example.

It seems to me that there is very little EDA presence in new Orleans, post-Katrina. The issues that we have dealt with are more specifically FEMA-related issues.

When the Nation is faced with the devastation of the size of Katrina, it seems to me that Federal agencies should communicate and work with each other in a unified way in order to address many issues in the rebuilding process. Three and a half years after Katrina, most of the Second Congressional District is still very much devastated and lacks the economic development that the area requires.

Are there any conversations between your agencies—when I am talking about your agency, I am talking about EDA and FEMA—or maybe other Federal agencies to have a more concerted effort to help these areas? Rather than, you doing your part and then FEMA is doing their part and then at the end we don't really have a comprehensive plan. There is really not a focus, a path to direct and to lead these communities out of their problems.

It seems to me that the Federal agencies are just doing patchwork, and the pieces aren't fitting together. There is a lack of focus, a lack of direction, and oftentimes the devastated communities they are left to themselves with respect to where are we going to go from step one to step two.

Can either of you elaborate on that?

Mr. COLEMAN. Sure. Congressman, you make several good points. I will respond to two of them at least.

One is in terms of EDA's response to the Gulf Coast, I was privileged to be part of an IEDC team, the International Economic Development Council, from across the Country that was sent to New Orleans, post-Katrina, to actually aid in the economic development planning to create a new agency, a public-private agency in the City of New Orleans that would really direct its economic recovery not only in the short term but the long term. And I know EDA has made several grants both to the State of Louisiana and New Orleans for some implementation projects as well.

So I believe EDA has been responsive both in terms of direct financial support and technical support through IEDC for New Orleans and the entire Gulf coast.

I would add that, to your point about Federal agency collaboration, as I alluded to before, OEA in the Defense Department played that role during the defense adjustment era of the early and mid-1990s for us.

As Chairman Oberstar mentioned, it appears to me that EDA is primed to take that role on behalf of the Federal agencies, dealing across a broad spectrum of issues facing the Country right now, be it flood recovery in the Gulf Coast or through the spring floods in the Midwest or just the overall economic crisis that faces our country and our communities.

OEA played sort of a quarterbacking role for us, dealing with the Department of Labor, SBA and other agencies that we needed in a coordinated fashion in our regions. We dealt with the issue of try-

ing to get out of our silos at the local level so that we could cooperate and really bring resources to bear where they were most needed in our communities.

It would be extraordinarily helpful to the local communities if the Federal Government agencies would also work to get out of their silos, and I think that will only happen if we have a strong agency with the full backing of Congress and the Administration helping to lead that charge on our behalf.

Ms. JUON. I totally agree with Mr. Coleman's comments, and I would like to add that, at least through our three experiences with disasters, EDA has been the only agency that has come in that totally recognizes the need for all of the different responders to work together.

I would remiss if I didn't mention that not only this last time, in response to the disaster of 2008, EDA funded our agency personally for two full-time staff for two years. But they also were the only one that had the foresight and perhaps the vision to realize the State of Iowa needed the same type of coordinating funds, and they awarded $3 million to the State of Iowa to create what has now become the Rebuild Iowa Office. It has staff people from all of the different State and Federal agencies come in and work together and have joint meetings where they try to address what each agency is doing, identify the gaps, identify the needs. Again, that was through the vision of the EDA.

Mr. CAO. Now I am thinking about a coordinating agency. Do you think that we need an agency out there to coordinate EDA, FEMA and all those other agencies in order to assist them in working together to rebuild a devastated area because my experience with the Federal agencies has not been a positive experience?

It just seems like it is up to the Congressmen to push this agency to do its part and then to go back and to try to address these other agencies to do their part and get them to the table and talk. So is it up to the Congressmen to be this coordinator or should there be an agency to overlook this whole process?

Ms. JUON. I am sure we both have responses. I think it depends perhaps on the agency. It depends on their mission.

What we found is that some agencies that come in to help assist in the recovery from disaster, their mission isn't disaster recovery, and so their programs are not necessarily geared. I am thinking especially about HUD. It is real hard to take a program that is not designed for disaster and try to make it respond to a disaster. So that is a whole other issue.

But if you talk just about who should help coordinate all the difference agencies? EDA is doing that to some extent, whether by Federal directive or just the national vision.

Whether you need to have another agency created to do that? I wouldn't address that, but I would say in the absence of that EDA is attempting to do that.

Mr. COLEMAN. I would respond in two ways.

One is I don't think there is ever a substitute for an informed, involved Congressman or woman dealing with helping local communities deal with Federal agencies.

But in terms of a coordinating role, I don't think we need a new agency so much as we need a lead agency, and I think that can

work as long as Congress and the Administration designate that agency very clearly and that is accepted and understood by the other Federal agencies involved in our recovery efforts.

Mr. CAO. Thank you very much.

Ms. NORTON. Thank you very much, Mr. Cao. This is something we will look at in the reauthorization.

The problem that Mr. Cao has is FEMA is still there. We are looking at when FEMA is still there they are having trouble.

You were post-FEMA, but they are having trouble coordinating, and we are now working on a way to break a funding stall of over $3.4 billion that they can't agree on how to spend. Imagine if EDA had that money.

Just two more questions. How do you think the stimulus money that we provided EDA should be spent?

Have you been contacted to give any aid and assistance?

Ms. JUON. My understanding through our EDD is that the money is going to be spent in the typical manner. It is going to go out through the normal channels.

We have been asked and were asked several months ago to submit to EDA projects that were at that time shovel-ready, ones that we thought already had the design work ready, were ready to go, and so we have already submitted projects to EDA, region and on to headquarters.

Ms. NORTON. To spend this money in particular?

Ms. JUON. Absolutely. My understanding is EDA has compiled a list that is in excess of the $150 million that they have available. We know in our area we have projects ready to go as soon as we get the word and go through the process and get that authorization.

Ms. NORTON. That is very heartening to hear because we didn't hear that specificity in prior answers.

I need to know whether you have looked at the job creation element as well.

Ms. JUON. That is always a part of every submission.

Ms. NORTON. Here, we are instructed to maximize job creation.

Ms. JUON. Absolutely.

Ms. NORTON. Everything you do is to create jobs. So that is a given.

But I am sure the President has to calculate from each agency. For example, I know in my own community I know precisely how many jobs, the whole kit and kaboodle. I have a huge economic development matter going on, precisely how many jobs. They don't know if that will come to being.

I don't know why EDA should have any less of a standard. Not, are there some jobs? There better be. But how are you maximizing the number of jobs that will come out of this money?

Ms. JUON. I think that will be part of the EDA review process, I am assuming, especially since they have had more projects submitted than dollars available to fund. They will take the most competitive, the ones that do have the highest number per dollar of jobs created.

Ms. NORTON. We have asked them to make sure they make us understand that, and I would ask you to keep that in mind as well.

Ms. JUON. Absolutely.

Ms. NORTON. Let me ask you one more question, and this is about regional collaboration. It is akin, I guess, to the whole notion of coordination but particularly important.

One of you testified, I am not sure which one, about incentives to reward regional collaboration, funding incentives, et cetera. What do you have in mind? By regional collaboration, what do you mean precisely?

Mr. COLEMAN. Well, regional collaboration from our perspective, I will give two examples.

One is a recently funded EDA effort to help the St. Louis area become the Midwest China air cargo hub for the Midwest and for China. We have, with EDA's assistance, now organized a bipartisan public-private across-the-board effort that has full regional support to bring a new air cargo hub to the St. Louis area but one that would not just serve St. Louis but would serve the entire State of Missouri and the Midwest because of the fact that we believe that China is ripe for exports from the Midwest in particular to fill the need for products and food sources to the Chinese people.

Through EDA's help, we were able to put together this regional collaboration. We are the lead agency for the grant, but that grant serves a much broader purpose.

What we have emerging is another proposal which we hope will get funded to take advantage of the critical technologies in plant and life sciences across a very broad spectrum of users of existing EDA grants in facilities but to bring another stool to that chair of money, facilities, science as well as management that would help us commercialize these great technologies that are coming out of our medical schools and out of our Danforth Plant Science Center for jobs for the future.

By just one example, the Danforth Plant Science Center has a focus on creating biofuels out of plants, a renewable energy. If we can receive funding to help commercialize and expand that technology, we will do the Country a great deal of good through making ourselves more energy independent, but we will also create jobs in our community—not just high-tech, high-paying jobs but the technical assistance and technician jobs that we plan to create through our community college system.

So those are the kinds of regional collaborations that we plan.

Ms. NORTON. Well, that is something that we intend to endorse and encourage.

State lines don't mean anything. County lines don't mean anything anymore. If you have a technology center in Fairfax, it is going to help the District. If the District has a tourist attraction, some of the hotels will be. Of course, it is the great tourist monumental attraction in the Country, Virginia and Maryland. So this notion about regional collaboration is one that is of great interest to us.

On your biofuels, we quickly need somebody to help the Midwest. We did this because we encouraged this in our own Farm Bill. Get to some biofuels that don't have people driving on corn and essentially putting the price of food now beyond much of the rest of the world just because we now have found a profitable way. It is a terrible thing, and we just didn't have any foresight.

Let me thank you for your very important testimony to us.

Before I call the next witnesses, I want to make sure. We have very important witnesses from particular commissions. Now this is what hearings are all about.

I have a meeting with the Speaker at 1:00, and the Committee is on the floor now with bills. So, at the moment, we don't have anyone to hear the witnesses.

I am going to call a recess until we can get some of our members off of the floor to come in because the testimony that I, myself, frankly, have been particularly anxious to hear and will probably miss some or all to come needs to go on, but you need to have a member here who can guide the rest of the hearing.

So this hearing is in recess.

[Recess.]

Ms. MARKEY. [Presiding.] The Subcommittee is reconvened.

I would like to introduce the next panel starting with Lawrence Molnar, Director, Economic Development Administration University Program, University of Michigan; Robert Clark, Executive Director, Northern Maine Development Commission; Carolyn Dekle, Executive Director, South Florida Regional Planning Council; and Jonathan Sallet, Former Assistant to the Secretary and Director, Office of Policy and Strategic Planning, U.S. Department of Commerce.

We will start with Mr. Molnar.

TESTIMONY OF LAWRENCE A. MOLNAR, DIRECTOR, ECONOMIC DEVELOPMENT ADMINISTRATION UNIVERSITY PROGRAM, UNIVERSITY OF MICHIGAN; ROBERT CLARK, EXECUTIVE DIRECTOR, NORTHERN MAINE DEVELOPMENT COMMISSION; CAROLYN DEKLE, EXECUTIVE DIRECTOR, SOUTH FLORIDA REGIONAL PLANNING COUNCIL; AND JONATHAN SALLET, FORMER ASSISTANT TO THE SECRETARY AND DIRECTOR, OFFICE OF POLICY AND STRATEGIC PLANNING, U.S. DEPARTMENT OF COMMERCE

Mr. MOLNAR. Thank you.

I am speaking for the University Center Program funded by EDA.

At a time of national economic stress we need all the tools we can muster to help turn our businesses and communities around. Across the Nation, the impact of the current crisis is having a huge impact on families, jobs in cities, large and small, nationwide.

One of the tools in our arsenal is the EDA University Center Program. This nationwide network of 50 centers has served our Nation well for over 30 years. Our goals are simple: to work with local economic development organizations, local units of government, private sector companies and regional organizations to foster economic and business development.

It is the sole federally-funded system to support the U.S. higher education system's role in economic development.

The diversity of the University Center Program is its strength. By understanding the unique character of its region, each University Center can respond directly with specific assistance tailored to meet the needs of that region.

The National University Center has tremendous promise to help achieve economic recovery, and the program would be greatly enhanced and expanded with just four modest changes.

Number one, increase the number of centers so that each State has at least one center. We would like to see one in each State. There is one place that is not a State but would like one too, and that is the District of Columbia.

We would like to increase the amount of funding for the University Center program to $15 million annually.

We would like to reduce the local match from 50 percent to respond to the unprecedented local fiscal stress and that of universities.

And we would like to restore the peer review performance evaluation that was established by Congress in 1998. Currently, there is a competition every three years. So University Centers aren't sure of their funding beyond that three-year funding. None of the other federally-funded local assistance programs such as trade adjustment assistance centers, small business development centers, manufacturing extension partnerships, Economic Development Districts face such frequent competitions.

I would like to add that the University Center programs have a diverse range of projects. On my own campus back at the University of Michigan, an example is that we are teaming with several other university centers in Ohio and Indiana to help communities in our region that are suffering from the loss of automotive-related manufacturing plants.

When we learn of a plant closing, we immediately begin working with local authorities to put together a plan to help them organize their response. We help point local officials to Federal and State resources to deal with the immediate fallout from the lost jobs and help create its strategic plan for how to begin looking for new jobs for that community, so they can respond to the adverse economic and social effects of these major plant closings.

I would like to close by saying the University Center program, while small, has accomplished a tremendous amount over the years. But now that the Nation faces the biggest economic challenges it has seen since the Great Depression we would urge you to keep the program strong, to enhance it by increasing funding modestly to meet these increasing challenges.

There is tremendous potential in our system of higher education to help this Country come back and to use the research, the expertise, the experience and the tremendous investment that this Country has made in the higher education system and leverage that in this time of economic need.

We certainly support the reauthorization of EDA. They have been an excellent partner over the years.

I thank you for the time and would answer any questions if you have them.

Ms. MARKEY. Thank you very much.

Mr. Clark.

Mr. CLARK. Thank you, Madam Chair pro tem and members of the Subcommittee, for the opportunity to testify today in support of a multi-year reauthorization bill for the U.S. Economic Development Administration.

My name is Robert Clark. I serve as Executive Director of the Northern Maine Development Commission, a multi-disciplinary regional planning and development organization serving all 71 communities in Northern Maine. Our organization is the EDA Economic Development District for the northern portions of our State.

EDA has been an invaluable funding source for the Northern Maine Development Commission and our local government, business, education and nonprofit partners.

This morning, I would like to highlight a few recent projects that demonstrate how we use EDA's comprehensive economic development strategy process, facilitated by our annual EDA planning grant of $54,000 to identify and implement regional and local economic development projects.

In the Town of New Limerick, EDA played an instrumental role in deploying the energy infrastructure, equipment and power needed for a major employer to expand its current operations while also launching a new innovative product line. The Louisiana Pacific Corporation originally targeted at least four manufacturing facilities around the world before deciding to use its Northern Maine plant to maintain its existing Oriented Strand brand product line as well as to introduce SolidStart, a new laminated strand lumber building material that is consistently straight, weather resistant and of higher strength than conventional lumber.

There are many noteworthy outcomes to this one project.

First, our rural region needed EDA's matching funds to make this project a reality. New Limerick is a small town located near the Canadian province of New Brunswick. The town has only 523 residents with Houlton, a relative small town of about 5,000, serving as the closest economic hub about 10 miles away. It would be almost impossible for this very rural town to afford the cost of this infrastructure project without EDA's gap financing.

Second, the project leveraged a $104 million investment by LP Corp that was not guaranteed to occur within our region or even within the United States. In fact, the company retained and expanded its facility in New Limerick while closing three other plants and moving part of its operations to a facility in South America.

Third, EDA's investment of $1.1 million helped our region keep 111 jobs at the existing LP Corp facility with an annual payroll of $6.6 million. In addition, the company created 39 new jobs with pay rates significantly above the per capita wage for the area. The company received more than 1,900 applications for these vacancies, reinforcing the fact that these are high-quality in-demand positions within our region.

In 1994, the Loring Air Force Base in Limestone, Maine was closed, resulting in the loss of 1,100 civilian personnel, 4,500 military personnel and countless other dependents of the base. Despite this major setback and the impending skyrocketing of the area's unemployment rate to as high 15 percent, the people of Aroostook County refused to give up.

With help from EDA and other partners, the Air Force base was envisioned as a vibrant and successful economic hub. Today, the former base serves as a vital commercial, industrial and aviation park with over 20 new employers and more than 1,300 employees. Most importantly, many of the companies located on the campus

are pursuing cutting-edge products in aerospace, agriculture, energy, finance, health care and technology industries.

Like many of my EDD counterparts, the Northern Maine Development Commission also manages a portfolio of business lending programs including EDA's RLF program. Our EDA revolving loan fund targets new and existing industrial, manufacturing and tourism businesses as well as agricultural businesses involved in manufacturing activities.

Today, we have more than $1.3 million in our EDA RLF program. Over the years, this program has created 1,619 new positions and saved 1,917 jobs in our region. We have closed loans totaling more than $12 million and leveraged more than $69 million in private and public sector financing.

As we move forward to recover from flooding in 2008, we are now working to secure additional EDA assistance for vital water and wastewater infrastructure needed to support local businesses.

The business district in Fort Kent, for example, was devastated by the floodwaters with over 75 percent of local downtown businesses forced to close their doors for up to 3 weeks. According to local town records, over 600 jobs are temporarily affected by the flood. While many employees have returned to work, the future of some local jobs remains uncertain.

What remains is for the town's infrastructure to be repaired and upgraded to a condition that would minimize or hopefully prevent a similar flooding event in the future.

In closing, Madam Chair pro tem, EDA is an agency with a proven track record, and it has the program tools, the partnerships with regional and local practitioners and targeted mission to succeed.

The agency has earned its reauthorization, and the communities served by the Northern Maine Development Commission can attest to its importance and value. We believe it is a Federal agency that is incredibly cost-effective, performance-driven and tested over time.

Thank you again for your time and consideration.

Ms. MARKEY. Thank you, Mr. Clark.

Ms. Dekle.

Ms. DEKLE. Thank you, Madam Chair pro temp and members of the Subcommittee. We appreciate the opportunity to speak today on the performance and the results of the United States Economic Development Administration.

I am very pleased to express our organization's support for a multi-year Economic Development Administration reauthorization bill. We hope it maintains the agency's current mission and program focus with perhaps only modest program reforms and updates as needed.

My name is Carolyn Dekle. I serve as Executive Director of the South Florida Regional Planning Council.

We are a multipurpose regional planning organization governed by a 19-member board of directors comprised of local elected officials, governor's appointees and ex-officio members representing Broward, Miami-Dade and Monroe Counties. Our organization has served as an EDA-funded Economic Development District since 1993.

In addition to our involvement in EDA's planning, business development finance and infrastructure programs, the Regional Planning Council is involved in a broad range of issues such as reviewing and approving regional impact review projects, looking at brownfields redevelopment and cleanup, coordinating emergency preparedness plans and assisting local governments with a variety of regional and local comprehensive planning issues, and we are pleased to manage a development revolving loan fund program for local entrepreneurs and businesses.

The Economic Development Administration is an invaluable partner for our three-county region. While our region has had and does have many areas of great wealth, we also have large pockets of poverty and distress both in our major urban centers, which many of you are familiar with, but also our surrounding rural and agricultural areas. In fact, Miami-Dade County has the highest unemployment and poverty rates, historically, than the Florida and many national averages.

We very much encourage Congress to develop and adopt a multiyear reauthorization measure for EDA which maintains the agency's core mission and program tools. While expanding its funding base, we also hope to see flexibility and strengthening of its partnership with its national network of Economic Development Districts, which, as I said, we are one.

We also hope restoring the local cost-share requirements for projects to a minimum, to the pre-2005 distress rates, that there will also be greater financial flexibility for many of our organizations.

I would like to focus my remarks primarily on an innovative project that the South Florida Regional Council has undertaken along with our EDA partner in the Atlantic Regional Office, and this is one that revolves around managing operations for a regional revolving loan fund program.

Our project offers timely case study on how the agency can work with RLF intermediaries, obviously, including the Economic Development Districts, to dramatically improve the results for the RLF programs that exist today. This program has become an invaluable economic development tool for our local firms and entrepreneurs who are struggling to access traditional credit markets.

The Economic Development Administration program requires significant organizational capacity and professional knowledge which we have been able to bring to the table and have helped invigorate this program and in fact have realized great gains.

Today, the combined funding for the four RLFs in our region is $8.2 million. We are actively using these funds to create new jobs and to retain jobs within our region, and we believe that this is important particularly in this time of economic challenge.

In recent years, we have helped retain and create more than 1,200 new jobs while assisting more than 54 small businesses with seed capital and gap financing, and we have loaned out more than $9.4 million at this point which has leveraged more than $17 million in additional public and private sector investments.

One of the big success stories within our region is an industry called Leasa which is one of the largest manufacturers in the Country of beans and alfalfa sprouts, and their products are sold

throughout our region and around the Country. These monies have been primarily been made possible through the Economic Development Administration's participation.

Again, we support continued expansion of EDA's abilities and resources for small businesses.

And, in closing, I would just like to thank you again for supporting the Economic Development Administration. The planning dollars are critical, the training which has been provided is essential, and we have been proud to be a part of both of those initiatives.

Green industries and businesses will continue to be one of the primary areas we look to as we move forward in the future.

Again, we thank you for your support, and I welcome any questions or comments you might have.

Ms. MARKEY. Thank you, Ms. Dekle.

Mr. Sallet.

Mr. SALLET. Thank you, Madam Chair.

The testimony I give today derives out of work I am doing with Silicon Flatirons, which is the think tank at the University of Colorado Law School on innovation policy. I want to take a minute to focus not on what EDA is, but what we think it can become. In other words, I think it is time for EDA to become an Economic Renewal Administration that focuses on the creation and support of regional innovation clusters.

We know what has to be achieved—innovation, business growth, economic prosperity—and, of course, we need to focus on the future of U.S. competitiveness. But how do we do that?

Well, there is considerable literature that has been created over the last two decades, pioneered really by Professor Michael Porter of the Harvard Business School, and what it tells us is this:

When we look at national competitiveness, the key unit of competitiveness is not really the Nation. It is not a particular sector. It is not a specific firm. It is really regional geographies that have clustered together a set of advantages, shared among firms, colleges, universities, research facilities, and other non-profits, that can spur innovation and growth.

We know this: Silicon Valley, movies in Hollywood, life sciences in Massachusetts, the now stressed clusters of automobile manufacturing in Detroit or financial services in New York or Boston.

What we know now is that successful clusters can drive productivity, create knowledge and innovation, and—it is very important—help develop pools of employees with the specialized talents that local businesses need.

What does that do? It lowers the cost of capital to businesses, it increases the ability of new business to begin, and of course, it gives workers a trajectory to success.

Really, one could think of a successful cluster as somebody operating with this slogan: "Innovation, Collaboration, Value Creation," and, of course, more jobs.

So the advantages that are shared: You might have specialized workers like the boat builders in Maine. You could have research facilities, such as biotech hospitals, that work with firms as in Massachusetts. You could have manufacturing, as in the Midwest where community colleges train their workers for the advanced

manufacturing jobs of the future—anything, really, that creates what an economist would call: a positive externality, which is just a benefit not accruing to a single firm but to a community at large.

Now what is interesting, and I think a little dismaying, is that although State Governments around the United States have been working on cluster initiatives and although our foreign competitors, nations around the globe, are adopting cluster initiatives in Europe, Asia, and Canada, the one entity that has not done this is the United States government.

At a time of unparalleled economic need, my suggestion is, and this is in concert with the President's fiscal 2010 budget which makes a similar recommendation, that the authorization bill that you are authoring should, for the very first time, give a Federal agency, the EDA, a specific task of working with regional clusters which are bottom-up, which are industry-led and which therefore can be very effective.

EDA ought to do that by setting a set of criteria to provide matching funds to the very best of the clusters.

What might that be? We want clusters that will move fast with significant job creation, that will rely on public-private partnerships, and that have a proven track record, very importantly, that integrate distressed areas into regional economies. Instead of just looking at distressed areas as if they were standalone—how can they join with their neighbors, their geographic neighbors to build economic strength?

Also, we ought to look to see how clusters can help us achieve great national challenges: energy independence, health care, revival of manufacturing, and life sciences.

In this way, the Federal Government can facilitate regional leadership in a way that I believe would be very effective and, I should say, can help make other Federal programs in the Department of Commerce and throughout the Executive Branch much more effective by aligning them not in stovepipe fashion—isolation—but directly to the regional needs for a competitiveness strategy.

This is why I believe regional clusters should be a cornerstone of turning the EDA into an Economic Renewal Administration for the 21st Century.

Thank you.

Ms. MARKEY. Thank you all very much.

I would like to start with some questions right now.

Mr. Molnar, if the Committee were to consider the peer review suggestion you offered in your testimony, how would that system work, how would you appoint the peers and then, third, are you advocating that University Centers never again have to compete for the designation of University Center?

Mr. MOLNAR. The way it would work, which is how it previously worked before the competition was instituted about six years ago, is representative from the regional office of EDA would part of the team, often somebody was sent in from Washington to be part of the team, a university Center director from a successful center outside of the region participated, and then a University Center director from within the region participated.

So it was a three to four-person team that went in with a fairly consistent, set agenda, over a three-day period. The first day was

spent interviewing the staff and the director of the EDA University Center program. The second day was spent on site visits to clients of University Center. And the third day was spent meeting with senior administration of the university up to and including the president with the second part of that third day a debriefing, recommendations and that type of thing that were given verbally with a written follow-up.

In all of my experience, both when I was reviewed and when I was on peer review teams, there were always things that could be improved. So there were always suggestions about what could be improved.

For centers that weren't meeting performance objectives and were deficient in some areas that were serious enough, then recommendations would be made. A time line would be imposed upon that. If they didn't take corrective action successfully, then the agency had the option to terminate their funding.

We think that this process is superior and more productive than forcing every three years all the universities in the Country to essentially have no knowledge of whether they will have continued funding and then have to put in new proposals and then hope that they are successful.

It is not unlike an accreditation process that a business school or a medical school would go through to ensure that it is meeting best practices and conforming with industry standards, and if so then they get accredited, and they continue to operate.

Ms. MARKEY. Okay. Thank you.

Another question having to do with Mr. Sallet's testimony, how would University Centers, do you think, fit into a cluster model, Mr. Molnar?

Mr. MOLNAR. Well, one of the things that universities are very good at is exploring and doing analysis to determine where clusters either are occurring or that could successfully be operating. We can do analyses to see emerging clusters that might not be apparent, to find like groups of companies or even companies that aren't in the same industry sector that have common procurement patterns or common material handling or shipping where economies of scale could be gained.

So many universities do cluster analysis and look at geographic and industry-wide analyses to identify where clusters either exist and could be grown or have the potential to be created.

Ms. MARKEY. Mr. Sallet, can you answer the same question? How would University Centers in your opinion fit into a cluster model?

Mr. SALLET. I think they are fundamental to it. I think if we look at successful clusters around the Country, oftentimes research centers and universities are tied very directly to the local business community.

Indeed, tech transfer as a topic is very important to the success of clusters. Too often, I think we run technology programs at the Federal level that have not connected to the local communities at large and particularly not enough to the local universities. So I feel like one of the things EDA should look at in assessing a cluster initiative is the extent to which this is industry-led but very much created with the input of local academic institutions, which of

course are the source of the very kind of basic research that businesses will later be able to use.

Ms. MARKEY. Good. Thank you very much.

Mr. Clark, what are your suggestions for strengthening local control over the revolving loan funds?

Mr. CLARK. Good question. We have been in the revolving loan fund business and particularly EDA for over 35 years, and during those 35 years we have obviously filed all kinds of reports, that sort of thing. We maintain the program in accordance with our application, but if we could have local control and build in more flexibility it would be of great benefit particularly to the rural regions.

As I can speak to my rural regions, we have a very, very many small businesses that create five, six, seven jobs at a time. Oftentimes, they don't fit into the underwriting criteria that is dictated. So we have to look at other forms of capital for them, which is really pretty much nonexistent oftentimes. So, if we could have the local control of the fund, it would help greatly.

Ms. MARKEY. Thank you.

Ms. Dekle, can you answer the same question? What are your suggestions for strengthening local control over the revolving loan fund?

Ms. DEKLE. Certainly, and I would echo the comments that were just made. I think devolving the control of the revolving loan fund dollars to the local, closer to the local level is important, and I believe that could be done after the monies had revolved one time and had met the criteria that EDA outlines but then allowing them to reflect the more regional issues within a particular community.

One of our what we consider big successes of our programs has been taking ones that were in existence for prior issues. For example, after Hurricane Andrew and then after some of the civil disobedience issues that happened in the City of Miami, those funds were created.

Well, time has moved forward. Those issues have changed. Those monies now are being able to be utilized across the region because of some of the flexibility EDA has, but some still have some pretty firm controls around them.

I think as we go forward it would be useful in all the revolving loan fund situations to kind of strip out the Federal bureaucratic requirements and allow them to respond to the needs within a region, within an area.

Ms. MARKEY. Thank you.

Mr. Clark, since EDA has been so successful in Maine in creating and saving jobs, what recommendations would you make to the Committee that would enhance the operations of EDA?

Mr. CLARK. Certainly, more staff at the Economic Development Representative level. We found particularly in New England that one EDR could have as many as four States. Therefore, the flow of projects going into the regional office and then on to Washington has slowed down tremendously. So I would think that that would be one of the first recommendations.

The second one is always money. If we had more planning money, we could do actually a better job. We could involve more people, not necessarily staff, but we would have the opportunity to involve more people from the private sector, from other non-profits,

from health care to really craft a well thought out economic development strategy for the region.

Ms. MARKEY. Thank you.

Ms. Dekle, you talked a little bit about brownfields. What examples do you have regarding brownfields redevelopment?

Ms. DEKLE. We have two or three really strong examples. We were very fortunate.

In fact, one of the people who is with me today, Isabel Cosio Carballo on our staff, was successful in crafting the Brownfields Economic Development Partnership that was recognized by EPA. We have been able to work with that partnership which includes Palm Beach County, Broward and Miami-Dade County, to engage those communities but, specifically, an affordable housing project that is up in Palm Beach County.

The Leasa project that I spoke about before is a brownfields area and has been able to utilize the expertise of the local brownfields group in Miami-Dade County.

Broward County has been looking at a lot smaller kinds of issues on our more infill areas. The parts of our county that are on the East have often been where there were gas stations, perhaps dry cleaners, other small industry types. But now we are looking at how do we accommodate our larger population growth, so how can we work with those areas to get them reclaimed, so that they can accommodate population as well as new economic enhancement.

I think the brownfields issue and just looking at all of the range of green industry issues is a real important link for EDA in our revolving loan programs as we go forward.

Ms. MARKEY. Okay. And just to follow up on that, what incentives would you offer to grow green businesses?

Ms. DEKLE. We are still in the thought process on that, but I believe that we might want to look at giving. We have a limited amount of resources available for our loan program, and we might want to give additional recognition for those programs that can meet criteria related to green industries.

We are fortunate. We have a climate change committee that Miami-Dade County has convened as well as Broward County has a climate change committee. I have been asked to be the chair of both of the intergovernmental coordination committees of each of those. So what we are going to do is work together to find out, okay, within our region, what are the things that we want to recognize from the business sector that are industries that move us forward in terms of making a better footprint as we look at the environment, as it goes forward.

I think we ought to take our revolving loan funds and try to market them and orient them towards businesses that would be compatible with those things, and that would be a small example.

Ms. MARKEY. Thank you.

Mr. Sallet, several witnesses today have talked about basic infrastructure as still being a top priority for EDA grants. How do you square that need with your ideas for innovation and incubators?

Mr. SALLET. Infrastructure is critical to competitiveness, but it is not the only thing we need for competitiveness. So what I would suggest is that we do a better job at the Federal level of making sure that infrastructure investments are connected to local com-

petitiveness strategies. That is the way to make sure that the right infrastructure is getting built and will really turn into jobs and economic growth.

One way to do that, which I didn't mention in my oral testimony, is, there may be some parts of the Country that don't really have vibrant clusters. Planning grants for them to start to organize collaboration can yield really important recommendation from the regions about what kind of infrastructure is most important to them.

And so, I think the real phrase here is that we need integrated systems, not isolated stovepipes.

Ms. MARKEY. Just one more question, and then we have to go vote. But based on that, what Mr. Sallet said, Mr. Molnar, if there were two centers in each State as you advocate, how would the second one be chosen?

Mr. MOLNAR. We think that you would have two centers that would have different roles and responsibilities based on their core competencies.

I know that in Michigan we had two centers for a long time, one at the University of Michigan and one at Michigan State University. The one at the University of Michigan, as we still do, is very involved in due diligence and economic impact analyses and helping with technical assistance with companies. The one at Michigan State University was very much organized for capacity-building, working with inter-urban areas, urban development. We complemented each other, but we were not duplicating roles. So I think that.

The other factor might be a geographic service area where the one in Michigan, for me to drive to the Upper Peninsula, it is almost 950 miles one way. And where States do have more than one, and there are some that do, the geography determines their service area.

Ms. MARKEY. All right. Thank you all very much for appearing with us today.

That concludes the rest of this hearing. Thank you.

[Whereupon, at 1:45 p.m., the Subcommittee was adjourned.]

OPENING STATEMENT OF
THE HONORABLE RUSS CARNAHAN (MO-03)
HOUSE TRANSPORATION AND INFRASTRUCTURE COMMITTEE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

Hearing on
EDA Reauthorization: Rating Past Performances and Setting Goals During an Economic Crisis

Tuesday, March 10, 2009
2167 Rayburn House Office Building

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Chairwoman Norton and Ranking Member Diaz-Balart, thank you for holding this important hearing on the reauthorization of the Economic Development Administration.

The Bureau of Labor statistics recently reported that 651,000 jobs were lost in February alone and the national unemployment rate is 8.1 percent, the highest it has been in twenty-four years. The economic downturn is being felt by communities nationwide, which are seeing not only rising unemployment rates, but also struggling local businesses and increasing rates of foreclosure. As we experience an economic downturn unlike any we have seen in almost a quarter century, it is critical we invest in areas especially hard to our nation's recovery and also to making us more competitive in a global economy.

Since its creation in 1965, the Economic Development Administration has been vital to our nation's recovery efforts during an economic downturn. Like Mr. Coleman, I believe St. Louis is a wonderful place to live and share his sentiment that funding received through the Economic Development Administration has had a significant impact on our local communities. For example, after the floods of 1993 and 1995 the Economic Development Administration was a critical partner in developing and implementing economic development strategies, including developing two successful incubators in flood-impacted areas. More recently, the Economic Development Administration awarded funding to develop St. Louis as a Midwest hub for U.S. and Chinese commerce. This has both increased our exports to China and created jobs in communities in the Midwest.

In closing, I want to thank our witnesses four joining us today especially Denny Coleman, the President and CEO of the St. Louis County Economic Council.

STATEMENT OF
THE HONORABLE ELEANOR HOLMES NORTON
CHAIR, SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT
"EDA REAUTHORIZATION: RATING PAST PERFORMANCE AND SETTING GOALS DURING AN ECONOMIC CRISIS"

MARCH 10, 2009

I would like to welcome all of today's distinguished witnesses. We look forward to their testimony on the reauthorization of the Economic Development Administration. This Subcommittee has jurisdiction over the authorization and oversight of programs promoting economic development in communities suffering economic distress, including jurisdiction over the Economic Development Administration (EDA) of the U.S. Department of Commerce. The Public Works and Economic Development Act of 1965, which created EDA, fashioned partnerships between the Federal government and state and local development entities to alleviate substantial and persistent unemployment in economically distressed areas and regions. One of the most important goals of the federal government in national economic development activities is to enhance community success in attracting private capital investment and lucrative job opportunities. The work of the Economic Development Administration is a small but highly visible part of federal influences on national economic opportunity.

Historically, federal development efforts have sought to increase overall national productivity by helping economically distressed and poor communities share in the country's general prosperity. EDA's primary operation is a public works grant program designed to aid economically distressed communities by developing infrastructure in order to attract new industry thus creating long-term, private sector jobs. Projects funded through the program

include the construction of water and sewer facilities, access roads, port improvements, and business incubator buildings.

With this hearing, and after four decades of EDA's involvement in job creation, the Subcommittee will begin to analyze the continuing federal role, the importance of building and sustaining relationships not only at the state and local levels but also with businesses, citizens, and civic organizations, the necessity of focusing on metropolitan as well as rural areas, and retaining the public trust by focusing on process and results in economic development.

Many regions across the country continue to experience high poverty, areas of significantly higher than-average unemployment rates, limited access to capital, low per capita personal income, and high job loss. In the 110th Congress, we reauthorized two economic development commissions and created three others. These regions expressed interest in creating regional economic development authorities, similar to the structure of the Appalachian Regional Commission, to provide funding for projects that stimulate economic development and promote the character and industries of the region without supplanting existing institutions and programs that provide funding, such as the Economic Development Administration, state agencies, and local development organizations.

In today's uncertain economic times, it is important to focus on the nuts and bolts of economic development. Job deficiencies reduce the tax base, which, in turn, reduces the ability of governments to provide public infrastructure, which then reduces the ability to create and attract new industries. The Economic Development Administration has a solid

track record in leveraging public investment into private development. A recent independent report by Grant Thornton and ASR Analytics found that EDA's public works program generates up to five (5) jobs per $10,000 of public investment. This metric covers a wide variety of projects. One of the more common investment examples would be when EDA invested $560,000 to build sewer, water, transportation and fiber optic/broadband infrastructure in an industrial park in Okemah, OK induce a private corporation to locate. This project has already created approximately 110 jobs and is projecting to produce at least 40 more due to private investment. EDA was also responsible for investing $4.5 million in the Apollo Theater in Harlem, New York. Though the investment produced "only" 28 jobs, less than .6 per $10,000, this investment, served an important role helping to maintain the Apollo Theater is a cultural anchor in the neighborhood. EDA also provided funding for D.C.'s very own Eastern Market last year. When this cultural institution was damaged by fire, it created a significant loss of economic activity, in addition to neighborhood losing a defining entity that had existed for over a hundred years. EDA has approved funds for brownfields redeveloped as industrial parks, funds for an upgrade of a city's wastewater system to make it suitable for agriculture production facilities, buildings with the infrastructure to support high tech companies and many other types of cutting edge development.

EDA was created to address the issues of poverty, high unemployment, and geographic isolations by indentifying distressed counties and setting aside the bulk of investment dollars to ameliorate these drastic conditions. Distressed counties generally have unemployment and poverty rates that are 1.5 times the national average, in addition to a per capital income that is 2/3 below the national average. The federal government acting with

states, private businesses, localities, has shown that persistent and substantial poverty can be reduced and eliminated. An important part of these efforts are grants for public works and development facilities and access to technical assistance and planning grants.

The subcommittee is particularly interested in the revolving loan fund and its ability to assist local development authorities. The revolving loan fund funds investments that capitalize an intermediary to make loans to local businesses that otherwise cannot access commercial credit. In a general effort to support economic development, EDA must have an appropriate level of professional staff to assist in the agency's mission. We will also examine existing grant programs for economic adjustment assistance, research and evaluation, and technical assistance. We will scrutinize how funding decisions are made, and how past funding decisions reflect the efficiency of the Economic Development Administration.

This morning we will hear from experts with deep experience with the EDA, who can help the subcommittee assure that the agency performs at peak levels during this time of economic uncertainty.

STATEMENT OF
THE HONORABLE JAMES L. OBERSTAR
HEARING
EDA REAUTHORIZATION: EVALUATING PAST PERFORMANCE AND SETTING GOALS DURING AN ECONOMIC CRISIS
March 10, 2009

As many of you know, in 1965, I was present when President Johnson signed the Public Works and Economic Development Act creating the Economic Development Administration, the EDA. I was a strong supporter of EDA then and I continue to support the agency now, over 40 years later. I know EDA works because I've seen it work – providing jobs, job training, infrastructure investment, and creating real economic opportunities in distressed communities across the country. In the current economic climate I'm more convinced than ever that EDA can and should play a robust and central role in our country's recovery and reinvestment needs.

In 2004 the Committee passed P.L. 108-373, a bill to reauthorize the EDA for five years and provided the agency with the funding levels necessary to affect real growth and development in economically distressed communities. The bill built upon the 1998 Act and established several new innovative programs. For example, the bill authorized EDA to provide performance incentive awards to high performing grantees. Grantees can use these performance grants in any manner consistent with the Act. In addition, the bill authorized a brightfields demonstration program to establish solar-energy projects on redeveloped brownfields sites.

Finally, the bill continued EDA's focus on planning and its vital importance to economic development. In many states, small and underserved communities are often unable to invest the necessary resources to maintain the professional and technical capacity needed to develop and implement effective comprehensive economic development strategies. That is especially true today at this time of economic stress felt at all levels of government.. Economic Development Districts (EDDs), which are multi-county public economic development planning entities, serve as a cost-effective and efficient method to ensure that local communities have the resources needed to pursue new economic development opportunities. Planning is critical to providing important continued support to economically distressed rural and urban communities that are often unable to afford and maintain the professional and technical capacity necessary to implement comprehensive economic development strategies.

EDA's job creation and leveraging of private sector investment is critical for our struggling economy. Under the Bush Administration, our economy has lost almost 2.3 million jobs and long term unemployment is at an all time high. EDA, the only Federal agency specifically tasked with the mission of supporting economic development in distressed rural and urban areas, must continue to identify opportunities for future economic growth, using its expertise and proven excellence.

The Committee is once again considering the reauthorization of EDA. Since last EDA was authorized, the world's economic health and our nation's economic health have certainly tumbled into a black hole. And it seems to me that EDA is needed more than ever. As we deliberate the reauthorization bill we will consider anew grants for public works, economic adjustment, trade adjustment, and technical assistance. University centers will be looked at again with fresh eyes. New ideas for energy initiatives will also be scrutinized. The revolving loan funds as well as "micro" loans will receive an unsullied review. Everything is on the table for review, and analysis.

I look forward to today's testimony. The witnesses bring a broad array of experience to the witness table – an expert on revolving loan funds, a university center supporter, a practitioner from Maine, and a look back to many initiatives started when Ron Brown was Secretary of Commerce. They will be joined by very credible national organizations that represent the "users" of EDA programs.

Thank you all for being here and I look forward to your testimony

WRITTEN STATEMENT FOR THE RECORD

ROBERT CLARK, EXECUTIVE DIRECTOR OF THE NORTHERN MAINE DEVELOPMENT COMMISSION

BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT

WASHINGTON, DC
MARCH 10, 2009

Thank you, Chairman Oberstar, Chairwoman Norton, Ranking Member Mica, Ranking Member Diaz-Balart, Congressman Michaud and members of the subcommittee, for the opportunity to testify today in support of a multi-year reauthorization bill for the U.S. Economic Development Administration (EDA).

My name is Robert Clark. I serve as executive director of the Northern Maine Development Commission, a multi-disciplinary regional planning and development organization serving all 71 communities in northern Maine. Our organization is the EDA Economic Development District (EDD) for the northern portions of our state. In addition, the Northern Maine Development Commission provides the management and primary staffing support for Aroostook County Tourism, Aroostook Municipal Association, Aroostook Partnership for Progress, Leaders Encouraging Aroostook Development, USDA Aroostook County Empowerment Zone, a Rural Transportation Planning Organization, Northern Maine Finance Corporation and the Northern Maine Solid Waste Management Committee.

Robert Clark, Executive Director of the Northern Maine Development Commission
EDA Reauthorization Hearing • March 10, 2009

Madam Chair, EDA has been an invaluable funding source for the Northern Maine Development Commission and our local government, private sector business and nonprofit community and economic development partners as we work to create and retain high quality jobs within our rural region. We support the development and enactment of a five-year reauthorization measure for EDA with modest program reforms and updates. As a member of the National Association of Development Organizations (NADO), we strongly endorse the association's reauthorization priorities and principles.

These include:

- Restoring the local match requirements for the nation's distressed areas to the pre-2005 rules
- Strengthening local control of EDA Revolving Loan Fund (RLF) intermediaries
- Expanding EDA incentives to reward regional collaborations and partnerships through EDDs
- Increasing the authorization level for the planning program from $27 million to $34 million
- Ensuring EDA programs and policies are modernized to assist emerging industries and sectors
- Restoring EDA regional office and headquarters staff capacity to ensure quality service

This morning, I would like to highlight a few recent projects that demonstrate how we use EDA's Comprehensive Economic Development Strategy (CEDS) process, facilitated by our annual EDA planning grant of $54,000, to identify, develop, coordinate and implement regional and local economic development projects.

In the Town of New Limerick, EDA played an instrumental role in developing and deploying the energy infrastructure, equipment and power needed for a major employer to expand its current operations while also launching a new innovative product line of lumber. The Louisiana Pacific Corporation (LP Corp) originally targeted at least four manufacturing facilities around the world before deciding to use its northern Maine plant to maintain its existing Oriented Strand Brand product line, as well as to produce SolidStart®, a new laminated strand lumber building material that is consistently straight, weather resistant and of higher strength than conventional lumber.

With $1.1 million in local matching funds, EDA provided an additional $1.1 million to help the Houlton Water Company purchase and install a new electrical substation that was necessary to supply an additional 6,000 kVA of power for LP Corp's expansion. The project also included the supply and installation of a new secondary distribution system from the substation to the plant.

There are many noteworthy outcomes to this one project. First, our rural region needed EDA's matching funds to make this project a reality. New Limerick is a small town located within 20 miles of the Canadian providence of New Brunswick. The town has only 523 residents, with Houlton (pop. 5270) serving as the closest economic hub about 10 miles away. It would be almost impossible for this very rural town to afford the cost of this infrastructure project without EDA's gap financing.

Second, the project leveraged a $104 million investment by LP Corp that was not guaranteed to occur within our region or even within the United States. In fact, the company retained and expanded its facility in New Limerick, while closing three other plants and moving part of its operations to a facility in South America.

Third, EDA's investment of $1.1 million helped our region keep 111 jobs at the existing LP Corp facility with an annual payroll of $6.6 million. In addition, the company created 39 new jobs with pay rates significantly above the per capita wage for the area. The company received more than 1,900 applications for these vacancies, reinforcing the fact that these are high-quality, in-demand positions within our region.

Success in economic development is often about timing, teamwork and the ability to execute plans and projects. The major challenge associated with the New Limerick project was the availability and delivery of the necessary electrical equipment, along with EDA's ability to approve and process the grant in an abbreviated timeframe. The Houlton Water Company had to bid the equipment supply and award it as quickly as possible due to the lengthy lead times, which could be as long as 12 months for certain pieces. The expansion project construction schedule called for the plant to come online in November 2008. Delays had to be avoided to limit cost overruns and meet the strict operations schedule.

The project was approved by EDA on March 16, 2007, and EDA presented Houlton Water Company with a ceremonial check on July 5, 2007 to officially recognize the EDA investment. The electrical substation upgrade was completed by early March 2008. LP Corp pressed the first mat for SolidStart® on March 18, 2008 and held an official unveiling of the new plant expansion on June 10, 2008. EDA played a key role in the success of this major facility expansion by providing much needed gap financing for the local power system, but EDA was also invaluable in awarding the contract in a timely and professional manner. The result is the retention and creation of significant employment opportunities within our rural region of northern New England, which has a poverty rate approaching 20 percent.

In the Town of Van Buren, EDA assisted with a value-added project involving the paper industry. The agency provided $900,000 in economic adjustment assistance, which along with a $400,000 local match, was used to construct a new building now being used to convert off-grade, surplus or culled paper in bulk into higher value commodities such as notepaper, wrapping paper and other products. The 35,000-square-foot structure consists mostly of manufacturing and storage space to process, warehouse and ship bulk and converted paper by rail or truck as the situation demands.

While EDA may be best known for its infrastructure and public works program, the agency also has a flexible set of program tools and authorities for strategic planning, technical assistance, business development finance and sudden-and-severe economic dislocation recovery, whether caused by plant closings, natural disasters or even military base closures or realignments.

In 1994, the Loring Air Force Base in Limestone, Maine was closed, resulting in the loss of 1,100 civilian personnel, 4,500 military personnel and countless other dependents of the base. Despite this major setback and the impending skyrocketing of the area's unemployment rate to as high as 15 percent, the people of Aroostook County refused to give up.

With help from EDA and other public and private sector partners, including the Loring Development Authority of Maine, the Loring Commerce Centre was envisioned as a vibrant and successful economic hub. Today, the former Air Force base serves as a vital commercial, industrial and aviation park with

over 20 new employers and more than 1,300 employees. Most importantly, many of the companies located on the campus are pursuing cutting-edge products in aerospace, agriculture, energy, finance, health care and technology industries.

EDA has been a key partner of the Northern Maine Development Commission in developing a diverse portfolio of business development finance loan funds. The EDA Revolving Loan Funds (RLFs) set the stage for our experience in providing seed capital, gap financing and technical assistance to local businesses and entrepreneurs. It also helped us obtain and manage other federal and state business loan programs with SBA, USDA, Maine Department of Economic and Community Development and the Finance Authority of Maine. Our organization currently has loan funds totaling $10.4 million, a significant amount for a very rural region with a population of less than 75,000.

Each program has a specific purpose and focus area, including our EDA RLFs. Originally, we operated two separate EDA RLFs with one targeted at providing low-interest loans to new and existing industrial, manufacturing and tourism businesses who struggle to secure traditional bank financing, and the other EDA RLF for direct loans to agricultural businesses involved in manufacturing activities. Today, these funds are consolidated under one RLF program valued at $1.3 million. Over the years, these EDA loan funds have created 1,619 new positions and saved 1,917 jobs in our region. We have closed loans totaling more than $12 million and leveraged more than $69 million in private and public sector financing.

We also partnered with the six other EDDs in our state and Coastal Enterprises, Inc. to establish a defense diversification loan program. The statewide program was established in 1995 with $3.6 million from EDA and $1.2 million from the Finance Authority of Maine to support defense conversion and economic adjustment efforts within the state. In our region, the program serves businesses that had a direct relationship with the former Loring Air Force Base, as well as those businesses that hired displaced workers from the base. Our consortium has used $4.3 million in funding to help leverage more than $44.5 million in public and private financing, while creating 1,361 jobs and retaining 1,120 jobs across our state.

In late 2008, Madam Chair, Congress provided EDA with an additional $400 million for post-disaster economic recovery assistance for areas of the nation effected by major natural disasters. The Northern Maine Development Commission is working with our local government members in Madawaska and Fort Kent to secure EDA assistance for much needed infrastructure improvements resulting from major flooding in 2008. These projects are another example of EDA's value to distressed areas of the nation, especially small urban and rural communities.

The Town of Fort Kent is proposing a $3.5 million project, with $2.1 million in EDA economic adjustment assistance and $1.4 million in local matching funds, for a separate water and wastewater facility improvement project. The project will install a new pump station, remove old wastewater infrastructure and extend sewer lines into an existing industrial park. Water improvements will also be made, including upgrades of an existing well house and the replacement of old water lines damaged in the 2008 floods. The flood of May 2008 had devastating impacts upon the downtown business district

of the community where over 75 percent of local downtown businesses in and along West Main Street were forced to close their doors until the floodwater receded and much needed repairs to buildings and inventory were completed.

According to local town records, over 600 jobs were temporarily affected by the flood. While many employees have returned to work, the return of some local jobs still remains uncertain. Fort Kent has aptly earned the now famous title of "The Little Town That Could." What remains, is for the town's infrastructure to be repaired and upgraded to a condition that would minimize, or prevent, a similar flooding event.

Full recovery from floods of such magnitude will require an infusion of private, local, state and federal funding. The effective coordination of resources continues to be the center of local responsibilities and objectives as Fort Kent and Madawaska attempt to restore public services to acceptable levels by either repairing or replacing key infrastructure. EDA's investment represents a relatively small but pivotal component that will trigger continued private investment in this affected area of the St. John Valley.

In closing, Madam Chair, I want to restate my organization's strong support for a multi-year reauthorization measure for the U.S. Economic Development Administration (EDA). The agency has a proven track record across the nation, including our rural region of Maine. We encourage Congress to retain the overall program structure of the agency, with modest policy and program reforms that would improve the agency. These include reducing the local cost share for distressed areas, strengthening local control of the RLF program after funds have been lent out and repaid to the intermediary, expanding EDA incentives to reward regional collaborations and partnerships through the national network of Economic Development Districts, and ensuring EDA programs are modernized to assist emerging industries such as technology, energy and advanced manufacturing firms.

EDA has the economic development tools to serve as a vital job creation and retention resource for communities looking to overcome these tough economic times. Now, the agency needs the stability, funding resources and support offered by congressional reauthorization. Thank you again, Madam Chair and members of the committee, for the opportunity to testify today.

I would welcome any questions or comments.

Northern Maine Development Commission

DATE: April 2, 2009

TO: Michael Obrock

FROM: Robert P. Clark, Executive Director

SUBJECT: Answers to Hearing Questions

1.) Please briefly describe the role EDA played in New Limerick, Maine. I notice in your testimony that 2 small towns were involved in the EDA project. How were these towns linked.

In the Town of New Limerick (population 523) EDA provided the funding for the installation of a new electrical substation to support Louisiana Pacific Corporation's (LPC) $104 million plant expansion. The Houlton Water Company (HWC), located in Houlton, ME, provides New Limerick with electrical power and electrical upgrades when necessary. LPC's plant expansion required a new electrical substation to replace the inadequate and outdated substation in New Limerick at a cost of $2.2 million. HWC is a very small publicly owned water and electric utility and does not have the capital or borrowing capacity to undertake the replacement of the electrical substation. With a match from LPC of $1.1 million and an additional $1.1 million from EDA, HWC was able to install a new electrical substation to provide additional electricity for the existing plant and the new expansion. Without the EDA investment this project would not have been possible in New Limerick or in our region.

2.) I'm sure you have heard of the cluster concept. What clusters would be suitable for Maine, or in particular northern Maine?

In northern Maine we have identified agriculture and food products, forest products, tourism, information technology, and precision manufacturing as suitable clusters through our recent cluster analysis study. Subsequently we are embarking on an asset based economic development strategy, focusing on our indigenous assets rather than a needs based community development strategy.

Aroostook Partnership for Progress

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Northern Maine Development Commission

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3.) I understand out-migration in northern Maine is a major concern. What plans does your organization have with EDA to address out-migration:

We contracted with the EDA funded University Center at the University of Southern Maine in 2004 to conduct a study entitled "Migration and Youth Migration from Aroostook County: Trends, Factors, and Implications" Youth indicated that they would stay in Aroostook County if there were increased job and career opportunities. Health services not only represent the largest opportunity based on high school and college responses, they are also the preferred occupation group for females (who indicate they are more likely to leave) and are also generally among the most demanding in terms of education and training. EDA investments in our proposed Allied Health Programs at our community college for new and expanded physical facilities would allow us to train more students for these professions.

Also, as I mentioned previously, EDA investments in our asset based economic development initiative would build upon our assets and attract new people to the area. We will be submitting this application to EDA this month for a statewide initiative.

4.) Briefly describe the defense diversification loan program you set up with Coastal Enterprises.

When Loring Air Force Base in Limestone, ME closed in 1994 it represented about 20% of the Aroostook County economy, 4,500 military jobs, 1,500 civilian jobs, and 4,500 dependents left the area. Loring AFB also provided a significant economic impact to the entire state because of its purchasing power and constant facility upgrades. Since several thousand businesses were impacted across the entire state, the EDD's, Coastal Enterprises, the Maine Department of Economic and Community Development, the Finance Authority of Maine, and EDA collaborated on establishing a $4.8 million revolving loan fund to assist businesses who had lost construction and vendor contracts and those that hired displaced workers as a result of Loring AFB closing. Through this collaboration with EDA we were able to help businesses adjust to the economic impact and leverage $44.5 million in other financing and help put 1,361 people to work and saving another 1,120 people from losing their jobs.

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

EDA Reauthorization: Rating Past Performances and Setting Goals During an Economic Crisis

Testimony of

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Opening Statement by Denny Coleman

President and CEO of the St. Louis County Economic Council and Secretary-Treasurer of the International Economic Development Council.

In Testimony before the Subcommittee on Economic Development, Public Buildings, and Emergency Management of the Committee on Transportation and Infrastructure

March 10, 10 am hearing: "EDA Reauthorization: Rating Past Performance and Setting Goals During an Economic Crisis"

Chairwoman Norton, Ranking Member Diaz-Balart and members of the committee, thank you for having me here today to testify on behalf of the St. Louis County Economic Council, the International Economic Development Council and communities around the country. I am speaking on behalf of the International Economic Development Council, the world's largest membership organization serving the economic development profession. We are a non-profit organization on the front lines of helping economic developers - from public to private, rural to urban, local to regional, and international – do their jobs more effectively. Our members are currently faced with the greatest economic challenges in decades and have communicated to us the urgent and necessary role that EDA plays in helping them confront the local downturns in their economies – the diminishing jobs, struggling small businesses and high rate of foreclosures.

I'm here to share with you the vital role that the Economic Development Administration plays in aiding distressed communities rebuild and revitalize their local and regional economies – especially as we face the greatest economic crisis of a generation - and to express the support of the International Economic Development Council for the bill before you reauthorizing EDA through 2013.

First, a few words on the importance of this Committee in helping mitigate the already devastating impact to many American workers, businesses, homeowners and communities. In this time of economic hardship we have to be reactive to address these immediate needs and proactive to plan for longer term economic development strategies. Chairwoman Norton, we appreciate all the work you and the Committee have done to confront these current economic challenges with rapid response efforts and strategies for long term, sustainable and competitive economic growth. We would also like to acknowledge the contributions of the Committee Chairman James L. Oberstar, who has been a staunch champion of the EDA and who was a recipient in 2005 of IEDC's Federal Leadership in Economic Development Award. As Chairman of the Subcommittee on Economic Development in the 1980s, Representative Oberstar stopped the dismantling of EDA by embarking on a grueling thirty-day schedule of Congressional hearings to evaluate the agency and its programs. This singular effort is recognized as the major factor in the continued existence and success of EDA.

Please allow me to now share with you a few grim statistics that underscore the economic crisis facing our communities and nation. The Bureau of Labor Statistics reported that 651,000 jobs were lost in February alone and that the national unemployment rate surged last month to 8.1 percent, its highest level in 24 years. The state of Michigan has the highest unemployment at a level of 10.6% as of December, 2008, followed by Rhode Island and South Carolina; and states like Representative Shuler's home state of North Carolina were in the top ten with an unemployment rate of 8.7% in December. This crisis is not regional. It's hitting all parts of the country as well as all sectors. In 2008, 791,000 manufacturing jobs were lost, hitting the auto sector hardest. The construction sector shed 899,000 jobs since peaking in September 2006. People are losing their jobs – and their homes. In 2003, there were an average of 3,100

foreclosures per day in the U.S. or 2.3 million total. People, companies, and communities suffer. The property tax revenue base declines and communities can't provide their basic services. Given the demands to be reactive and stop the bleeding, it's hard to be proactive in the area of economic development – and yet we must.

Here's why we need EDA.

EDA is the only federal agency focused solely on private sector job growth and economic sustainability. Its 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." 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.

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, 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 – and dating back to Hurricane Andrew in 1992, to the floods that ravaged areas in the Midwest including the St. Louis region in the 1990s to Hurricane Katrina, EDA has a proven track record

of helping communities rebuild. EDA also assists communities recover from other forms of sudden and severe economic dislocations including closure of military installations and other federal facilities, changing trade patterns and the depletion of natural resource. EDA also helps communities deal with problems associated with long-term structural economic distress. EDA's mission is vital to local economies and indeed our national economy – now more than ever.

Now, a few points on the bottom line.

EDA is cost-effective and has proven results. In Fiscal year 2007, EDA awarded over $277 million in investments, of which $209 million was for construction and infrastructure investments that are expected to create over 50,000 jobs at an average investment of $4,000 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 in taxpayer money attracts about $26 in private capital investment. Since EDA's creation in 1965, the EDA has leveraged in excess of $130 billion in private sector investments in distressed communities while creating more than four million private sector 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 is forward-looking. Its investments leverage jobs in the private sector that will be competitive in the global marketplace. The current mission statement, which emphasizes innovation, competitiveness and the worldwide economy, reflects this proactive vision. EDA's programs illustrate the Administration's priorities - from the stalwart Public Works and Economic Development and Economic Adjustment Assistance Program - to programs in Research and National Technical Assistance, Brownfields Development, a University Center Economic Development Program and Trade Adjustment Assistance. As I will illustrate with local examples, as a result of investment from EDA, communities have built business incubators, enhanced technology transfer and commercialization and bolstered the export sector of our local economies. Partnerships are cross-cutting – from industry and entrepreneurs to universities and worker job training programs.

During this time of national economic slowdown, effective investment in lagging parts of the country is crucial to maintaining our country's competitive advantage. We cannot leave distressed communities behind and we need an agency dedicated – in partnership with local government and the private sector – to that task.

Please allow me to talk about what EDA has meant for St. Louis.

St. Louis County is truly a great place to live and work and continues to receive recognition for its affordable cost of living, family-oriented environment, excellent cultural amenities and supportive business climate. But we have had to be proactive, resourceful and innovative to stay competitive in the modern global economy. In the 1990s, downsizing in the defense industry hit St. Louis hard. The region lost 60,000 jobs in the defense industry, 27,000 alone from McDonnell Douglas, which is now merged with Boeing. Floods inflicted heavy damage in 1993 and 1995 and continue to hurt the economy with remnants from Hurricane Ike and earlier floods causing extensive damage in the spring of 2008. Through this time, the EDA has helped us with the economic recovery and the transition from a heavy manufacturing and defense-based economy to one with more diverse, globally competitive industries. EDA has been a valuable partner in helping us expand our international trade capability, spawn entrepreneurship and develop and commercialize technologies for the benefit of economic development. St. Louis County Executive Charlie A. Dooley, my boss, recognizes EDA as an important partner in our economic resilience when we run into troubled times.

St. Louis County has been fortunate to be the recipient of EDA assistance for a number of projects that illustrate the significant impact EDA funding has on local communities. I will briefly discuss the breadth and depth of the significant community impact that EDA-funded projects have had in the following areas: economic readjustment and the loss of major employers; disaster recovery; entrepreneurship and small business development; increased competitiveness in the global economy; and jobs and training for distressed communities.

Economic readjustment and the loss of major employers. EDA provided funding of $12 Million which includes funding for the WTC and MET Center discussed below to establish the

highly successful St. Louis Defense Adjustment Program, a regional job and industry diversification effort organized in response to defense downsizing initiated in 1990. The Defense Adjustment Program has had far-reaching impacts including the spawning of several critical technology partnerships that ultimately led to the development of medical and plant science technology commercialization centers -which provide the specialized facilities, knowledgeable support services, entrepreneur training programs, and access to capital needed to establish and develop next generation bio-technology companies.

Disaster Recovery. EDA was our critical partner in developing and implementing economic development strategies in the wake of the 1993 and 1995 Midwest floods, in part by developing two successful small business incubators in flood-impacted areas. More recently, EDA has awarded $1.725 million to develop St. Louis as the Midwest hub for U.S. and Chinese commerce - increasing US exports to China and creating new jobs in the communities in the Midwest that have been severely impacted by the 2008 floods. This EDA investment also advances the economic development priorities of competitiveness in the global economy, enhancing entrepreneurial opportunities, and responding to the loss of major employers.

Entrepreneurship and Small Business Development. Our St. Louis Enterprise Centers (SLEC) relied on $5.8 Million in EDA funding to construct two business incubators that assist new and small businesses with affordable business space, shared support services, access to expert mentors, and networking opportunities. Companies served by the Centers employed 716 full-time employees with gross revenues totaling nearly $160 million in 2007 alone. This EDA investment also advanced additional economic development priorities: 1) Disaster recovery - the

Lemay and Chesterfield Centers were built with 1993 flood recovery funds in flood impacted areas, and 2) Jobs for Distressed Communities – Centers were constructed in older, inner-ring communities of Lemay and Wellston.

Competitiveness in the Global Economy. Initially relying on $820,000 in EDA assistance, the World Trade Center *St. Louis* (WTC) guides and prepares businesses for international success by providing research, expertise and support services in international trade. As a result of that early EDA assistance, in the past 11 years, WTC client companies have produced more than $100.3 million in international trade revenues and economic growth. In the last three years alone, the WTC has provided research and education services for 825 companies. The WTC also advances the economic development priority of growing small businesses by providing them with resources and critical linkages to international markets. WTC is also leading the regional effort to establish the Midwest-China Air Cargo Hub.

Jobs in Distressed Communities. EDA provided $6 Million for the development of the Metropolitan Education and Training Center (MET Center), a unique partnership of public, private, and community organizations, that provides a comprehensive set of technical job training, placement, and career development services to disadvantaged populations. The MET Center is located in Wellston, an old, inner-ring suburb suffering from severe disinvestment, inadequate infrastructure, and poverty. From January 2000 to March 2009 the MET center has successfully placed 3,675 customers into fulltime employment at an average wage of $10.37 per hour which represents an approximately $79 million impact to the St. Louis regional economy.

St. Louis is one of hundreds of communities and regions around the country revitalizing with the assistance of investment from EDA in combination with local money and significant leverage from the private sector. Here are some other examples.

Aurora, Colorado. When the 578-acre former Fitzsimons Army Medical Center located outside Denver shut down in 1999, 4,000 jobs were lost. But with the help of EDA funding, the site is now known as the Fitzsimons Life Science District and Anschutz Medical Campus, and the number of jobs on the site has quadrupled to 16,000. The site is the largest medical-related redevelopment project in the nation. I recently visited it. On one square mile is a hub of bioscience - the campus of the University of Colorado Denver's health sciences schools and University of Colorado Hospital, The Children's Hospital, the Colorado Science and Technology Park at Fitzsimons, an 184 acre business park for biotechnology and biomedical companies and The EDA-funded Bioscience Park Center, a life sciences incubator that opened in 2000. This incubator currently houses 33 bioscience companies and has had 5 successful graduates; these companies have created 481 jobs and raised $620 million in funding. Total EDA investment for the site has been approximately $30 million including multiple components of site infrastructure – including roads, sewer and water utilities – and the biosciences incubator.

Albuquerque, New Mexico. The Sandia Science and Technology Park is home to over 20 technology businesses, more than 2000 employees and over $250 million dollars in private investment. It just celebrated its ten year anniversary. Ten years ago, the site was a barren piece of land. It required the vision of local entrepreneurs who could persuade outside investors of the importance of incubating new business and commercializing and bringing to market new

technology. The park is now home to companies that tap the resources of the nearby Sandia National Laboratory, the University of New Mexico, and Technology Ventures Corporation to develop and commercialize technology that was previously being developed at the University or the Lab and then shipped out of state, commercialized and brought to market elsewhere. EDA made an initial million dollar grant to the Technology Ventures Corporation to install a fiber-optic line within the Park for high speed communications to help get the Park going - and has since then followed up with three other investments totaling $2.4 million. EDA was an early supporter and has continued to be a strong advocate of business incubators, innovation and research and development parks – home-grown economic development initiatives that are competitive world-wide.

New Orleans. Fran Gladden, the Undersecretary for Economic Development in the state of Louisiana recently sent the International Economic Development Council a note endorsing the reauthorization of the EDA and expressing the importance of the Administration's role in the economic recovery of New Orleans in the aftermath of Hurricane Katrina. EDA provided the state with a $4 million grant to develop a recovery strategy, provide development assistance to businesses, work on restoring investor confidence, retain key employers in the City or the State; and engage the business community to leverage private development resource. EDA followed up with a $2.5 million supplemental grant last year after hurricanes hit the Gulf Coast again. EDA also directly invested another 4.5 million in New Orleans for projects to help the economy recover in such a way that they would be more globally competitive moving forward. To that end, EDA funds were directed toward a Bio-Innovation Center, the Regional Planning

Commission, the World War II Museum, the Medical District and a Revolving Loan Fund, among other projects.

EDA has a portfolio of investments in diverse communities facing different kinds of challenges but determined to meet those challenges with economic development tools that will help them be sustainable in a global economy. There are numerous other examples. Recent winners of the Administration's Economic Development Awards reflect that - East Baltimore Development, Inc. is transforming 88 blighted areas with $1.8 billion dollars in new investments – with the goal of attracting families and market enterprises back to the neighborhood. Paulding County, Georgia's Board of Commissioners is implementing a plan that will develop a retail area and an airport that is an alternative to Atlanta's busy hub – all within an area of natural forestry and wildlife. They have been able to balance economic development with environmental priorities.

Throughout its history, EDA has proven to be an effective tool in combating economic distress and chronic poverty. EDA believes that economic development is a locally driven process. Their process is competitive. They vet our proposals and give funding to the most competitive. EDA then becomes a partner with local government and the private sector. It has proven to be a nimble partner, responding to the needs of local government and helping us shape our local economies without dictating unreasonable federal mandates.

Finally I would like to share with you a few critical points and recommendations regarding EDA.

Not only does EDA need to be reauthorized, it needs to get significant more funding

particularly for the next three to five years as we deal with this economic disaster. There are several core areas of the agency that have been cut and need to be restored to former levels or need significant augmentation. These include the Public Works Program, Economic Adjustment Assistance, Baseline Funding for Economic Development Districts and Planning grants and the Revolving Loan Fund.

- The Public Works Program. We have found that among the most crucial tools of EDA are its Public Works program for which funding has unfortunately declined nearly 35% since fiscal year 2002 and its Economic Adjustment Assistance Program. Funds need to be increased to higher levels.
- Economic Adjustment Assistance. We are pleased that in this new authorization bill, EDA will continue to allocate the majority of its funds to its core program of Economic Adjustment Assistance. The flexibility of this program has assisted infrastructure development and strategic planning goals. But it needs to be bolstered as more and more communities need the critical intervention this assistance can provide as they face our economic crisis.
- Baseline Funding. We would also like to see an increase in the baseline funding for the planning grant programs and for the agency's economic development districts (EDD's).
- The Revolving Loan Fund. The revolving loan fund provides crucial funding to businesses at below market rates or when financing is not available from the private sector and we would like to see more revolving loan funds with increased local flexibility. It's a crucial issue as credit markets remain tight.

Because FEMA is an agency that is prohibited from doing economic development, the EDA needs to be the lead federal organization on economic development in the aftermath of a natural disaster. And Congress needs to appropriate supplemental funds to EDA as the front agency in economic disaster relief and recovery in the immediate wake of a natural disaster.

The EDA should revisit the criteria for distressed communities.

We need to take a hard look at the criteria for economic distress. Are we using definitions that were constructed years ago? Many communities are currently facing economic distress brought on by the current crisis in the housing market, credit market and job market. They need immediate help; an infusion of funds could make the difference to their economic future. We need to get help to these communities now and consider a relaxation of rules qualifying communities as distressed.

The EDA should lower or waive matching requirements by communities during this time of economic crisis. The $500 million disaster supplemental that was appropriated last year had a blanket 75% grant rate, meaning EDA recipients had to match with 25%. During this time of economic crisis, the EDA should adopt that grant rate or go even higher - or even waive the grant rate. Some of the distressed communities that need the help the most are the ones that do not have the surplus resources to contribute matching funds. But those may be precisely the ones that are hardest hit and that we need to reach.

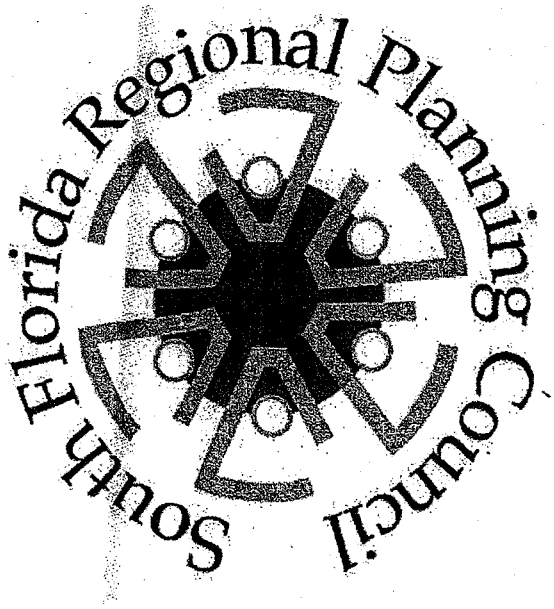
EDA needs to be reinvigorated, with resources and manpower.

We are pleased that the current budget will allow for EDA to fill vacant positions as they arise in 2009, but we are concerned that overall that there has not been an effort to reinvigorate this agency for some time. It has been left to languish without new investment in manpower and resources. Now with a number of people with significant experience set to retire and most importantly during this economic crisis, we need sufficient manpower for rapid and effective response. A top-notch staff that provides advanced technical services and understands the changing and challenging dynamics of local economic developers and private sector partners is crucial in our current economic times.

EDA needs to do more to support regional initiatives. We also would like to see EDA support initiatives that foster regional coalitions of economic developers. We recognize that regional economies do not respect local political boundaries. Therefore, economic developers recognize that economies must draw upon the resources of an entire region as they seek to develop private sector growth that is globally competitive.

On behalf of communities around the country working hard to stay competitive in this challenging global economy, I urge you to reauthorize the Economic Development Administration for another five years. 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.



WRITTEN STATEMENT FOR THE RECORD
CAROLYN A. DEKLE, EXECUTIVE DIRECTOR OF THE
SOUTH FLORIDA REGIONAL PLANNING COUNCIL

BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT

WASHINGTON, DC
MARCH 10, 2009

Thank you, Madam Chair, Ranking Member Diaz-Balart and members of the subcommittee, for the opportunity to testify this morning on the performance and results of the U.S. Economic Development Administration (EDA). More importantly, I am pleased to express my organization's support for a multi-year EDA reauthorization bill that maintains the agency's current mission and program focus with only modest program reforms and updates.

My name is Carolyn Dekle. I serve as executive director of the South Florida Regional Planning Council (RPC), a multi-purpose regional planning organization governed by a 19-member Board of Directors comprised of local elected officials, governor's appointees and ex-officio members representing Broward, Miami-Dade and Monroe Counties. Our organization has served as an EDA-funded Economic Development District (EDD) since 1993.

In addition to our involvement in EDA's planning, business development finance and infrastructure programs, the South Florida RPC is involved in a broad range of issues, such as reviewing and approving developments of regional impact, promoting brownfields redevelopment and cleanup, coordinating emergency preparedness plans, assisting local governments with a variety of regional and local comprehensive plans, and managing development finance loan funds for local entrepreneurs and businesses.

Madam Chair, the U.S. Economic Development Administration (EDA) is an invaluable partner for the three-counties served by the South Florida Regional Planning Council. While our region certainly has areas of immense wealth and prosperity, we also have large pockets of poverty and distress, both in our major urban centers and our surrounding rural and agricultural areas. In fact, Miami-Dade County has higher unemployment and poverty rates historically than the Florida and national averages.

Therefore, we strongly encourage Congress to develop and adopt a multi-year reauthorization measure for EDA that maintains the agency's core mission and program tools, while also expanding its funding base and flexibility, strengthening its partnership with the national network of 381 Economic Development Districts (EDDs) and restoring the local cost share requirements for projects, at a minimum, to the pre-2005 distress rates. We support these reauthorization principles and others as outlined by the National Association of Development Organizations (NADO).

This morning, Madam Chair, I will focus my remarks on an innovative project that the South Florida RPC has undertaken in partnership with EDA's Atlanta Regional Office to improve the management, operations and performance of regional and local EDA Revolving Loan Funds (RLFs). Our project offers a timely case study on how the agency can work with its RLF intermediaries, including EDDs, to dramatically improve the results and performance of the RLF program. The RLF program is an invaluable economic development tool to assist local firms and entrepreneurs struggling to access traditional credit markets. However, the EDA program requires significant organizational capacity and professional knowledge of business lending practices, regulations and institutions. It also requires a long-term commitment and patience with federal

bureaucratic red tape, constantly changing set of rules and high staff turnover since EDA RLFs retain their federal nature in perpetuity.

While other federal business loan funds under HUD, USDA and other agencies lose their federal identity, the initial EDA RLF grant and any income and interest derived from it are considered federal property forever. As a result, RLF intermediaries are required indefinitely to comply with costly reporting and audit requirements each year, even for those RLFs originally capitalized by the agency more than 34 years ago. This also means that EDA must provide the proper oversight and management of a growing number of funds each year, with less than a handful of professional staff. Today, the agency supervises more than 500 RLFs with a combined value of more than $800 million.

While Congress and this committee provided the agency with new management tools in the 2004 reauthorization law, such as the option of consolidating, transferring and liquidating RLFs at the request of the grantee, these represent only a partial fix to the program. We believe ownership of EDA RLFs should be fully transferred to the local intermediary once all of the initial funds have been loaned out, repaid by the borrowers and fully revolved. This would significantly reduce EDA's management and staffing burden, while ensuring that local accountability and transparency is maintained. This simply means that RLF capitalization investments by EDA would be treated like a grant to regional and local intermediaries, as it is named, rather than a loan to an intermediary, as it is currently operated.

Since 2000, Madam Chair, the South Florida RPC has worked with the EDA Atlanta Regional Office to improve the local management and staffing of four EDA RLFs that were set up within the region to address specific needs and events. Three of the RLFs were established after Hurricane Andrew in 1992, the nation's second most destructive hurricane in more than a century. These funds were operated by two private-sector organizations (Beacon Council & Miami Capital Development Corporation) and one local government (City of Homestead). The fourth was set up to assist 10 communities impacted in 1980 by the civil disturbance in Miami-Dade County.

While each of the original grantees tasked with operating the EDA RLFs had the best of intentions to assist local businesses impacted by either the devastating hurricane or the destructive civil disturbance, these funds became less and less effective as the years passed. It also became harder and harder to make loans related to the original intent of these loan funds.

EDA turned to our organization for assistance since we are an Economic Development District with experience in managing business development loan funds on a regional basis, including a state-based program to assist businesses impacted by natural disasters. In addition, our loan fund manager has decades of experience in managing business loan funds, including extensive service within the banking industry.

In partnership with EDA and the three RLF operators, we started to transfer the four loan funds to the South Florida RPC between 2000 and 2008. Once transferred to the SFRPC, the geographic

boundaries of three of the RLF grants were changed to include the entire region of the RPC, including Miami-Dade, Broward and Monroe Counties. The loan fund for the 1980 civil disturbance still remains dedicated to the 10 communities targeted in the original grant.

Today, the combined funding for the four RLFs is $8.2 million. We are actively using these funds to create new jobs in our region, as well as increase private and public sector investments in distressed areas of our region. In recent years, we have helped retain and create more than 1,200 jobs, while assisting more than 54 small businesses with seed capital and gap financing. We have loaned out more than $9.4 million and leveraged more than $17 million in additional public and private sector investments.

A primary example of the local impact of our EDA RLF is our partnership with Leasa Industries. The company is the largest manufacturer of bean and alfalfa sprouts in the country. It is located in an economically depressed area of Miami-Dade County. Leasa employs more than 90 workers, all of which are from the local community. The South Florida RPC was able to use our EDA RLF money to provide working capital after the development of their new 30,000-square foot facility. Without our assistance, the company would have lacked the capital needed to expand and maintain its operations. Today, the company has gross revenues of more than $7 million.

As a result of our EDA RLF, we are in a better position to help local businesses and entrepreneurs create and retain jobs in our region, especially in the more distressed areas of our three counties. The EDA investments have led to increased employment opportunities for our citizens, as well as increased sales tax revenues and diversification of our regional economy.

As part of the EDA reauthorization bill, we encourage Congress to consider ways to strengthen local control of the RLF program. For those intermediaries who have proven over time that we have the capacity, skills and results to manage the program, we should be allowed to devolve control to the local level and cut the federal strings after the money has been fully lent out and recaptured.

In addition, we support expanding EDA resources and incentives for small businesses that develop methods of "going green" or become eco-friendly companies, similar to the merits of the agency's new Global Climate Change Mitigation Fund. Within the RLF program, intermediaries should be allowed to use the current loan fund to reserve funds for businesses that become "green businesses." This would require EDA to loosen its current regulations and to work with its network of RLF operators to revise existing RLF plans and strategies. It would take staff resources and time but should be a priority of the agency.

In closing, thank you again, Madam Chair, Ranking Member Diaz-Balart and members of the subcommittee, for the opportunity to express my organization's support for a multi-year EDA reauthorization bill that maintains the overall mission and program tools of the agency, while also modernizing some of its programs and guidelines. I would welcome any questions or comments.

WRITTEN STATEMENT FOR THE RECORD

SHARON JUON, EXECUTIVE DIRECTOR OF THE
IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
AND PRESIDENT OF THE
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS
BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS
AND EMERGENCY MANAGEMENT

WASHINGTON, DC
MARCH 10, 2009

Thank you, Chairwoman Norton, Ranking Member Diaz-Balart and members of the subcommittee, for the opportunity to testify today on issues relating to the reauthorization of the Economic Development Administration (EDA).

My name is Sharon Juon. I am the Executive Director of the Iowa Northland Regional Council of Governments, headquartered in Waterloo, Iowa. I also currently serve as the President of the National Association of Development Organizations (NADO). My professional background includes more than 30 years of economic development experience in both the public and private sector, including ten years in my current position.

The **National Association of Development Organizations (NADO)** provides advocacy, education, research and training for the national network of 520 regional development organizations, including the 381 multi-county Economic Development Districts (EDDs) designated and funded by the U.S. Economic Development Administration (EDA). NADO members—known locally as councils of governments, economic development districts, local development districts, planning and development districts, regional councils and regional planning commissions— are focused on strengthening local governments, communities and economies through regional collaboration, comprehensive development strategies and program implementation.

Our nation's regional development organizations manage and deliver a variety of federal and state programs. Based on local needs and priorities, programs may include aging, census, community and economic development, emergency management and homeland security preparedness, GIS, housing, small

business development finance, transportation and workforce development. A policy board of local elected officials, along with business, education and citizen representatives, governs and sets the priorities for each regional organization.

The **Iowa Northland Regional Council of Governments (INRCOG)** is a voluntary association of local governments established by state law serving the member jurisdictions in Black Hawk, Bremer, Buchanan, Butler, Chickasaw and Grundy counties located in the northeastern region of Iowa. In addition to serving as an EDA-designated Economic Development District (EDD), INRCOG is responsible for coordinating, assisting and facilitating a variety of community and economic development, transportation, homeland security, housing and environmental programs that benefit local communities throughout the region.

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

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

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

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

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

2. **Local control and ownership of EDA's more than 500 Revolving Loan Funds (RLFs).** EDA's RLF program has the unique distinction of being the only federal grant program that never loses its

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

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

4. **Provide EDA with program flexibility to adapt to changing economic development challenges.** By authorizing the agency's Global Climate Change Mitigation Fund, currently funded at $9.4 million for FY2008, and authorizing separate initiatives for alternative energy/energy efficiency and broadband initiatives, the agency will be better positioned to assist communities in implementing both sustainable job creation strategies and provide the advanced infrastructure increasingly needed to support the technology-intensive demands of the private sector.

5. **Increase funding for EDA's core programs.** Public works and economic adjustment assistance programs should remain the primary focus of EDA. Proposed at roughly $272 million in the FY2009 Omnibus Appropriations Act, the agency's budget has declined nearly 35 percent since FY2001. The funding authorization for EDA's core programs should start at the FY2008 level of $500 million and be increased each year to account for rising construction costs, mounting infrastructure improvement needs and increasing global competition. Declining resources for EDA's key economic and infrastructure programs translate into fewer jobs created and fewer private sector dollars leveraged in our nation's distressed and underserved communities.

6. **Adjust baseline funding for the EDD partnership planning program.** The 2004 EDA reauthorization law set the mandatory minimum funding level for the EDA partnership planning program at $27 million. This account provides invaluable matching funds for EDDs and local communities to pursue regional economic development goals and strategies. The demands on EDDs have increased significantly due to the current economic downturn and the evolving nature of the global economy, as well as new mandates imposed by EDA in 2005. The program account should be raised to $34 million to provide additional assistance to distressed regions.

7. **Restore EDA's professional staff capacity in regional and headquarters offices.** Since 2002, the agency has undergone a significant downsizing of its professional workforce. As a result, EDA is starting to experience more difficulties in providing oversight and technical assistance and delays in

grant processing. This affects not only the timely delivery of investment resources to distressed communities, but translates into increased costs as well. The longer communities are forced to sit and wait while EDA reviews and processes applications, reimbursement requests and program extensions, the more expensive it becomes to build and develop the infrastructure necessary to create sustainable jobs. Therefore, we encourage Congress to take actions necessary to maintain and rebuild personnel in the agency's six regional offices, including Economic Development Representatives (EDRs), and to restore the professional career staffing capacity at its headquarters.

Second, Madam Chair, EDA and its local partners have a proven and documented record of exceptional performance and accountability. The agency has developed a strong record in assisting communities that are struggling to overcome both long-term economic challenges and sudden and severe hardships. Through its full range of program tools, the agency has been uniquely positioned to help areas recover from military base closures and realignments, manufacturing plant closings, natural disasters and declines in natural-resource based industries like coal, fisheries and timber.

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

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

Despite EDA's long and documented history of successfully creating and retaining jobs and generating private sector investments in America's impoverished regions, as well as high performance rankings from the Office of Management and Budget (OMB), the agency is continually faced with fewer and fewer resources.

Meanwhile, using the agency's performance outcomes in recent years, EDA could potentially help create or retain more than 85,000 private sector jobs and leverage roughly $4 billion in additional public and private sector investments in distressed areas if EDA's annual appropriations were restored to the FY2001 level of $439.8 million. The numbers above provide a powerful reminder of the impact EDA's resources play in stimulating job growth in distressed communities and that even a relatively small change in funding can make the difference in generating thousands of jobs and attracting millions of dollars in new private investment.

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

region within Iowa, EDA has been a key partner in several important projects. Last year, our organization helped secure $1.5 million for **Cedar Valley TechWorks**, an initiative aimed at establishing a bio-products cluster in several old John Deere buildings that the company donated to nonprofit organizations in the Waterloo area.

Following the devastating floods of 2008, EDA provided $300,000 for our organization to hire **two full-time flood coordinators** for our region. These positions are desperately needed to facilitate communications among federal, state and local officials. They are also essential to coordinate projects and resources at the local level and to provide technical assistance to our local governments and communities that were impacted by the devastating floods.

Again, with the assistance of INRCOG, the **City of Waterloo** received $750,000 from EDA to assist in the redevelopment of the **Rath Packing** facility, a brownfields site, in 1998. EDA's investment helped rehabilitate the infrastructure and facilities within the eight-acre site. The investment helped create and retain over 400 jobs and leverage in excess of $5 million in private sector investment.

EDA's success stories spread beyond just my region, as many distressed areas have relied on EDA investments to realize the economic development potential hidden within their communities.

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

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

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

The **Mohawk Valley Economic Development District** (Mohawk, NY) worked with **Montgomery County** to secure $1.6 million from EDA in 2002 to establish the 500-acre **Florida Business Park**. EDA resources were

utilized in the site preparation process, including the installation of water and wastewater infrastructure. Several large corporations invested large amounts of capital in the park and expanded their businesses operations there, including **Target, Inc.**, which now owns nearly 300 acres of the park, employs more than 570 and invested more than $111 million. **Beech-Nut®** recently acquired 100 acres to build a new production facility that employs 490 people. In total, nearly 1,100 jobs have resulted from EDA's investment in the park. EDA's per job investment is roughly $1,570 per job and for each dollar of EDA funding more than $130 in private investment was realized.

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

Last year, EDA invested $1.9 million for the development of the **Barton Riverfront Industrial Park** in **Colbert County, Alabama**. The investment was leveraged with $350 million in private investment from the **National Alabama Corporation**, which is locating in the park and will produce between 8,000 and 10,000 railcars per year and, when at full capacity, will employ 1,800 people within this distressed rural region.

In 2006, the **Braxton Technology Center** – a 30,000square-foot multi-tenant building specifically designed to accommodate the needs of high-technology businesses – officially opened its doors. EDA's grant of $1.1 million to the **Braxton County Development Authority (WV)** leveraged $25 million in private sector investment and created 100 jobs in this rural community. In just over two years, the building is now fully occupied and the development authority has determined that a second facility is needed to meet the growing demands of the current tenants.

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

EDA and its local government partners' main focus is investing in the public infrastructure and facilities that are not only needed to support the private sector, but also required by businesses and industries to operate and succeed. Without public services such as water and sewer, access roads, rail spurs or industrial parks, private industry will locate or relocate to places with these essential amenities, whether somewhere else in the United States, or even more frequently, abroad.

As reported by the American Society of Civil Engineers (ASCE), the nation's infrastructure remains in serious need of improvements and increased public investment. Improvement costs alone over the next several years are calculated in the trillions. America's ability to maintain and grow a world-class economy is directly linked to our ability to sustain the nation's economic development infrastructure.

In inflation-adjusted dollar terms, according to the Congressional Budget Office (CBO), annual public spending on infrastructure has steadily risen from $105 billion in 1956 to just over $312 billion in 2004. Of

this total amount, the federal government spends approximately $75 billion a year on infrastructure investments, with EDA playing a targeted role in linking job creation and infrastructure improvements.

Although federal spending has averaged an annual rate of increase of 1.7 percent in dollar terms, as a share of total non-defense federal expenditures, the federal contribution has declined. Between 1956 and 1966, infrastructure spending was approximately 10 percent of non-defense discretionary spending, peaking at 11.2 percent in 1960. Since that time, this figure has steadily declined. Over the last twenty years, federal spending on infrastructure averaged 3.5 to 4 percent. Meanwhile, the state and local share of infrastructure costs have grown and continue to increase, according to CBO.

America is falling dangerously behind our global competitors in the level of investments made in the critical infrastructure needed for national economic competitiveness, as cited recently in *The Economist*. For example, China is spending 9 percent of its annual Gross Domestic Product (GDP) on infrastructure investments—many times above what America currently spends (0.57 percent) as a portion of our total economy. China has already built nearly 52,000 kilometers of new roads in its rural areas since the 1990s. They are now planning to construct over 300,000 kilometers of new roads by 2010, 97 new airports by 2020 and, this year alone, add 66 gigawatts of electric capacity, which is more than the United Kingdom uses annually.

Countries in the Europe Union are redoubling their efforts, and India is expected to expend 5 percent of its GDP on infrastructure improvements, including the development of an end-to-end national transportation network. The countries of Sub-Saharan Africa are spending an average of 4.7 percent of the continent's total GDP annually on infrastructure investments. All are investing heavily in their infrastructure networks in a growing effort to gain a competitive advantage in the world market place.

At a time when nearly every American business and community is confronting intense competition from emerging and less developed nations, the federal government should be expanding, not cutting, resources and investments for critical public works infrastructure systems and regional strategic planning. EDA is the only federal agency with the mission of linking regional strategies and infrastructure investment with regional economic development initiatives to ensure communities grow sustainable jobs. It is also an agency that invests at the grassroots level, yet helps local communities improve connections to the national and global economies.

Throughout its history, EDA has been recognized as a national leader and innovator in the economic development field. Many cutting-edge practices have emerged from the agency's public works and economic adjustment assistance programs, such as business incubator buildings, smart technology parks, eco-industrial parks and the redevelopment of brownfields. Without the financial and technical support of EDA and its local partners, most distressed communities in small metropolitan and rural America would never have the opportunity to implement these innovative projects.

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

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

EDA's economic development district planning program is the only program in the federal government that invests in regional economic development planning with a specific focus on increasing private sector employment. It is the only program of its kind that allows local governments to collaborate on a region-wide basis to strategically plan for their economic sustainability. Unfortunately, it is only funded at $27 million each year. With 381 EDDs, numerous tribal planning partners and other short-term grantees, these funds can only be stretched so far. In addition, the average multi-county regional planning grant for EDDs has remained level at about $54,000 since the early 1970s. When measured in 1970 dollars, the real value is less than $10,718 today. By comparison, the same $54,000 in 1970 is the equivalent of $272,047 when adjusted for inflation to 2005 dollars.

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

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

As demonstrated in a thorough program evaluation by the Center for Urban Studies at Wayne State University, the national network of 381 multi-county 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.

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

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

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

The challenges facing EDDs do not end at the county line or even at regional or state boundaries. Managing development in a new era of economic realities requires a more thorough understanding of global economic conditions, familiarity with cutting-edge technology and innovations, and impacts of development and land use on the environment, which, in many areas, is all compounded by issues of persistent poverty and long-term economic distress.

However, communities that have historically focused on regional strategy development and implementation are reaping those benefits today more than ever and are better positioned to compete in the new world economy—to attract ideas, innovation and creativity that are the hallmark of successful communities.

Over the last several years, the **Eastern Oklahoma Development District** (Muskogee, OK) has leveraged its CEDS into more than $4.42 million in EDA investments for five different projects. These EDA grants matched $11.32 million in other public funds while generating $143.5 million in private investments and creating more than 1,640 new jobs in this distressed region. With the leadership of the EDD, EDA invested:

- $1 million, matched by a $4.5 million in state assistance, to build a state-of-the-art facility for the Indian Capital Vo-Tech Campus that offers classes in building trades, nursing and the health and business fields
- $420,000 to help create more than 400 new jobs at a new 350,000-square-foot manufacturing plant for Therma-Tru Doors, a firm specializing in entry and patio doors
- $1.5 million to secure $10 million in private funds to restore the historic Three Forks Harbor into a mixed-use site for recreational boating, sport fishing, hiking and biking—an essential part of the region's economy
- $1 million to help build the infrastructure needed for Dal-Tile, a ceramic tile manufacturer, to open a facility in the region, ultimately generating $96 million in private investments and creating 600 new jobs within the region

- $500,000 to help make the infrastructure improvements related to a new plant for American Woodmark, a major cabinet manufacturer, which resulted in over $15 million in private investments and the creation of over 400 jobs

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

The CEDS activities of the **Southside Planning District Commission** (South Hill, Virginia) helped provide Mecklenburg County with the ability to secure $755,000 in EDA resources to construct the Roanoke River Regional Business Park, which was completed in June 2007. Shortly following the completion of the park, American Industrial Heat Transfer, Inc. announced its intention to locate in the facility and make an $11 million investment. Its facility was completed in June 2008 and employs 85 people in this distressed area.

In the wake of the devastating hurricanes that hit the Gulf Coast in 2005, the State of Louisiana began requiring all governing bodies and municipalities to comply with the International Building Code (IBC). Areas in the state that were not already implementing the code faced significant difficulty in coming into compliance due to technical and financial constraints, especially those in underserved rural areas.

The planning and technical assistance provided by the **South Central Planning and Development Commission (Gray, LA)** led to the formation of the first-of-its-kind Regional Construction Code program serving five counties in the region. Aside from bringing the local jurisdictions into compliance with the new law, the program has resulted in better coordination between parishes, reduction of costs in implementing the code program due to economies of scale, and comprehensive and consistent enforcement without political intervention.

Not only as a consequence of changing global economics, shifting demographics, increased environmental degradation and decaying infrastructure, EDDs are increasingly called upon to perform more for less and comply with increased federal regulations and mandates.

Regulations following EDA's 2004 reauthorization legislation (P.L. 108-373) required EDDs to substantially increase the scope and elements of their CEDS to include lists of potential projects, an analysis of the role of the private sector, identification of economic clusters, inclusion of performance standards, as well as the inclusion of advanced technology and workforce development elements. These are all valuable activities, yet they can be very technical, time consuming and expensive.

We are thankful this committee recognized the critical value of the EDD planning program in the 2004 EDA reauthorization measure and provided a minimum level of support for the program of $27 million, which was an increase of $3 million over the program's existing appropriations level (the program has historically

been funded as a separate line-item within the agency's Economic Development Assistance Program account).

The increased support was to be used to fund the backlog of designated-but-unfunded EDDs and increase the overall planning grant level for existing EDDs. Since that time, the number of funded EDDs nationwide has increased from approximately 320 to 381. However, the amount invested to support each EDDs economic development planning activities has remained stable at $54,000 annually for more than thirty years. If EDDs are to remain at the forefront of our nation's regional economic development efforts, we will need a modest increase in funding.

Across the country, EDDs overwhelmingly report that additional funding is needed to:

- Expand local participation in the CEDS process and comply with the new CEDS requirements that were revised and expanded in the regulations following the 2004 reauthorization bill
- Maintain the organizational capacity and expertise needed to implement projects identified in the CEDS process, as well as provide technical assistance on local projects and initiatives
- Develop capacity to incorporate Geographic Information Systems (GIS) data into the CEDS
- Conduct in-depth regional cluster and innovation system studies of key industries

EDDs serve a vital role in ensuring the economic competitiveness and sustainability of America's distressed regions. The changing global economy brings new challenges that all communities, large and small, must face. Increased investment in EDDs will strengthen the chances of our nation's underserved communities to overcome this new generation of obstacles.

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

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

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

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

The Rutgers University evaluation revealed that almost 300,000 jobs were created and saved by RLF loans between 1976 and 1998. Research found that without RLF investments, over 76 percent of borrowers would have gone out of business, not started their companies, or canceled, delayed or scaled back the investments in their companies. In addition, for every dollar lent by an EDA RLF, an average of $4.50 is matched by private lenders.

RLFs play a particularly critical role in the economic development of distressed small urban and rural areas, where alternatives to conventional financing are limited. In metropolitan areas, community development corporations (CDCs) and municipal agencies often manage loan funds. In rural areas, where there are few CDCs and limited municipal capacity, RLFs managed by regional development organizations such as EDDs are often the only source of financing for entrepreneurs and existing businesses. A January 2002 NADO survey of regional development organizations with loan funds found that half are the sole lenders in all or part of their multi-county service delivery area.

I know from first-hand experience the transformative potential the RLF program can play at the local level. As part of our flood recovery efforts, we recently received $750,000 to establish a Revolving Loan Fund (RLF) that will serve northeastern Iowa. The RLF will assist businesses that were severely impacted by the floods, and we estimate the fund will help create 233 jobs, save 232 jobs and generate more than $4.7 million in private investment.

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

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

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

While the EDA RLF program has proven to be an effective tool to assist local businesses and entrepreneurs, there are several potential changes that would improve the management and

performance of the program. The members of NADO support the adoption of several policy changes as part of any EDA reauthorization measure. These include:

- **Strengthen local control and ownership of RLFs.** EDA's RLF program has the unique distinction of being the only federal grant program that never loses its federal identity. The initial RLF grant and any income and interest derived from it are considered federal property. As a result, RLF operators are perpetually required to comply with burdensome and expensive reporting and audit requirements. Ownership of EDA RLFs should be fully transferred to the local intermediary once all of the initial funds have been loaned out, repaid and fully revolved. This would significantly reduce the oversight and management burdens on EDA, which they have been unable to fulfill, while still ensuring local accountability is maintained. It should be treated like a grant program to intermediaries, as it is named, rather than a loan program to intermediaries, as it is currently operated.

- **Recapitalize and broaden the scope of existing RLFs.** Allocate new resources to clear EDA's backlog of RLF capitalization and recapitalization requests and needs. Due to changes in the agency's investment priorities and reductions in agency staff, we are aware of fewer than a dozen new EDA RLF grants to intermediaries in the past several years. This is despite the proven track record of the RLF program in providing vital gap financing to local entrepreneurs and businesses struggling to secure traditional bank financing in underserved and distressed regions. In addition, there is a pressing need to streamline the reporting requirements and expedite the timing of intermediary requests to turnover underused RLFs to those operators in need of new or additional funds. Currently, we understand that most unused RLF money is returned to EDA or the U.S. Treasury and is not recirculated to other RLFs for relending.

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

In closing, Madam Chair, I want to reinforce NADO's strong support for a multi-year reauthorization bill that vigorously preserves EDA's current mission and program focus. Through its toolbox of development assistance and investment programs, EDA serves as a vital resource for distressed areas striving to improve their local economies through encouraging private sector job growth and strategic investments.

The agency should retain its historic flexibility to assist all of the nation's distressed communities and regions, whether they are struggling to overcome long-term economic challenges or sudden and severe hardships. In addition, the agency should develop new and innovative tools to allow regions to adapt to changing global economic conditions and challenges, especially new incentives to foster regional collaborations and initiatives. Thank you again, Madam Chair and members of the subcommittee, for the opportunity to testify today on the views of NADO and its membership. I would welcome any questions.

April 20, 2009

The Honorable Eleanor Holmes Norton
Chairman
Subcommittee on Economic Development, Public Buildings and
Emergency Management
Committee on Transportation and Infrastructure
U.S. House of Representatives
585 Ford House Office Building
Washington, DC 20515

The Honorable Mario Diaz-Balart
Ranking Member
Subcommittee on Economic Development, Public Buildings and
Emergency Management
Committee on Transportation and Infrastructure
U.S. House of Representatives
592 Ford House Office Building
Washington, DC 20515

Dear Chairman Norton and Representative Diaz-Balart:

On behalf of the National Association of Development Organizations (NADO), thank you very much for providing me the opportunity to testify on reauthorization of the Economic Development Administration (EDA).

Per your request, please find my responses to questions submitted for the record. If NADO can be of any further assistance in this or any other matter, please contact NADO Legislative Director Jason Boehlert at 202.624.8590 or jboehlert@nado.org.

Sincerely,

Sharon Juon
NADO President and
Executive Director, Iowa Northland Regional Council of Governments

ADVOCACY, EDUCATION, NETWORKING AND RESEARCH FOR THE NATION'S REGIONAL DEVELOPMENT ORGANIZATIONS
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1) **What are your recommendations to the Committee regarding EDA reauthorization? What should be changed, deleted, authorities added?**

NADO believes there are a number of program reforms that could significantly improve EDA's performance in providing cutting-edge infrastructure and economic development assistance in distressed and underserved areas, including:

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

2. **Local control and ownership of EDA's more than 500 Revolving Loan Funds (RLFs).** EDA's RLF program has the unique distinction of being one of the only federal grant programs that never loses its federal identity. The initial RLF grant and any income and interest derived from it by intermediaries are considered federal property, indefinitely. As a result, RLF intermediaries are required in perpetuity to comply with exhaustive reporting and audit requirements. Intermediaries must use their very limited interest and program income to cover the costs of these mandates, often costing more than $15,000 each year in audit and reporting costs (including OMB A-133 audit). Ownership of EDA RLFs should be fully transferred to the local intermediary once all of the initial funds have been loaned out, repaid and fully revolved. RLF capitalization investments should be treated like a grant to intermediaries, as it is named, rather than a loan program to intermediaries, as it is currently operated. This would significantly reduce EDA's management burden while allowing intermediaries to address local business development finance needs, whether development of angel investment and entrepreneurship networks, community economic development infrastructure lending, regional innovation funds, or green infrastructure and business development loan funds.

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

    a. Increase federal matching support to expand the regional Comprehensive Economic Development Strategies (CEDS) of EDDs to incorporate in-depth regional cluster innovation analysis and data mining, assess regional assets and develop regional governance structures to advance each region's competitive advantage
    b. Increase EDA's share in projects that exhibit outstanding regional collaboration, impact and support, especially through the national network of EDDs

4. **Increase funding for EDA's core programs.** Public works and economic adjustment assistance programs should remain the primary focus of EDA. Funded at roughly $272 million in the FY2009 Omnibus Appropriations Act, the agency's overall budget has declined nearly 35 percent since FY2001. The funding authorization for EDA's core programs should start at the $400 million and be increased each year to account for rising construction costs, mounting infrastructure improvement needs and increasing global competition. Declining resources for EDA's key economic and infrastructure program translates into fewer jobs created and fewer private sector dollars leveraged in our nation's distressed and underserved communities. In addition, any funding for new initiatives, such as the administration's regional clusters innovation program and goal to develop a national network of private-public business incubators, should supplement, not supplant, existing planning, infrastructure development, economic adjustment and business development finance programs.

5. **Adjust baseline funding for the EDD partnership planning program.** The 2004 EDA reauthorization law set the mandatory minimum funding level for the EDA partnership planning program at $27 million, up from previous appropriations level of $24 million. The agency used the additional $3 million in planning resources to fund the backlog of approximately 60 designated-but-unfunded Economic Development Districts (EDDs), bringing the total number of EDDs in the program from around 320 to 378 today. Unfortunately, the existing set of EDDs were not provided with additional planning support as intended by Congress. The average EDD annual planning grant has remained at about $54,000 since the early 1970s, despite proven results by EDDs, mounting loss of purchasing power over the decades (average EDD planning grant should be more than $282,000 when adjusted for inflation), and extensive new mandates and program requirements imposed by the agency's revised planning rules in 2005.

   This EDA planning partnership account provides invaluable matching funds for EDDs and local communities to pursue regional economic development goals and strategies. The demands on EDDs have increased significantly due to the current economic downturn and the evolving nature of the global economy. The FY2009 Omnibus Appropriations bill increased planning resources to $31 million, with specific guidance that the agency use the additional funds for existing EDDs. This much needed increase should allow the agency to provide each EDD with nearly $10,000 in extra funding, bringing the average-planning grant to $64,000.

   However, additional matching funds are needed to ensure EDDs have the resources and expertise needed to help their regions and local communities pursue more advanced regional innovation and competitiveness agendas, in addition to their traditional infrastructure and business development initiatives. NADO recommends that the Committee support a minimum program level of $35 million, which would help the agency increase the typical EDD matching grant to $75,000, while also reserving at least $6 million for short-term planning grants, statewide strategies and new regional innovation pilot projects.

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

2) In your opinion is the decision making process the most efficient? Should the regions have more authority to make decisions?

Under EDA's current process, the agency's six regional offices have initial responsibility for screening, scoring and ranking project applications. Applications are then forwarded to EDA headquarters for final review and approval. EDA's regional offices maintain a high degree of decision making authority and autonomy in the process. Through this process, a close connection between the regional offices and the local constituencies is maintained. While the current decision making process and structure is effective, there are changes that can be made in reauthorization legislation to ensure the efficient delivery of resources to the local level.

First, provisions clarifying that all Economic Development Assistance Program (EDAP) funding should be distributed to the six regional offices within a specified timeframe would eliminate avoidable slowdowns in local development efforts. Currently, EDAP resources are allocated among the agency's six regional offices. However, there are no formal requirements within the agency's authorization that require funds to be distributed in this manner or safeguards to ensure funds are allocated in a timely fashion.

In previous years, there have been instances where appropriated funds have sat idle within EDA headquarters, which caused unnecessary and costly delays. A statutorily defined process for distributing agency funding based on existing and proven methods would eliminate future delays in local job creation and economic development activities.

Second, restoring EDA's professional staff capacity in regional and headquarters offices would significantly increase the agency's efficiency in processing and managing grants and projects. Since 2002, the agency has undergone a significant downsizing of its professional workforce, estimated at nearly 50 percent at headquarters and nearly 30 percent in field operations. As a result, EDA has experienced difficulties in providing oversight and technical assistance and delays in grant processing. This affects not only the timely delivery of investment resources to distressed communities, but translates into increased costs as well.

The longer communities are forced to sit and wait while EDA reviews and processes applications, reimbursement requests and program extensions, the more expensive it becomes to build and develop the infrastructure necessary to create sustainable jobs. Therefore, we encourage Congress to take actions necessary to maintain and rebuild the agency's six regional offices, including Economic Development Representatives (EDRs), and to restore the professional career staffing capacity needed at its headquarters office.

Third, the agency should place a higher priority on partnering with the nationwide network of economic development districts to identify, prioritize and advance projects in areas with approved Comprehensive Economic Development Strategies (CEDS). This would help ensure projects have significant regional and local support, and it would help alleviate backlogs within the regional offices related to project application review.

3) Ms. Juon, on your first page of testimony you mention the need to modify the local cost share for projects in distressed communities. Do you have a suggested cost share rate?

The 2004 EDA reauthorization bill did not intend any changes or modifications to the local cost share rates. However, in 2005, the agency made significant revisions by regulation to change match rates for distressed areas. It is now much more difficult for distressed communities, especially small urban and rural areas to meet the revised EDA requirements. These changes run counter to the agency's mission of providing seed capital and gap financing to the nation's most economically distressed communities.

At a minimum, NADO urges Congress to roll the federal-local match rates back to their pre-2005 levels (see chart below). If Congress restored these rates to the levels that were in place prior to levels established by administrative regulation, significantly more impoverished and struggling communities would be able to fully benefit from the job creation resources provided by EDA.

Congress is also encouraged to examine the distress rates that determine communities' eligibility to access EDA resources. To be eligible for EDA assistance a community must meet low per capita income or a 24-month unemployment rate that exceeds the national average. Many areas in the Northeast and Midwest are plagued by distress factors, such as outmigration and underemployment, which are not considered by EDA.

In addition, given the current economic situation, there are many communities experiencing high recent rates of unemployment that are either below national averages or are diluted based on the 24-month average. Congress is encouraged to provide EDA with the flexibility to revise distress criteria based on national, state and local trends and also consider distress criteria, such as outmigration and underemployment, which are region specific.

Projects	Maximum grant rates (percentage)
(1) Projects of Indian tribes where EDA has made a determination to waive the non-Federal share of the cost of the project.	100
(2) Projects under Part 308 located in Presidentially-declared disaster areas for which EDA receives an application for assistance under a supplemental appropriation, within 18 months of the date of declaration, and for which the President established a rate of Federal participation, based on the public assistance grant rate of the Federal Emergency Management Agency (FEMA) for the disaster, of greater than 80 percent.	100
(3) Projects of Indian tribes where EDA has made a determination to reduce the non-Federal share of the cost of the project.	Less than 100
(4) Projects of States or political subdivisions of States that have exhausted their effective taxing and/or borrowing capacity, or nonprofit organizations that have exhausted their borrowing capacity.	Less than 100
(5) Projects under Part 308 located in Presidentially-declared disaster areas for which EDA receives an application for assistance under a supplemental appropriation, within 18 months of the date of declaration.	80
(6) Projects located in Federally-declared disaster areas, for which EDA receives an application for assistance within 18 months of the date of declaration, when the Assistant Secretary determines that the applicant cannot provide the required non-Federal share because of the disaster's impact on the economic situation.	80
(7) Projects located in eligible areas where:	
(i) The 24-month unemployment rate is at least 225% of the national average or	
(ii) The per capita income (PCI) is not more than 50% of the national average	80
(8) Projects located in eligible areas that are not eligible for a higher rate, where:	

Projects	Maximum grant rates (percentage)
(i) The 24-month unemployment rate is at least 180% of the national average or	
(ii) The PCI is not more than 60% of the national average	70
(9) Projects located in eligible areas that are not eligible for a higher rate, where:	
(1) The 24-month unemployment rate is at least 150% of the national average or	
(2) The PCI is not more than 70% of the national average	60
(10) Projects in all other eligible areas	50

4) What are the costly reporting and audit requirements you see attached to running RLF fund?

The RLF program is an invaluable economic development tool to assist local businesses struggling to access credit and capital. However, the program requires significant organizational capacity and professional knowledge of business lending practices, regulations and institutions. It also requires a long-term commitment and patience with federal bureaucratic red tape, constantly changing set of rules and high staff turnover since EDA RLFs retain their federal nature in perpetuity (including those dating back to mid-1970s).

While other federal business loan funds under the U.S. Department of Housing and Urban Development, U.S. Department of Agriculture and other agencies lose their federal identity, the initial EDA RLF grant and any income and interest derived from it are considered federal property forever. As a result, RLF intermediaries are required indefinitely to comply with costly reporting and audit requirements each year (on a semi-annual basis), even for those RLFs originally capitalized by the agency more than 30 years ago. This also means that EDA must provide the proper oversight and management of a growing number of funds each year, with less than a handful of professional staff.

The vast majority of RLF operator requirements are derived by regulation and program guidelines, not the agency's authorization law. Some of the administrative requirements imposed on RLF operators include:

- requirements for regular updates to RLF plans
- annual audit requirements, including OMB A-133 audit requirements
- semi-annual and annual reporting requirements
- requirements for semi-annual filing of income and expense statements
- requirements regarding records retention
- RLF certification requirements
- mandatory compliance reviews by EDA staff

EDA RLFs should lose their federal identify after they have been lent out and fully recaptured by the intermediary. This would allow intermediaries to address current business development finance needs of its region, rather than be limited by EDA's traditional economic development model. For example, intermediaries could use program funds to establish angel investor networks and lending funds, establish community infrastructure funds to support regional and local economic development goals, foster regional entrepreneurship lending and technical assistance programs, and provide more flexible funding for entrepreneurs and businesses located in business incubators.

5) What types of incentives would you recommend to reward regional collaboration? You mention aggressive funding incentives—what percentage or amount do you have in mind?

While the 2004 reauthorization bill established two new performance awards programs, these initiatives are very limited in scope and have demonstrated very little impact. The two programs should be modified and retooled to allow EDA to be more aggressive in its efforts to promote regional economic development, especially since regional economic development, innovation and competitiveness is central to our nation's economic future according to a growing body of international and national policy research.

Congress should build upon the existing network of EDA multi-county economic development districts (EDD) to encourage, reward and facilitate regional development activities, including regional cluster innovation analysis and development, establishment of modern business development finance tools, regional cost sharing for infrastructure development, and integration of regional transportation, community development and economic development plans.

In addition to strengthening the roles, responsibilities and funding for EDDs to promote regional economic development, the agency should be allowed to increase its cost share for projects that exhibit significant regional collaboration, impact and participation. The agency should be granted the authority to increase its share by an additional 10 to 30 percent in a project. The additional EDA share should be allowed for projects and investments that are ranked as a top priority within an EDD's Comprehensive Economic Development Strategy (CEDS) and that:

- Demonstrate measurable economic benefit and significant collaboration among local jurisdictions, private sector entities, universities and other related economic and community development entities, including through the network of EDDs;
- Advance the economic competitiveness of the region;
- Promote regional cluster innovation analysis, strategies and initiatives; or
- Are integrated with the activities of other federal, state and local economic development agencies.

6) The 2010 budget submission specifically mentions "regional innovation clusters" — what is your opinion of the cluster concept?

NADO fully supports the development of regional innovation clusters when they are part of coordinated and locally-driven regional economic development strategy. NADO has long supported the development of regional clusters as they have been integral to the development of many regions and communities. However, we strongly encourage the administration and Congress to provide additional resources for the agency to help support new and expanded regional cluster innovation initiatives, rather than reprogram existing agency funds. Far too many distressed communities still have pressing needs for infrastructure upgrades and development (including broadband), business development finance tools, post-disaster or sudden and severe economic dislocation recovery strategies and coordinators.

NADO urges Congress to provide new and expanded funding for the administration's regional cluster innovation initiative, as opposed to transferring existing program funds into this initiative. The agency should also retain its traditional focus on serving the most distressed regions and communities of the nation, including small metropolitan and rural areas. As part of the regional innovation agenda, EDDs and other planning partners should be encouraged to focus on asset-based strategies that incorporate cluster analysis, networks and mapping.

7) The 2010 budget also mentions business incubators. Does NADO have a position on business incubators?

Business incubators serve as an effective economic development tool and NADO fully supports EDA's investments in them when they are part of a regionally-developed and locally-driven economic strategy that combines a variety of economic development opportunities. However, funds should not be diverted from EDA's traditional public works programs to focus solely on one form of development project over another. NADO will continue to support investment in business incubators, which are currently an eligible activity of the agency, as long as investment in them is driven by local needs and priorities. Distressed communities across the country have many types of needs and EDA should be ready, willing and able to fund those needs, whether they are business incubators, water and wastewater system upgrades, access roads for industrial parks, high-speed broadband networks, redevelopment of brownfields sites or revolving loan funds to provide businesses with access to capital.

8) Your testimony mentions an EDA project called Cedar Valley Tech Works — briefly describe the project and how EDA participated.

Cedar Valley TechWorks is a non-profit corporation that has become a reality through the assistance and efforts of a variety of organizations, funding sources and agencies. It is designed to advance bio-agricultural production, manufacturing, and marketing through research and development—one of region's economic clusters. Ultimately, the purpose of the organization is to foster the research and educational needs of the growing bio-economy (bio-products, bio-energy, bio-materials, bio-fuels, bio-pharmaceuticals, products for clean air and clean water, information technology, and advanced manufacturing). Additionally, a TechWorks campus is being developed as an adaptive reuse of land in the heart of Waterloo, Iowa, using numerous buildings located on 40 acres of land donated by John Deere and Company. In total, the Cedar Valley TechWorks project is a $50 million project. The first element of which is currently under renovation, the Technology Center.

Along with the demolition of a number of buildings donated to the project by John Deere, the initial construction phase of the Technology Center includes the renovation of the "R" Building in the middle of Deere and Company's downtown site. It is a six-story, 155,000 square foot building that will house entities whose mission is advancing the use of agricultural products and commodities.

The total cost of the Technology Center renovation is estimated to be $6.6 million. Of the total, EDA provided roughly $1.5 million through a grant award that was prepared and coordinated by my organization, the Iowa Northland Regional Council of Governments (INRCOG). The Iowa Department of Economic Development (IDED) has also provided $3 million through the Grow Iowa Fund and a Brownfield Financial Assistance Program Agreement. In addition, the City of Waterloo has provided Department of Housing and Urban Development Community Development Block Grant funding in the amount of $350,000 to the project. Finally, just over $1.7 million of the cost is coming from the private sector.

Within the Technology Center, TechWorks has negotiated and signed its first lease with the National Ag-Based Industrial Lubricants (NABL) program, which specializes in the development of lubricants and greases. Further, TechWorks will work cooperatively with public sector partners such as the U.S. Department of Agriculture, University of Northern Iowa, University of Iowa, Iowa State University, and Hawkeye Community College. Potential private sector partners include, but are not limited to, companies such as Deere and Company; DuPont/Pioneer; Cargill; Archer, Daniels, Midland Company; Monsanto; Novartis; and Northland Oil.

Beyond the development of the Technology Center, the Cedar Valley TechWorks will include the development of a manufacturing cluster and agricultural exhibit center, connectivity to the existing transportation network, and integration into the City of Waterloo's Riverfront Renaissance Project.

9) There has been much discussion and excitement over broadband investment. Your testimony includes a success story in Eastern Virginia. Please elaborate.

The Eastern Shore of Virginia Broadband Authority was formed to bring improved broadband and telecommunications services to the businesses and residents of the Eastern Shore of Virginia. The Authority is a public non-profit company created under the Virginia Wireless Service Authorities Act and by a resolution of the Counties of Northampton and Accomack.

It is a regional and local effort that includes both Northampton and Accomack Counties and all the communities of the Eastern Shore of Virginia. The counties are providing project funding for the planning process of the initiative.

EDA recently provided $2.3 million to the Authority for construction of 66 miles of fiber optic broadband network lines from the NASA Wallops Island Flight Facility to Cape Charles, Virginia. The network will provide high-speed broadband access to support the naval facility and expansion of existing financial, manufacturing, and research and development businesses in the region. This investment is part of a $4.75 million project that will help create 760 jobs and generate $109 million in private investment. (EDA funding for broadband can only be used for economic development purposes, so EDA funding is typically used for building "middle mile" backbones and networks. EDA funding may not be used for "last mile" connections to homes and residents.)

Similar to other initiatives that have been funded by EDA in Maryland and Southwestern Virginia, the goal of the initiative is to build communications infrastructure that is required by the private sector to compete on a global scale. Communities that are unable to provide this infrastructure are increasingly at a disadvantage to those that are able to provide this amenity in attracting and retaining business. For rural areas to compete with their metropolitan counterpart, and increasingly with communities abroad, more broadband investment resources tied to economic development, like those provided by EDA, will be needed.

10) Briefly describe the study conducted by the Center for Urban Studies at Wayne State.

In 2000, EDA contracted with the Center for Urban Studies at Wayne State University to evaluate the agency's Economic Development District Planning Program, which currently funds nearly 380 Economic Development Districts (EDDs) to facilitate strategies for economic development in their communities on a regional basis.

The Wayne State Study, which was released in 2002, concluded that EDDs have used their annual EDA planning funds to establish an impressive record of facilitating and leading a regional strategic planning process that "provides the critical backbone for economic development planning at the regional level" and that "EDD activities are both effective and essential to local development." The report further states that "EDDs very effectively use the EDA funding they receive. They have a strong ability to use that funding to leverage funding from other sources to pursue development activities."

11) There is much discussion about recapitalization of the revolving loan funds. Does NADO have a suggestion as to what the amount should be?

EDA's RLF program is one of the most successful and powerful economic tools for addressing credit gaps that exist in many distressed communities, particularly in underserved rural areas. A Rutgers University evaluation revealed that almost 300,000 jobs were created and saved by RLF loans between 1976 and 1998. This study found that without RLF investments, over 76 percent of borrowers would have gone out of business, not started their companies, or canceled, delayed or scaled back the investments in their companies. In addition, for every dollar lent by an EDA RLF, an average of $4.50 is matched by private lenders.

Despite the proven record of success and impact of the agency's RLF program, grants to intermediaries dropped substantially over the past several years. While EDA used to reserve nearly $12-15 million each year for new RLF investments, the number of RLF capitalization and recapitalization investments was significantly downsized around 2002-2003 to less than a handful each year. As a result, a significant backlog of RLF capitalization and recapitalization requests and needs exists.

RLFs are capitalized and recapitalized on an individual and case-by-case basis. Over the years, EDA has funded between 500 and 600 individual RLFs that have net assets of nearly $850 million. The exact level of need is unclear. Given the current economic climate and the need for capital and credit that goes unmet by traditional lenders and banks particularly in underserved areas, the needs are substantial.

NADO believes that fulfilling the backlog of RLF needs that exists nationally should be a top priority for the agency and that EDA should work aggressively, with the resources available, to capitalize and recapitalize worthy RLF funds. NADO believes that Congress, in reauthorization legislation and committee report, should reinforce the principal that providing access to credit and capital in distressed and underserved areas through the RLF program must remain a fully utilized tool in EDA's job creation toolbox.

The agency should also be directed to use its existing program authority to transfer or reprogram unutilized or underutilized RLF resources to those operators with the capacity, expertise and need to leverage their full job creation potential. This is an authority that should not be forced on RLF operators, but encouraged, when appropriate, to the greatest extent possible. Over the past several years, due to limited staff resources, the agency has rarely utilized this tool. However, as the agency begins rebuilding its professional staff capacity, EDA should be encouraged to use the full range of tools available to ensuring the RLF program is achieving its full job creation potential.

To assist in this, NADO recommends the creation of a RLF Users Advisory Group to assist the agency in strengthening RLF program operations, reporting and management; sharing of program innovations and trends; and recommendations for modifying and expanding the use of RLFs to address the evolving finance and technical assistance needs of entrepreneurs and businesses in today's economy.

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TESTIMONY OF LAWRENCE MOLNAR
PRESIDENT, EDUCATIONAL ASSOCIATION OF UNIVERSITY CENTERS
DIRECTOR, UNIVERSITY OF MICHIGAN EDA UNIVERSITY CENTER FOR ECONOMIC DIVERSIFICATION
HOUSE COMMITTEE ON TRANSPORTATION, AND INFRASTRUCTURE
SUBCOMMITTE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMEREGENCY MANAGMENT
March 10, 2009

Madam Chairman, as you consider the reauthorization of EDA, I speak as President of the Educational Association of University Centers, which is the advocacy organization for universities in the EDA University Center Program. I am pleased to offer this testimony regarding the performance and contributions of this critically important program administered by the Economic Development Administration of the Department of Commerce. The EDA University Center Program is included under the EDA Technical Assistance line item, which is funded at less than $9 million annually, with about $8 million for the national EDA University Center Program.

The EDA University Center Program is a national network of centers located at universities and colleges in most states. The program has operated for over 30 years as the only federally-funded program specifically designed to link the higher education system in the U.S. with local and regional economic development organizations, local units of government, private sector companies, non-profits and regional organizations to foster economic and business development. There are about 55 centers in the program currently.

Through this program, the resources, research, expertise, experience and capabilities of the higher education system are made accessible to help capitalize on opportunities, address problems and overcome economic challenges for areas suffering economic dislocation and distress. Each individual University Center Program reflects the character and capacities of the sponsoring institution and tailors its portfolio of programs, projects and services based on the individual institution and the needs of the service region that each program serves. This proactive engagement of the system of higher education in the U.S. is particularly critical in the current economic environment.

There are four modifications to the national EDA University Center Program that would improve effectiveness of the program and enable the program to greatly enhance its positive impact on the local, state and national economies. Currently there are approximately 55 University Center Programs operating and we believe that number should increase twice, to total 110 Centers, which would allow each state to have at least two centers. The current Federal allocation for each Center averages $125,000 per year. We request the amount for each center be increased to $250,000 per year. As is well known, universities are experiencing financial duress and the 50/50 cost share requirement to fund a University Center Program is difficult to attain. Our request to address this fiscal impediment is that the cost share requirement be modified to 80% Federal Share and 20% University share. The fourth request is that the current requirement of

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EDA that each University Center Program enter an open competition every three years be revised. In its place we ask that a joint EDA, EDA University Center Program team conduct a peer review every three years to verify University Center Programs are indeed meeting their performance objectives. Those not meeting their goals would be subject to the termination of Federal funding. This will ensure economic and program stability for successful programs and provide a means to address underperforming programs.

The national University Center Program, and all individual University Center Programs that form it, operate in conformance with the EDA's investment principles. That means that programs and projects undertaken by the University Center Programs are market-based and results-driven; have strong organizational leadership; advance productivity, innovation and entrepreneurship; address medium to long-term needs; anticipate economic changes; foster economic diversification; and include a high degree of local commitment. To these ends, the national University Center Program participates in economic development activities nationwide that help leverage hundreds of millions of dollars in private sector investment.

A fundamental objective of the national University Center Program is to focus program activities on areas of economic distress and to conduct projects and individual programs that lead to the creation and retention of, in particular, high-wage, high-skill, and high-demand jobs. The types of activities undertaken by university centers include technical assistance that can take the form of direct assistance to strengthen the competitiveness of private sector companies. A typical example of a technical assistance project would be to work with a manufacturer to develop a prototype of a new product, analyze the potential market for the product, and help commercialize and launch the new product. The end result will hopefully lead to increases in production capacity within the firm, resulting in new job creation.

University Center Programs often have the capacity and the mission to conduct applied research to inform economic development initiatives. Typical projects that would require applied research to determine potential success are industrial parks, technology parks, business incubators and accelerators, and public works projects that improve infrastructure, such as potable water treatment plants, wastewater treatment, access roads and other projects. Research such as market and feasibility analyses, business plans, operating plans and other types of analyses serve to strengthen projects and to help ensure that investments are directed toward projects with the highest potential to deliver in economic terms.

University Centers Programs also conduct economic analyses to identify industry clusters that exist or that have the potential to be created. Industry clusters are private sector companies that exist in a defined geographic region and have similar characteristics. This can enable individual firms to create competitive advantages through relationships that often include pooled procurement activities or supply chain linkages, where firms provide raw materials, components or other products or services to companies that use raw materials to produce value-added products or companies that create products by combining components to produce a finished item for delivery to customers. Conducting the research to identify companies with potential affinity and the potential for benefit from economies of scale may create or retain jobs and make individual companies more competitive and profitable. This can strengthen local and regional

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economies by developing a local supply chain and producing products that are exported from the region, thereby bringing revenue into the region from external sources.

An example of university center activity is the Community Economic Adjustment Program initiative, undertaken by the University Center Program at the University of Michigan, which I oversee, along with our partners at Cleveland State University, Ohio University and Purdue University. Our work addresses the adverse impacts on communities in Michigan, Ohio, Illinois, Wisconsin and Indiana that are experiencing major manufacturing plant closures. The University Center Programs at these universities are collaborating to deliver services to the impacted communities and to help the communities access resources from a range of Federal agencies, State agencies and non-profit organizations.

The tools created to help these communities to develop economic recovery plans include a "Resource Guide" to Federal, State and non-profit agencies and organizations that can help communities experiencing economic distress and sudden, severe dislocation. Communities also receive a "Regional and Community Profile" that helps identify core competencies and competitive advantages of communities and regions and that contains critical information, such as key infrastructure, transportation corridor information, workforce characteristics, and demographic information. A "Strategic Planning for Economic Recovery Workbook" helps to facilitate an accelerated strategic planning process that takes place over a period of 4-6 weeks and leads to a set of implementation projects to address economic, community and social needs in the communities and regions that are adversely impacted.

After the community stakeholders become organized and have identified critical needs using the tools mentioned previously, the program convenes a Community Stakeholder Workshop that brings program representatives from Federal and State agencies to present information about their programs for distressed communities and to meet one-on-one with stakeholders representing a wide range of economic and community development organizations, social service agencies, local elected officials and units of governments that are qualified to receive funding.

Another example of the wide range of University Center Program assistance activities is a project conducted by the University of Pennsylvania EDA University Center. The South Central Workforce Investment Area of Pennsylvania created a Department of Defense (DoD) Industry Partnership to strengthen the region's defense industry through targeted skills training. Penn State University's Pennsylvania Technical Assistance Program (PennTAP) managed the development of this Partnership. This Partnership grew out of a State-funded economic development initiative, Job Ready PA, which builds partnerships to more effectively respond to the workforce needs of targeted industries.

The Industry Partnership is comprised of representatives from regional DoD commands and activities, the private contractors supporting those activities, and regional education institutions and training providers. The Partnership acts as a workforce intermediary, connecting the workers and contractors with the educational infrastructure by creating industry-driven training programs in response to identified skill gaps targeting three categories of workers: DoD

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personnel; civilian contractors providing both infrastructure as well as technical and mission support services; and DoD systems manufacturers and parts and component suppliers.

Every University Center Program across the U.S. has many examples of terrific project and program activities that have greatly contributed to the health of regional and local economies and have addressed economic distress.

The economic security, national security and global competitiveness of our nation are increasingly bound with the higher education system of colleges and universities in America. The economy of our nation is in a period of transformation from a primarily industrial-based economy to a post-industrial economy. This transformation is creating enormous challenges as jobs are lost in some sectors and regions, and jobs are created in other sectors and regions. It is essential that the higher education system play an engaged and proactive role in the nation's economy.

In summary we believe that Federal funding per center should be $250,000 annually, that the number of University Center Programs nationwide be increased to 110, that the cost shall be 80% Federal 20% University, and the competition be replaced by a peer-review process. The national EDA University Center Program is the sole federal program to ensure that the role of higher educational institutions in fostering economic development nationwide is continual and effective. It is for this reason the funding for this critical program be continued with the increase requested. Because it is a national program, no single State, region or economic sector gains at the expense of any other region or sector. I thank you for your attention to this issue and hope this request will be approved.

U.S. House of Representatives
Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Works and Emergency Management
Hearing on EDA Reauthorization: "Rating Past Performance and Setting Goals During an Economic Crisis"
March 10, 2009

Written Questions from the Subcommittee for:
Lawrence Molnar, Director, University of Michigan EDA University Center Program

What is the reporting mechanism that University Centers use to report to EDA headquarters regarding their programs?

University Center Programs are required to submit to their respective EDA Regional Office a Semi-Annual Report and an Annual Report that describe the activities and outcomes of each University Center Program for the reporting period. Each EDA Regional Office has the discretion to forward the reports to the EDA Headquarters Office.

Each University Center Program submits annual reports in accordance with GPRA reporting requirements. The GPRA reports are submitted by each University Center to the EDA Regional Offices, which in turn submit them to the EDA Headquarters Office.

The Chicago Regional Office conducts a day-long bi-annual meeting of University Center Program Directors at the Regional Office. Presentations about each Center's activities are conducted by University Center Directors and time is allocated for questions and discussion. In the fall of 2008, the Chicago Regional Office scheduled this meeting to take place at the EDA Headquarters Office for the benefit of Headquarters leadership and staff.

What do University Centers do to encourage business incubators?

The participants in the University Center Program nationwide recognize that business incubation programs are a highly effective and efficient economic development tool when they are established and operated in accordance with industry best practices. To that end, a number of University Centers are actively involved in establishing and operating business incubators as partners, and in some cases the University itself is the "owner/operator" of the incubator program.

The University Center Programs that are associated with University-based incubators include: Purdue University (three incubators), Louisiana Technological University (arts incubator), University of Wyoming, University of Florida (two incubators), Auburn University (incubator since 1976), North Carolina State University, West Texas A&M,

Arkansas State University-Jonesboro (incubator in progress), University of Connecticut (two incubators).

Another example of EDA University Center involvement in business incubation is here at my institution, in the Institute for Research on Labor, Employment, and the Economy. The University of Michigan University Center Program has established the University of Michigan Center for Business Acceleration and Incubation Studies (CBAIS), which is the most recent outcome of University of Michigan EDA University Center involvement in the business incubation industry for over twenty years. The EDA University Center has conducted numerous market and feasibility analyses and developed business and operating plans that serve as the "due diligence" that is necessary before a significant investment is made in a business incubation facility and program. A number of successfully operating incubators have been launched as a result.

The market and feasibility analyses serve to pose and answer critical questions:

Is there sufficient demand in the market for the proposed investment? That is, are there enough home-based businesses, new startups, people who want to start a business, spin-offs from existing companies, to warrant the investment?

Is it feasible to meet the market demand given realistic estimates of available resources?

What is the business plan for the incubator? How do we secure the funding support to get the doors open?

What is the financial and operating plan to keep the doors open?

By asking and answering these questions through surveys of the stakeholder population of entrepreneurs, and by conducting statistical analysis, quantitative results are produced upon which decisions can be made with a confidence based on numbers, not opinions.

The University of Michigan EDA University Center has also conducted a study of the Michigan incubation industry, which found that five to ten years after leaving an incubator, over 85% of incubated companies are still in business and 87% of those are still located in the region served by the incubator. This shows that incubated companies have an extremely high survival rate and that they tend to stay "at home."

The University of Michigan EDA University Center also led a research team that conducted a national study of the business incubation industry that was EDA-funded, and found that incubators create jobs at a very low relative cost. The University of Michigan EDA University Center is currently conducting an EDA-funded national study of the incubation industry that is investigating the correlation between incubation best practices and the successful outcomes for incubators and incubated businesses.

How will University Centers fit into a post-industrial economy?

The post-industrial economy is characterized by an economic, business, workforce, and educational environment that differs greatly from that which has existed over the past 100 years—when the nation evolved from an agrarian-based economy—to an industrial-based economy with mass production centered primarily in the United States. In the economy of the past, a strong back was the most important qualification for employment in a steel plant, on an automotive assembly line, or in a factory production position. Today, knowledge, information, and a constantly changing and upgraded skill set is absolutely necessary to qualify for high-wage, high-skill jobs that constitute the workforce of the current and future economy. The role of the University Center Program in addressing the jobs of the future consists of three critical elements, described as follows.

First, University Centers will provide a strong connection between the employment market demand of the business, industrial production, and service sectors with the education, training, knowledge, and skills resident in the institutions of higher education that will supply the people necessary to meet the employment market demand. These institutions include the four-year and graduate institutions, the community college system, and vocational, polytechnic, and skill-center organizations.

Second, University Centers and their host institutions will take a leadership role in providing the drivers of the new economy, consisting of entrepreneurship, business acceleration and incubation, new venture creation, innovation, technology transfer, and technology commercialization. This will be accomplished through the process of creating innovative curricula to teach entrepreneurial and intrapreneurial skills and to encourage and support enthusiastic, motivated, bright young people. The University Center Program nationwide will also contribute by sponsoring business incubation programs and linking the private sector with the research, laboratories, expertise, knowledge, intellectual property, faculty, the best and the brightest graduate students, and the wealth of technological and intellectual resources that are created and maintained by the higher education system of our nation.

Third, through expansion and enhancement of the University Center Program, University Centers will be able to extend the scope and depth of their role within the new post-industrial economy. Currently there are only fifty-four Centers nationwide, and there are seven states and the District of Columbia that do not have even one University Center Program. The University Center Program will make a significant contribution to the post-industrial economy of the future if the number of University Center Programs is doubled and every state and the District has at least one program. States and regions that are under extreme economic distress should have more than one University Center Program, as should states that have large geographic boundaries such as Alaska and Hawaii (which covers the vast Pacific Rim region). The minimum funding allocation for each University Center Program, which currently averages less than $125,000 in Federal funds (static for over twenty years), needs to be increased to provide a minimum Federal funding level of $250,000. The local match/cost share requirement from each host institution for a University Center needs to be reduced from a 1:1 requirement to an 80%

Federal, 20% local match in recognition of the severe economic stress besetting universities and states, which have steeply reduced their funding for education.

With sufficient support for these three University Center initiatives, the University Center Program will make a valuable and long-term contribution to the nation's transition from an industrial-based economy to the post-industrial economy of the future. A successful transition absolutely depends on Universities taking the lead on the road to a prosperous future for our nation and its people.

Would you please supply for the Committee a copy of a "Regional and Community Profile", and a copy of the "Strategic Planning for Economic Recovery Workbook"?

See enclosed materials (includes CD-ROM, "Resource Guide to Federal/State/Non-Profit Agency Programs of Assistance for Distressed Communities").

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EDA Reauthorization: Rating Past Performance and Setting Goals During an Economic Crisis

Testimony Before the
U.S. House of Representatives

House Committee on Transportation and Infrastructure

Subcommittee on Economic Development,
Public Buildings and Emergency Management

Jonathan Sallet
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March 10, 2009
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Testimony of Jonathan Sallet,[i]
Before the Subcommittee on the Economic Development, Public Buildings and Emergency Management, U.S. House of Representatives
March 10, 2009

Summary
I believe that the Economic Development Administration, (EDA) should support regional innovation clusters in order to bring together the key ingredients of competitiveness policy – encouraging innovation, lowering the effective costs of operation for growing businesses, matching workers' talents with Twenty-First Century requirements, and creating private-public partnerships in which governments can play a constructive role by fostering the best conditions for economic growth and job creation through bottom-up, industry-led processes.

My recommendation is that regional innovation clusters should become the centerpiece of a re-authorized EDA, empowering the agency to work with businesses, universities, community colleges, state and local governments and community leaders to foster regional competitiveness strategies. That will help boost job creation and business growth by spurring the creation and growth of successful regional ecosystems, striking exactly the right balance between federal leadership and local responsibility and between the private and public sectors. It can also serve as a model for federal micro-economic initiatives more generally, which should support regional competitiveness strategies.

Testimony
Madam Chair, Congressman Mica and members of the Subcommittee on Economic Development, Public Buildings and Emergency Management, thank you for the opportunity to testify today on the reauthorization of the Economic Development Administration.

With the current economic crisis and increasing unemployment throughout the nation, this is the best time to consider how the federal government can work with state and local governments, business, universities, community colleges and communities to restore long-term economic health to our nation. That is the charge of the EDA specifically and of the Department of Commerce generally.

I would like to focus my testimony on one topic: Why the Congress should adopt a novel mission for the EDA – to facilitate the creation and growth of regional "clusters" of innovation, which are the building blocks of national competitiveness. The President's budget for FY2010 wisely recommends that, for the very first time, the EDA adopt a specific policy to "support the creation of regional innovation clusters that leverage regions' existing competitive strengths to boost job creation and economic growth."[ii] That proposal builds on longstanding academic research and practical experience at the regional level. It could be, I believe, the cornerstone in turning the traditional Economic Development Administration into a new Economic *Renewal* Administration – more focused, more efficient, and more effective.

Promotion of regional innovation clusters would provide a distinctive focus for the EDA, enhance federal innovation policy and serve as an important example of how the federal

government can support regional competitiveness initiatives, while recognizing the importance of local leadership and bottom-up strategies.

I served as the Director of the Office of Policy & Strategic Planning for the Department of Commerce for Secretary Ron Brown in the early 1990's. I am currently working with Silicon Flatirons of the University of Colorado on entrepreneurship and innovation policy. Last year, I authored the chapter on the Department of Commerce for the transition volume produced by the Center for American Progress. In that essay, I proposed that the new administration forge a concentrated approach to globalization to benefit both U.S. businesses and workers by building on local and regional "clusters" of competitiveness. Specifically, I recommended that the Department of Commerce should institute a "regional competitiveness initiative" that would

> *empower local communities and businesses to work together to achieve a national objective: finding the best formulae for sustainable economic growth and innovation. Geographic regions have a proven track record for facilitating innovation, productivity, and high-paying jobs in growing companies. Yet current economic policy does not effectively utilize the potential of these regional clusters or their ability to work with local businesses. This initiative should place special emphasis on how the department can facilitate collaboration between local governments, educational institutions, and businesses, through competitive cost sharing and a longer-term grant program.*
>
> *A culture of learning and experimentation will be critical to the department's future success. As part of this, the secretary should convene key governmental and business leaders in 2010 to benchmark and share ideas for how the Regional Competitiveness Initiative can best be implemented at the local level and supported by the federal government. The summit should include successful "case studies" from regional competitiveness initiatives such as those implemented in South Carolina, Oregon, Maine, and California, and include a specific focus on energy-efficient and low-carbon technologies. A portion of this summit should be devoted to discussing the feasibility of the Economic Development Administration supporting an initiative for privately-run microfinance programs built on the model of Grameen Bank's first location in New York City.*[iii]

The importance of public policy to further the success of regional innovation clusters is based on a long history of academic research and regional success. More than any other single person, Professor Michael Porter of the Harvard Business School has pioneered the insight that "clusters" – geographically concentrated areas of specialization – form the foundation of regional, and the basis for national, competitiveness.[iv]

Clusters are geographic concentrations of firms, suppliers, support services, specialized infrastructure, producers of related products, and specialized institutions (such as training programs) whose expertise reinforces one another's. So, for example, a successful cluster can connect firms with academic institutions, research labs, and other nonprofit organizations in order to create the kind of virtuous cycle of competitiveness that creates jobs, stimulates business formation, and improves productivity. Examples of U.S. clusters include metal manufacturing in

the upper Midwest, entertainment in Los Angeles, information technology in Silicon Valley, and furniture in Mississippi. Clusters are common to every advanced economy.

What are the kinds of advantages that are shared by the participants in clusters? They could be a set of workers who have honed particular skills, like building boats in Maine. Or community colleges that offer training to advanced manufacturing workers in places where advanced manufacturers have located. Or research centers that conduct basic research into biotechnology close to biotechnology firms. Anything, really, that creates what an economist would call a "positive externality" – a benefit that is captured not just by a single firm, but that enriches the community as a whole. Positive externalities are nothing new – the externalities produced by K-12 education is the basis for our public school system – but what is new is this: The notion that regions can consciously focus on the creation of shared advantages within clusters to create jobs, help businesses be created and, of course, stimulate long-term economic growth.

The Massachusetts Life Sciences Center is a good example. Massachusetts, of course, has many of the ingredients of a successful life-sciences ecosystem, including teaching hospitals, research facilities, successful biotechnology companies and risk capital firms. Even so, because a cluster has the characteristics of what economists call a "public good", public-private partnerships can spur additional economic growth. The Massachusetts Life Sciences Center commits state matching funds to support the biotechnology by identifying unmet needs and challenges and then focusing its efforts on areas in which its stakeholders, including the business community of course; believe that the cluster initiative can most make a difference. That includes support for early stage companies and technology transfer, workforce development, the competitive position of academic and medical research institutions, and acting as a convener and coordinator of cluster participants. Within the first year of its existence, the Massachusetts Life Sciences Center has committed $33 million in public funding, leveraging more than $327 million in private investment, which is projected to create more than 850 new jobs.[v]

As this example illustrates, clusters enhance collaboration and value-creation, drive productivity, and play a fundamental role in knowledge creation, innovation, the accumulation of skills, and the development of pools of employees with specialized skills. They effectively lower the cost of capital, increase accessibility to specialized labor, create positive learning effects and decrease the cost of finding talented workers. They create an ecosystem that is helpful to the creation of new firms in which specialized advantages reinforce each other to the benefit of firms, workers and communities. Their operating principles could be phrased as "Innovation, Collaboration, Value Creation."

Scholarship from Professor Porter and other scholars[vi] have established the real advantages of "clusters" for a growing economy, including strong correlations between:

- Per-capita GDP and cluster concentration,
- Cluster strength and wage levels, and
- Cluster strength and higher wages.[vii]

In other words, clusters are good homes for the high-growth, high-wage companies that move quickly to take advantage of competitive opportunity and create jobs as a result. And that means, of course, that successful clusters are important to the creation and application of successful

innovation policy. Innovation – the use of emerging and old information to create new forms of value – is absolutely critical to the future economic success of the United States. Indeed, in a globalized economy, our ability to be a smart economy is basically our ability to be growing economy. Innovation not only boosts the creation of value, but it also helps ensure that economic growth is sustainable – from the perspectives of both economic and environmental concerns. For example, increased advanced manufacturing correlates highly with increases in energy-efficient manufacturing – the more process technologies evolve, the more that they can do more with less. From this perspective, cluster policy *is* innovation policy.

I believe that the cluster approach brings together the key ingredients of competitiveness policy – encouraging innovation, lowering the effective costs of operation for growing businesses, matching workers' talents with Twenty-First Century requirements, and creating private-public partnerships in which governments can play a constructive role in fostering the best conditions for economic growth and job creation.

So it is no surprise that the concept of "clusters" has been embraced across the United States. Manufacturing in Cleveland, nanotechnology in upstate New York and metals in Oregon are just some of the examples of strategic initiatives to create regional competitive strength alongside traditional clusters such as the finance industry in New York City, technology in Silicon Valley, music in Nashville and innovation in North Carolina.

The current economic downturn has prompted increased recent interest in how regions can create their own competiveness strategies in places as different as the Redwood Coast of California, North Louisiana and even my own home on the Eastern Shore of Maryland where agriculture is an important sector.

In fact, national governments around the world, including South Korea, Canada and Sweden have been eager to boost their competitive standing in the global economy by latching onto the concept of clusters. The European Community, in fact, has formed a trans-national European Cluster Alliance.[viii]

What is surprising is that, for all of its efforts to grow the American economy, the U.S. federal government has never adopted the concept of clusters as a basis for incentivizing regional competitiveness strategies. Rather, the work of the federal government has tended to be project-specific – often valuable but not necessarily tied to the particular strengths of regional economies

Given that the government's direct ability to help in this realm, now is the time to turn the Economic Development Administration into the Economic Renewal Administration. And that is why President Obama's recent budget proposal is so important. His FY2010 budget provides "$50 million for regional planning and matching grants within the EDA to support the creation of regional innovation clusters... and $50 million to create a nationwide network of public-private business incubators to encourage entrepreneurial activity in economically distressed areas."[ix]

My recommendation is that this proposal – the conscious federal adoption for the very first time of a plan to work with state and local governments to foster regional competitiveness strategies –

becomes the centerpiece of a re-authorized EDA. In my view, it strikes exactly the right balance between federal leadership and local responsibility and between the private and public sectors.

Analysis of successful clusters has shown that they succeed with local leadership from industry, non-governmental organizations, including universities and community colleges, and the public sector. Regional leaders have the best grasp of their own competitive advantages and prospects and they are in the best position to execute the kind of collaborative, bottom-up strategies that enhance cluster success.

There is, however, a problem – and one only exacerbated by our current economic crisis. Cluster initiatives are "too few" and they are "thin and uneven in levels of geographic and industry coverage, level and consistency of effort, and organizational capacity."[x] Moreover, traditional clusters are under terrible stress – the automobile cluster in Michigan is suffering not just from the perspective of the automobile manufacturers and their direct workers, but only with regard to the impacts on their supply-chain, including specialized suppliers, and their communities. Consider, for example, automobile parts manufacturers, who have told the Treasury Department that 130,000 jobs were lost in eighteen months.[xi] Similar attention should be paid to the negative spill-over effects coming from the downsizing of the financial sectors in New York and Boston.

Now is the time for the federal government to play a critical role in supporting regional efforts by framing, facilitating and funding cluster strategies. By that I mean that the federal government can identify the critical national goals, like energy independence, that serve the national interests – an approach endorsed by Congress in the America Competes Act of 2007. The federal government can improve the efficiency of cluster strategies by improving the delivery of various forms of federal expertise to the clusters that need them and by increasing the ability of clusters to learn from each other. And, of course, in difficult fiscal times for states, the federal government can provide additional resources that can smartly leverage existing local and private funds.

For example, the EDA could ask regions, to compete for federal matching funds by offering proposals created in collaboration with their companies, universities, research facilities and non-profits. Funding would be provided for implementation of the best strategies. The EDA should establish a set of criteria that allow the plans with the biggest impact and best prospects for success to be funded quickly. Such criteria could include identifying the proposals that:

- Move fast, with significant impact,
- Use public-private partnerships and other forms of regional collaboration,
- Have a proven track record,
- Integrate distressed areas into larger regional economies, and
- Further the goals of national "challenges" in areas such as energy, healthcare, manufacturing and life sciences.

The federal program should be flexible, of course, in order to respond to the best ideas that come from the regions. The cluster initiative could provide federal matching funds for targeted, high-leveraged activities, such as university research consortia, business incubators, for community-college training programs and technology-transfer efforts focused on small and medium-sized firms.

At the same time, small planning grants would be made available for those regions that have yet to formulate a cluster strategy. An advantage of the cluster approach, especially as we move into an era of budget-deficit reduction, is that the federal funding need not be enormous – indeed, the President's proposal of $50 million for regional innovation cluster and another $50 million for associated business incubators will get these efforts off to a strong start.

The implications are larger, of course, than the EDA alone. One of the advantages of the regional cluster initiative is that it provides the Executive Branch as a whole with a good way of ensuring that micro-economic initiatives are effective and efficient. I would like to see the EDA become an evangelist for high-performance government, tailoring federal efforts to best meet regional needs, fostering collaboration among federal programs that are too often operated in "stovepipe" isolation, and ensuring that federal funds are well-spent.

For example, the Department of Commerce is the agency that, more than any other, focuses on economic competitiveness. Its programs range from assisting exporters to working with minority businesses and the telecommunications sector, to protecting our seas and coastlines, to gathering data on our nation, to working with small and medium-sized manufacturers, to creating industry standards, which are a critical infrastructure innovation. The National Institute of Standards and Technology, for example, has a highly successful manufacturing extension program and has worked with regional economic clusters through its Partnerships for Regional Innovation. As the EDA implements its "clusters" initiative, the Department more generally can align its efforts with the specific needs of regional economies. In this way, for example, the creation of business incubators, as proposed in the President's FY2010 budget, should be constructed to dovetail immediately with regional clusters.

The federal government also offers many forms of economic assistance to boost business creation and help communities grow economies that could be better aligned with regional competitiveness strategies. Federal efforts in the Department of Labor, the National Science Foundation, the Department of Energy and the Small Business Administration could all focus on clusters.

In this way, the clusters approach can act as the "mortar" to bind together the "bricks" of economic recovery, providing, in essence, a multiplier effect that makes thriving initiatives even more successful. This Committee rightly focuses on physical infrastructure and other parts of the President's agenda that are working to create a smart electrical grid, greater broadband availability, and the development of several high-speed rail corridors linking regional population centers. The impact of that infrastructure can be increased when strong regional competitiveness strategies exist to take full advantage of clusters' creation and improvement.

In sum, a huge opportunity beckons when the nation needs economic renewal the most. We know that clusters represent an increasingly important economic unit, but unfortunately it is one that has been virtually ignored in policymaking at the federal level in the United States. By including regional competitiveness as a key mandate in the re-authorized EDA, which I think could be re-named the Economic Renewal Administration, a cluster approach can allow Federal policies to be implemented more effectively by better connecting them to regional leadership. In

addition, Federal policy based on cluster principles will reinforce economic specialization across states and regions, increasing productivity in the economy as a whole. Ultimately, we can create the launching pads for what America needs the most right now – jobs and long-term, sustainable economic growth.

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[i] Jonathan Sallet served as Assistant to the Secretary of the Department of Commerce and Director of the Office of Policy & Strategic Planning from 1993-95. He is a Senior Adjunct Fellow at Silicon Flatirons, a center for law, technology, and entrepreneurship at the University of Colorado that studies competitiveness strategies, including the growth of regional clusters. He is employed by The Glover Park Group, a private consulting firm. This testimony reflects Mr. Sallet's personal views.

[ii] Office of Management and Budget, "A New Era of Responsibility; Renewing America's Promise," (2009).

[iii] Mark Green and Michele Jolin, *Change for America; A Progressive Blueprint for the 44th President*, (Washington, Center for American Progress, 2008). A successful summit would, of course, include other key federal agencies, including the Treasury Department, the Small Business Administration, the Department of Energy and the Department of Labor.

[iv] Among Professor Porter's extensive writings on the importance and nature of "clusters" is a recent paper summarizing both his academic work and his public-policy recommendations. "Clusters and Economic Policy: Aligning Public Policy with the New Economics of Competition" (Revised December 17, 2008). His analysis is based on extensive research into the sources of competitive advantage, which he first discussed in *The Competitive Advantage of Nations*, (New York: Free Press, 1990) and explained in, for example, "Clusters and the New Economics of Competition" (Harvard Business Review. 1998).

[v] The Massachusetts Life Sciences Initiative: An Update (February 19, 2009). http://www.masslifesciences.com/docs/Masterpresentation020209.pdf

[vi] Important additional research on this topic includes Karen G. Mills, Elisabeth B. Reynolds and Andrew Reamer, "Clusters and Competitiveness: A New Federal Role for Stimulating Regional Economies," (Washington, Brookings, 2008) and Robert Atkinson and Howard Wial, "Boosting Productivity, Innovation, and Growth through a National Innovation Foundation," (Washington, Brookings, 2008).

[vii] Mills, Reynolds and Reamer, "Clusters and Competitiveness."

[viii] European Cluster Alliance, http://www.proinno-europe.eu/index.cfm?fuseaction=page.display&topicID=395&parentID=0&CFID=886469&CFTOKEN=55624209

[ix] Office of Management and Budget, "A New Era of Responsibility."

[x] Mills, Reynolds and Reamer, "Clusters and Competitiveness at 6.

[xi] "The American Car Industry," The Economist, http://www.economist.com/business/displaystory.cfm?story_id=13145718

EDA Reauthorization: Rating Past Performance and Setting Goals During an Economic Crisis

U.S. House of Representatives
Committee on Transportation and Infrastructure

Subcommittee on Economic Development,
Public Buildings and Emergency Management

Questions for the Record

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Jonathan Sallet – Former Director, Office of Strategic Planning, DOC (Sec. Ron Brown)

Q: Thank you for your thoughtful testimony. In your recommendations for reauthorization you mention that you think "regional innovation clusters" should be the centerpiece of a reauthorized EDA. Please explain what a regional innovation cluster is and how this approach would be different from what is now in place. What would you list as "cluster principles"?

A: Regional innovation clusters are geographically concentrated areas where there expertise is shared by firms, suppliers, support services, specialized infrastructure, producers of related projects, and specialized institutions (such as training programs). Benefiting from the sum of its parts, these clusters foster the emergence and continuation of a widespread knowledge base. So, for example, a successful cluster can connect firms with academic institutions, research labs, and other nonprofit organizations in order to create the kind of virtuous cycle of competitiveness that creates jobs, stimulates business formation, and improves productivity.

Karen Mills, now Administrator of the U.S. Small Business Administration, co-authored a piece for The Brookings Institute that outlined the following key cluster principles, which, I think, succinctly capture the essence of what a reauthorized EDA must include.

Cluster Principles:[1]

- Organizations providing similar and related goods and services
- Specialized suppliers of goods, services, and financial capital (backward linkages)
- Distributors and local customers (forward linkages)
- Companies employing related skills or technologies or common inputs (lateral linkages)
- Companies with complementary products (lateral linkages)
- Related research, education, and training institutions such as universities , community colleges, and workforce training programs
- Cluster support organizations such as trade and professional associations, business councils, and standards setting organizations

Q: On page 3 you claim that current policy does not effectively utilize regional clusters. What is the basis for that conclusion? How would policy need to change?

A: As my prepared remarks indicate, although clusters have cropped up at a regional level throughout the United States (such as nanotechnology in Upstate New York, for example), there has been no federal agency-level program established to formalize this concept of clusters as a tool for regional competitiveness, economic growth, and job creation. Rather, the federal government approach has been to rely on project-specific solutions that, although valuable contributors to national competitiveness, do not adequately factor in and capitalize on the individual strengths of regional economies that would come to the forefront in a federal cluster strategy.

Echoing this dynamic, cluster expert and Harvard Business School professor Michael Porter has stated that in the current system,

> "[e]conomic policy, especially at the Federal level, has traditionally focused on opposite poles. On one extreme, policymakers have sought to improve the general business environment that affects all firms. This occurs through policies such as macroeconomic stabilization, tax policies to encourage saving,

investment and R&D, public investments in colleges, universities and physical infrastructure, and antitrust regulations. On the other extreme, policies have sought to benefit the competitiveness of individual firms and individual workers."[ii]

A new Economic *Renewal* Administration is just the place for cluster policy to take root at the federal level. As outlined by Porter, cluster policies should be implemented at the federal level that:

- Avoid policies oriented towards individual firms and industries;
- Use clusters as an integrating approach to federal economic policy;
- Organize the implementation of federal economic programs around clusters; and
- Use cluster designation as a qualifying criterion for incentives for collective private investments.[ii]

Q: How do clusters lower the cost of capital as you state on page 4?

A: Sheer geographic proximity is one of the main ways clusters lower capital costs. By pooling resources within a specific region, businesses, academic institutions and individuals can "interact more efficiently, share technologies and knowledge more readily, operate more flexibly, start new businesses more easily, and perceive and implement innovations more rapidly." [ii]

And by seeding innovation and fostering a highly educated pool of specialized workers within a given region, clusters enable businesses to recruit and maintain the employees they need without travelling particularly long distances.

Q: Should there be a national strategy to create clusters and tie them to transportation goals?

A: In short, yes. As I demonstrated in my prepared remarks, clusters are already in place and thriving around myriad sectors and industries – ranging from movies in Hollywood to nanotechnology in Upstate New York. One of the traits inherent to clusters is their applicability to virtually any industry, and as such, transportation is no exception.

Although the classic vehicle transportation/manufacturing cluster in Detroit is currently feeling the effects of the global economic recession, opportunity does exist for the government to take a step back and reinvigorate this sector in alignment with cluster principles. With the Obama Administration's heavy emphasis on energy efficient and environmentally-friendly technology proliferation in the transportation sector, regions like Detroit could be tomorrow's leaders in this space. In a world of shrinking resources, both environmentally and financially, a strengthened cluster tied to broader transportation goals is essential for the future of the industry.

Q: Do cluster strategies put regions at a high risk if there is an industry downturn? How can that risk be ameliorated? How does a cluster promote a diversity of industries surrounding it?

A: Through direct and indirect employment, clusters have ripple effects throughout local economies – spurring the very kind of economic growth, job creation, and cultivation of a highly-skilled workforce that create offshoot industries and sustain long-term growth.

These clusters specialize in seeding innovation over the long-term. Through shared expertise in things like research and development, clusters inherently possess the very tools that enable them to adapt and innovate around industry declines. Although some element of risk would exist in the midst of an industry-wide downturn, if, as Michael Porter has advocated, federal policies are designed to broaden the scope of these regional clusters, then they would be able to withstand decline.

Q: Has U.S. investment in infrastructure has fallen behind its competitors? Is there a rate of infrastructure investment per percentage of GDP that you would recommend to this Committee?

A: As I stated in my testimony, it is high time for the federal government to embrace and adopt cluster policies. Currently, 26 out of 31 European Union countries have cluster initiative programs in place, as do Japan and Korea.[i] As Karen Mills notes in her Brookings piece,

> "national governments around the world, including South Korea, Canada and Sweden have been eager to boost their competitive standing in the global economy by latching onto the concept of clusters. The European Community, in fact, has formed a trans-national European Cluster Alliance."[i]

It is my feeling that the U.S. does have some catching up to do, but luckily can draw up on the lessons learned at the regional level in areas nationwide where clusters currently exist, such as Upstate New York, Oregon, and the Midwest, among others.

There is no denying the valuable and vital role innovation plays in the U.S. economy. America should implement policies that maintain its position as a global leader in innovation and technological advancement. However, this lead has been steadily shrinking as more and more countries around the world invest in policies designed exclusively to cultivate innovation, such as sustained increases in R&D funding.

As one expert, Rob Atkinson, noted in a recent Brookings piece, compared to other nations, the federal government invests little in innovation-promoting efforts. In FY 2006, the U.S. federal government spent a total of just 0.02 percent of GDP ($2.7 billion) on its principal innovation programs and agencies, such as the Office of Technology Policy.[iii] Furthermore, total federal funding for R&D declined as a share of GDP from 1985 to 2004; Atkinson points out that to restore federal R&D support as a share of GDP to its 1993 level, the U.S. would have to increase federal R&D spending by 50 percent, or over $37 billion.[iii] Clearly, the federal government must take a hard look at addressing this issue. Significant increases in investments per percentage of GDP are needed if the U.S. is to remain at the cutting-edge of technological advancement and competitiveness in the decades to come.

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[i] Karen G. Mills, Elisabeth B. Reynolds, Andrew Reamer, "Clusters and Competitiveness: A New Federal Role for Stimulating Regional Economies," The Brookings Institution Metropolitan Policy Program, April 2008.

[ii] Michael E. Porter, "Clusters and Economic Policy: Aligning Public Policy with the New Economics of Competition," Institute for Strategy and Competition, Revised December 17, 2008.

[iii] Robert Atkinson, Howard Wial, "Boosting Productivity, Innovation, and Growth through a National Innovation Foundation," The Brookings Institution Metropolitan Policy Program, April 2008.

Statement of Srikant Sastry, Principal,
Grant Thornton LLP's Global Public Sector,
before the Subcommittee on Economic Development,
Public Buildings, and Emergency Management of
the Transportation and Infrastructure Committee

U.S. House of Representatives

March 10, 2009

Chairwoman Norton, Ranking Member Diaz-Balart and Members of the Committee:

It is an honor to appear to discuss Grant Thornton's work assessing the impacts of EDA's construction program. My name is Srikant Sastry. I am a Principal with Grant Thornton LLP's Global Public Sector practice in Alexandria, Virginia. I was the principal-in-charge of Grant Thornton's study for EDA. Sitting behind me are: Mr. John Adams, who led the study for Grant Thornton and Dr. Peter Arena, founding principle of ASR Analytics LLC. ASR was our partner on this project and Dr. Arena was the study's Principal Investigator.

In early April 2007, EDA contracted with Grant Thornton to "develop a methodologically rigorous evaluation of the effectiveness of EDA's construction program." We accomplished this objective through application of econometric methods, collaboration with EDA, consultation with key stakeholders such as the Office of Management and Budget (OMB) and the Government Accountability Office (GAO), and independent review from a panel of academic experts.

The project was conducted over a seventeen month period ending September 30, 2008. We reviewed EDA's construction grants, those made to support local communities in the acquisition or development of land and improvements for use for a public works, public service, or development facility. Construction grants can also be made for the acquisition, design and engineering, construction, rehabilitation, alteration, expansion, or improvement of such a facility, including related machinery and equipment. In addition to providing direct assistance, construction grants are intended to leverage local and private sector matching funds, generally fifty percent of the total project costs. Our review focused on job creation that resulted from EDA's investments. The complete history of our work is documented in the study itself, copies of which are available today for the Members' inspection. I would like to request that a copy of the study be included in the official hearing record.

One purpose of our study was to refresh the analysis conducted for EDA in the late 1990's by a team from Rutgers University and Princeton University, known as the Rutgers Study. It involved direct observation of impacts for a sample of 203 EDA construction grants completed in 1990. The Rutgers team applied two econometric techniques – input output analysis and regression analysis – to estimate the impacts of EDA's construction grants. The Rutgers Study found statistically significant impacts related to EDA construction grants. Given the age of the Rutgers study and the data it was based on, EDA asked us to review, validate and, where possible, improve upon it.

Our approach differed from the Rutgers study's approach. We relied on public use data, specifically jobs reports from the Bureau of Labor Statistics. This provided an external and unbiased source of data about employment levels. We developed regression models that examined the correlation between EDA construction grant dollars and changes in employment at the county level. These models accounted for the influence of other economic variables on employment levels, such as the pre-existing level of employment in each county and other economic and demographic statistics. By design, we developed multiple models and presented ranges of results in our report. This was done to maximize the credibility of our estimates by not tying them specifically and necessarily to a single model reflecting a single theory of economic development.

Another important aspect of our approach, as laid out in our proposal, was our on-going peer review committee. We worked with several professors and experts with significant backgrounds in econometric analysis and economic development. Their role was to validate that our method met academic standards for econometric modeling and economic theory, and to promote the study's objectivity and absence of bias in its methods.

During our study, we met with various stakeholders to review our approach and gain their insights. This included personnel at OMB with oversight responsibility at EDA. We also met with GAO personnel who had been involved in reviewing the Rutgers Study. Finally, we also met with representatives of about half of the thirty other Federal programs involved in economic development grant- and loan-making.

The models we developed corroborated the results of the Rutgers Study, showing that EDA grants have statistically significant impacts in the non-urban communities in which they are made. Specifically, EDA grants generate between 2.2 and 5.0 jobs for every $10,000 of EDA investment. This translates into an EDA program cost of between $2,001 and $4,611 per job created.

To address urban jobs impacts more directly, we supplemented our models by conducting twenty-four direct observation visits to the sites of completed projects funded in part by an EDA construction grant. These site visits were conducted primarily for urban area projects. This was because our primary method – correlating EDA grant data with BLS jobs data – showed statistically significant results in non urban areas but did not show statistically significant results in urban areas. The study team believed that this was the case because EDA construction grants (typically between $250 thousand and $1 million) are too small compared to the size of most urban economies to register their effects in BLS jobs data. Based on data and information obtained during these site visits, we developed jobs impact estimates for each project. As documented in our report, the site visits yielded indicative results consistent with our non urban area models and with the Rutgers Study.

Our models also showed that project type makes a difference. We classified EDA programs into one of five project types: roads and other transportation projects, commercial structures, industrial park infrastructure, community infrastructure and business incubators. Our models showed that each project type had its own, unique range of impacts – each resulting in job growth.

We believe the methods and tools we developed in this study, and adopted by EDA, represent an effective and repeatable approach to measure job growth.

Thank you for the opportunity to address the distinguished Members of this Subcommittee. We hope our participation is helpful and we would be happy to answer any questions you may have.

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Responses to Committee Questions

April 9, 2009

based on

Statement of Srikant Sastry, Principal,
Grant Thornton LLP's Global Public Sector,
before the Subcommittee on Economic Development,
Public Buildings, and Emergency Management of
the Transportation and Infrastructure Committee

U.S. House of Representatives

March 10, 2009

Subcommittee Question #1 *- In general, please summarize your report. What was the purpose of your study?*

The purpose of our study – as specified by EDA in our contract – was to provide EDA with an objective analysis of the jobs related impacts of EDA construction grants. Specifically, EDA asked us to "develop a methodologically rigorous evaluation of the effectiveness of EDA's construction program." We accomplished this through application of econometric methods, collaboration with EDA, consultation with key stakeholders such as the Office of Management and Budget (OMB) and the Government Accountability Office (GAO), and independent peer review from a panel of academic experts. Our models showed that EDA construction grants have statistically significant impacts on employment in the communities in which they are made. This finding was consistent with the Rutgers Study.

Subcommittee Question #2 *- What are the major differences between your approach and the Rutgers Study approach?*

One purpose of our study was to refresh the Rutgers Study. Our study built on the Rutgers study in terms of the academic literature on the economic impacts of economic development grants. Broadly speaking, our results were consistent with the Rutgers Study in showing that EDA construction grants have a statistically significant impact on employment levels in the communities in which they are made.

Despite the similarities in our results, our approach differed from the Rutgers Study's approach. The Rutgers team used two econometric techniques – input output analysis and regression analysis. The Rutgers models were based on direct observation from a sample of site visits. We relied on public use data, specifically jobs reports from the Bureau of Labor Statistics (BLS). Our models tested for a correlation between BLS jobs figures and EDA construction grant dollars at the county level over time. Our models showed that over time the level of EDA funding within a county impacts the number of jobs within that county, on average, across counties. We supplemented our models with direct observation site visits that corroborated the results of our econometric models.

Subcommittee Question #3 *- Do results of your study indicate that there is a proportional relationship to money allocated by EDA and the number of jobs created; i.e., if you double the amount of money allocated would you double the amount of jobs created or retained?*

No. Like the Rutgers Study, our models are not linear; they are logarithmic. As such, our models cannot tell you precisely what level of jobs impacts would correlate with dramatically different levels of investment. We can tell you that EDA's current investment produces positive results. Our models are based upon historical data and programmatic conditions, including the size of the program budget, from 1990-2005. Any predictive capability is limited to these parameters. Applying these models to a doubling of EDA funding would be outside the range of the values used to estimate the models, so care should be taken in the interpretation of projections made that are so far outside of EDA's historical funding levels.

Subcommittee Question #4 *- In the Grant Thornton report, you indicate that projects sometimes have difficult to measure impacts, like the renovation of the Apollo Theater in NY. Does Grant Thornton have a recommendation on how to measure the value of a cultural institution being restored or an area becoming a cultural destination as a result of an EDA grant?*

This is an important question. While our study did not specifically examine it, we are grateful for the opportunity to respond.

Our site visits indicated – as others have expressed – that such culturally oriented grants do have impacts but that those impacts are difficult to quantify. We believe that this issue goes to the heart of EDA's value proposition. Focused and more detailed program studies of representative examples of EDA funded success stories may be helpful. EDA works with communities across its various programs, including construction and planning grants, and other Federal grant and loan making programs are often involved in the same communities. An integrated analysis of economic development from the community point of view, across these programs may help to understand these important effects and find ways to quantify them. This could involve analysis of demographic economic profiles over time, as well as comparison to specific other communities where no such investments were made. While it may never be possible one or two simple measures that fully capture these effects, such intensive program analysis may provide important benchmarks that guide economic development investment decisions in the future.

Subcommittee Question #5 *- You find that business incubators and construction jobs have large differences in your study. But can you quantify the reason within 30 days why there is such a different cost associated with each project when history has proven the usefulness of construction jobs and the roads and bridges they build?*

To respond helpfully to this question, we must respectfully clarify our findings.

As to the apparent "large difference" in our results, our models provided different results by different type of EDA construction grants. The five categories of EDA grants are defined by the type of project they funded: (1) business incubators, (2) commercial structures, (3) roads and other transportation projects, (4) industrial park infrastructure, and (5) community infrastructure. For each of these categories, our results indicate how EDA construction grant funding correlates to jobs at the county level.

It should be noted that the jobs in question are long term, permanent jobs that show up in BLS employment data after the project has been completed. They are not the construction jobs created during the construction phase of the project. This is consistent with OMB guidance on the meaning of a job "created or retained" and therefore what EDA asked us to evaluate. Methodologies do

exist for examining the temporary, construction related impacts of these projects, but EDA did not ask us to evaluate those impacts.

As to the differences in cost per job across these five categories of EDA funded projects, it is important – as you noted Honorable Chairwoman – to recognize the scope of costs within that number. That cost includes only the EDA funded portion of the project. It does not include any private sector investment in the project or any grants from other Federal programs.

The cost per job figure itself is an alternative representation of the jobs per $10,000 figure. This also is how the Rutgers Study and other econometric studies present their results. The jobs per $10,000 figure indicates how many jobs are correlated to every $10,000 in EDA funding. The cost per job figure expresses that same result in a mathematically different way by indicating the amount of EDA construction grant dollars required to generate a single job. Again, as stated earlier, the scope of these costs are limited to the EDA construction grant dollars and do not include private investment or funding by other Federal programs.

Testimony by

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U.S. House of Representatives, Committee on Transportation and Infrastructure,
Subcommittee on Economic Development

March 10, 2009

Testimony by
Sandra R. Walters
Chief Financial Officer and Chief Administrative Officer,
Economic Development Administration
U.S. House of Representatives, Committee on Transportation and Infrastructure, Subcommittee on Economic Development
March 10, 2009

Introduction

Chairwoman Norton, Ranking Member Diaz-Balart, and members of the Subcommittee, thank you for this opportunity to testify on behalf of the Economic Development Administration (EDA). EDA's mission is to *lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.* Through grants to local government entities and eligible non-profits to create jobs and generate private investment, EDA is seeding our communities for success. Our investments create the conditions in which jobs are created, often in the midst of economic hardship or adjustment. At EDA, we are proud of the agency's accomplishments and believe that we can continue our work to assist distressed American communities especially in the current economic climate.

EDA's investments have two major goals: attracting private capital investment and creating higher-skill, higher-wage jobs. EDA's achievements are a reflection of our policy priorities: to encourage collaborative regional economic development; to promote competitiveness and innovation; to cultivate entrepreneurship; and, to spur our economic development partners to take advantage of the opportunities of the worldwide marketplace.

As part of its FY 2010 budget request, the Administration has emphasized two priority areas for EDA: regional innovation clusters and business incubator networks. We are encouraged by this focus and find it consistent with the results of recent EDA research as well as best practice in the economic development field overall.

Another element critical to our success is our focus on planning. While economic development planning is often overlooked, EDA's work with our partners in the field, designated Economic Development Districts (EDDs), has proven invaluable in ensuring that communities think holistically about their economic futures. EDA has consistently found that projects which result from effective planning and significant local support tend to have more positive impacts on communities. EDA currently has 378 EDDs designated nationwide.

EDA's Innovative and Sustainable Initiatives

At the direction of Congress, EDA established the $9.4 million Global Climate Change Mitigation Incentive Fund (Fund) in FY 2008 to advance the connections between economic competitiveness and environmental quality. The goal of the Fund is to promote EDA policies and strategies which contribute to sustainable "green" construction and resource conservation in an effort to address to the effects of global climate change. EDA used the Fund to invest in projects in which a building or structure is developed or redeveloped using green building techniques. By utilizing the US Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system to certify the environmental benefits of the project, EDA is able to verify that each Fund-related investment effectively contributes to sustainability and mitigates associated environmental impacts.

EDA's work in this area is showcased in its $2.6 million investment for the Port of Bremerton, in Washington State's Kitsap County. This FY 2008 investment, which also received an equal amount in local matching funds, will construct a two-story, LEED Silver clean technology business incubator in the port's sustainable energy industrial park. The incubator will provide clean energy technology start-up businesses with laboratories and high-bay manufacturing space. The Port estimates that the facility will be able to support approximately 585 employees.

Responding to Severe Economic Dislocations

EDA's expertise has proven to be extremely valuable in responding to sudden and severe economic dislocations through our Economic Adjustment Assistance program. Whether dislocations result from a major employer closing a plant or a defense facility, or from a natural disaster, EDA is able to assist communities in responding to the loss of jobs.

EDA is on the front line of reacting to assist communities following national disasters. Last year, Congress allocated $500 million in two supplemental appropriations to EDA in response to the natural disasters that severely impacted communities across the nation in 2008. With this additional funding, EDA has assumed the role of secondary responder and is working closely with disaster-affected communities to help rebuild their economic bases. To date, EDA has invested in the redevelopment strategies of 11 states severely impacted by last summer's Midwest floods and continues to develop, review and fund applications from communities affected by hurricanes, wild fires, and other natural disasters.

American Recovery and Reinvestment Act Funding

In addition, EDA received $150 million as part of the American Recovery and Reinvestment Act of 2009 to respond to sudden and severe economic dislocation and job loss due to corporate restructuring. EDA is ahead of the curve in its implementation of the Act and anticipates publishing a Federal Funding Opportunity (FFO) notice this week and will get the funds disbursed quickly to assist communities.

Revolving Loan Funds

As EDA has celebrated its successes, it has also aggressively confronted its challenges, most specifically the administration of its Revolving Loan Fund (RLF) program. In response to the Department of Commerce Office of Inspector General's (OIG) September 2007 report on Revolving Loan Funds, EDA developed an Action Plan and published an Interim Final Rule implementing many of the Plan's milestones. To date, EDA has successfully completed 26 of the 30 milestones and anticipates successful completion of an additional three more in the coming months. Furthermore, in the last 18 months, EDA has successfully implemented six of the OIG's seven recommendations. EDA has made excellent progress towards implementing the seventh recommendation—developing and implementing a web-based reporting and data management system to manage EDA's RLF portfolio— and we are on target for online reporting beginning with the period ending September 30.

In partnership with OIG, EDA also organized a series of comprehensive training sessions on RLF reporting and audit requirements in 2008, which more than 600 individuals representing

more than 450 RLFs attended. Feedback from those sessions was extremely positive, and EDA plans to conduct further training sessions in 2009.

Impact Assessment Report

In an effort to evaluate the agency's strengths and weaknesses, EDA recently funded a study focused on assessing the economic impacts and federal costs of the agency's construction investments. The study, conducted by Grant Thornton in partnership with academia, the private sector, and outside experts, used regression models to determine whether counties that received EDA funding for construction projects had experienced increased job creation.

The study showed that EDA investments in rural areas had a statistically significant correlation with increased employment levels in the communities in which they were made. Moreover, the study supported EDA's strategic focus on innovation and entrepreneurship by showing that EDA investments in business incubators were more correlated with job growth than other project types.

Conclusion

Chairwoman Norton, Ranking Member Diaz-Balart and members of the Subcommittee, thank you for your time today and for inviting me to give an overview of EDA's programs. With me today is Dennis Alvord, the acting Deputy Assistant Secretary for Economic Development who oversees EDA's six regional offices. We look forward to answering any questions you may have, and working with the Subcommittee on legislation to reauthorize the agency.

Questions
EDA Reauthorization Hearing
March 10, 2009

Response from Sandra Walters and Dennis Alvord, EDA

1) ***Do you think EDA's current goals of attracting private capital investment and creating higher paying jobs should remain as the major goals of EDA?***

Response:
Yes. EDA's experience and corroborative evidence from studies of EDA grant impacts suggest that EDA's pursuit of its current goals can spur innovation, entrepreneurship, and regional competitiveness.

2) ***Please describe the Global Climate Change Mitigation Incentive Fund.***

Response:
At the direction of Congressional appropriators, EDA established the Global Climate Change Mitigation Incentive Fund (GCCMIF) in FY 2008 to advance the connections between economic competitiveness and environmental quality. The goal of the Fund was to promote EDA policies and strategies which contribute to sustainable "green" construction and resource conservation in an effort to address, in part, the mounting concerns with regard to the effects of global climate change.

EDA used the Fund to invest in projects in which a building or structure is developed or redeveloped using green building techniques. By utilizing the US Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system to independently certify the environmental benefits of the project, EDA is able to verify that each Fund-related investment effectively contributes to sustainability and mitigates associated environmental impacts. In FY 2009, EDA anticipates requesting permission to broaden the uses of FY 2009 GCCMIF funding ($14.7 million) to include renewable energy, energy efficiency, and reuse/restoration/recycling projects.

3) ***For the project you highlighted in your testimony, Port Bremerton, Washington, what is the status of leasing in that building?***

Response:
In 2008, the Seattle Regional Office of EDA awarded $2.5 million to the Port of Bremerton for a Clean Technology Incubator building. Construction has not started; so, the Port of Bremerton does not have a Clean Technology building for lease at this time.

4) What is the status of the $500m appropriated to EDA in 2 supplemental appropriations in 2008? What is the unobligated balance? What projects have been funded?

Response:
With this additional funding, EDA has assumed the role of secondary responder and is working closely with disaster-affected communities to help rebuild their economic bases. The supplemental appropriations will be spent on economic adjustment projects in FEMA public assistance designated counties.

EDA's regional offices are currently developing, reviewing, and awarding applications for projects submitted under the two supplemental disaster appropriations. As of April 1, 2009, EDA estimates that $344,554,772 is currently in process. Of this total, projects totaling $19,837,946 have received final approval; projects estimated at $11,913,609 are under final review; projects estimated at $80,665,587 are in regional office processing; projects estimated at $81,732,214 have been invited for further consideration; and, projects estimated at $150,405,416 are in the preliminary review and development stages.

For a complete listing of projects funded under these supplemental appropriations, please see Attachment 1.

5) With the advent of online reporting for the Revolving Loan Fund program, will administrative costs be reduced?

Response:
The introduction of the automated Revolving Loan Fund Management System will significantly reduce staff time by:

- Eliminating the need for manual data entry of key RLF report fields into EDA's interim reporting tool;
- Automating the generation and sending of late notices; and
- Replacing the current laborious process of manually calculating and tracking grantee compliance with basic reporting, capital utilization, and audit requirements with a series of standard automated reports that instantaneously identify non-compliant grantees and the required follow-up actions.

While EDA will incur new costs in order to carry out the necessary oversight, administrative costs to RLF operators may go down. Furthermore, because RLF operators can submit reports electronically through the online reporting system, the number of error entries requiring follow-up reports will be minimized and data can be re-used from the previous reporting period.

EDA does not anticipate reducing the amount of staffing resources dedicated to the program. Significant resources will still be needed to process consolidations, recapitalizations, disallowances, and terminations, and to perform all required follow-up actions identified in the standard reports. In addition, as staff spend less time on routine monitoring functions, we expect staff to transition to activities with greater added value, including providing additional training to RLF operators, disseminating best practices, and providing technical assistance and support as

required. Finally, we expect the number of applications for RLFs to increase, and our experienced RLF staff will be called upon throughout the project vetting, selection, and award process.

6) On page 4 you mention training sessions for the revolving loan funds. What is the curriculum for these sessions? Who attends?

Response:
EDA covered the following topics at each session: loan requirements, portfolio management requirements, reporting and capital utilization requirements, record retention requirements, grant consolidations, calculating and managing default rates, grant consolidations, and common pitfalls for RLF operators. In addition, a representative from the Department of Commerce's Office of Inspector General (OIG) provided training to the participants on their single audit responsibilities under OMB Circular A-133.

More than 600 individuals representing more than 450 RLFs attended these sessions. Most of those in attendance were either the executive directors of the organizations managing the RLFs or the accountants or staff members responsible for completing the required RLF reports.

7) How do you think the revolving loan fund program works? What would you do to improve performance?

Response:
EDA's RLF program is a proven means of infusing distressed communities with critical gap financing and creating jobs. It is a nimble program that can be easily tailored to the unique economic and financial needs of any community and it can respond quickly to changes in local conditions.

Unlike other federal grant programs, RLF grants continue to create jobs—as loan funds are repaid and re-loaned time and time again—ten, twenty, and even thirty years after grant award. In addition, RLFs "grow" over time, as interest payments and loan fees swell the size of the capital base, allowing the RLF operator to increase the number of loans in the community and/or increase loan size to accommodate small and mid-sized manufacturers and other businesses with larger capital needs. Finally, RLF operators typically provide only a portion of a business's financing needs; private sector financial institutions—which are reluctant to provide financing absent the RLF's participation—typically provide the remainder. This private-public partnership magnifies the RLF's impact in a way that few other federal programs can match.

EDA's strategy to improve RLF performance is two-pronged. First, we will concentrate on increasing operator compliance with existing EDA regulations by implementing the Revolving Loan Fund Management System and stepping up enforcement actions as appropriate. Second, we will shift some staffing resources away from purely administrative functions towards activities with greater added value, including enhanced training for RLF operators, enhanced technical assistance, and dissemination of best practices.

8) There is considerable talk about clusters and business incubators. Is EDA set up to foster to promote these two concepts?

Response:
EDA's regional office system and the flexibility in our investment programs makes the bureau uniquely capable of promoting both regional clusters and business incubator development.

EDA has been focused on cluster-led regional economic development for over four years. EDA has developed practitioner accessible tools that assist local leaders to identify the growing clusters in their region.

EDA has made investments in business incubators for more than a decade. EDA's regional offices and its university center partners have considerable experience in both evaluating the feasibility of potential incubator projects and helping communities develop those projects where feasible. The recent Grant Thornton study suggests that EDA incubator investments are more correlated with job growth than any other type of EDA investment.

9) How much private investment is generally expected for every million dollars that EDA invests?

Response:
When evaluating new project applications, EDA expects grantee estimates for private investment to be approximately 26 private dollars for every one EDA dollar. However, grantee estimates do not correlate well with our validated results for many reasons.

EDA's forecasts (which become budget targets) are more on the order of 8::1. Validated reported values (reports received nine years after the award date) are in the 10::1 range (limited sample since only FY 1997-2000 data is currently available).

10) Approximately how much tax revenue is added to local budgets for every million dollars that EDA invests in a public works project?

Response:
EDA investments under the Public Works and Economic Adjustment programs would add to local tax revenues in proportion to the size of the workforce impact. However, at this time, EDA does not collect or estimate the impact on local government tax revenues.

11) Which EDA program produces the most jobs?

Response:
EDA's Public Works and Economic Adjustment programs generate the most jobs.

12) How often should the Grant Thornton report be updated to provide accurate forecasts of economic impacts of EDA grant?

Response:
EDA is always looking for ways to improve its ability to measure performance. Discussions regarding the best method(s) of measuring the economic impacts of EDA investments are ongoing. One potential method of performance measurement would involve refining the Grant Thornton model based on suggestions from outside experts, EDA regional staff, and even grant recipients themselves. Such a model could be updated each year as new economic data is released by the Bureau of Economic Analysis.

13) What is the average turn around for a grant request to be approved?

Response:
EDA's turn around time for new grant applications depends largely on the speed and quality of information our regional offices receive from the applicant. EDA's investments in construction projects frequently involve complex financial and environmental issues that take time to resolve. We also anticipate that with the recent increase in workload, we may experience some delays in obtaining required clearances from State Historic Preservation Offices. EDA estimates that it takes two months on average to reach a final decision after receipt of a complete application that meets all requirements.

14) Could more decisions be made in the field?

Response:
EDA is a decentralized bureau. With the exception of research/national technical assistance and trade adjustment assistance awards, EDA's Regional Offices are the selecting officials for all proposed projects.

15) Has EDA made the most of the performance grants? In your opinion are those grants the most efficient use of EDA funds?

Response:
EDA made 11 performance awards and 13 planning performance awards in FY 2008. So far this year, EDA has made 4 performance awards and 2 planning performance awards. EDA believes these awards are one way to provide incentives for outstanding performance and to highlight best practices in economic development.

16) Mr. Molnar has suggested that each state have 2 university centers. Do you agree with that suggestion? How would EDA choose a second center?

Response:
EDA's support for the university center program is constrained by the level of funding EDA receives for centers within its Technical Assistance appropriation. Should EDA receive sufficient funding to support two universities in every state, EDA would choose them on the basis of a competitive process to ensure all institutions of higher education have a chance to submit proposals as to how they would best carry out the purposes of the program. EDA believes that, regardless of funding levels, university centers should be allocated on the basis of merit within each region, rather than by quota. Moreover, allocating funding so that each state is assured of two centers would seem to unfairly disadvantage states with a large population or land area.

17) He also suggests that existing university centers be relieved of requirement to recomplete every three years and suggests a peer review system. What are your thoughts on these suggestions?

Response:
We disagree with the proposal to eliminate competition after expiration of the three-year project period. Section 506 of the Public Works and Economic Development Act requires EDA to evaluate performance:

> "To determine which university centers are performing well and are worthy of continued grant assistance under this Act, and which should not receive continued assistance, so that university centers that have not previously received assistance may receive assistance."

We believe the Congress' insight into the program was visionary and this requirement for competition has made the program a much stronger economic development resource for America's distressed communities. Judging by the robust competition that occurs annually, we believe the section has served its purpose well and helps ensure that additional institutions of higher education do indeed obtain the opportunity to compete (this year's competition is being conducted in the Atlanta and Seattle regional offices).

This section already requires EDA to include peer review in its evaluation of the university centers. We think the requirement to include at least one other university center in the evaluation strikes the right balance of ensuring input by a peer into the evaluation, but at the same time ensuring that the final evaluation is conducted by career EDA professionals responsible for oversight of the program.

It is important to note that university centers that wish to undertake larger or longer-term projects may apply and compete for traditional Economic Adjustment Assistance grants.

18) Within 30 days, let us know how you will inform and address the concerns of local communities that the stimulus money spent is for job creation? What is the methodology that you will be using to create these jobs?

Response:
EDA will be allocating its ARRA funds using its traditional competitive grant process. As noted in EDA's March 11, 2009 announcement of the ARRA Federal Funding Opportunity, "under this competitive solicitation, EDA will give priority consideration to those applications that will significantly benefit regions 'that have experienced sudden and severe economic dislocation and job loss due to corporate restructuring,' as stipulated under the Recovery Act."

The FFO explains that EDA intends to award grants to those applicants that show they stimulate job growth through: "Investments in support of long-term, coordinated and collaborative regional economic development approaches"; "Investments that support innovation and competitiveness"; "Investments that encourage entrepreneurship"; and "Investments that support strategies that link regional economies with the global marketplace."

19) Please notify us with the use of the $500 million from the appropriated funds of 2008? For what projects? Where?

Response:
Please see response to question 4.

20) What is the rate of payment for loans included in the 2008 appropriations bill?

Response:
EDA does not administer any direct loan programs and therefore had no repayments as a result of loans included in the 2008 appropriations bill.

21) What projects do you plan on spending the stimulus money on?

Response:
Please see response to question 18.

22) How much tax revenue does EDA grants generate?

Response:
Please see response to question 10.

23) Please provide a personnel chart of all workers within EDA

Response:
Please see Attachment 2.

24) Are you funding any projects currently in the Second District of Louisiana?

Response:
EDA has funded 19 projects in Louisiana's Second District since 2004. By grantee estimates, these projects have created 900 jobs, preserved 311 jobs, and generated close to $93 million in private investment.

For a complete list of all EDA projects funded in the Second District since 2004, please see Attachment 3.

Questions by the panel derived from the hearing transcript:

25) Explanation of what will happen to unobligated disaster funding at the end of the year

Response:
As appropriated, these funds fall under OMB's definition of "no-year budget authority." As such, all funds will remain available until fully expended.

26) What is the number and year of the highest number of EDRs?

Response:
Prior to a Reduction in Force in 1996, EDA had 47 Economic Development Representatives operating across the country. The breakdown was as follows:

Region	**EDRs**	**States Covered**
Philadelphia	11	13
Seattle	9	8
Atlanta	8	8
Denver	7	10
Chicago	6	6
Austin	6	5
TOTAL:	**47**	**50**

Date: 4/3/09

EDA Approvals to Date using 2008 Disaster Supplemental Funds, Sorted by State

FY	ST	Project No.	Appl Short Name	Project Short Descrip	Project Location	EDA $	Total Proj $
2008	AR	086904310	AEDC	Disast Resp & Prep Plan	Little Rock	$300,000	$300,000
2009	AR	087904361	White River Health Syst	Medical Center Expansion	Batesville	$1,500,000	$2,000,000
2009	GA	046906137	Central Savannah Rvr RDC	Diversification Analysis	Multi county	$37,500	$50,000
2009	GA	046906147	Twiggs County	Watershed Plan	Jeffersonville	$36,300	$48,400
2008	HI	076906309	HIPA	Infrastructure Review	Honolulu	$210,000	$310,000
2009	IA	057904736	Southern Iowa COG	RLF Recap	Creston	$375,000	$417,000
2008	IA	056904660	Iowa	Rebuild Iowa	Multi City	$3,000,000	$3,000,000
2009	IA	056904679	Region XII COG	Disaster Recv Coord	Carroll	$150,000	$150,000
2009	IA	056904685	North Iowa Area COG	Disaster Recv Coord	Mason City	$139,175	$139,175
2009	IA	057904729	Region XII COG	RLF Recapitalization	Carroll	$450,000	$600,000
2009	IA	056904684	Southern Iowa COG	Disaster Recv Coord	Creston	$112,500	$112,500
2009	IA	056904682	East Central IA COG	Disaster Recv Coord	Cedar Rapids	$300,000	$300,000
2009	IA	057904744	Southeast Iowa RPC	Recapitalize RLF	Burlington	$900,000	$1,000,000
2009	IA	056904678	NW Iowa PDC	Disaster Recv Coord	Spencer	$131,498	$131,498
2009	IA	057904739	East Central Intgov Assn	Revolving Ln Fd Recap	Dubuque	$500,000	$650,000
2009	IA	057904727	Southwest Iowa Plng Cncl	Establish RLF	Atlantic	$400,000	$500,000
2009	IA	056904681	East Central Intgov Assn	Disaster Recv Coord	Dubuque	$178,000	$178,000
2009	IA	057904738	Iowa Northland Reg EDC	Revolving Loan Fund	Waterloo	$750,000	$775,000
2009	IA	056904671	Region 6 Planning Comm	Disaster Recv Coord	Marshalltown	$61,000	$61,000
2009	IA	057904733	North Iowa Area COG	Establish RLF	Mason City	$400,000	$460,000
2009	IA	056904686	Siouxland Interstate MPC	Disaster Recv Coord	Sioux City	$140,000	$140,000
2009	IA	057904694	East Central Iowa COG	Revolving Loan Fund	Cedar Rapids	$1,500,000	$1,600,000
2009	IA	056904687	Iowa Northland Reg EDC	Disaster Recv Coord	Waterloo	$300,000	$300,000
2009	IA	056904688	Southeast Iowa RPC	Disaster Recv Coord	Burlington	$300,000	$300,000
2009	IA	056904683	Mid Iowa Dev Assn COG	Disaster Recv Coord	Fort Dodge	$156,000	$156,000
2009	IA	056904680	Southwest Iowa Plng Cncl	Disaster Recv Coord	Atlantic	$144,063	$144,063

Date: 4/3/09

EDA Approvals to Date using 2008 Disaster Supplemental Funds, Sorted by State

FY	ST	Project No.	Appl Short Name	Project Short Descrip	Project Location	EDA $	Total Proj $
2009	IA	056904689	Area 15 Reg Plng Comm	Disaster Recv Coord	Ottumwa	$140,600	$140,600
2009	IA	056904768	Upper Explorerland RPC	Disaster Recv Coord	Postville	$139,000	$139,000
2008	IL	066905333	IL Dept Commerce & EO	Flood Recovery Strategy	Multi City	$500,000	$500,000
2009	IN	066905357	West Central Indiana EDD	Flood Recovery Project	Multi City	$100,000	$133,333
2009	IN	066905354	Southern IN Dev Comm	Flood Recovery Coord.	Multi City	$111,000	$148,000
2009	IN	066905356	Eastern Indiana Dev Dist	Flood Recovery Coord.	Multi City	$78,000	$106,000
2008	IN	066905330	Lieutenant Governor's Of	Flood Recovery Strategy	Multi City	$400,000	$400,000
2009	IN	066905353	River Hills EDD and RPC	Flood Recovery Coord.	Multi City	$129,434	$172,579
2009	IN	066905358	Southeastern IN RPC	Flood Recovery Coord.	Multi City	$100,000	$133,334
2009	IN	066905355	Indiana 15 RPC	Flood Recovery Coord.	Multi City	$75,000	$100,000
2009	KY	047906110	Goodwill Ind of KY	Training Center	Louisville, KY	$300,000	$958,000
2008	ME	016908683	State of Maine	Disaster Recovery Plan	Multi City	$250,000	$250,000
2008	MO	056904659	Missouri State of	Flood Recovery Planning	Multi City	$782,400	$982,680
2009	MO	056904676	SE Missouri RP & EDC	Disaster Recv Coord	Perryville	$30,000	$40,000
2009	MO	057904735	Boonslick Regional PC	RLF Recap	Warrenton	$300,000	$400,000
2009	MO	056904675	Boonslick Regional PC	Disaster Recv Coord	Warrenton	$45,000	$45,000
2009	NE	056904690	Omaha Cncl Bluffs MAPA	Disaster Recv Coord	Omaha	$150,000	$150,000
2009	NE	056904673	River Country EDD	Disaster Recv Coord	Lincoln	$60,000	$80,000
2009	NE	056904731	South Central EDD	Disaster Recv Coord	Holdrege	$78,600	$78,600
2008	NE	056904663	Nebraska State of	Relief and Re-Population	Multi City	$500,000	$612,049
2009	NE	056904674	Central NEEDD	Disaster Recv Coord	Atkinson	$74,376	$74,376
2008	OK	086904309	ODOC	OK Disast Recov Strategy	Oklahoma City	$300,000	$300,000
2009	SD	057904696	Plg & Dev District III	Recap RLF	Yankton	$750,000	$1,000,000
2009	SD	057904742	South Eastern Dev Fdtn	Establish RLF	Sioux Falls	$225,000	$300,000
2009	SD	056904692	South Eastern CoG	Disaster Recv Coord	Sioux Falls	$50,000	$66,667
2009	SD	056904691	Central South Dakota ED	Disaster Recv Coord	Pierre	$56,000	$56,000

Date: 4/3/09

EDA Approvals to Date using 2008 Disaster Supplemental Funds, Sorted by State

FY	ST	Project No.	Appl Short Name	Project Short Descrip	Project Location	EDA $	Total Proj $
2009	SD	056904677	Plg & Dev District III	Disaster Recv Coord	Yankton	$50,000	$50,000
2009	TX	086904358	SE TX EDD	Disaster Recovery Plng	Beaumont	$300,000	$300,000
2008	WI	066905328	Wisconsin State of	Flood Recovery	Multi City	$800,000	$800,000
2009	WI	066905362	Southwestern WI RPC	Flood Recovery Strategy	Multi City	$67,500	$90,000
2009	WI	066905360	Mississippi River RPC	Flood Recovery Strategy	Multi City	$70,000	$93,334
2009	WI	066905361	East Central WI RPC	Flood Recovery Strategy	Multi City	$60,000	$80,000
2009	WI	066905359	North Central WI RPC	Flood Recovery Coord.	Multi City	$45,000	$60,000
2008	WV	016908682	WV OES	Disaster Recovery Plan	Multi City	$250,000	$250,000
						$19,837,946	$22,912,188

ECONOMIC DEVELOPMENT ADMINISTRATION
STAFFING CHART
3/20/2009

Office	Title	Authorized Positions	EDR Office Location
Office of the Assistant Secretary	Assistant Secretary of Commerce for Economic Development	6	
	Deputy Assistant Secretary of Commerce for Economic Development		
	Chief of Staff		
	Senior Advisor		
	Confidential Assistant		
	Secretary		
Office of Chief Counsel	Chief Counsel	6	
	Deputy Chief Counsel		
	Attorney Advisor		
	General Attorney		
	Attorney Advisor		
	Student Trainee/Administration		
Office of Finance and Management Services	Chief Financial Officer/Chief Administrative Officer	11	
	Executive Assistant		
	Deputy Chief Financial Officer		
	Director, Finance and Administration Division		
	Management Analyst		
	Management Analyst		
	Accountant		
	Accountant		
	Director, Budget Division		
	Budget Analyst		
	Budget Analyst		
Office of Regional Affairs	Deputy Assistant Secretary for Regional Affairs	14	
	Executive Assistant		
	Program Analyst		
	Director, Trade Adjustment Assistance for Firms		
	Program Analyst		
	Program Analyst		
	Director, Performance and National Programs Division		
	Program Analysis Officer		
	Senior Program Analyst		
	Program Analyst		
	Program Analyst		
	Program Analyst		
	Program Analyst - PMF		
	Grants Specialist		
Office of Information Technology	Chief Information Officer	7	
	Information Technology Specialist		
	Information Technology Specialist		
	Information Technology Specialist		
	Information Technology Specialist		
	Student Trainee/Information Technology		
	Web Master		
Office of Executive Secretariat and External Affairs	Deputy Assistant Secretary for Executive Secretariat and External Affairs	12	
	Secretary		
	Director, Public Affairs		
	Senior Public Affairs Specialist		
	Public Affairs Specialist		
	Director, Legislative Affairs		
	Lead Management Analyst		
	Public Affairs Specialist		
	Director, Executive Secretariat		
	Congressional Affairs Specialist		
	Investment Information Specialist		
	Investment Information Specialist		
Total Headquarters		56	
Total Political Employees		8	

ECONOMIC DEVELOPMENT ADMINISTRATION			
STAFFING CHART			
3/20/2009			
Office	Title	Authorized Positions	EDR Office Location
Atlanta Regional Office	Regional Director	22	
	Regional Counsel		
	Administrative Director		
	Administrative Officer		
	Economic Development Assistant		
	Office Automation Assistant		
	Area Director		
	Economic Development Representative		
	Economic Development Specialist - North Carolina/South Carolina		Columbia, SC
	Economic Development Specialist - Alabama		Jasper, AL
	Civil Engineer		
	Economic Development Representative		
	Public Works Program Specialist		
	Economic Development Specialist		
	Area Director		
	Economic Development Representative - Kentucky/Tennessee		Lexington, KY
	Economic Development Representative		
	Economic Development Specialist		
	Construction Project Manager		
	Economic Development Representative		
	Economic Development Specialist		
	Economic Development Program Specialist		
Austin Regional Office	Regional Director	17	
	Regional Counsel		
	Environmental Protection Specialist		
	Administrative Director		
	Management Analyst		
	Office Automation Assistant		
	Economic Development Program Specialist - PMF		
	Management Analyst		
	Area Director		
	Economic Development Program Specialist		
	Economic Development Program Specialist		
	Civil Engineer		
	Environmental Protection Specialist		
	Area Director		
	Economic Development Program Specialist		
	Economic Development Program Specialist		
	Economic Development Representative - Louisiana		New Orleans, LA
Chicago Regional Office	Regional Director	18	
	Regional Counsel		
	Environmental Protection Specialist		
	Economic Development Program Specialist		
	Economic Development Specialist - PMF		
	Administrative Director		
	Management Analyst		
	Administrative Support Assistant		
	Administrative Support Assistant		
	Area Director		
	Economic Development Representative - Ohio/Indiana		Columbus, OH
	Civil Engineer		
	Economic Development Specialist		
	Economic Development Specialist		
	Area Director		
	Civil Engineer		
	Economic Development Specialist		
	Economic Development Specialist		
	Economic Development Representative - Minnesota		Minneapolis, MN

ECONOMIC DEVELOPMENT ADMINISTRATION
STAFFING CHART
3/20/2009

Office	Title	Authorized Positions	EDR Office Location
Denver Regional Office	Regional Director	17	
	Regional Counsel		
	Administrative Director		
	Information Technology Specialist		
	Administrative Officer		
	Area Director		
	Economic Development Program Specialist		
	Economic Development Program Specialist		
	Civil Engineer		
	Economic Development Representative - Montana/Wyoming/North Dakota		Helena, MT
	Economic Development Representative - Utah/Colorado/South Dakota		Denver, CO
	Community Planner		
	Area Director		
	Civil Engineer		
	Economic Development Program Specialist		
	Economic Development Representative - Iowa/Nebraska		Des Moines, IA
	Economic Development Representative - Kansas/Missouri		Kansas City, MO
Philadelphia Regional Office	Regional Director	24	
	Regional Counsel		
	Environmental Protection Specialist		
	Administrative Director		
	Administrative Officer		
	Community Planner		
	Senior Program Analyst		
	Senior Program Analyst		
	Area Director		
	Economic Development Representative - New York/Vermont		Syracuse, NY
	Economic Development Representative - Maine, Massachusetts, and New Hampshire		Portland, ME
	Civil Engineer		
	Economic Adjustment Program Specialist		
	Economic Development Specialist		
	Civil Engineer		
	Civil Engineer		
	Area Director		
	Economic Development Representative - West Virginia/Maryland		Charleston, WV
	Economic Development Program Specialist		
	Civil Engineer		
	Economic Development Specialist		
	Community Planner		
	Public Works Program Specialist		
	Civil Engineer		
Seattle Regional Office	Regional Director	24	
	Regional Counsel		
	Administrative Director		
	Information Technology Specialist (Network)		
	Area Director		
	Economic Development Representative - Idaho/Nevada		Boise, ID
	Economic Development Representative - Oregon/Eastern Washington		Portland, OR
	Economic Development Representative - Coastal and Northern California		San Jose, CA
	Community Planner		
	Supervisory Public Works Specialist		
	Civil Engineer		
	Public Works Program Specialist		
	Economic Development Specialist		
	Environmental Protection Specialist		
	Civil Engineer		
	Area Director		
	Economic Development Representative - Hawaii/Pacific Islands		Honolulu, HI
	Economic Development Representative		
	Economic Development Representative - Southern and Central California		Los Angeles, CA
	Civil Engineer		
	ED Program Specialist		
	Economic Development Specialist		
	Economic Development Representative - Alaska		Anchorage, AK
	Economic Development Program Specialist		
Total Regional Offices		122	
Total EDA Employees		175	

EDA Approved Investments, FY 2004 to FY 2009, in Cong Dist LA - 2

Date: 04/09/09

FY	Project No.	EDA Program	Appl Short Name	Project Short Descrip	Project Location	EDA $	Total Project $	Jobs Created	Jobs Saved	Priv Investment
2004	086603939	Tech Asst	Univ of New Orleans	UC Competitve Grant	New Orleans	$98,500	$198,915	100	0	
			Approved Fiscal Year	2004 Totals: 1	projects	$98,500	$198,915	100	0	
2005	080103995	Public Works	Jefferson Parish	tech park	Jefferson	$850,000	$4,350,000	646	291	$46,500,000
	0866039390	Tech Asst	Univ of New Orleans	UC Comp. Grant - Year 2	New Orleans	$81,484	$172,416	0	0	
			Approved Fiscal Year	2005 Totals: 2	projects	$931,484	$4,522,416	646	291	$46,500,000
2006	080104087	Public Works	New Orleans BIC	wetlab incubator	New Orleans	$1,250,000	$2,100,000	200	0	$20,000,000
	086904073	Econ Adjst	Regional Planning Comm	New Orleans Medical Dist	New Orleans	$300,000	$300,000			
	087904091	Econ Adjst	New Orleans City of Rbdl	RLF recap	New Orleans	$600,000	$600,000	5	20	
	0866039390	Tech Asst	Univ of New Orleans	UC Comp. Grant - Year 3	New Orleans	$95,850	$205,440			
			Approved Fiscal Year	2006 Totals: 4	projects	$2,245,850	$3,205,440	205	20	$20,000,000
2007	080104194	Public Works	Natl WW II Museum	Museum equip & expan	New Orleans	$1,200,000	$4,441,000	39	0	$26,366,480
	088304180	Planning	SLEDD - RPC	CEDS Proc & Dist Partner	New Orleans	$250,000	$312,500	0	0	
	0869040730	Econ Adjst	Regional Planning Comm	Plng Performance Award	New Orleans	$15,000	$15,000			
	087904141	Econ Adjst	GNO Inc	Disaster T/A & Recovery	New Orleans	$284,245	$355,306			
	080604217	Tech Asst	Regional Planning Comm	2008 Regional Conference	New Orleans	$75,000	$75,000			
	086604207	Tech Asst	Univ of New Orleans	2007 UC Competition	New Orleans	$97,852	$195,704			
			Approved Fiscal Year	2007 Totals: 6	projects	$1,922,097	$5,394,510	39	0	$26,366,480
2008	088304334	Planning	SLEDD - RPC	EDD Disaster Recovery	New Orleans	$303,500	$303,500	0	0	$0
	0879040910	Econ Adjst	New Orleans City of Rbdl	RLF Recap	New Orleans	$460,000	$460,000	0	0	$0
	087904333	Econ Adjst	IEDC	TA to ED Organizations	New Orleans	$450,000	$450,000			
	087904299	Econ Adjst	UNO Foundation	A/E Plns for resrch park	New Orleans	$250,000	$353,060	0	0	$0
	0866042070	Tech Asst	Univ of New Orleans	2007 UC Competition	New Orleans	$97,850	$202,112	0	0	$0
			Approved Fiscal Year	2008 Totals: 5	projects	$1,561,350	$1,768,672	0	0	$0

Date: 04/09/09

EDA Approved Investments, FY 2004 to FY 2009, in Cong Dist LA - 2

FY	Project No.	EDA Program	Appl Short Name	Project Short Descrip	Project Location	EDA $	Total Project $	Jobs Created	Jobs Saved	Priv Investment
2009	087904366		New Orleans DDD	place-based econ dev	New Orleans	$750,000	$938,130	0	0	$0
			Approved Fiscal Year	2009 Totals:	1 projects	$750,000	$938,130	0	0	$0
			Approved Totals:		19 projects	$7,509,281	$16,028,083	990	311	$92,866,480