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PROPOSED FISCAL YEAR 2011 BUDGETS FOR REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS, PRIORITIES AND IMPACTS ON REGIONAL ECONOMICS AND EMPLOYMENT

(111–108)

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

SECOND SESSION

April 29, 2010

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U.S. House of Representatives
Committee on Transportation and Infrastructure

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Washington, DC 20515

April 28, 2010

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Ranking Republican Member

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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 "Proposed Fiscal Year 2011 Budgets for Regional Economic Development Commissions, Priorities and Impacts on Regional Economies and Employment"

PURPOSE

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Thursday, April 29, 2010, at 2:00 p.m., in room 2167 of the Rayburn House Office Building, to receive testimony from the appointed Federal Co-chairs of the Appalachian Regional Commission (ARC), Denali Commission (Denali), Delta Regional Authority (DRA) as well as the President of the Board of Directors of the National Association of Development Organizations (NADO), and two economic development commission grant recipients.

BACKGROUND

The Subcommittee 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 ARC, the Denali, the DRA, the Northern Border Regional Commission (NBRC), the Southeast Crescent Regional Commission (SCRC), the Southwest Border Regional Commission (SBRC), and the Northern Great Plains Regional Authority (NGPRA).

The regions that are eligible for funding from the regional economic development entities have experienced systemic, above-average poverty rates, significantly higher than-average

unemployment rates, limited access to capital, and low per capita personal income. These regional economic development entities provide funding for projects that stimulate economic development and promote the character and industries of the region, while not supplanting existing institutions and programs that provide funding, such as those administered by the EDA, State agencies, and local development organizations.

I. Appalachian Regional Commission

One of President John F. Kennedy's first legislative initiatives was to address the overwhelming poverty that persisted in the Appalachian region of the country. In response to his initiative, Congress passed the Appalachian Regional Development Act of 1965 (P.L. 89-4), which created the ARC. The primary function of ARC is to provide economic development assistance to a 13 State region, which includes all of West Virginia and parts of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, South Carolina, Ohio, Pennsylvania, Tennessee, and Virginia. The region is populated by more than 20 million people. In addition, the Transportation Equity Act for the 21st Century (P.L. 105-178) significantly increased funding for the Appalachian Development Highway System (ADHS) and shifted the source of ADHS funding from the General Fund to the Highway Trust Fund.

The ARC's Federal-State organizational structure is unique by allocating the level of funding to each State. The Commission structure provides that both the Federal co-chairman and the State co-chairman must agree on policy and funding issues. The ARC is viewed as a model program for Federal-State partnerships as this 50-50 power sharing arrangement forces the Federal Government and the States to come to agreement on issues. Additionally, the regional nature of the program motivates States to plan and adopt regional economic solutions to common problems.

During the 110th Congress, Congress enacted the Appalachian Regional Development Reauthorization Act Amendments of 2008 (the ARC Reauthorization Act) (P.L. 110-371). The ARC Reauthorization Act built upon past successes of the ARC, but made several amendments to existing law and extended the authorization for five years. Specifically, the ARC Reauthorization Act expanded the Commission by adding 10 new counties to the ARC region and created a new energy and economic development initiative.

Federal funding for ARC is subject to an annual appropriations process under the Energy and Water Development Appropriations Act (P.L. 109-103). The ARC budget for fiscal year (FY) 2010 was $76 million and the FY 2011 President's budget request is $76 million. The FY 2011 authorized level of funding is $108 million. In addition, the Safe, Accountable, Flexible, and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU) (P.L. 109-59) separately authorized $470 million from the Highway Trust Fund for the ADHS.

II. The Delta Regional Authority

Created by the Delta Regional Authority Act of 2000 (P.L. 106-554), the primary function of the DRA is to provide economic development assistance to the eight States of the Mississippi River region. This region includes counties in Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee.

Structured similarly to the ARC, the DRA is a Federal-State entity consisting of the Governor (or his designee) of each State and a Federal co-chairman. The DRA was created to improve the economic growth and prosperity of the Mississippi River region. The DRA's mission is to help create jobs, attract industrial development, and grow local economies by improving infrastructure, training the workforce, and building local leadership. These goals will be accomplished through the improvement of transportation and basic infrastructure in the region, establishing a framework for crafting regional strategies for economic development, and improving job training and education. Funding for all proposed development plans and projects is subject to certification by the State member and subsequent DRA approval.

The Food, Conservation, and Energy Act of 2008 (P.L. 110-246) reauthorized the DRA for a five year period through 2012.

Federal funding for DRA is subject to an annual appropriations process under the Energy and Water Development Appropriations Act. The DRA received $13 million in Federal funding in FY 2010. The FY 2011 authorized level was $30 million, but the President's budget requested only $13 million.

III. The Denali Commission

Denali was created in 1998 with enactment of the Denali Commission Act of 1998 (P.L. 105-277). Denali confines all its economic development activities to the State of Alaska. It provides critical utilities, infrastructure, and economic support throughout the State and is charged with lowering the cost and raising the standard, of living in Alaska by delivering Federal resources in the most cost-effective manner. Similar, but not identical to the ARC organizational structure, Denali is co-chaired by a Federal and a State member (the Governor of Alaska) and includes a panel of five commissioners. In making funding decisions, commissioners must determine that funding would be consistent with the Denali's annual work plan, and the community's comprehensive development plans. Projects that are comprehensive, community based, regionally supported, and sustainable are given priority. Denali is also tasked with providing assistance on water and sewer wastewater programs, and, in consultation with the U.S. Coast Guard, developing a plan to repair or replace bulk fuel storage tanks.

Denali was reauthorized for a five year period through 2008 in the Consolidated Appropriations Resolution, 2003 (P.L. 108-7). Federal funding for Denali is subject to an annual appropriations process under the Energy and Water Development Appropriations Act. Denali received $64.089 million in Federal funding in FY 2010; the President's budget requested $15.965 million for FY 2011.

IV. The Southeast Crescent Regional Commission

The SCRC was created in the Food, Conservation, and Energy Act of 2008. SCRC is modeled after the highly successful ARC, which has assisted in eliminating large pockets of economic distress and poverty in Appalachia. The SCRC is composed of a seven State region that includes Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Virginia. Only counties not served by either the DRA or ARC are eligible participants in SCRC's programs. The Governors of the seven participating SCRC States or their appointees shall serve on the SCRC board of directors, along with a Federal Co-chair appointed by the President of the United States. The States' Co-chair is elected from among the seven Governors or appointees.

The SCRC is tasked with various functions, including:

- Identify those counties with the most severe economic distress in the region;
- Assess the economic development and infrastructure needs of the region;
- Formulate strategic plans and programs for the region;
- Support local development districts (An EDA designation that garners economic development planning support) and assist in creating them where they do not exist;
- Encourage private investment in the region;
- Approve grants to States and public and nonprofit entities toward that end;
- Establish priorities in a development plan for the region; and
- Annually designate economically distressed counties and isolated areas of distress in non-distressed counties.

Projects eligible for funding by the SCRC include infrastructure development, education and training, and entrepreneurship and leadership development. The SCRC is authorized at $30 million through FY 2012. The SCRC was appropriated $250,000 in the FY 2010 budget and the President's FY 2011 budget requests $250,000 in Federal funds. However, the President has not appointed a Federal Co-chair, and therefore the SCRC is not operational.

V. The Northern Border Regional Commission

The NBRC was created in the Food, Conservation, and Energy Act of 2008. The NBRC is also modeled after the highly successful ARC. The NBRC's four State region includes counties in Maine, New Hampshire, New York, and Vermont. The Governors of the four participating Commission States or their appointees shall serve on the NBRC's board of directors, along with a Federal Co-chair appointed by the President of the United States. The States' Co-chair is elected from among the four Governors or appointees.

The NBRC is tasked with various functions, including:

- Identify those counties with the most severe economic distress in the region;
- Assess the economic development and infrastructure needs of the region;
- Formulate strategic plans and programs for the region;
- Support local development districts (An EDA designation that garners economic development planning support) and assist in creating them where they do not exist;
- Encourage private investment in the region;

- Approve grants to States and public and nonprofit entities toward that end;
- Establish priorities in a development plan for the region; and
- Annually designate economically distressed counties and isolated areas of distress in non-distressed counties.

Projects eligible for funding by the NBRC include infrastructure development, education and training, and entrepreneurship and leadership development.

The NBRC is authorized at $30 million through FY 2012. The NBRC was appropriated $1,500,000 in the FY 2010 budget and the President's FY 2011 budget requests $1,500,000 in Federal funds. A Federal Co-Chair was recently appointed for the NBRC and will be sworn in and able to hire a staff within the next 30 days.

VI. The Southwest Border Regional Commission

The SBRC was created in the Food, Conservation, and Energy Act of 2008. The SBRC is also modeled after the highly successful ARC. The SBRC's four State region includes counties in Arizona, California, New Mexico, and Texas.

The Governors of the four participating SBRC States or their appointees shall serve on the SBRC's board of directors, along with a Federal Co-chair appointed by the President of the United States. The States' Co-chair is elected from among the four Governors or appointees.

The SBRC is tasked with various functions, including:

- Identify those counties with the most severe economic distress in the region;
- Assess the economic development and infrastructure needs of the region;
- Formulate strategic plans and programs for the region;
- Support local development districts (An EDA designation that garners economic development planning support) and assist in creating them where they do not exist;
- Encourage private investment in the region;
- Approve grants to States and public and nonprofit entities toward that end;
- Establish priorities in a development plan for the region; and
- Annually designate economically distressed counties and isolated areas of distress in non-distressed counties.

Projects eligible for funding by the SBRC include infrastructure development, education and training, and entrepreneurship and leadership development. The SBRC is authorized at $30 million through FY 2012; however, no appropriation has been made to date.

VII. The Northern Great Plains Regional Authority

The NGPRA was created in the Farm Security and Rural Investment Act of 2002 (P.L. 107-171). Its organizational structure is modeled closely after the management and operational structure of the ARC. The NGPRA is governed by a commission consisting of one member appointed by the President, the Governors of the States comprising the NGPRA, and a representative of an Indian tribe in the region appointed by the President. The Authority is designed to be a Federal

grant program that would provide assistance in acquiring or developing land, constructing public infrastructure, carrying out economic development activities, and conducting research related to those activities. Iowa, Minnesota, Nebraska, North Dakota and South Dakota are included in the NGPRA region.

The NGPRA did not receive any Federal funding in FY 2010, nor has it received an appropriation since its inception despite its $30 million authorization. The President's FY 2011 budget request proposed no funding for the NGPRA.

The NGPRA is tasked with various functions, including:

- Identify those counties with the most severe economic distress in the region;
- Assess the economic development and infrastructure needs of the region;
- Formulate strategic plans and programs for the region;
- Support local development districts (An EDA designation that garners economic development planning support) and assist in creating them where they do not exist;
- Encourage private investment in the region;
- Approve grants to States and public and nonprofit entities toward that end;
- Establish priorities in a development plan for the region; and
- Annually designate economically distressed counties and isolated areas of distress in non-distressed counties.

PRIOR LEGISLATIVE AND OVERSIGHT ACTIVITY

In the 110th Congress, Chairman Oberstar introduced H.R. 3246, a bill to establish the SCRC, SBRC, and the NBRC on July 31, 2007. On August 2, 2007, the Committee on Transportation and Infrastructure ordered the bill, as amended, reported by voice vote with a quorum present. H. Rept. 110-321. On May 15, 2007, the House of Representatives passed the bill by a vote of 264-154. On May 22, 2008, the bill was incorporated into H.R. 6124, Food, Conservation, and Energy Act of 2008 and the House of Representatives passed the bill by a vote of 306-110 under suspension of the Rules of the House. On June 5, 2008, the Senate agreed to the bill without amendment by a vote of 77-15. The President George W. Bush vetoed the bill. On June 18, 2008, the House of Representatives overrode the President's veto by a vote of 317-109. On the same day, the Senate overrode the President's veto by a vote of 80-14. The bill became P.L. 110-246.

In the 110th Congress, Chairman Oberstar introduced H.R. 799, a bill to reauthorize the ARC for five years on February 5, 2007. On February 7, 2007, the Committee on Transportation and Infrastructure ordered the bill, as amended, reported by voice vote with a quorum present. H. Rept. 110-33. On July 16, 2007, the House of Representatives passed the bill by a vote of 264-154. On August 3, 2007, the Senate passed its companion bill (S. 496). On October 8, 2008, the President signed the bill into law (P.L. 110-371).

WITNESSES

PANEL I

Patrick H. "Pete" Johnson
Federal Co-Chair
Delta Regional Authority

Earl F. Gohl
Federal Co-Chair
Appalachian Regional Commission

Joel Neimeyer
Federal Co-Chair
Denali Commission

PANEL II

Mr. Michael Norton
Executive Director
Northwest Arkansas Economic Development District, Inc.
and President, Board of Directors, NADO

Mr. Leonard Winchester
Manager
Western North Carolina Education Network

Dr. Cecil Groves
President
Southwestern Community College

PROPOSED FISCAL YEAR 2011 BUDGETS FOR REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS, PRIORITIES AND IMPACTS ON REGIONAL ECONOMICS AND EMPLOYMENT

Thursday, April 29, 2010

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

The subcommittee met, pursuant to call, at 2:10 p.m., in Room 2167, Rayburn House Office Building, Hon. Eleanor Holmes Norton [chairwoman of the subcommittee] presiding.

Ms. NORTON OF THE DISTRICT OF COLUMBIA.. The ranking member is delayed but has indicated we should proceed so as not to delay the hearing.

Good afternoon and welcome to today's hearing entitled ″Proposed Fiscal Year 2011 Budgets for Regional Economic Development Commissions, Priorities and Impacts on Regional Economies and Employment.″ That is a mouthful, but it really does say what we are trying to do here.

Today, we are doing important oversight for the first time on three newly created Federal, regional economic development commissions, as well as, on the floor, established regional economic development commissions, to evaluate the start-up of the new commissions.

Economic development was not a specific mission of the Federal Government until Congress passed the Public Works and Economic Development Act in 1965 and established the Economic Development Administration. EDA was created to alleviate conditions of substantial and persistent unemployment in economically distressed areas and regions.

The mission of EDA today remains much the same as it was when it was originally founded. EDA has stated that to fulfill its mission it must, quote, be guided by the principle that established communities must be empowered to develop and implement their own economic development and revitalization strategies.

As our hearings have documented, the act has been enormously successful, particularly in using modest Federal funds to attract and leverage considerably more in private sector funds. The success of EDA has created the impetus for the regional economic development commissions that we will hear from today.

Last Congress, the House of Representatives passed the Regional Economic and Infrastructure Development Act of 2007. The bill organized five regional economic development commissions under a common framework, providing a more uniform method for distributing economic development funds to distressed areas throughout the regions most in need of such assistance. The five commissions were the Northern Border Economic Development Commission, the Southeast Crescent Regional Commission, the Southwest Border Regional Commission, the Delta Regional Commission, and the Northern Great Plains Regional Commission.

Eventually, all the regional economic development commissions were passed as part of the Food Conservation and Energy Act of 2008. The Northern Border Economic Development Commission, the Southeast Crescent Regional Commission and the Southwest Border Regional Commission were created by Public Law 110-246 in our design to address the problems of systemic poverty and underdevelopment in those particular regions.

Public Law 110-246 also reauthorized the Delta Regional Commission and the Northern Great Plains Commission. The administrative and management procedures for these regional economic development commissions are all modeled after the successful Appalachian Regional Commission, the first of the regional economic development commissions.

The Denali Commission is currently the only regional economic development commission under this subcommittee's jurisdiction that does not have the same administrative structure, in addition to not being under the same authorization schedule as the rest of the regional economic development commissions. We are planning to remedy this discrepancy in the next authorization. We will need to bring these programs in alignment in order to properly assess their role in economic development and to help them to enhance their missions.

Our intent in creating these commissions was to provide additional funding for projects that stimulate regional economic development and to promote the character and industries of the regions, without supplanting existing institutions and programs that provide funding.

In these times of severe budget constraints, we do need to be mindful not to duplicate programs and to target scarce resources in areas that will bring the highest investment return, while addressing the needs of our most distressed communities. The subcommittee is interested in hearing from the witnesses about how their regional economic development commissions fit into this premise.

Although unemployment is still high, there is reason for optimism that the U.S. economy is beginning to emerge from the so-called ″Great Recession.″ It will be important to leverage scarce Federal resources to help maintain gains as they emerge, and to focus on long-term growth strategies to buffer the American economy from further sustained disruption.

We are especially interested in the strategies for economic development in areas that suffer chronic unemployment and high rates of poverty, as I said earlier. Even within my own district where there are many high-income and middle-income communities, there

are also severely distressed communities. For example, Ward 8 reported unemployment as high as 28.5 percent just a few months ago, and a poverty rate for individuals under 30 percent.

Given such daunting statistics, Ward 8, for example, would benefit from coordinated assistance similar to that received by many counties, including in these newly established regional economic development commissions. Such distressed areas benefit from sustained planning efforts and the leverage that Federal investments can provide for private investment.

The work of these regional economic commissions is part of a coordinated Federal effort to enhance economic opportunity nationwide by increasing the overall productivity of economically distressed and poor communities and, thus, their share of the country's general prosperity.

We look forward to hearing testimony from our distinguished witnesses about the status of these commissions and their work with local partners and their progress in carrying out their mission.

And as we thought, our ranking member Mr. Diaz-Balart has arrived, and I am pleased to hear any comments from him at this time.

Mr. DIAZ-BALART. Thank you very much, Madam Chairwoman. I want to thank you first for holding this hearing on the fiscal year 2011 budgets for the regional economic development commissions. I also want to recognize the work and dedication of Congressman Don Young, who might be able to get away from what he is doing and hopefully spend some time with us today. He knows these issues well, having served as chairman of this committee, and being a tireless advocate for his home State of Alaska.

Congress established the regional commissions to focus investment in the areas of distress in our Nation. And, unfortunately, there are many areas of our Nation that have chronic unemployment, high poverty rates, lack of infrastructure and other resources to spur private investment, private investment in their communities, and obviously private investment is key. So these commissions were created to help spur economic development and job creation in these communities.

Now, included among these commissions are the Appalachian Regional Commission, the Denali Commission and the Delta Regional Authority.

More recently, Madam Chairwoman, as you were mentioning, Congress created the others, including the Northern Great Plains Regional Authority, the Southeast Crescent Regional Commission, the Southwest Border Regional Commission and the Northern Border Regional Commission.

Today this subcommittee is examining the proposed fiscal year 2011 budgets of these commissions and also their priorities for the coming year. These regional commissions are Federal and State partnerships and focused to help chronically distressed communities to generate sustainable economic development for those areas.

The commissions have, as I am sure we all know, relatively small budgets. And those represented here are requesting level fundings for the fiscal year 2011. Now, generally these commissions have

really been very effective in leveraging tax dollars, public dollars, with private investment in order to spur job growth. In 2007 a report on ARC Infrastructure and Public Works Projects, a sampling of just a quarter of ARC's projects reveal that more than 17,000 new jobs were created. This is one of the success stories. These projects expanded the annual personnel income by $1.3 billion. And of the 78 projects reviewed in the report, $1.7 billion of private investment was leveraged.

Now, think about that. That is a ratio of $75 to $1 of ARC investment. Those are pretty impressive investments under any standards.

And since it was created in 2000, the DRA has invested $75 million in 510 projects, attracting $1.5 billion investment of private investments; so, $75 million to attract $1.5 billion in private investment. That is a pretty impressive number.

And DRA, as highlighted in a hearing earlier this year, uses participation agreements for its grants, and it requires guarantees to meet certain job creation goals. And if you remember, Madam Chairwoman, as we heard in this committee, if those goals are not met, the grantee must refund a pro rata share of the grant monies, something that is not done very often.

These are just a couple of examples of how tax dollars can be leveraged to spur private investment to ensure that jobs are created and that those jobs will last.

As I had mentioned in previous hearings, the Recovery Act of the stimulus bill should have included provisions that ensured similar returns on investment to the taxpayers. Unfortunately, obviously, they did not.

As we review the budgets and the priorities of these commissions, I believe it is really, really important that we ensure funding is leveraged effectively and job creation remains a priority for these distressed areas, something that I have been hounding and jumping on and talking about every single time that I had the opportunity to do so. So I look forward to hearing from the witnesses on these and other issues.

And I want to thank you, Madam Chairwoman, for once again your leadership, your active leadership in this issue. Thank you very much.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Thank you very much, Mr. Diaz-Balart.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Representative Walz of Minnesota, have you an opening statement.

Mr. WALZ. Just a brief one Madam Chair.

Again, thank you to you and the ranking member, and I very much appreciate the opportunity to our witnesses here. A very important hearing. I certainly wish more of my colleagues would be here to listen to this because I do think it is important.

I think the ranking member was exactly right in trying to figure out how to best leverage some very limited budget and see the return on taxpayer dollars.

And these regional economic development commissions tend to hit rural areas which, in any economic downturn, tend to feel it more more so because of the lack of diversity in the economy. If one

sector is hit, we see it more so. And I think that is really important.

Also what I have seen, and I am very appreciative of it, and while we are new in the northern border regions we are witnessing across the country squeezing more efficiencies out of these partnerships, maximizing it, as the chairwoman said, making sure we are not duplicating. So this discussion of your budgets and the budgets for the commissions are incredibly important because they are not just a reflection on fiscal priorities, they are a reflection of our moral values as a country. What we do for some of these rural areas.

And I am appreciative of you being here and look forward to the testimony. I yield back.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. If there are no more opening statements, we will proceed to our witnesses: Pete Johnson, the Federal Co-Chair of the Delta Regional Authority; Earl Gohl, the Federal Co-Chair of the Appalachian Regional Commission; and Joel Neimeyer, Federal Co-Chair, Denali Commission.

TESTIMONY OF PETE JOHNSON, FEDERAL CO-CHAIR, DELTA REGIONAL AUTHORITY; EARL F. GOHL, FEDERAL CO-CHAIR; APPALACHIAN REGIONAL COMMISSION; AND JOEL NEIMEYER, FEDERAL CO-CHAIR, DENALI COMMISSION

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Mr. Johnson, then we will go right across the line.

Mr. JOHNSON OF ILLINOIS. Good morning—good afternoon, rather. Good afternoon, Chairwoman Norton and Ranking Member Diaz-Balart, thank you for allowing me to be here today, and all the subcommittee members. We appreciate this opportunity to come before you today for me to talk about the Delta Regional Authority, which I started myself some 8 years ago. And I can't tell you how difficult it is to get dot-gov when you start up in your organization. But we started this at ground zero. And I want to publicly thank our friends at the Appalachian Regional Commission who were invaluable in helping us get this organization started, the Authority's fiscal year 2011 proposed budget priorities and also our impacts on development and employment in our region. And while we were also invited to speak to our needs, the Authority currently has no authorizing needs to request today, and we are grateful that the Congress recently remedied two of our pressing issues.

The Authority was reauthorized through 2012 and the 2008 Farm Bill, and in 2009 our voting structure was extended for perpetuity. To better substantiate my statement, I would like to share with you some highlights from the March 2010 research report published by the Economic Research Service of the U.S. Department of Agriculture, where in its report, Impacts on the Regional Approaches to Rural Development: Initial Evidence on the Delta Regional Authority, the ERS made this statement: We find that per-capita income and transfer payments grew more rapidly in DRA counties than similar nonDRA counties, and these impacts are larger in counties where DRA's spending was larger. Each additional dollar of DRA spending per capita is associated with an increase of $15 of personal income per capita between 2002 and 2007,

including an increase of $8 in earnings and $5 in transfer payments.

Clearly the impact on DRA's Federal grant program is being felt, and that impact is in the poorest region in this Nation. Income growth is a function of job growth, and that is especially true in these harsh economic times.

And I would like to provide some additional facts on both jobs and development our Federal grant program has had during this period of time and it is already funded to have in the years to come.

The Federal grant program is probably one of the smallest things that we do, but it is the most politically sensitive thing that we do. And so we want to make sure that it runs very well and the way that the Congress would have it run. Specifically, to date, through the DRA's Federal grant program and the work of its partners—and I might pause to say that through our local development districts we are able to achieve these results—almost 11,000 jobs have been created or retained through those projects that we have completed. Almost 12,000 families have received new water and/or sewer. And more than 3,000 individuals have been trained for jobs in their job areas.

One of the requirements we have in our job training is that there must be a letter from an employer that the individual who is being trained will be employed when they get out. Over the years we have seen programs like this that were more designed for the instructors than they were for the students.

Additionally, we project even stronger outcomes from our other projects which are already funded and underway, and projects by DRA's participation agreements, which were mentioned a little bit earlier. More than 24,000 will be—24,000 jobs will be created and retained, and more than 23,000 families will have new water and sewer, and almost 600 more individuals will be trained for those jobs.

Without our strong partner of USDA and our being able to leverage those funds, we would not be able to achieve many of those results. Please remember, DRA's participation agreements bind the grantees to an outcome level, which, if not met, requires the grantee to pay back the prorated share of the outcome shortfall.

Quite simply, either the outcomes will be realized or the DRA will recapture that level of funding, and we have done that on occasion.

Our budget priorities are evolving and are changing primarily as functions of the administration's priorities, such as green economies, regional centers of innovation and livable communities, and from our own research.

In our most recent regional development plan, ″Rethinking the Delta,″ released in 2008, we learned that the most important investment we can make to grow our region's employment is through improved health outcomes. Succinctly, for every 1 percent improvement in our community's health outcomes' life expectancy, we estimate a 4.6 percent increase in employment. Accordingly, the Authority is providing greater support for community and subregional health-care initiatives.

Let me quickly provide you some context and also enumerate some ongoing programs, and then briefly describe our major new initiative. Throughout our region, we know that among working adults our community's average double-digit levels of Type 2 diabetes is enormous. And that prevalence worsens every year and at every cohort of age, gender and race, particularly African Americans. Obviously, workers who are sick cannot be as productive as they want to be, nor will they enjoy the life they deserve to have. And a child who is sick, even a toothache, cannot learn.

Toward that end, we have partnered with USDA to create our pilot diabetes management centers, which are proving to be very effective in improving people's health and productivity. A fantastic example of best practice is what this is. We have one underway in Helena, Arkansas. And we are about to begin two more sites, one in southeast Missouri and one in northwest Tennessee.

Additionally, the Authority has two other ongoing programs to increase accessibility to affordable quality health care. Delta Doctors, which is a DRA J1 visa program, has brought more than 100 physicians in the practice areas in the region that are underserved.

Innovative Readiness Training Program, which is the Authority's partnership with the Pentagon, where more than 1,200 people in our region have received free quality health care, and by the summer of 2012 that number will grow to more than 7,000.

Our new $1.5 million initiative is ″Growing a Healthy Workforce in the Delta, an Action Plan,″ a very bottom-up approach to improving health outcomes. In this initiative, we will better align resources through better information, technological assistance and our grant program. We will improve local efforts, determination and outcomes, while increasing accountability to greater monitoring and transparency.

To save time, I ask that the plan's executive summary be entered into the record as an appendix, Madam Chairwoman.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. So ordered.

Mr. JOHNSON OF ILLINOIS. And I have it with me. Thank you for the time.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Thank you very much Mr. Johnson.

Mr. Gohl, am I pronouncing your name right?

Mr. GOHL. Yes, you are.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. You may proceed.

Mr. GOHL. Thank you very much. Madam Chair, members of the subcommittee, I am pleased to come before you this afternoon to discuss the President's budget request for the Appalachia Regional Commission. The administration is requesting $76 million for ARC's nonhighway work. This is level funding with the fiscal year 2010 appropriation and reflects the administration's strong commitment to Appalachia. The budget will continue ARC's traditional focus on equipping communities with the basic building blocks of community and economic development.

At the same time, we will help communities diversify their economies, helping them take full advantage of the emerging recovery to create vibrant, sustainable, local economies.

ARC is a Federal-State partnership serving all of West Virginia and 12 other States from—parts of 12 other States from the south-

ern tier of New York to northeast Mississippi. Our mission is to help the region reach socioeconomic parity with the rest of the Nation.

Appalachia is marked by mountainous terrain and dispersed population, serious environmental issues, and insufficient financial and human resources. The challenges have resulted in widespread poverty, unemployment and underinvestment.

Appalachia has come a long way since 1965 when the ARC was established. The number of high poverty counties has been reduced—has declined from 223 to 82. Infant mortality rate has declined by two-thirds. And the region's high school graduation rate now nears the national rate—the national average.

Despite these gains, Appalachia still lags behind on several key economic indicators. Per-capita income was 20 percent lower in Appalachia than the rest of the Nation in 2007. Roughly 20 percent of Appalachia households are not served by public water systems, compared to 10 percent in the rest of the country. And there is a widening gap between Appalachia and the rest of the Nation in terms of the percentage of high school students who go on to college.

Appalachia suffers economic distress in part because the economy has been heavily dependent upon manufacturing, tobacco, steel and extractive industries. These are obviously sectors of the economy that have not grown over the last two decades. The region lost 423,000 manufacturing jobs from 2000 to 2007, and that was before the economic downturn. The fourth quarter of last year, nearly two-thirds of Appalachian counties had unemployment rates higher than the national rate.

To address these challenges ARC's work falls within two broad areas: First, the 3,090-mile highway system which is funded through SAFETEA-LU; and second is the area development program.

ARC's activities are organized along four broad goals that are included in our strategic plan. First, to increase job opportunities and increase per-capita income. Second is to strengthen the capacity of local families to compete in the global economy. The third is to improve the infrastructure of the region so it is more competitive. And fourth is to build the Appalachia Development Highway System so the area is not so isolated. The highway system has been the linchpin of the ARC development strategy. Almost 85 percent of the system is now open to traffic, but some of the most challenging and most expensive parts of the highway remain to be built. A 2008 study showed that completing the ADHS will produce an estimated return for the Nation as a whole of $3 for every dollar invested in the system.

While highways are critical to regional growth, they are not by themselves sufficient. As a result, ARC's area development program provides economic and community development resources that range from basic infrastructure, workforce development, entrepreneurship, health care and local leadership development. ARC emphasizes a bottom-up approach, relying heavily on the network of 73 development districts to identify local priorities. These multicounty planning agencies help set the agenda for ARC.

Private investment also plays a critical role in economic development in Appalachia. In 2009 ARC's job-creating projects attracted $8.75 of private investment for every $1 of ARC funds. Creating sustainable local economies requires the diversification of the region's economic base. Coal will continue to be a part of the Appalachian economy, but the region's renewable energy assets can help broaden the economic base. Energy efficiency also has a significant contribution to make in job creation in the region.

These opportunities can yield a substantial green economy in Appalachia. Creating a stronger, more diversified economy is the goal of the special interagency effort currently ongoing which is focused on Appalachia. Drawing together more than a dozen departments and agencies, this initiative expects to identify ways Federal programs can be better tailored and coordinated to achieve greater impact in Appalachia.

ARC believes that a regional place-based approach to economic development offers the best prospect for sustainable growth. It employs strategies that are tailored to the needs of the region and take advantage of the region's unique assets.

We appreciate the support that this subcommittee has given us throughout the years, and we look forward to working with you in the common mission of ensuring Appalachia to achieve the socioeconomic parity with the rest of the Nation. Thanks so much Madam Chairman.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Thank you, Mr. Gohl.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Mr. Neimeyer.

Mr. NEIMEYER. Thank you, Madam Chair and the congressional subcommittee members. As noted, I am here to discuss the proposed fiscal year 2011 budgets for regional economic development commissions, and specifically the Denali Commission in Alaska.

Like the Delta Regional Authority, we thank the Appalachia Regional Commission during our start-up years. The administration's fiscal year 2011 proposed program funding of nearly $16 million is directly connected to improving essential life, health, and safety conditions and promoting lasting sustainability for rural Alaskan communities.

The barriers in Alaska created by size, geography, and lack of basic infrastructure still cause significant portion of our rural population to live without basic public facilities and endure lower health standards. The Denali Commission is proud to be in alignment with President Obama's place-based focus, and we are pleased to present to you today on this important organization.

The Commission has impacted many lives in our State and continues to improve the lives of all Alaskans. Congress created the Commission 12 years ago with a vision to deliver the services of the Federal Government in the most cost-effective manner to rural Alaska. This small independent Federal agency is charged to move quickly to tackle systemic issues of rural development by listening to rural Alaskans' concerns and working with the State of Alaska, local communities and tribes, to build basic community infrastructure in sustained rural economies.

The Commission's infrastructure projects throughout the State proceed in an efficient, transparent manner with the involvement

of the people they serve. Over 2,000 projects have been funded to date by the Commission, in almost every community of the State, in numerous program areas including energy, health facilities, training, transportation and economic development.

Most of our communities cannot be reached by road. Mountain ranges, waterways and sheer distance make a statewide electric system prohibitively expensive. The majority of rural villages are not connected to a major power grid. Many communities still lack basic indoor plumbing.

Driving to another community to meet basic needs is not an option to most Alaskan communities. Commissioners of the Denali Commission rely on well-established guiding principles: sustainability, accountability, inclusiveness, respect for people and cultures, and catalyst for positive change to meet the basic infrastructure needs so many in the lower 48 States may take for granted.

Having participated in the development of these guiding principles during the Commission's first year, I can attest to the directional value they provide for the staff, our program partners, and our stakeholders. In 2009 the Commission had over 700 active projects on the books, and to date the Commission has funded over 2,000 projects.

The Commission's two legacy programs, energy and health, continue to evolve and succeed through partnerships with strategic entities and are making a lasting impact for rural Alaska. Partnerships with the Commission have resulted in the completion of 93 community bulk-fuel tank farms, 48 rural power system upgrades, 95 community clinics, 33 road projects, 30 waterfront projects, and many other community projects. More infrastructure projects are in the process of design and construction, and the Commission's training in economic development programs continue to contribute to improving rural economies.

The creation of the Denali Commission was to address the disparities in social and economic conditions that exist in Alaska. Someday I would like to come back to this committee and report to you that the job is complete. Today is not that day. In fact, there is much more work to be done and this work is urgent and imperative.

In closing, I would like to share with you all, that I was appointed to serve as the head of the Denali Commission in January 2010. I am extremely proud to serve in this important role. I would like to also share with you that I am the first Alaskan native to lead the efforts of the Denali Commission. I can tell you with certainty that the Commission impacts the lives of all Alaskans, rural and urban.

Thank you for your time and the invitation to address this subcommittee.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Thank you very much, Mr. Neimeyer.

Now, it was of some interest to the subcommittee to note that all three of you, as Federal co-chairs in one way or the other, have mentioned the impact of health-care availability as a leading factor in economic development in your respective regions.

Have you at this time—and I realize how preliminary this must be—we are trying to get ahold of this bill ourselves and some of

it, of course, goes into effect immediately—have you any at least broad notions of the effects that the recently passed legislation may have on alleviating the conditions of health-care availability in your regions? And I also would be interested in whether you think there is job-creating potential in your regions from the health-care bill. Whoever wants to shout out first, go ahead.

Mr. JOHNSON OF ILLINOIS. I am going to try to respond. When we started this, the Delta Regional Authority up, as we began to look at how we best solve the problems of the poverty that has been a part of it for 100 years, it became apparent that unless we addressed the chronic health problems of the region that we were not going to improve the economy.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. In other words, if you want businesses or economic development entities to come to a region that is full of diabetes and health habits that mean greater insurance costs, greater absences, and the rest of it, they are likely to pass over you and go somewhere else where the health care at least seems under greater control; is that the case?

Mr. JOHNSON OF ILLINOIS. It is the case. In the Delta region, I can tell you that most of our people wait until they are deathly ill and then go into an emergency room, and the cost escalates then. Easy access to affordable health care is essential to our turning the region around.

Mr. GOHL. One of the facts of life in low-income areas is that many people in our jurisdictions——

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Speak up, Mr. Gohl, please.

Mr. GOHL. We have higher use of Medicaid and Medicare in many of our low-income counties than other areas of the Nation. And so at least many of our—high numbers of our low-income folks do have access to a public system, to a public option. But it is pretty clear that the health-care demands and the ability to create jobs through the health-care system, there really are great opportunities.

The first grant that I signed off on was about $400,000 for a request from Governor Barber for a hospital in Tupelo, Mississippi. So there are great demands on our system to help support the development of the public health-care structure. But, really, there are great opportunities. It is very difficult at this point to project out what the impacts are. But I think it is pretty clear to us that we have great demands all across the board, whether it is diabetes, whether it is drug abuse, whether it is pediatric, dental care, or black lung. I mean all the issues are there, and they are very expensive and they are very demanding.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. And Mr. Gohl you certainly have my condolences and, I know, the condolences of the committee and the Congress, for the recent tragedy in the coal mines in your State.

Mr. Neimeyer.

Mr. NEIMEYER. Yes ma'am. The primary purpose of the health program of the Denali Commission was about health disparities and less about economic development. Most of the projects serve rural Alaska. And the approach that the tribal health system and the community health system strove in the past decade is to drive

health care out to the villages, out to the smaller communities. In so doing, we could presume that with better primary care services we have better health outcomes and less likelihood leading to chronic and severe health issues. So that has been the focus.

With regard to the question of what impact does the recent health-care bill have with us, I have had a specific discussion with representatives with the tribal health system. They are now analyzing it. Part of the health bill included reauthorization of the Indian Health Service, and so there is a significant amount of legislation in there that they are looking at, and then we are planning on talking with them.

Part of the way we do business, we have five advisory bodies. One of the advisory bodies is our health steering committee. And we are teeing this question up this summer to talk about what does the new health-care bill mean to the way we do business. At this point I can't tell you what that is, but we are working on it.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Well, it is very interesting to note how all three of you have linked health care to economic development. And in that way, I think in some ways you are pioneers; that people proceed in areas that conceive of themselves as better off, often without understanding the link. They don't understand how people, how companies, look at particular regions and jurisdictions when deciding whether to go there or not, and how many factors are on the table in making that decision.

Now, the cost of health care is, as everyone knows, the greatest escalating cost of all in our economy. This is very important for us to hear. I am just going to ask one question peculiar to each of you, and then I am going to go to the ranking member and the other members.

Mr. Johnson, we need to know more about this notion that there has to be some payback if those with whom you contract do not meet the goals set for job development—how that would work—because it is interesting enough to us to note whether it ought to be replicated in the other commissions.

Mr. JOHNSON OF ILLINOIS. Yes ma'am. Well, I bring to the table an encumbrance that I was a former State auditor from Mississippi, and being in that position, an understanding that I am a steward of tax dollars. When we began to look at these programs we were getting statements made to influence the Governors to recommend a particular grant. And they would overstate the number of jobs that they were going to create. And then when it would come down to it, they would state 150 jobs, they may create 25. And so we wanted them to understand that we needed some truth in this.

So we looked at a number of States and put together a provision that says that if you do not meet the standard that you said, if you do not employ the 150 people and you only employ 100 people within the timeframe that you say you will do it, then you will pay back a certain amount of that money.

One instance in particular is Textron, which is located there in Greenville, Mississippi. I think the grant was around $387,000. They were there 4 months and left, and they paid back $340-something thousand. And so it is working.

Initially there was a lot of acrimony. They were chafing. They didn't want to have it. They didn't want us to hold their feet to the fire. But this is not my money, it is the taxpayers' money. And we were able to put that money back into the system and to get it to people who would keep their commitment.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Now, this has not deterred people or businesses or investors from coming forward because they think they may have to pay back some money if they don't meet their goals?

Mr. JOHNSON OF ILLINOIS. It has not been a deterrent at all. As a matter of fact, they are very pleased to do that. And we have clauses in there if there are economic conditions. There are some escape clauses that are reasonable.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Just like Katrina, you don't expect people to produce, then.

Mr. JOHNSON OF ILLINOIS. Yes. Something that is totally unexpected that they have no control over, like the tornado that went through Mississippi recently. Then, of course, there are escape clauses in there, and we work with them on that. There is no drop-dead clause in there.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Do either of the other two of you see any issues with respect to such a clause? I mean, it has become a racket in this country. If you want to get some fancy company to move, let's forget our regions, our economic development commissions for a moment, they outbid one another. There goes the taxpayers' money. And I am not even sure there is follow-up. All that is necessary is to get this company in your jurisdiction.

I want to ask the other two Federal co-chairs, would you object to something similar in your own region, or do you think it wouldn't work in your region?

Mr. GOHL. I wouldn't object to it. But the real trick to this is asking the hard questions up front and being able to say no up front. Because an ounce of prevention in reviewing and asking the tough questions and pushing back is so much easier than down the road trying to fix something that someone has misled you about. I mean, that is the first key to this of not, you know, not taking in, being able to say no, asking the hard questions and not, you know, listening to all the fancy talk that you get when people first walk into your office with a project.

But going back and being able to hold people accountable, I think that Mr. Johnson said it best, this isn't our money, this is the taxpayers' money, and you have to have a great deal of respect for that and understand their hard work when people have made a contribution to their tax system to pay for these programs, and it is our obligation to hold individuals accountable.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Mr. Neimeyer.

Mr. NEIMEYER. I would be very supportive of it. In this year's fiscal year 2011 proposed budget is language that requires the cost-share match, which is the first that we have seen. And when representatives from OMB asked me about it, I was very supportive. We believe that there should be skin in the game in projects. And I think this is just another example of skin in the game. Whether it is up front or even after the fact, I think it is important that the

agencies and the nonprofit organizations we work with know that we want serious work done.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. The subcommittee is going to have to take this testimony into account, particularly since I think it may be unique in Federal spending, frankly, Mr. Johnson. It may have to be taken into account way outside of the commissions, because it seems to have worked so well there.

I am going to go to the Appalachian Commission with a question, and then to the Denali Commission.

I was interested, Mr. Gohl, in your listening session with the U.S. Department of Agriculture where you seem to be looking for greater coordination among Federal programs and agencies, and that we really want to get on top of. Why did you find it necessary to have the listening session? Have you been working with the Economic Development Administration on this issue? Are you finding that there is ready and good cooperation when you need it from other Federal agencies?

Mr. GOHL. Well, to answer your last question first, we have great cooperation with the other Federal agencies. We work very closely with EDA and also USDA on a number of projects, as well as Transportation. In fact, they manage our construction projects. I mean the reason why we can have a small staff and do infrastructure and construction and highways is because we use other agencies to manage those contracts.

But in terms of the listening sessions, there were two reasons for the listening sessions. The first is that this year we are required to rewrite—to review our strategic plan. And so part of the listening sessions were to go out and talk to our constituents about our goals, our mission in the development of our strategic plan.

The second element is that about 6 months ago the environmental quality folks at the White House brought together a group of agencies to work and to examine ways that they can work together to strengthen the Appalachian economy more towards a transitional green economy than the current structure as it is now. And part of that process——

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Could you talk more into the microphone, Mr. Gohl?

Mr. GOHL. Part of that process of working with the interagency group was to go out and do these listening sessions. And we have done five of them in Alabama, North Carolina, Kentucky, West Virginia and Nanticoke, Pennsylvania. And a number of Federal agencies have gone with us, as well as nonprofit groups from throughout the region, representatives of State and local government, and they really had the opportunity to sit down and work through some of the critical development issues and the long-term planning issues of particular regions. And we hope that coming out of that will be a number of ideas and direction on where we should be going the next 5 years with our strategic plan.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Mr. Gohl, this is another idea. With Mr. Johnson, we have the idea of true accountability: Pay us. Pay back. The notion of these listening sessions, which you apparently have taken throughout your region, does seem to us to be very beneficial and an idea perhaps that should be spread to other commissions, considering that many of them are

multi-State or all of them are multi-State, except for Alaska, of course.

Mr. GOHL. And this is one of the strengths of the small agencies, that we are not stuck in the basement of a big agency, captured by a big bureaucracy, but we have the ability to move quickly, to respond and to be creative in the things that we do without a lot of bureaucracy that begins to hold us back.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Thank you very much.

Now, Mr. Neimeyer, you are really unique, you are different, because you don't cover a number of States, you cover one State, and I must tell you, you don't have a population much bigger than the District of Columbia. But you are an extraordinary territory of land in our country, a very valuable territory of land, with some miserably poor people. Many of them, of course, are Native Americans. And you have got to somehow bring all of this together. And it could just as well be multi-State because I can see your challenges.

There have been some concerns about this Commission. And I wonder if you think this Commission would benefit from some of the administrative structure of the other commissions that have not had some of the difficulties that the Denali Commission have had; a similar structure to the kind that, for example, is typical of these commissions. Do you think that would be useful?

Mr. NEIMEYER. Yes, ma'am, I do. We have had active discussions recently with the commissioners on this, and we talked with the delegation and with representatives of the Office and Management Budget. We do know that the way the act was written, it has created some initial administrative problems, and it is something that we should address.

Having said that, I do need to note that we don't have counties, we have 200 tribes; and the structure of the other commissions are set up in a different manner. And so if we go through the process of trying to look like the other commissions, which we are supportive of that, we do have to take note that we don't lose that voice, that tribal voice. That is, a significant amount of our work is done in tribal areas, and so we want to make sure that they have that opportunity to participate in the process.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. It could not be a more important point, Mr. Neimeyer. You may not be Multi-State but in some ways you are more complex even than the States. And we are very pleased you are opening to whatever—you can call it whatever you want to—the reforms that would bring you into some kind of administrative structure. We don't like to see any of our commissions ever attacked for any reason when we know what excellent work goes on in those commissions. And if it would take some change of the administrative structure, let's just get that out of the way, because you have a huge and glorious mission that you must do.

Your notion about tailoring could not be more important. Yeah, we got these other structures; Appalachian; the ARC, of course, is a longtime structure. But I think you will find that each of the commissions has been tailored more easily perhaps to meet the structure that conformed to the particular commission's mission.

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

Mr. DIAZ-BALART. Thank you, Madam Chairwoman. If it would be all right, I would like to ask unanimous consent to have the Honorable Mr. Young from the State of Alaska, former chairman of the full committee, to please be able to sit on the committee.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Always a pleasure to have my good friend here with us.

Mr. DIAZ-BALART. What I would like to do also, Madam Chairwoman, if that is all right, I would like to give him the time that I have at this moment.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. So ordered.

Mr. DIAZ-BALART. Thank you, Madam Chairwoman.

Mr. YOUNG. Thank you, Mr. minority member, and thank the chairman for having these hearings. My interest here, of course, is all three commissions, believe it or not, and especially the Denali Commission. And, Madam Chairman, this has been an outstanding example of success. I recognize that there has been some question about how they operate. But as Mr. Neimeyer said, we are a little bit different.

All due respect, there is more land east of the Mississippi, and that is Alaska. We have over 227 tribes in the State, and of course we have other communities within the State. And I am proud of what has been done with all the commissions.

And Mr. Gohl, you said it rightly. Unfortunately, we have a lot of agencies that just don't seem to function too well and jobs don't get done, and the Commission stepped into that place in that arena. So I am quite happy with that.

We have a unique thing in Alaska because of the high cost of fuel, Madam Chairman, that we have a migration problem now that is occurring into Anchorage and Fairbanks by Alaska native people because they can't afford to live in the rural areas. And the Commission is probably the only way we can solve this by, quite frankly, improving living conditions, making sure that there are fuel tanks that have passed the EPA requirements and all the other requirements which have been very successful; building clinics so that they can have health care. And you have been quite successful in those. So this is overall a successful unit, and I want to compliment the whole Commission.

I will say that I have had some worries about the Commission over the years because you are out in the open. In this Congress we have a tendency to attack that person. The single bull is the one that usually gets shot, not the one that is in the herd, so we have to consider that as we go through this business.

But I have three questions, Madam Chairman, if I can, to Mr. Neimeyer. Does the Denali Commission complement but does not duplicate the work of other Federal Government agencies?

Mr. NEIMEYER. Yes, sir. When I applied for the position, to me that was the most exciting part about what the Commission can do. Mr. Johnson talked about the grant-making with Delta Regional Authority. The grant-making is very important, but it is that aspect of working with the State and Federal agencies, with the regional corporations, in fulfilling village and local community needs. I think it is an important thing from my experience.

I served 25 years as an engineer mostly in rural Alaska, serving rural Alaska projects. If you don't get that community voice, projects are not well-maintained thereafter and they may not be well thought out. And I think that is where the Commission can serve best, to ensure that the community voice is heard.

So what I would like to see is that we work with agencies to hear that community voice and develop projects. Specific to complementing but not duplicating, the State of Alaska—this is an example—recently passed legislation for $300 million worth of weatherization upgrades to residential housing all across the State. A lot of the housing work, a lot of those energy efficiency projects that are being done are done by construction crews that have received training dollars from the Denali Commission. So the Denali Commission can't take credit for the State's good work of that $300 million. But what we can say is that $300 million has gone farther because those crews are trained.

It is those kind of opportunities we need to look for how we can complement but not duplicate the other agencies that I look forward to working on.

Mr. YOUNG. This is a follow-up question, and you partially answered it. The Commission's programs that resulted in economic development, job creation, and growth— and you just hit upon some of that because you tied in with the State in their weatherization program by using some of your dollars to train the people to go ahead and do the work. So this has been a benefit not just for projects, but actually for their future employment.

Mr. NEIMEYER. Yes, sir. One of the things that—the training program that we had in the very beginning, we targeted opportunities for projects that we funded. In other words, if we are building a rural bulk-fuel project, we provided training for welders and so on and so forth. Now, those are short duration jobs. They may last the length of the project. But what we are hopeful for is that those individuals who receive that training then have the skill sets when other construction projects come in their town that they would be successful in competing for those jobs.

The other part of it is there are some projects, especially the clinic projects, where you are not dealing with a commodity such as storing fuel or electricity; you are actually dealing about people; you know people are providing the service. And so we have a very successful program with the University of Alaska to provide training for allied health careers for individuals to serve in those small community clinics.

Mr. YOUNG. Madam Chairman, if I could, I hope that you in the position of the chair would take and request from the Speaker an airplane—and maybe you can come to the State of Alaska and not only visit the grandiose mountains but go out and see some of the challenges my people have in an area that is huge. There are no highways. It is all air travel, boat travel, and adverse conditions, and how they have adapted; but how well the Commission has done their work and the benefits from it which wouldn't have been done if the Commission didn't exist.

And if you haven't been up there, I would urge you to set up a trip. And I am not on the committee but maybe I can show you around. If you don't want me, you can go on your own, but come

to my State. I get to see your area all the time so you owe me one. Thank you, Madam Chairman.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. I would say to my good friend that I would love to come, especially if your wife will help guide me, who is also a good friend who knows these areas very well. And I have been to Alaska only once, and saw Alaska when it was a different time of day and night there than it was anywhere else in the world. But I have never been to some of—of course, I was to the part of Alaska, the capital, which is not unlike other capital cities in some respects. But I am impressed with what you speak of, the need to get an understanding—you know, there is poverty and there is isolation and then there is Alaska, where you have tribes who most Americans know nothing about, know nothing of their way of life or their particular challenges.

Talking about tailoring, if we want to be helpful here, because we are not trying to wean people from their way of life, we are simply trying to bring them some of what they are entitled to as Americans. So I do think that in this committee, perhaps even a site hearing at some point might be in order, considering how very different Alaska is.

Now, before I go any further, and I know it would revert to me, but I am going to ask Mr. Cao if he has any questions.

Mr. CAO. Thank you, Madam Chair. And all of my questions will focus on Mr. Johnson.

Mr. Johnson, in your 2009 annual report, the report states three goals that you have for Louisiana: advance the productivity and economic competitiveness of the Louisiana workforce; strengthen Louisiana's physical and digital connections to the global economy; create critical mass within Louisiana communities.

My question is, what programs have you implemented in Louisiana to achieve these goals and what is the status of these programs?

Mr. JOHNSON OF ILLINOIS. Well, first of all, thank you and let me say I am a native Louisianian. I was in Cheneyville last week, and my relatives established the first church west of the Mississippi in Evergreat, Louisiana at Bayou Chico. So I have a special place in my heart since I went to high school there.

The programs that we have implemented, and in particular where we think it will have the greatest impact, is through our I-Delta program. Three years ago we recognized the digital divide that was going on in the rest of the country and the need to provide high-speed broadband to rural areas. We started getting applications in, and I deemed those applications as falling within basic public infrastructure. So in particular, those efforts are underway throughout Louisiana.

Mr. JOHNSON. [Continuing.] We have all but I think about eight of Louisiana's parishes in our region. And Louisiana, the way that the dollars that are appropriated come into the Delta Regional Authority, Louisiana gets the lion's share of those dollars. We have worked very closely with each of them.

Mr. CAO. When you say the lion's share, based on your 2010 budget, it was appropriated $13 million. How much of that would go to Louisiana?

Mr. JOHNSON. Well, I would have to say I believe Louisiana gets about 17 percent of the dollars that come in, if I remember correctly. It is a complicated formula that takes into consideration land mass, it takes into consideration the number of people unemployed, the total population, and the number of parishes that you have. And for that reason, Louisiana will get more money than any of the other States.

Mr. CAO. And I am just looking ahead with respect to the oil spill in the Gulf Coast. Obviously, one of the most distressed communities in Louisiana would have to be the shrimping communities along the Louisiana coast, Plaquemines Parish, I think St. Bernard. And I am just thinking about the potential devastation to these communities because of the oil spill.

Have you looked into possibly programs to help these communities?

Mr. JOHNSON. We are limited by congressional mandate in our legislation as to what we can invest dollars in. And we do set aside money each year, it is a nominal amount, to meet unexpected events that might happen. But we are limited to investing a portion of our dollars in basic public infrastructure, transportation infrastructure, workforce development, and business development. And so to meet an emergency need outside of those, we are limited by Federal law, and we would be unable to address any of the economic impacts unless it affected the infrastructure.

Mr. CAO. Now, when you are looking at economic development initiatives and you say that you are bound by the letter of the law to see what you can venture into, who makes the final decision with respect to what can or cannot be done?

Mr. JOHNSON. I do.

Mr. CAO. Okay. And I am pretty sure we can be very creative in looking at ways to help distressed communities. Can't we?

Mr. JOHNSON. Well, that has been a real challenge as I have dealt with governments of the eight States. They have wanted to venture outside of that. And I think one of the reasons that the Delta Regional Authority enjoys the credibility that it does is because we have followed the law very carefully to make sure that we met congressional intent. And for that reason, you have graced us with more money to be able to invest.

Mr. CAO. Right. And you have to understand my frustration with interpretations of the law. For example, for the past year and a half I have been fighting FEMA for the recovery of New Orleans and the Second District, and they have interpreted the Stafford Act much more rigidly and narrowly than I would interpret the act. And those are some of my concerns, because, obviously, when you read a law or an act of Congress, different people might have different interpretations. That is why we have the court system. And I am just wondering whether or not some of these plans, some of these initiatives that you say cannot be done cannot be interpreted otherwise.

Mr. JOHNSON. Before we make decisions that are outside of those that we previously made, we consult with the Office of Management and Budget to ensure that it is consistent with the administration's interpretation of the law. And so we work through that process. It is not a one-man show.

Mr. CAO. Just one last question. With respect to the fiscal year 2011 budget, what other initiatives do you seek to implement in Louisiana, especially? And do you have any programs in the New Orleans Metropolitan Area?

Mr. JOHNSON. We have no specific programs in the New Orleans Metropolitan Area. We respond to local development districts and to the mayors and the Governor in particular as to the projects that they want to fund.

And I might comment that that is a challenge, and I think was alluded to a little earlier, that because of the amount of the dollars that come through our agencies, they don't generally get the kind of attention that you would hope they would from the Governors themselves. And oftentimes you will have someone, who is not next to the Governor and directly involved in the process, they look oftentimes more toward the grants program than they do what we can do to improve the overall economy of Louisiana.

And with regard to ongoing programs, our Delta program is huge and will transform Louisiana, as will our highway program that we hope that the Congress will consider implementing that is similar to and mirrored after the very successful Appalachian highway program. And we think that will transform much of Louisiana.

Our program with health and affordable health care and access to affordable health care is another part of what we hope will help Louisiana.

Mr. CAO. Well, if my Governor is not interested, I am very interested. So all of your money can go through me.

Thank you very much. I yield back the balance of my time.

Mr. JOHNSON. Thank you, sir.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. All right, Mr. Cao.

Let me try to put on the record a few more answers from you. I am interested in knowing whether your programs, whether the Recovery Act, the so-called stimulus funding, has helped your communities through your programs in any way that you could tell us about.

Mr. NEIMEYER. I will begin. About 6 years ago, the Commission funded the planning and design, in essence, the preconstruction activities for the proposed Indian Health Service Nome Hospital, and I think it was about $15 million. What happened was, is over the course of 5 years the organization, the Norton Sound Health Corporation with the Indian Health Service, moved that project forward so that it was effectively construction ready, shovel ready. And when the stimulus package came through, it was one of two hospitals across the country that was picked for the Indian Health Service for funding. So $160 million of stimulus money went into the project.

What is really a fun part of the story is that I have been informed there was a town in Montana that does steel fabrication, and the company was about to go out of business until they got this pretty sizeable order for this Nome Hospital. So the town was impacted by stimulus money from Alaska. And then the story continues. There was a steel foundry town, I understand, in Arkansas that also provided the steel.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Mr. Neimeyer, you are having effects well beyond Alaska then.

Mr. NEIMEYER. Yes. And I think the interesting part of that story is the Commission had no hand in the stimulus money at all. All we did is we served as an agent to help bring the players together to develop the Nome Hospital.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. You had the shovel-ready hospital.

Mr. NEIMEYER. It was to the point where it was shovel-ready. And so when the stimulus money was there, it moved.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. And so the materials needed to get it started, to get it going.

Mr. NEIMEYER. Are there, and they are under construction now.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. And those came from several other States.

Mr. NEIMEYER. Right.

Ms. NORTON. So the stimulus funding reached Alaska because you were shovel ready. And then you were able to reach to, is it Wyoming?

Mr. NEIMEYER. Montana and Arkansas.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. This is a classic stimulus tale, and we need to put on the record more about that and how it happened. But that is the kind of example that makes us understand what has happened, because it is sometimes hard to trace when you have got money. But here, we have traced money not only to a commission activity, but beyond it to what it takes to get that activity going. And it takes materiels and all that goes along with that.

Do any of the other two of you have examples?

Mr. GOHL. Madam Chairman, last week I was in Magoffin County, Kentucky, which is a small eastern Kentucky community, about 15,000, extremely low income. And over the last number of years, Magoffin County has been working to be able to have a new building for its health department. Now, the health department in Magoffin County is more than a health department. It is everything. It is health, it is environmental permits, it is basic services. And over a period of years, ARC was able to provide funds to the point where they were able to build their building with local funds, our funds, and other Federal support. And as the building was coming together and was getting to the point of being completed in terms of construction, the stimulus program showed up and they were able to receive $100,000 for equipment to equip the center, so that as they moved into the center they were able to have state-of-the-art equipment to go into this new facility to provide services to this county that doesn't have a hospital and doesn't have a lot of services. And it serves a very, very low income population.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. That is another extraordinary example, Mr. Gohl.

Mr. Johnson.

Mr. JOHNSON. We have seen a significant impact primarily in improving access to markets with the paving of highways that have gone that were almost untenable and roads within communities. And our central office is located in Clarksdale, Mississippi, and our mayor was able to make infrastructure improvements that were dilapidated and the town was falling apart. Thanks to this stimulus money, we have seen a substantial number of roads paved and peo-

ple put to work as a result of it. And I might comment that Clarksdale is the home of the blues and Morgan Freeman. We would love to have this committee come join us, and I am sure he would be delighted to be there when you come.

But we have seen it have a huge impact over the region. And it took a while for it to take effect, and there was a great deal of frustration and people calling in wanting to know why it hadn't hit and blaming us for it and so on. But when it started to literally hit the road in our region, they began to see the effect of it, and we are grateful for it.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. It is interesting how roads continue to be such a factor in whether or not investment will occur in the region.

Let me quickly ask, Mr. Johnson, you had the misfortune to have Hurricane Katrina in part of your Commission's area. Have you seen progress in the Katrina-impacted counties as a result of your programs in particular? I realize huge amounts of money have had to come into two States. But when you look at your programs, whether or not you were able to leverage any of that and work with any of that or to be stimulated through any of that.

Mr. JOHNSON. We have seen some effect of that. And probably the best example—and to talk about what Mr. Neimeyer and Mr. Gohl have talked about with our being small and the effect that we have. Shortly after Katrina, Congressman Melancon called me, and there was an application pending in the Polian bill for a water line to go out to the construction crew that would help rebuild that parish. And it was pending and he needed it very quickly.

I called the Governors of the eight States together on a conference call the next morning, got them to approve the grant. The next day I was down there with the check, and they got the water going. We are able to turn on a dime.

I must say that, because of the limited dollars that we have had and that the Governors have had to work with us, that we did not see an inordinate amount put into directly Katrina-related projects. We did see some water systems improve because they were overloaded overnight. In Waterproof, Louisiana, the population went from 400 to 1,200 people overnight, and they could only run their water for a few hours during the day to give the water tower time to fill back up. So we came in and helped with that as we have in other areas. But because of the limited dollars that we have had, we haven't been able to see the huge effect. And I must say that, in this instance, because of our ability to leverage—and DRA dollars are the only dollars in this region that can be used to leverage other Federal dollars. And so these economically distressed areas, that they may be able to apply for a USDA grant but they don't have the money for the matching money. Well, our dollars can be used for that matching money, and it has changed people's lives.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. A very important point you make, Mr. Johnson, that leverage—the Federal dollars for the commissions can leverage the Federal dollars. The impacts are very, very significant here, and you make a very good point. To ration money here while letting money go through other normal kind of State match prisms fails to understand the enormous leveraging effect, including leveraging Federal dollars, in commu-

nities that couldn't possibly apply for Federal funds at all without a commission.

So over and over again, we are seeing that penny wise and pound foolish does not pay when it comes to these commissions. If you really want to fund—and we have put gazillions of dollars into these States without the kind of leverage to the private sector, not to mention the Federal sector that your testimony has revealed.

I am going next to the Appalachian Commission, because Mr. Gohl has mentioned outbound migration as still a significant problem in terms of long-term viability of the region.

In deciding to make investments, how do you assure that you have not invested in a region or part of a region that in 10 or 15 years may be significantly depopulated? You know, it may be poor. But don't you have to make sure that you are dealing at least in some kind of, I won't say long-term, but some basis to believe that you are not simply throwing money in a region where all of the incentives—or parts of the region, excuse me—are to leave, for whatever reason, making it very difficult for the small amounts of money that you have at your command to reverse such a large trend?

Mr. GOHL. Well, there are a couple things. First of all, in the awarding of dollars, every project that comes to us is something that a Governor wants to do, and it has been through a process, a review, an analysis, and a lot of questions asked. And we also have that responsibility. I am someone who often is overly skeptical about proposals. But last week, I learned a couple of things. We were in Pikeville, Kentucky, and we were walking down the street. And a person we were with pointed out to me a retaining wall that the agency had helped fund. And I said, a retaining wall? Well, the retaining wall was put in place and, as a result, they were able to provide about 30 or 40 new low-income housing units along a street that had been devastated. There had been a series of a variety of problems in terms of deterioration and blight to the community, and also helped create and stimulate development of the Pikeville College. So it was obviously a long discussion and a lot of planning about that retaining wall, something that I would be inclined not to fund, in all honesty, if you just came to me about a retaining wall. But it was because there was planning, there was buy-in by the local community, and there was a plan for how to move ahead and how to create investment.

So I think the answer to your question is a little long, but it is about the involvement of the partnership and the plan, and the commitment of the local officials and the local community to, this is what their idea is and this is what their dream is, and this is how they plan to get it.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. It wasn't long at all, but it was very informative. And it is just the way these commissions are meant to operate, not in isolation. You are dealing with economic development in a State or a region, going through various parts of the matrix to make sure that what you are doing here has an effect on you and the region or the State. Very important to know that you don't just sit there and say eenie meenie miney moe, this is what we need. But you are working within the larger re-

gional context, and these are regional commissions. Except, Mr. Neimeyer, this is a State commission.

And, Mr. Neimeyer, I have got one or two questions for you, because for reasons known to Alaska you have gone from a peak, an enviable peak of something over $140 million in Federal funding in fiscal year 2006 to a fraction of that for fiscal year 2011, $15.9 million. I would like to know what effect from 140 plus million down to 15.9 million, I would like to know what effect this decreased funding has had, and have you seen an increase in applications for grant funding or how—how is this Commission able to operate when they are seeing a matter of only a few years such a takedown of funds I suppose it had become used to?

Mr. NEIMEYER. Well, on a number of fronts we are responding. The first thing we are doing is, like I said, we had five advisory bodies. We are teeing up a question to each and every one of them: How do we start winding down our programs? And what does that mean? Because the way that I look at it is the Federal Government invested almost $1 billion over the course of 12 years for the Commission to develop very significant relationships, very significant working relationships with a number of partners. So I think that the Commission continues to add value based upon those relationships that have been built.

I don't know what the right number is that would continue that, but I do know that we continue to add value, and we have to look for those opportunities where we leverage other dollars. And we are starting to see other partners step up saying, well, the Commission doesn't have money. We need to start moving forward ourselves.

So what we are doing is we are trying to explore the niche of what we can do with less dollars.

Earlier this week, I was in Fairbanks at a statewide energy conference, and that was one of the questions we were discussing: What are some of the things we can do? And it is not decided, but a lot of the stakeholder groups are saying you need to be investing in planning and community development. And those opportunities to reduce energy consumption, not by 50 percent, but 10, 15 percent here and then 10, 15 percent there, and then as you start doing so, it starts adding up. But I think, even with reduced funding, we will continue to add value based upon the historic relationships that have been built.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. We will be watching the Denali Commission very closely given the strains that obviously has been put on you, to see—most commissions used to rising a little bit at a time and not to this kind of takedown of money, especially where that money is so necessary.

But you mentioned energy and energy conservation, which has been of course one of the most significant focuses of the Commission, and particularly in some of Alaska's most isolated communities. Now, there was a 2007 request for information indicating a need for 185 projects, energy projects, totaling $2 billion. Now, with no conceivable way to fund this kind of need in the near future, how do you plan to address this need? Or is that just off the table?

Mr. NEIMEYER. No, ma'am, I wouldn't say it is off the table. A lot of what you are looking at is that we have power plants that have not been replaced that we do need to replace, older tech-

nology, the transmission systems may be of older technology and may not be as efficient. So if you are thinking about it as an airplane, we have got a lot of 707s out there and we don't have 737s in play. So that is a lot of what the $2 billion is about. And so what it results in is a higher cost, unit cost kilowatt hour to the residents. And so it is a matter of changing out those systems so that the costs are reduced.

We have been particularly struck hard by energy costs. We are paying double, triple what we were just paying years ago. And it is very hard on our communities.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Well, I can understand why you gave it such priority and the crying need in this industry rich State as it turns out.

I am going to ask the ranking member if he has any questions.

Mr. DIAZ-BALART. Thank you, Madam Chairwoman. Actually, just one, going back to an issue that I mentioned before to Mr. Johnson.

Earlier this year, we received testimony that the DRA uses participation agreements for its Federal grant program. And as you highlighted in your testimony, that if the specific outcomes do not take place, do not materialize, that the grantee is required to return a pro rata share of its funding. We appreciate, by the way, the follow-up that we received from that hearing on the issue and I want to thank you for that. Are these agreements working? And do you have examples of when funds may have been needed to be recouped? If you could just kind of give us a little bit of some thoughts on that.

Thank you.

Mr. JOHNSON. Well, I must say, when we first implemented the program, that it was met with a great deal of resistance. And we were tested only once. We audit these projects while they are in progress. Our local development districts help us audit them, and then our staff will go into the field and work with our local development district representatives to audit them to make sure that they are achieving. We actually go into their books and look at their books to see that these are legitimate employees, and we don't just walk around and see how many people are working. So we audit their books to make sure that they are achieving these levels.

The initial resistance came in the application process. And once they realized that we were serious about it, we really haven't had much difficulty in recovering any funds.

I can tell you that we are watching a couple of projects very closely because we just are very skeptical as to whether or not they were being truthful and whether or not they were telling their Governor the truth. And so we are following them very carefully. We hope that they will be able to achieve the levels that they said they would; but if they don't, we will get the money back.

I mentioned earlier that the example that jumps out at us first and is one of the biggest was with Techtron, and when they did not employ the number of people that they said they would for as long as they said they would. There is a time factor in here that they are able to ramp up to that employment level that they tell us and so that they can achieve it within a reasonable period of time.

It is not an unreasonable document at all. It is very fair. It says the only thing we are asking you to do is we ask you to do what you tell us you are going to do. And if you don't do it, then pay us back a reasonable amount of that money that would be fair. And we think it works very well for us.

Mr. DIAZ-BALART. If I may, Madam Chair, just to follow up. Do you think the fact that you have that language in there, the capability of going back and getting some of those funds if they don't do what they said they are going to do, do you think that is part of the reason that you are not having to go back and get some money, because of the leverage?

Mr. JOHNSON. Yes, sir, I do. I think that is a big part of it. I mentioned earlier, I was the Mississippi State auditor and I conducted over 1,100 investigative audits and 3,500 routine audits and I put a number of people in jail. So they knew that I was serious when I said that I was going to come and get that money. And I think that had an impact on it. It didn't take long for them to realize that we were going to get our money back. Yes, sir.

Mr. DIAZ-BALART. Thank you, Madam Chairwoman.

I just want to commend you for your efforts. And people have a hard time coming up with money, and we have a responsibility to make sure it is well spent. And I have rarely heard of an example as specific, concrete, and as effective as what you are doing. I know it is easier to just ignore it, but I want to thank you for it. Thank you.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Thank you very much, Mr. Diaz-Balart. You see, Mr. Diaz-Balart is just as interested as I am in the notion of a rebate of some kind. And, of course, we have for the record that there is no objection of the others for such a provision. We are, of course, looking at the next reauthorization as well when we have these budget hearings. And after consultation with the commissions, based on what appears to be a quite successful procedure used in the Delta Commission, we would certainly like any reauthorized bill to authorize other commissions to employ such procedures.

And what Mr. Johnson said about auditing is so important. You know, if you work with people all along, you don't get to the atom bomb. You know, you don't need the nuclear remedy if you help them all along and they know you are watching. If they think you are not watching, that is a license to walk away with the taxpayers' money and just say, look, that is the best I could do. So we not only are looking at your model for possible use by the other commissions; we are also looking at it in the larger context of Federal spending in the same way and we recognize the uniqueness in many ways of Alaska. But the notion of making sure that the kind of coordination you are getting, Mr. Gohl, is endemic in the way these commissions operate.

The notion of these listening sessions, going to parts of the States which may not even think about having communications with Federal agencies that may have the greatest impact on the particular jurisdiction, and USDA or the Department of Agriculture is a classic one for many of these commissions. But the whole notion of actually having a conversation with the Federal agencies when you are a small community may seem to be well beyond you.

Well, it shouldn't. They are there to serve the smallest along with the ones you hear about all the time, the big cities which have staffs who can speak for them and keep in regular touch with them.

So we are also interested as we look to reauthorizing the bill to greater coordination and empowering and suggesting and authorizing commissions to engage Federal agencies directly with smaller communities that may never have had a direct communication, and we ought to start it right up through these commissions.

I want to thank each of you for this testimony. It has been very informative. You have educated us. We don't have hearings just to find out what is happening out there. We have hearings essentially as problem-solving hearings. We can't solve the problems sitting up here in Washington, but you have certainly helped us to solve problems for the greater good of the commissions that we are now beginning to proliferate across the United States. And thank you very much.

And I am going to call the final panel as I dismiss this panel.

Michael Norton, no relation. We are pleased to have Michael Norton of the Northwest Arkansas Economic Development District. Leonard Winchester, Western North Carolina Education Network. And Cecil Groves, President, Southwestern Community College. And if we begin with Mr. Norton, we would be pleased to receive testimony from all of you now.

TESTIMONY OF MICHAEL NORTON, EXECUTIVE DIRECTOR, NORTHWEST ARKANSAS ECONOMIC DEVELOPMENT DISTRICT, INC.; LEONARD WINCHESTER, MANAGER, WESTERN NORTH CAROLINA EDUCATION NETWORK; AND DR. CECIL GROVES, PRESIDENT, SOUTHWESTERN COMMUNITY COLLEGE

Mr. NORTON. Chairwoman Norton, Ranking Member Diaz-Balart, and members of the subcommittee, thank you for the opportunity to testify today on behalf of the activities of the Federal-State Regional Commissions. My name is Michael Norton, and I serve as the Executive Director of the Northwest Arkansas Economic Development District in Harrison, Arkansas. I also currently serve as President of the National Association of Development Organizations.

There are four points I would like to briefly mention from written testimony. One, the existing and emerging Federal Regional Commissions need consistent Federal support to capitalize on the unique intergovernmental partnership model.

Two, a key element of the successful regional commission model is the link made at the local level by the network of multi-county local development districts.

Three, given current economic conditions, the Federal Regional Commissions are uniquely positioned to provide distressed regions of the country with the resources and attention needed to overcome persistent economic distress.

And fourth, the Federal Regional Commissions are not intended to replace or duplicate other Federal programs.

I would like to focus my oral remarks on a success story that was made possible through the support of the Delta Regional Authority.

Often characterized as a one-stoplight county that is too small for a McDonald's or Wal-Mart, Searcy County has a poverty rate that is among the highest in the State of Arkansas and almost twice the national average. In Searcy County, the City of Marshall water and wastewater system were in need of significant improvements, specifically within the commercial and business area of the city along the U.S. Highway 65, which runs near the Searcy County airport and industrial park. Our organization worked with community leaders to secure a $257,000 grant from DRA for water and wastewater improvements. During this time, funds were also provided from the Arkansas Department of Economic Development to construct a new health unit that was to be located in the industrial park.

Petit Jean Electric Cooperative, which is the local electric service provider, was also looking for a site to construct a new work facility. However, the Searcy County industrial park's wastewater service was considered unusable for such a facility and was almost passed over until the DRA provided funds to make the necessary improvements. As a result of DRA's investment, Petit Jean purchased a site in the park and then donated land back to the county in which to locate the Searcy County Health Unit.

In addition, as a result of the improved infrastructure in the park, the Highland Court Rehabilitation and Resident Care Facility decided to also locate in the industrial park. It is a 78-bed, 30,000 square foot physical therapy center that was completed in 2008.

The seed funding provided by DRA allowed more than $10 million in additional public and private sector funding to be leveraged and generate more than 80 jobs in the rural community with a population of roughly 8,000 people. The project would have represented a lost opportunity were it not for the targeted assistance provided by DRA.

Thank you. And I would like to welcome any questions.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Thank you, Mr. Norton.

Leonard Winchester, Manager, Western North Carolina Education Network.

Mr. WINCHESTER. Thank you for this opportunity to share with you some of the details of a model project funded partially with ARC funds.

WNC EdNET, Western North Carolina Educational Network, involved connecting all of the public and charter schools in a six-county area in western North Carolina and the Cherokee Indian Reservation. It is a cradle-to-the-grave-type project, built on the foundation of communication, collaboration, and cooperation. We operate with the unanimous consent of our member institutions.

On this foundation then followed the construction contracts, equipment acquisition, installation, configuration, training, staff development, and, today, widespread use. A success story.

This required approximately 500 miles of fiber in the rural area involving some of the most difficult terrain you will find anywhere. Much of this was new construction. This summer, we will complete the last school and end up within budget of just over $6 million.

The pricing that we got from Balsam West FiberNET was much lower than the market price.

Through this low pricing and volume pricing agreements that we negotiated with other vendors, many of the schools did things outside of the scope of our project. They connected bus garages, maintenance facilities, offices, and acquired a lot of additional equipment. WNC EdNET connected each school to a central hub. The State of North Carolina leveraging e-rate funds connected the hubs to a State network and, in turn, to the rest of the world.

We have today a world-class fiber-optic network operating in western North Carolina. It is currently serving over 20,000 students. One example is that this year we had 1,175 students taking online courses. Prior to WNC EdNET, this could not have been done. Student teachers can remotely observe model teachers in distant locations. This knowledge and expertise sharing is easily done with this technology. The applications are endless.

In a sister project, we also connected Graham County governmental facilities, providing them with additional fiber marketable for economic development.

"If you build it, they will come" may not always be true, but if you don't build it, they can't come. A major tech company could come to our mountains now, set up a company, and get direct access to 56 Marietta. I call 56 Marietta our connecting point. Like Silicon Valley, it is a major connecting point in the Southeast.

This is transportation infrastructure. It transports information. Its uses are unlimited, both good and bad. The same highway that someone builds may provide a bank robber with a quick getaway, but it also provides a doctor with a quick trip to the hospital that saves somebody's life. We don't want an emergency situation where the only resources are the few people who happen to be standing right in front of us. We want immediate access to the knowledge, skills, and resources as the rest of the world. We also believe that we have knowledge, skills, and resources to offer the rest of the world. This information transportation infrastructure can't be accomplished without Federal help and Federal intervention.

In asking you for continued support, I offer you this. WNC EdNET is a model project, a poster child-type project. When you have taxpayers say, show me what we get for our money, send them to see me. We will show them some good old-fashioned southern hospitality and an infrastructure project that will knock their socks off.

Thank you, Madam Chair.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Thank you, Mr. Winchester.

Finally, Dr. Cecil Groves, President of Southwestern Community College.

Mr. GROVES. Madam Chair, thank you very much, members of the committee, pleased to be here and support also the testimony of Mr. Winchester.

Our story—and I do have a document, as I said today and will comment today, but also another document that relates and reflects also to the same subject.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. We will accept that for the record, Dr. Groves.

Mr. GROVES. Thank you very much. This is an extraordinary achievement. It is a success story of how planning, integrated with support, can lead to great outcomes.

In 1999, Southwestern Community College was faced with a problem of what to do about an infrastructure to where we were required to go to a digital-related infrastructure to continue our interactive television program. We found out at that moment in time we simply could not afford the costs associated with doing that, and we would have to cancel the program or find alternative sources.

We went to the Appalachian Regional Commission and said, we have a problem, but so does all of far western North Carolina: We can't get digital access. We don't know what the process is. We went to the State and others in trying to get explanations of what the cause of these problems were, and we really couldn't find out. And Appalachian Regional Commission, along with matching funds from the State and other independent providers, provided Southwestern Community College roughly $1,500,000 to do a detailed study of what was the issue associated with lack of access to rural Internet access for broadband resources.

This project took 3 years in study. We went to numerous businesses, industries throughout our region. We studied this from the legal point of view, from the political point of view, from the technology point of view, understanding the business cases associated with this. We looked at various access of strategic partners who could work with us. What could we do to solve a problem that was enormous in our region that would limit any future development unless it was resolved? We learned some critical lessons.

First, it was confirmed that the digital divide, given our rugged terrain, our mountainous region and sparse population, was a tremendous limitation for any telecommunication provider to come into that region.

Second, we learned that the more traditional economic demand model used classically was simply not going to work in favor of our region.

Third was, as most of the proposed funding models that had State funds involved exclusively or Federal, were all short-term. They didn't allow for a long-term resolution to the issue, particularly for our isolated region.

Finally, by doing this project we learned and gained sufficient technical, legal, regulatory, financial knowledge that was required in doing this how to do a fiber-optic deployment in our region on our own.

So armed with that information made available by the study we did, funded and supported by the Appalachian Regional Commission, we decided in our far western region to solve our own problem and do what it took to get fiber-optic network high-speed into our region, understanding the demands that was possible.

So we went to two primary providers—persons of interest. One was a company located in Franklin, North Carolina, Drake Enterprises, that had a very large operation providing financial products to various accounting firms, tax accounting firms, and the Eastern Band of the Cherokee, located in Cherokee, North Carolina.

The college had our needs to try and upgrade our system to a digital base, and we gathered together and said, how can we resolve this problem? Is there enough mutual interest here to find a solution that helps the people of our region?

Fortunately, Drake Enterprises, privately owned, was a very beneficent organization. It had supported the region with that family owning that going back five generations living in the region. The Eastern Band of the Cherokee, resulting from resources that they had received, also interested in remodeling and redoing their economic base, said we are interested. And the college, we were trying to tie together our campuses. And, with that, we decided to take on a project of building a fiber-optic network throughout six westernmost North Carolina counties, including the adjacent counties of Tennessee and Georgia.

We were told when we started this project: It can't be done. You can't build fiber-optic backbone through a mountain. It is just too difficult and simply too expensive. We were told that at the State level and nearly all levels that it is just not possible.

Well, thanks to Appalachian Regional Commission funding, we now have over 300-plus miles of fiber-optic backbone throughout the mountains of North Carolina. Not only that, that has now been extended another 150 miles, and it is all placed underground, and in the most safe, secure processes, along with electronics, with it. And it was built by a local company and local labor.

Second, it was said, assuming you could build it through the mountains, who would pay for such a costly venture? Where would you even get the money to consider it? Fortunately, Drake Enterprises and Eastern Band of the Cherokee, understanding their needs and a willingness to commit to serve the communities, what we call patient capital, to understand the investment that is going to take place to keep the money in the region, said: We will put the money up, and they put up $15 million. We built then that fiber-optic network through those mountains and made it operational.

This now represents 10 years since this project started. It has now been in operation and business itself now 4 years. It forms the backbone that allowed the public schools to organize and tie their communities together electronically.

Then, incidentally—I need to add a couple things. There was no way, we were told, that you could get a private company to work with a sovereign nation, the Eastern Band of the Cherokee. How could you form a business enterprise between two such diverse organizations? We did. And we did it because it served a mutual public good. And I would say, when public good can be served through a private sustainable endeavor, you have the best of both worlds. Everybody had a common need in mind to serve the people and serve the community in here.

Finally, the most difficult part, I might say, was not the technology, it was the politics, the issues of putting that together and the legal issues associated with it. We were able to work through that process, again thanks to Appalachian Regional Commission's funding, to understand the business of the telecommunication business and put our plan together.

Today, over 300 miles of fiber in place, 50 more miles of that comes through metro areas, 113,000 fiber miles, 600 conduit miles, operating at technology levels equivalent to any major telco in this country. It meets OC-192 speed, one of the highest speeds you could find.

Our goal when we started was to provide the people in rural North Carolina with the lowest possible cost, accessible, comparable to what they would pay if they were in the urban areas, at the same quality level of service as if they lived in urban areas. That process has been in place, it is in place now. We serve our hospitals, our public agencies, our public schools, and we serve as the backbone of connectivity for our public schools throughout the region.

And one classic example of the importance of this. Before we started this project, if you had had a car wreck and you were taken to one or more of the local hospitals and you had to have an x-ray, it was faster to drive the x-ray once it was done to the neighboring doctor's office than it was to transmit it electronically. It saves lives, it saves money, it saves resources, and it is a classic example again where proper planning supported by public dollars to private investments of funds in a situation that everybody said you couldn't do.

Rural America has capacities and capabilities if given the opportunity often to resolve issues. Fortunately, we had two great enterprises, Drake Enterprise and Eastern Band of Cherokee, who looked at this process, looked at our study, looked at the materials put together, and said: We will invest in this, and it is important. There is no public funds or State or local in the building of this network.

Thank you.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Having heard from all three of you, I say, wow, because the testimony has been quite instructive. For example, Mr. Groves, your commission starts out with only—I use that word advisedly—a study. In effect, what you did was the marketing study, the feasibility study for Drake. Now, normally Drake and similar companies would have to care enough or have the funds enough to want to expend that themselves to see whether they ought to do it.

You speak of all of the barriers. They are extraordinary. Did your study show that Drake could turn a profit within a certain amount of time?

Mr. GROVES. Yes. What we looked at with the studies, Drake knew full well, as did the Cherokee, the length of time it would take for them to return. We call that patient capital. They said, We will invest. It is good for our company. They understood the financial world; that was their business. But it is good for the people of North Carolina and it is good for the people especially of western North Carolina, and we will return the profit that we need. We may not do it in 1 year, but we will do it within 3 years. Today, that operation is profitable and it works.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. Today it is profitable?

Mr. GROVES. Yes. We are expanding very rapidly and meeting the needs of our area.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. And normally when broadband or new technology comes in, there is a—pardon me—stickup of the local jurisdiction or the State to say, okay, you put in some money and then maybe the company will put in some money.

You say this is—there was no Federal or there was no State funds?

Mr. GROVES. Madam Chair, in the building of the fiber, no. That is wholly owned by Eastern Band of the Cherokee and Drake Enterprises. They put up all the money. The Federal dollars were the Appalachian regional dollars, matched by—it came out to $1.5 million, allowed us to do the study that took 3 years that laid the predicate to do all this.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. $1.5 million has leveraged—and give us the figure at the moment. Has leveraged what? In terms of dollars.

Mr. GROVES. It leveraged a hard asset, a dollar value of $15 million put in and asset value far more than that.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. And growing. I must say, when you say the hardest thing was the politics, wow. I can't imagine politics would be hard. If a company wants to do this on its own dime and in a locale which presents nothing but barriers, geographic barriers and, I might add, some demographic barriers, who in the world was against this? I mean, how could anyone be against it?

Mr. GROVES. A lot of people didn't understand what we were doing and didn't think we could do it. It was impossible. And I think there is always that uncertainty. And then there was some control issues, too. It was, actually, if we could do it, maybe others might, too.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. And apparently there wasn't much risk, because the risk was going to be with the company, and the Federal Government had already funded the study, saving the company and the private sector that, and leveraging what was apparently an extraordinary study, if it could make people spend money the way you made Drake feel it should.

Let me ask, Mr. Norton, beginning with you. Here we find our regional commissions in a worse turndown than every other part of the United States, 50 States, all the Territories and the District of Columbia all went out at the same time.

Could you give me some notion of the impact on programs operated by regional commissions you, who are I believe the chairman of the commission representing NATO and president of the board of directors representing these commissions. They find themselves in the middle of this catastrophe that we called the Great Recession. Here, they are trying to just move where the rest of the country is.

How do you keep going when you find yourself doubly and triply disadvantaged by having perhaps what you have, the progress you have already made retracted? And have you found that that has occurred? What is your view of how these commissions have been able to continue to operate? Have they been able to continue to make progress not withstanding this economy?

Mr. NORTON. Well, you are exactly right, Madam Chair. These regional commissions were created to serve the most poor counties in our Nation. In our case, and the Delta Regional Authority is an example. It affects many States up and down the Mississippi and 42 counties in Arkansas alone, many more in Louisiana and Mississippi. And you are exactly right, that these programs help bring together planning on the part of those commissions.

One of the important issues to always remember is these dollars can be used to match other Federal dollars and leverage those dollars. So that is a very important factor among these regions.

Although there were disaster money in Louisiana, Mississippi, and Arkansas, and those who received catastrophic and Federal designation, the congressional requirements to meet those programs did not change at all. But, by a result of the regional dollars through the Delta Regional Authority, you could use those to match some of those Federal dollars, so that was very important, and provide them.

And you are right. For some of these communities, you are merely trying to open the door to the economic development. If businesses were knocking at their door, there might not be a need. But, again, you are trying to serve amongst the needy. And they don't have the dollars. Those who are in the greatest need do not have the matching money to meet many of these Federal programs. So this program leverages Federal dollars that comes to their region.

Ms. NORTON OF THE DISTRICT OF COLUMBIA. And of course, the commissions are known for doing what Dr. Groves has described, doing the homework for the investor. And you are so right, Mr. Norton. They are not going to come knocking at your door and say, What have you got for me that maybe I can invest in now? We find through our committee that even at the top realm of, for example, developers, they are having trouble getting money themselves. And these are people who usually find it very easy to get money. So the notion of being able to continue to make progress even if not in actually doing what you were doing, let us say, 5 years ago, would seem to me to be most important.

Do you, Mr. Winchester, and you, Mr. Groves, find that there are ways to keep moving forward in this climate when investors can't get funding themselves from the banks? Is there a way for—that studies or other things you can do to make sure you don't suffer a setback even if you can't move ahead to do some of the things with the private sector you would otherwise have done? Can you make preparations, in other words, for what will surely be, we are already seeing, a turnaround in the economy?

Mr. WINCHESTER. Yes, Madam Chairman, there are things you can do. But probably the biggest thing that you can do is very simple, and that is just not to give up. A lot of times you don't know what the next step is going to be. You do not know right now four years from now what door will open financially.

When we were working on the planning on this there was not a Balsam West FiberNET. This company they created. You know we knew what we needed, but we did not know where it was going to come from or how we were going to pay for it. And then we didn't know too that when Phil Drake and the tribe formed this company that was one business enterprise. They had their fiber network

they wanted to bill for their business case. The schools wanted a fiber network. When we put that out for bid, this company, their bid was like a factor of 10 under any of the other bids we got. That is returning something to the community. The difference between two companies bidding on a project like this is how much they mark it up. Because both companies subcontract to someone else to actually do the construction and those costs are pretty constant. So by this group offering to build our network at the very low price that they did, it wasn't free, but we will never see prices like that again on fiber construction.

Ms. NORTON OF THE DISTRICT COLUMBIA. Just a point you make. As we sit in this committee tracking the stimulus funds, the first thing we say is for goodness sake, build it now, when everybody is looking to make a buck and hard to make a buck, so you get prices you will never get again. And your notion about opportunities, Mr. Winchester, you know, they don't come knocking at the door anyway, you got to have a lookout. Opportunities present themselves. They can pass you on by while you are stuck in some notion about what the opportunity has to be. That is how the private sector operates, and it looks like that is how the Commission operates as well, given your testimony, the testimony we have heard from all three of you.

Mr. Groves—Dr. Groves.

Mr. GROVES. Madam Chair, one of the things that sometimes penalizes rural areas is the inability to collaborate our work in unison, our work together. That is where the Appalachia Regional Commission comes in. Oftentimes in a rural area it is hard to have one party come forward to bring a common picture. And when you look at areas one county by itself may look very poor, but combined with six, seven, eight, nine or 10 counties together in collaboration you get some wonderful things done. Oftentimes it takes a third-party outside in formation who can create that energy, can create that conversation, can bring the folks together and can focus very narrowly on what are the core issues.

Balsam West results from a core problem; that is, we knew the future was going to be based on access to very high speed technologies available for business, industry, schools, hospitals. And we said that is the core infrastructure problem for western North Carolina for at least the first part of the 21st century. Once that is settled in everybody said this has got to happen, then the issue is how do you make it happen, and you get a unified approach to it. That is one of the hard things to do. And again, the ARC was very, very helpful in helping us paint the picture, put the details together and then understand the business. Otherwise we would not have had a chance to understand how the business worked. Once we understood how it worked and what happened we felt we could do this, and we sure did.

Ms. NORTON OF THE DISTRICT COLUMBIA. Well, the ARC was helpful in that. There is a lot to be shared in all of this. And certainly your experience, certainly you, Dr. Groves and Dr. Winchester, does show we can't keep ourselves mired in the 20th century. You understood that broadband might be more important than, you know, a new road through those mountains, because the

new road is broadband and it opens up instantly roads that were unheard of.

I have one more question for you. I am so impressed by what I have learned as chair of this subcommittee from the commissions that I would like to understand what the regional commissions could do to benefit nonrural communities. For instance, I mentioned that you have in this Nation's capital, it is only a medium-size city, but you have got some of the same things you will find in, let us say, a State like New York State. In one end of the State, you have some of the richest people in the United States and the world. In other parts of the State you have a huge thriving middle class. And then you have parts of New York State that look exactly like Appalachia. Well, in a real sense, unable to pass up analogies, as I am, I look at my own city with some of the highest income people, and by the way, the city has one of the highest education levels in the United States, and you can understand that with the Federal Government located here, it has a large black middle class, a large white middle class, and then it has got on the other side of the river, if this were divided into counties the, two wards, as we call them, on the other side of the river that look a whole lot like what we find in the Southeast Crescent, further into rural Virginia and going on down, 28 percent unemployment, 30 percent poverty rate, right alongside or on the other side of the river from more prosperous communities.

How might a regional community benefit even a portion of a more urbanized community that has had systemic poverty? Are there lessons to be learned from rural communities by these impoverished communities often alongside rural communities, suffer the same fate, but because they are seen as some other model, city model for example, they don't have the same enterprising approaches that we see in the commissions. Do you think they could be adapted to urban areas, parts of urban areas it would be, that suffer from the self-same statistics and poverty levels?

Mr. NORTON. Well, as a local development district or regional development district——

Ms. NORTON OF THE DISTRICT COLUMBIA. I can't hear you, Mr. Norton.

Mr. NORTON. Sorry. I will try to get this a little closer a little bit.

As a regional development organization in the local DD, as they are called among the regional development like DRA, in the Appalachian region they use the local development districts to implement. My district is a good example. I have nine counties in northwest Arkansas. At one end of my district is the corporate headquarters of Wal-Mart, Incorporated, Tyson's Food, J.B. Hunt, and other Fortune 500 companies. The other end of my district is Searcy County, the example that I gave you, which is one of the most rural and impoverished counties in our State, that falls in the Dealt Regional Authority.

But working through this, it is important to keep it all in perspective among the business communities and working together, as Dr. Groves said. Transportation is important because those people living in those impoverished counties commute to and work in micropolitan areas and other regions. But they have to be part of

the plan, that has to be a part of the overall planning. And the districts can serve as a liaison between the State and local governments, nonprofit organizations and the private sector working together to accomplish much of this.

Other things we do are conducting outreach activities among those local governments, making them aware of what these regional development commissions provide, and then working with them to develop the projects.

So yes, working as a region I think you can work through these things as the examples that both of my colleagues here today mentioned. People can work out of their house if they have broadband. What they could sell among their neighbors as a seamstress, for an example, they can now sell around the world to Hong Kong, Japan, and be an international market. So all of that is very important that we plan and look at our regions.

Mr. WINCHESTER. Madam Chairman, I am sorry but I have zero experience in urban situations and would not dare offer suggestions or criticisms in that area.

Mr. GROVES. Madam Chair, I have worked in some urban settings. Oftentimes I think the difficulty is you have multiple variables, more than you have in rural areas, to cope with. And your question was about organizations like ARC and others and how they would work with that. I think one of the factors that is important is somehow be a convening group of information and a verification of information. Often what occurs in settings like that, my experience, is that information is not trusted. And it is hard to build coalitions on data or information where there is no trust. That is where some communities, urban I have seen, have had oftentimes set up almost research groups outside the university sector on its own to verify certain things the community wants to do; studies that have some validity to it, or at least believed to have validity sufficient to organize and bring people together.

I think commissions like ARC can help facilitate that, to bring that sort of veracity, knowledge, information into what is considered a neutral way to build coalitions of people and cause conversations to take place that otherwise might not happen. I think that is probably one of the best things. And out of that you would hope then some models could emerge which they could be shared against such commissions as to how you might approach some of these problems, some workable problems, and best case solutions.

Ms. NORTON OF THE DISTRICT COLUMBIA. Thank you. Indeed, the notion of the studies, going from the studies that you have done in rural areas that have been so credible that they have impressed the private sector, using universities and others outside of the normal governmental apparatus, is very intriguing. Because obviously the city or State wants it and now trusted by the investor, I am not so sure they are always trusted by the population to be benefited. But the notion of having a study that you can rely upon, that you can verify might in itself, if nothing else, be of some value in urban areas. And I don't think that any such thing occurs in urban areas.

Indeed, one of the most important things that these commissions have done is to harness the university sector. Extraordinarily use-

ful. We want to spread that throughout anything we do, especially with the new commissions.

Finally, let me say we are very concerned that given what these commissions can mean that we have not been able to secure funding for them yet, there is some funding for the Southwest Crescent, some initial funding there, we are going to work very hard using an appeal for funding from everybody who wants some money, which is always the case. And the Federal Government is the granddaddy of funds and so you know people's eyes glaze over.

What you have done in offering your testimony is to give us documentation for the benefit to the Federal Government and the Federal dollar, the many times leverage of the Federal dollar, even for something as inexpensive as a study, we simply cannot be beat by anything we do.

All we do is hand out money. We are glad to do it where the necessity is there, but without anything like the rigor, the accountability and the bottom-up involvement of communities that has produced the success you are able to report.

So you enjoy the greatest respect from our subcommittee and the committee.

The full chairman of the committee was an originator of the idea even before he came as a member of the staff. I think this is his very favorite part of his many jurisdictions which involve some of the most colossal ones like roads and trains and the rest.

So you do have great respect and great advocacy from this committee and this subcommittee. And may I say how very much I have appreciated your very informative testimony and that, like the testimony of those who preceded you, they will help us in the next reauthorized bill.

Thank you very much for coming to Washington. This committee is adjourned.

[Whereupon, at 4:20 p.m., the subcommittee was adjourned.]

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

Hearing on
Proposed Fiscal Year 2011 Budgets for Regional Economic Development Commissions, Priorities and Impacts on Regional Economies and Employment

April 29, 2010

Thank you, Chairwoman Norton and Ranking Member Diaz-Balart for holding this hearing to the proposed Fiscal Year 2011 budget requests for the economic development commissions.

As we continue to work toward an economic recovery, our economic development commissions are critical to spurring the economies in these economically distressed regions. These commissions are model Federal-State partnerships where the Federal Government and the States must work together to spur economic development in the region. This partnership creates economic development strategies that have been developed by the people who know the needs of their community best and can work with the Federal government to reduce poverty, unemployment, and bring economic growth and prosperity to the region. Recessions affect different regions of the country differently and economic development commissions are critical to help communities across the country emerge from the recession more vibrant than before.

In my home district the Delta Regional Authority has helped with the development of the New Bourbon Port Authority in Ste. Genevieve County. This targeted investment in infrastructure will help the surrounding community by the growth of small communities who will use the port to ship and receive goods. The New Bourbon Port Authority will also help get people back to work immediately. During the course of construction the project will create 150 jobs. Additionally, the New Bourbon Port Authority will bring long-term economic strength to the region, creating 75 full-time, permanent jobs right in Ste. Genevieve.

In closing, I want to thank our witnesses for joining us today and I look forward to hearing their testimony.

Eleanor Holmes Norton

STATEMENT OF
THE HONORABLE ELEANOR HOLMES NORTON
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT
"PROPOSED FISCAL YEAR 2011 BUDGETS FOR REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS, PRIORITIES AND IMPACTS ON REGIONAL ECONOMIES AND EMPLOYMENT"
APRIL 29, 2010

Good morning and welcome to today's hearing entitled "Proposed Fiscal Year 2011 Budgets for Regional Economic Development Commissions, Priorities and Impacts on Regional Economies and Employment." Today, we are doing important oversight of the budgets of the three newly created federal Regional Economic Development Commissions, as well as the four established Regional Economic Development Commissions, to evaluate their start-up.

Economic development was not a specific mission of the federal government until Congress passed the Public Works and Economic Development Act in 1965 (the Act) and established the Economic Development Administration (EDA). EDA was created to alleviate conditions of substantial and persistent unemployment in economically distressed areas and regions. The mission of EDA today remains much the same as it was when originally founded. 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." As our hearings have documented, the Act has been enormously successful, particularly in using modest federal funds to attract and leverage considerably more in private sector funds. The success of EDA has created the impetus for the Regional Economic Development Commissions that we will be hearing from today.

Last Congress, the House of Representatives passed the Regional Economic and Infrastructure Development Act of 2007. The bill organized five Regional Economic Development Commissions under a common framework, providing a more uniform method for distributing economic development funds to distressed areas throughout the regions most in need of such assistance. The five commissions were: the Northern Border Economic Development Commission, the Southeast Crescent Regional Commission, the Southwest Border Regional Commission, the Delta Regional Commission, and Northern

Great Plains Regional Commission. Eventually, all the Regional Economic Development Commissions were passed in the Food, Conservation, and Energy Act of 2008 (P.L. 110-246).

The Northern Border Economic Development Commission, the Southeast Crescent Regional Commission, and the Southwest Border Regional Commission were created in P.L. 110-246, and are designed to address the problems of systemic poverty and underdevelopment in those regions. P.L. 110-246 also reauthorized the Delta Regional Commission and the Northern Great Plains Commission. The administrative and management procedures for these Regional Economic Development Commissions are all modeled after the successful Appalachian Regional Commission, the first of the Regional Economic Development Commissions.

The Denali Commission is currently the only Regional Economic Development Commission under this Subcommittee's jurisdictions that does not have the same administrative structure in addition to not being under the same authorization schedule as the rest of the Regional Economic Development Commissions. We are planning to remedy this discrepancy in the next authorization. We will need to bring these programs in alignment to properly assess their role in economic development and to help them to enhance their mission.

Our intent in creating these commissions was to provide additional funding for projects that stimulate regional economic development and to promote the character and industries of the regions without supplanting existing institutions and programs that provide funding. In these times of severe budget constraints, we need to be mindful not to duplicate programs, and of the necessity to target scarce resources in areas that will bring the highest investment return while addressing the needs of our most distressed communities. The Subcommittee is interested in hearing from the witnesses on how their Regional Economic Development Commissions fit into this premise.

Although unemployment is still high, there is reason for optimism that the U.S. economy is beginning to emerge from the "Great Recession." It will be important to leverage scarce federal resources to help maintain emerging gains and to focus on long-term growth strategies to buffer the American economy from further sustained disruption. We are especially interested in the strategies for economic development in areas that suffer from chronic unemployment and high rates of poverty. Even within my own district, there are severely distressed communities. For example, Ward 8 reported unemployment as high as 28.5% just a few months ago and a poverty rate for individuals over 30%. Given these daunting statistics, Ward 8 would benefit from coordinated assistance similar to that received by many counties included in these newly established Regional Economic Development Commissions. Such distressed areas benefit from sustained planning efforts and the leverage federal investments can provide for private investment. The work of these Regional Economic Development Commissions is part of a coordinated federal effort to enhance economic opportunity nationwide by increasing the overall productivity of economically distressed and poor communities, and thus their share of the country's general prosperity.

We look forward to hearing testimony from all our distinguished witnesses about the status of these commissions, their work with local partners and their progress in carrying out their mission.

James L Oberstar

STATEMENT OF
THE HONORABLE JAMES L. OBERSTAR
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT
PROPOSED FISCAL YEAR FY 2011 BUDGETS FOR REGIONAL ECONOMIC DEVELOPMENT COMMISSIONS, PRIORITIES AND IMPACTS ON REGIONAL ECONOMIES AND EMPLOYMENT
APRIL 29, 2010

I want to thank Chairwoman Norton and Ranking Member Diaz-Balart for holding this very important hearing on the economic development commissions and their Fiscal Year (FY) 2011 budgets. With a combined FY 2011 budget request of $106.650 million for the regional economic development agencies, these agencies have the critical task of spurring economic development activities across an enormously distressed region, made even more so by the current economic downturn.

In 1965, I was a member of the staff of this Committee when the Appalachian Regional Development Act was signed into law by President Johnson, creating the Appalachian Regional Commission (ARC). I was a strong supporter of ARC then, and I continue to support the concept of regionally focused economic development. I know that the framework of a focused, regionally based economic development agency works because I have seen it work through the years by providing jobs, training, infrastructure investment, and creating real economic opportunities in distressed areas across the nation.

Locally developed, community-based economic development strategies have the benefit of being conceived of by the people who know their own communities and can set priorities and appropriately partner with Federal agencies, such as the Economic Development Administration (EDA), to reduce poverty, unemployment and population loss. Regional economic development agencies have also demonstrated their ability to attract and leverage private investment in a region. In the case of the ARC, that means leveraging nine dollars of private investment for every one dollar of Federal funds. The importance of regional economic development agencies is clear and apparent as an increasing number of counties across the United States have seen the employment gains achieved in the last decade erased due to the loss of their manufacturing industries, investment capital and population.

Improved access to basic infrastructure such as highways, telecommunications, water and sewer, and health facilities—the basic foundation for economic development—have been the hallmarks of the economic development agencies' success. From this foundation, the ARC for example, has been able to cut by more than half the number of high-poverty counties in Appalachia from 295 counties in 1960 to 116 in 2009. In the last decade, the Denali Commission has constructed 96 health care clinics, 63 road and waterfront projects, and 151 energy and power projects. Since its inception, the Delta Regional Authority has completed nearly 300

projects that have provided water and sewer services to nearly 12,000 families. Delta Regional Authority funded projects have created or retained over 10,000 jobs in the region.

In 2008, the Committee reauthorized the ARC, the Northern Great Plains Authority and the Delta Regional Authority for five years, and created and authorized the Southeast Crescent Regional Commission, Northern Border Regional Commission and the Southwest Border Regional Commission.

Each of these regional economic development agencies are under the jurisdiction of this Committee. The Committee takes its responsibility for oversight of these existing and newly-created agencies seriously. Furthermore, given the economic conditions that led to their creation, the Committee believes it important that all of the recently-created economic development agencies have an appointed Federal Co-Chair and funding consistent with authorized funding levels to support the regions they were created to serve.

With the emphasis on creating jobs, the Committee encourages the continued development and implementation of an aggressive economic development agenda. Regional partnerships between local communities, State governments and Federal agencies must continue to be emphasized. Increasing and improving the alignment of

Federal programs and resources is increasingly important, not only for program effectiveness, but due to fiscal realities. As a part of this effort, I intend to aggressively move forward with the reauthorization of EDA and to reinforce EDA's existing policy of regionalism and Federal partnerships within the economic development community.

The witnesses that we will hear from today bring a broad array of experience on economic development issues and are from regions as diverse as Appalachia, the Mississippi Delta, and Alaska, and include the Federal Co-Chairs from the ARC, Denali Commission, and Delta Regional Authority. I look forward to hearing from all of the witnesses this afternoon about the regional economic development agencies, their programs and funding, and the impact that these commissions have had on the economies of these diverse regions.

APPALACHIAN REGIONAL COMMISSION
A Proud Past, A New Vision

Earl F. Gohl
Federal Co-Chair

Statement of Earl F. Gohl

Federal Co-Chair, Appalachian Regional Commission

Before the

House Subcommittee on Economic Development, Public Buildings and Emergency Management

April 29, 2010

1666 CONNECTICUT AVENUE, NW, SUITE 600 WASHINGTON, DC 20009-1068 (202) 884-7660 FAX (202) 884-7693 www.arc.gov

Madam Chairwoman and Members of the Subcommittee:

I am pleased to come before the Subcommittee this afternoon to discuss the President's budget request for the work of the Appalachian Regional Commission.

The Administration is requesting $76 million for ARC's non-highway work. This is level funding with the FY10 appropriation. At a time of difficult budget choices, this reflects the Administration's strong commitment to Appalachia and the 25 million people who call Appalachia home.

The budget will continue ARC's traditional focus on equipping communities with the basic "building blocks" that are essential for economic and community development. At the same time, it will emphasize the importance of working with communities to diversify their local economies. The goal of the Administration's budget is to position communities across Appalachia to take full advantage of the emerging economic recovery and create robust, sustainable local economies.

ARC is a federal-state partnership serving all of West Virginia and portions of 12 other states along the Appalachian mountain chain, from the southern tier of New York to northeast Mississippi. It was created to close the profound socioeconomic gaps between Appalachia and the rest of the nation. Our mission is to help the region reach socioeconomic parity with the nation.

Appalachia has come a long way. When ARC was created in 1965, one in three Appalachians lived in poverty. Today, the poverty rate is 13%. During that same time, the number of high-poverty Appalachian counties declined from 223 to 82. The more than 400 ARC-funded rural primary care health facilities have helped improve access to health care and reduce the infant mortality rate by two-thirds. The region's high school graduation rates now meet the national average, with ARC helping build and equip 700 vocational education centers. Over the past five years alone, ARC infrastructure projects have provided over 122,000 Appalachian households with access to clean water and sanitation facilities.

These gains have transformed the region to one of great contrasts. Some communities have successfully diversified their economies, while others, particularly in central Appalachia, remain isolated and require basic education and infrastructure improvements such as roads and water and sewer systems.

As a region, Appalachia confronts a combination of challenges that few other parts of the country face – mountainous terrain, dispersed population, environmental issues, lack of financial and human resources, and weak track record in applying for and receiving funding assistance. The combination of these special problems, aggravated by an economy reliant on a relatively small number of economic sectors that are in

decline, has resulted in concentrated areas of poverty, unemployment, and underinvestment.

On key indicators of economic vitality, Appalachia still lags behind the rest of the country. For example, per capita personal income and average earnings were 20 percent lower in Appalachia than in the nation as a whole in 2007. And proprietors' income and dividends and rent—a key measure of regional wealth—are only two-thirds of the national average. Roughly 20 percent of Appalachian households are not served by a public water system, compared with 10 percent of the rest of the nation's households, and 47 percent of Appalachian households are not served by a public sewage system, compared with a national average of 24 percent. And the gap between Appalachia and the rest of the nation in the percentage of high school students who go on to college is widening.

To better assess progress in completing its mission, ARC developed an index that compares the economic condition of Appalachian counties with all counties in the nation (based on unemployment, per capita income, and poverty rates). Appalachia has more of the economically weakest counties and fewer of the economically strongest counties. More than 20 percent of the nation's weakest counties are in Appalachia, while the region has only 5 percent of the nation's strongest counties, which are often the engines that drive local economic growth.

The Appalachian Economy

Appalachia suffers economic distress in part because its economy has been disproportionately dependent on manufacturing, tobacco, steel, and extractive industries, sectors which have been in decline over the past two decades. From 2000 to 2007, Appalachia lost 424,000 manufacturing jobs and an additional 35,000 jobs in farming, forestry, and natural resources. And those job losses came **before** the recession hit.

Between 1995 and 2005, one out of three American jobs lost in the apparel sector and one out of five jobs lost in textile manufacturing occurred in Appalachia. Primary-metals sectors, such as steel, have lost 21,000 since 1995. The furniture industry, which had been a robust source of jobs in southern Appalachia, is facing severe challenges from imports. Even the coal industry has lost almost 50,000 jobs since the 1980s, due largely to productivity gains and mechanization.

The current economic downturn has exacerbated these trends, affecting Appalachia even more severely than other parts of the nation. Overall, the rate of job loss has been more pronounced in Appalachia than in the nation as a whole, with Southern Appalachia bearing the most significant losses. Over the course of the current recession, the region has lost all of the jobs it had gained since 2000. Let me restate that: fewer people are employed in Appalachia today than were employed in 2000. In

the fourth quarter of last year, nearly two-thirds of Appalachian counties had unemployment rates that were higher than the national average.

Over the past decade Appalachia experienced slower population growth than the nation as a whole, with 179 of ARC's 420 counties actually experiencing net population **loss** between 2000 and 2008. The out-migration of working-age residents has yielded an Appalachian population that is older than the national average (14.3% are over age 65, compared to 12.4% nationally). At the same time, Appalachia has higher rates of cancer, heart disease, and diabetes than the nation, in a region where it is much more difficult to access treatment and affordable care.

ARC Programs

To tackle these socioeconomic challenges ARC's programs focus on two broad areas: a 3,090-mile highway program to connect Appalachia with national and international commerce, funded through SAFETEA-LU, and a non-highway area development program to create jobs, stimulate economic growth, provide needed infrastructure, and improve the quality of life across the region.

These activities are organized around four broad goals outlined in the agency's strategic plan: increase job opportunities and per capita income, strengthen the capacity of Appalachia's citizens to compete in the global economy; improve the region's infrastructure to make Appalachia economically competitive; and build the Appalachian Development Highway System to reduce the region's isolation.

The Appalachian Development Highway System has been the linchpin of ARC's development strategy since the agency's creation. Almost 85 percent of the system is now open to traffic, but some of the most challenging, and expensive miles, remain to be built.

In 2008 ARC released a study suggesting the potential economic benefits that will flow, not just to Appalachia, but to the national economy at large, from completing the ADHS. By 2035, economic activity sparked by the ADHS will generate an estimated 80,500 jobs, resulting in $3.2 billion annually in increased wages, as well as an estimated $2.1 billion annually in value-added activity resulting from market accessibility gains associated with the ADHS. The estimated return for the nation as a whole is $3 for every $1 invested in completing the ADHS.

While highways have been at the heart of our work, ARC recognizes that in today's global economy, Appalachia needs not just a highway system, but a transportation system that can better move goods in international commerce. ARC has been focusing on how our communities can take better advantage of the ADHS corridors by tying them to broader transportation strategies, such as intermodal facilities and inland ports.

I am pleased that the Congress recently extended the SAFETEA-LU programs, including the ADHS, through December 31, 2010. In addition to providing funding stability to our program over this year, this extension gives the Administration time to work with the Congress to craft a new comprehensive long-term reauthorization bill to address the nation's transportation needs.

While highways are necessary for regional economic growth, they are not by themselves sufficient. Consequently, ARC has a non-highway program that helps communities with a broad range of economic and community development resources. Each year almost half of ARC's nonhighway funding supports basic infrastructure projects such as the construction of water and sewer facilities and telecommunications. ARC often provides the first public water supply for residents of isolated communities in rural Appaalchia. The remaining funds target other ARC priorities, including workforce development, entrepreneurship, healthcare, and local leadership development.

ARC emphasizes a bottom-up approach, relying heavily on a network of 73 local development districts to identify local development priorities. These multi-county planning and development agencies, whose boards are composed of local elected officials and private sector leaders, help set the agenda for ARC and their staffs assist communities in securing funding, not just from ARC, but from other agencies and foundations as well, for critical local development projects. They are well-positioned to emphasize regional approaches to economic development, having a vision that transcends local jurisdictional lines and a knowledge of funding sources that can unite the resources of multiple agencies to meet a community's needs.

An independent evaluation of ARC infrastructure projects funded between 1998 and 2004 found that the sampled projects leveraged private-sector investment of $1.7 billion and helped create 17,800 new jobs. Private investment has played an important role in the economic development of Appalachia, and in FY2009 ARC's job-creating projects attracted almost $8.75 of private investment for every $1 of ARC support.

ARC annually designates counties according to their economic condition, and ARC targets its funds to the areas of greatest need. By law, at least 50 percent of its grant funds each year must go to projects and activities that benefit the region's economically distressed counties and areas. ARC routinely spends over 60 percent of its grant dollars on these activities.

Economic Diversification

Throughout much of the past fifty years, the Appalachian economy has been dominated by a small number of sectors, many of which are now in decline. Creating sustainable local economies will require a diversification of the region's economic base. ARC has undertaken a number of steps to help the region move in this direction. ARC often does this through special "regional initiatives," reserving a small portion of our funding that

can be used only on projects in certain topical areas. These dollars spark innovative regional approaches that can be replicated in communities across Appalachia. The two current regional initiatives focus on telecommunications and asset-based development, particularly in energy.

The **telecommunications initiative** emphasizes the importance of broadband access and use in developing the economies of rural communities. Telecommunications technology can enable businesses in Appalachia to compete successfully in the global economy. Activities include providing infrastructure, promoting the use of distance learning and telemedicine applications, and helping small businesses enter the world of e-commerce.

The **asset-based initiative** helps communities identify and capitalize on their existing economic development assets—natural, cultural, structural, and leadership resources that can enable communities to shape a new economic future for themselves. Commission activities in this area have included the promotion of cultural and heritage tourism, support for value-added agriculture, use of the region's diverse energy resources as a strategy for local economic growth, and support for "gateway communities" that take advantage of their proximity to public lands.

Appalachia's substantial and diverse energy assets offer particular promise as a source of new jobs for the future. While coal will continue to be an important component of the Appalachian economy, the region has other substantial energy assets that can help broaden the economic base and create jobs—wind, solar, biomass, and hydro. In addition, as a report released by ARC last year pointed out, Appalachia can experience substantial job creation by adopting an aggressive approach to promoting energy efficiency in the region. Taken together, these renewable energy and energy efficiency opportunities can yield a substantial "green economy" in Appalachia.

Your committee recognized the potential contribution this energy sector could make to diversifying the regional economy by creating a new "Economic and Energy Development Initiative" in our 2008 reauthorization. In response, ARC has moved quickly to boost its work in this area. Over the past two years the Commission completed several grant competitions intended to help communities revitalize their economies by leveraging renewable energy and energy-efficiency resources. These competitions have demonstrated that there is a widespread appetite by local communities for these sorts of activities. Later this year the Commission will announce another grant competition focused on developing local community energy plans, with job creation strategies being an important component of those plans.

ARC projects that suggest the promise of the green economy for Appalachia include support for green business incubators, workforce training in solar and wind energy, energy efficiency audits and retrofits for public facilities, an "energy bootcamp" for start-up businesses, and seed capital for an investment fund targeting green businesses.

Diversifying the regional economy also requires preparing a highly skilled and diversified workforce to take advantage of new economic opportunities. ARC has been working with a network of community colleges across the region to support workforce development in emerging high-growth, high-demand fields, such as health care. In many parts of Appalachia, for example, the demand for nurses and allied health professionals exceeds the supply of trained workers. ARC's support for creating or expanding these training programs is helping meet an employment need and boost local incomes.

ARC believes that there are four key elements to creating a strong, diversified economy: 1) fostering a vibrant entrepreneurial climate and support for small businesses through education, technical assistance, and access to capital; 2) preparing a skilled workforce for the high-growth, high demand jobs of the future; identifying and capitalizing on a community's particular assets; 3) seizing the possibilities offered by technology; and 4) helping existing industries remain competitive. ARC's program seeks to address all of these.

Special Interagency Initiative

Creating a stronger, more diversified economy is the goal of a special federal interagency effort focused on Appalachia, the Appalachian Regional Development Initiative (ARDI). Drawing together more than a dozen federal departments and agencies, the initiative expects to identify ways federal programs can be better tailored and coordinated to achieve greater impact in Appalachia.

As part of ARDI, ARC and the U.S. Department of Agriculture have just concluded a series of five "listening sessions" across Appalachia. These meetings heard from a cross-section of local stakeholders about what they see as their principal economic challenges and opportunities and how the federal government can help them achieve their vision for a strong local economy. We are still analyzing the responses, but some of the common strains are outlined below. These validate the approach that ARC has been taking in its own programming.

- the continuing need for basic infrastructure, particularly in central Appalachia
- the importance of broadband access and use in making communities competitive.
- the necessity of fostering a strong climate of entrepreneurship and small business support
- the imperative of workforce training that responds to a changing economy
- the need to craft development strategies on a regional basis that reach across jurisdictional lines
- the opportunities offered by green jobs in renewable energy and energy efficiency
- the desire for greater coordination and collaboration across federal programs

Next month we will be sitting down with our sister federal agencies to work through the findings of the listening sessions and craft an appropriate federal response. We expect to highlight this response, featuring some "best practices" case studies from Appalachian communities, later this year.

We will also be using the information from the listening sessions as an important component of ARC's own strategic planning process, which we expect to complete this year.

Regionalism

ARC believes strongly that a regional, place-based approach to economic development offers the best prospect for sustainable, long-term economic growth for rural Appalachia. This yields strategies that are tailored to the specific needs of the region, that take advantage of the specific assets the region offers, and that recognize that commerce does not respect jurisdiction boundaries. We believe ARC's record of success in Appalachia validates this approach. We appreciate the support that this subcommittee has given us through the years, and we look forward to working with you in our common mission of ensuring that Appalachia achieves socioeconomic parity with the rest of the nation.

Subcommittee on Economic Development, Public Buildings, and Emergency Management

Proposed Fiscal Year 2011 Budgets for Regional Economic Development Commissions, Priorities and Impacts on Regional Economics and Employment.

Appalachian Regional Commission
A Rural Telecommunications Deployment Model

Presentation by:

Cecil L. Groves, Ph.D.
President, Southwestern Community College
Sylva, North Carolina

April 29, 2010

On March 10, 2007, before some 400 persons gathered in Cherokee, North Carolina, a world-class electronic highway was declared open and operational through the Southern Appalachian Mountains—the most mountainous terrain east of the Rocky Mountains. Even more remarkable, it was built underground, offering maximum operational security and also preserving the aesthetic beauty of our region.

This extraordinary achievement resulted from the unprecedented efforts and actions of a rural-based community college (Southwestern Community College), a locally owned private firm (Drake Enterprises), and a sovereign nation (the Eastern Band of Cherokee). This accomplishment is an event of national significance for rural America. It serves as a model for what can be achieved with advanced strategic planning, the use of local resources and talent, and an abundance of patience and perseverance by those involved.

The journey began in 1999 when Southwestern Community College sought to convert its Interactive Television (ITV) system from an analog to a digital format. Finding the cost of conversion being too great for continued operation, Southwestern, with support from the Governor's Office, received a matching grant from the Appalachian Regional Commission (ARC) to study possible alternatives for securing accessible and affordable broadband telecommunications in a rural area. Matching support for the project came from agencies such as the North Carolina Rural Center, AdvantageWest, and the Z. Smith Reynolds Foundation. In total, some $1,500,000 was raised for the project. This feasibility study, called Appalachian Access, was a comprehensive study conducted by Southwestern Community College that lasted three years (2000-2003) with numerous written and verbal reports given to various groups as well as formal written reports made to the Appalachian Regional Commission.

Primary research was done in four key areas: legal and regulatory, political and legislative, technology and business. Existing and latent demand for telecommunications services across the region was conducted; opportunities for strategic partnerships with high demand organizations were sought and reviewed; and different negotiation strategies for delivery of services were pursued.

Thanks to the input and support from numerous public and private participants in the Appalachian Access study, several critically important lessons were learned from this work. First, it was confirmed that the far western counties of North Carolina would most likely be the last to close the digital divide, given the rugged terrain, sparse population, limited telecommunication user base, and general isolation of the region. Second, the traditional "economic demand model" used by the telecommunications industry would not work in favor of the region. Third, it was found that most of the proposed public funding models were short-term and incomplete; ignoring the more fundamental problem of inadequate middle-mile infrastructure. Finally, through the project, sufficient technical, legal, regulatory and financial knowledge was acquired to formulate a strategy for fiber optic deployment and operation.

Armed with the necessary information and knowledge from the Appalachian Regional Commission study, Drake Enterprises and the Eastern Band of the Cherokee, with support and assistance from Southwestern Community College, formed BalsamWest FiberNET. It was established as an independent, locally owned, for-profit enterprise. Based on findings from the study, a primary goal was to deploy and provide an advanced telecommunications infrastructure featuring a multihomed, electronically scable, fiber optic backboned linking the six western most counties in North Carolina and adjacent counties in east Tennessee and north Georgia. Now completed, the fiber optic backbone provides one of the poorest and most isolated regions in our country with access to reliable, affordable, and robust telecommunication services, assuring the highest and best levels of economic development, business modernization, advanced medical services, enhanced education resources and improved public services.

As the deployment of the fiber optic backbone began, there were those who said ***"It can't be done. You can't build a fiber optic backbone through the mountains. It's too difficult and too expensive."***

> Well, thanks to what was learned from the ARC funded Appalachian Access study, some 300+ miles of fiber optic backbone and laterals were deployed and placed underground, meeting carrier grade standards recognized by the telecommunications industry. And, it was built by a local company with local labor.

Another concern raised was ***"Assuming you could build through the mountains, who would fund such a difficult and costly venture?"***

> While the venture was costly and difficult, Drake Enterprises and the Eastern Band of Cherokee were willing to step forward and fund the enterprise. The initial deployment and implementation cost of the fiber optic network was $15,000,000, all privately funded with no state or federal funds used. Findings from the ARC funded Appalachian Access

feasibility study were absolutely essential to the funding of this endeavor. Drake Enterprises and the Eastern Band of the Cherokee recognized that unless they took action far western North Carolina and its citizens would be the last to benefit from the technological advances and resulting innovations other areas would receive. And, most importantly, the education of the children and their future, as well as all others, would be compromised.

There were others who said, ***"There is no way you could possibly form a workable partnership between a private enterprise (Drake) and a sovereign nation (Eastern Band of the Cherokee). The differences are just too great."***

The operational differences were and are great. However, the corporate and community needs and the historic commitment to the region and its people by Drake and the Cherokee were greater. When public good can be served through a private sustainable endeavor, you have the best of both worlds. Southwestern Community College was privileged and honored to serve as a bridge to help establish this workable and valued partnership.

More than one person also expressed the concern, ***"If the technical, legal, financial and workforce issues don't stop your endeavor, the politics most certainly will."***

The politics associated with the telecommunications industry were far greater than was ever imagined. Fortunately, naiveté allowed us to press forward with the belief that once folks learned about the good intentions there would be an outpouring of support. The old adage of "no good deed goes unpunished" comes to mind. A critically important decision BalsamWest made was to establish financial independence, avoiding the limiting conditions and circumstances associated with public funding. Because of that decision, the business plan and strategic positioning in the market were strengthened and long-term sustainability assured. Ironically, adversity has been a friend rather than an enemy. It resulted in greater creativity and innovation which is essential for survival in a knowledge-based economy. It also strengthened the resolve to succeed. Again, the findings and knowledge secured from the Appalachian Access study was fundamental in helping make sound operational decisions.

BalsamWest's network includes over 300 route-miles of fiber optic telecommunications backbone—with an additional 50+ route-miles of local distribution metro loops. This underground network—with its 600 conduit miles and over 113,000 fiber miles—was deployed in one of the most challenging construction landscapes. Traversing steep mountain terrain and granite, the network is geographically diverse, redundant, and equipment-protected at Bell Core Standards. Dark fiber leases—as well as transport, collocation and voice services—are powered by SONET OC-192 backbone technology and OC-48 local metro loop technology.

Rivaling the technical capacity of other much larger networks, the availability of this network has already had a measureable impact on nearly every aspect of life for persons living in the six western most counties in North Carolina. BalsamWest has established a 21st Century telecommunications infrastructure supportive of the region's hospitals, county government

facilities, public safety agencies, regional mental health services, administrative court systems, business and industry and, most importantly, our educational institutions.

As an educator for more than four decades, I want to offer a few comments regarding what this achievement means for education in the region. An overwhelming consensus of economists, educators, and national leaders believe that public access to quality education and training is essential to the continued economic strength and security of our nation. Fundamental to offering quality education is affordable access to learning resources and opportunities at school, at home and in the workplace. This same assessment is true for local communities and regions who desire an improved quality of life and prosperity for their residents.

Convergence of the capabilities of computers and telecommunications has provided teachers, students, parents and the general public access to revolutionary tools and resources, such as virtual field trips, learning simulation exercises, international programs and live classroom exchanges, individual customization of learning materials and exercises, expanded home-based and work-based learning opportunities, and 24/7 access to learning. Learning is no longer relegated only to the traditional classroom or laboratory. Students seeking higher education as well as students in public schools now have the opportunity to make choices about when, where, how and who will provide their education and training. The perceived and real quality of education and training will be increasingly dependent on the level of connectivity and online learning resources available for use by students, faculty and staff.

Recognizing this reality—an inspired by the new telecommunications infrastructure of BalsamWest--, the public schools and higher education institutions in western North Carolina created the Western North Carolina-Education Network. WNC-EdNET represents an extraordinary national model featuring the latest and most advanced use of modern technology to enhance student learning. The capacity and capabilities of this fiber optic network connecting some 70 public schools in far western NC will equal and, in many cases, exceed that of our higher education institutions.

WNC-EdNET results from the hard work of many people including an exciting private partnership, the Alliance for Southern Appalachian Prosperity (ASAP). Comprised of Drake Enterprises, the Eastern Band of the Cherokee, Southwestern Community College, Blue Ridge Mountain Electric Coop, Southern Pipeline, Cisco Systems and BalsamWest FiberNET, ASAP offered our educational institutions affordable access and ownership of world-class broadband connectivity (Gigbit scalable to 10 Gig). More than $5,000,000 in funding specific to the public school fiber deployment came from the Golden LEAF Foundation, the Cherokee Preservation Foundation, and the Appalachian Regional Commission. Additional support to extend the ring is being provided by the Carlton Family. The Western Region Education Service Alliance (WRESA) and the Southwestern Commission coordinated and facilitated implementation of the public school initiative with the able assistance of local public education leaders.

In summary, sustainable prosperity is best accomplished when general public needs and private enterprise needs are mutually benefited by the pursuit of common goals. In this case, access to affordable, accessible and reliable advanced telecommunications resources was both the common need and goal. Thanks to Drake Enterprises and the Eastern Band of Cherokee, the people in far western North Carolina are justifiably proud of what has been accomplished and most appreciative of all those who helped our dreams become a reality.

Finally, the information and knowledge learned from the comprehensive feasibility study – Appalachian Access—funded by the Appalachian Regional Commission was absolutely essential to formation and successful operation of BalsamWest FiberNET.

Presentation by Cecil L. Groves, Ph.D., President of Southwestern Community College; to the Subcommittee on Economic Development, Public Buildings, and Emergency Management--to Hearing on-- "Proposed Fiscal Year 2011 Budgets for Regional Economic Development Commissions, Priorities and Impacts on Regional Economics and Employment." April 29, 2010.

Testimony to:

The Subcommittee on Economic Development, Public Buildings and Emergency Management

of the

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

April 29, 2010

From the:

DELTA REGIONAL AUTHORITY

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DELTA REGIONAL AUTHORITY
Patrick H. "Pete" Johnson, Federal Co-Chairman

Good afternoon.

Chairwoman Norton, Ranking Member Diaz-Balart and members of the Subcommittee, as the Federal Co-Chairman of the Delta Regional Authority, I am grateful for the opportunity to testify on behalf of the DRA, specifically regarding:

1. The Authority's fiscal year 2011 proposed budgetary priorities and

2. Our impacts on development and employment in our region.

While we were also invited to speak as to our needs, the Authority currently has no authorizing needs. We are grateful that the Congress recently remedied our two pressing issues when:

1. The Authority was re-authorized through 2012 in the 2008 Farm Bill and

2. In 2009, our voting structure was extended for perpetuity.

One of the Authority's key programs is its federal grant program, which has just completed its eighth grant cycle. We feel our program has been successful, and will continue to be so.

To better substantiate my statement, I would like to share with you some highlights from a March 2010 research report published by the Economic Research Service of the US Department of Agriculture, where in its report, "Impacts of Regional Approaches to Rural Development: Initial Evidence on the Delta Regional Authority", the ERS stated:

> *"We find that per capita income and transfer payments grew more rapidly in DRA counties than similar non-DRA counties. And, these impacts are larger in counties where DRA spending was larger. Each additional dollar of DRA spending per capita is associated with an increase of $15 in personal income per capita between 2002 and 2007 – including an increase of $8 in earnings and $5 in transfer payments."*

Clearly, the impact of DRA's federal grant program is being felt, and that impact is in the poorest region in the country.

Income growth is a function of job growth, and that is especially true in these harsh economic times. I would like to provide some additional impacts -- on both jobs and development -- our federal grant program has had, and is already funded to have, in future years.

Specifically, to-date, through DRA's federal grant program and the work of its partners:

- Almost 11,000 jobs have created and/or retained,

- Almost 12,000 families have received new water and/or sewer and
- More than 3,000 individuals have been trained for jobs in their areas.

Additionally, we project even stronger outcomes from our projects which are already funded, underway, and protected by DRA's "Participation Agreements":

- More than 24,000 will be created and retained,
- More than 23,000 families will have new water and/or sewer and
- Almost 600 individuals will be trained for jobs in their areas.

Please remember, DRA's "Participation Agreements" bind the grantees to an outcome level, which if not met, requires the grantee to pay-back the pro rata share of the outcome shortfall. Quite simply, either the outcomes will be realized or the DRA will re-capture that level of funding.

Our budget priorities are evolving and are changing primarily as functions of the Administration's priorities, such as "green economies", "regional centers of innovations" and "livable communities" -- and from our own research. In our most recent regional development plan "Re-Thinking the Delta", released in 2008, we learned that the most important investment we can make to grow our region's employment is through improved health outcomes.

Succinctly, for every 1 percent improvement in a community's health outcomes (life expectancy), we estimate a 4.6 percent increase in employment. Accordingly, the Authority is providing greater support for community and sub-regional health care initiatives.

Let me quickly provide you some context and also enumerate some on-going programs and then briefly describe our major new initiative.

Throughout our region, we know that among working age adults, our communities average double-digit levels of Type 2 diabetes. And that prevalence worsens every year and in every cohort of age, gender and race -- particularly African-Americans. Obviously, workers who are sick cannot be as productive as they want to be nor will they enjoy the life they deserve to have.

Toward that end, we have partnered with USDA to create our pilot Diabetes Management Centers, which are proving to be very effective at improving people's health and their productivity – a fantastic example of "best practice". We have one underway in Helena, AR and we are about to begin two more sites: one in southeast Missouri and one in northwest Tennessee.

Additionally, the Authority has two other on-going programs to increase access to affordable, quality health care:

- Delta Doctors, which is DRA's "J1 Visa Waiver" program, and has brought more than 100 physicians to practice in the region's under-served areas,

- Innovative Readiness Training Program, which is the Authority's partnership with the Pentagon, where more than 1,200 people in our region have received free, quality health care, and by the summer of 2012, that number will grow to more than 7,000.

Our new $1.5 million initiative is our "Growing a Healthy Workforce in the Delta -- An Action Plan", a very bottom-up approach to improved health outcomes.

In this initiative, we will better align resources through better information, technical assistance and a grant program. We will improve local efforts, determination and outcomes, while increasing accountability through greater monitoring and transparency.

To save time, I ask that the plan's executive summary be entered into the record as an appendix.

Again, the Authority is most grateful for the support of this committee, and I would be pleased to answer any questions.

DELTA REGIONAL AUTHORITY

OFFICE OF THE FEDERAL CO-CHAIRMAN

June 7, 2010

Congresswoman Eleanor Holmes Norton
U.S. House of Representatives
2136 Rayburn House Office Building
Washington, DC 20515

RE: Pete Johnson, Testifying Witness
Delta Regional Authority

Dear Congresswoman Norton:

Thank you for your continued interest and support of the Delta Regional Authority (DRA). Per an e-mail received from Mike Obrock, I would like to answer the three questions you asked:

Question #1: "If your agency was to receive its fully authorized funding level of $30 million what would it (be) spent on? Would this require a significant increase in staffing and administrative expense?"

Answer: At the fully funded level of $30 million, DRA would have the ability to further its economic development efforts by allocating the additional appropriation to its Federal Grant Program.

If the $30 million was appropriated on a one-time basis, the increase in DRA staffing to accommodate this task would be minimal, at less than an additional 3 percent of the $1.5 million ($45,000) that is currently being used for staffing and administrative expenses. However, a fully-authorized funding level of $30 million for an indefinite period of time, would cause a 5 percent increase of the $1.5 million ($75,000).

Question #2: "Do you envision that your program delivery may need to be altered or bolstered in some way to complement the increased access to publicly supported healthcare services?"

Answer: No. At this time, the DRA board has approved a healthcare action plan entitled *"Growing a Healthy Workforce in the Delta"* (http://www.dra.gov/pdfs/dra_health-programs-action-plan_012510.pdf), which outlines project resources, time lines, goals and objectives with specific outcomes, and other pertinent information. An Executive Summary of the plan is attached for your review.

Question #3: "Please describe the impact of the lack of capital in your regions and ways your programs have sought to address this issue?"

Answer: Lack of access to affordable capital in this region has been a problem for decades. Accordingly, one reason DRA was created in 2000 was for the purpose of providing resources to eligible entities that otherwise would not have access to needed capital.

236 SHARKEY AVENUE / SUITE 400 / CLARKSDALE, MS 38614 / (662) 624-8600 / FAX: (662) 624-8537 / www.dra.gov

Through Fiscal Year 2009, DRA's Federal Grant Program and the work of its partners have invested almost $75 million into more than 500 projects in its eight-state region for total project costs of almost $435 million. These projects leveraged $353,847,039 in other public funds and $1,544,375,000 in private funds.

Also, 77 pre-applications for the 2010 Federal Grant Program have been deemed eligible (before appeals) requesting over $32 million in DRA funding, and leveraging over $59 million in other public funds and $31 million in private funds.

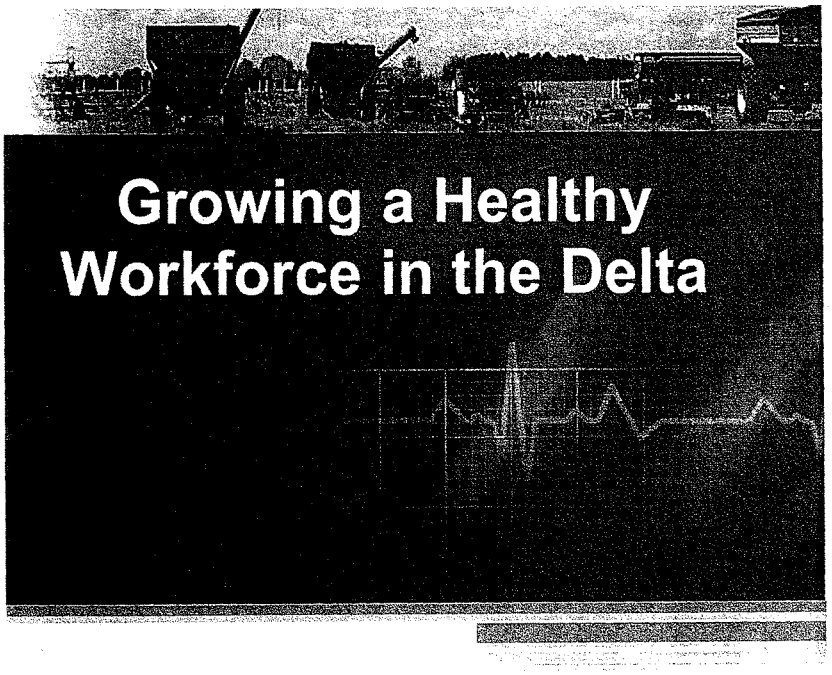
We trust that the information provided will provide the necessary answers to your questions. Should you need further help, please do not hesitate to contact me.

Sincerely,

Pete Johnson
Federal Co-Chairman

PJ:ps

Attachment



Delta Regional Authority

An Action Plan for Projects and Programs to Improve Health in the Delta

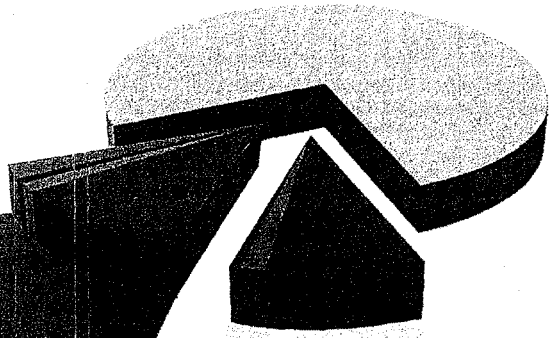
April 2010

Growing a Healthy Workforce in the Delta

Seed Planting

Grant Program

$1,034,480



Tool Provision: $239,130

County Data Reports $78K

Improve Health Data Standardization $70K

Set up Tool Kit on DRA Web Site $12K

Establish Wiki-Style Input System $9K

Convene and Coordinate Advocacy Groups $44K

Convene and Coordinate Governmental Groups $29K

ound Preparation: $226,390

Employ FT Director of Health Programs $134K

Organize Workforce Task Groups $29K

Establish Technical Assistance Programs $24K

Integrate Programs into DLI Materials $11K

Health Advisory Committee $28K

Executive Summary

Recognizing that the health plays a critical role in the productivity and well-being of the region, the DRA's health advisory committee has been working for the last year to develop a strategic plan for the agency that emphasizes evidence based activities and the sharing of best practices to have a real impact on health in the Delta. The DRA has a long and successful history of bringing together various agencies and local groups for the betterment of the Delta Region. This leadership role as facilitator, coordinator and relationship-builder has proven invaluable to the region and represents a unique and critical asset. For this reason, we believe that focusing on activities that build on these DRA's strengths will ensure the success of their activities in the health arena.

Consistent with DRA's current success in the arena of economic development, we believe that the following principles must guide efforts in the health arena:

1. **Empowerment** – sustainability requires that local leadership be empowered to own their health issues and the local solutions.

2. **Local Determination/Local Effort** – similarly, local solutions should be driven by grassroots efforts so that programs are tailored to the unique needs of each area and local leadership is invested in the process and outcomes.

3. **Accountability** – all investments require accountability to ensure efficient and appropriate use of resources. The current Federal Grant Program requires that local agencies sign a contract to deliver promised outcomes or forfeit grant monies. A similar approach should be used with the health program to ensure realistic goals and responsible management of funds.

4. **Coordination/Alignment** – building on its strengths as coordinator, facilitator and relationship-builder, the DRA should emphasize activities that
   - leverage other federal, state, and local funding,
   - bring together various agencies and groups with similar interests or responsibilities,

- compile and organize information on health needs, best practices, and available funding so that it is easily accessible for local leadership in the Delta, and
- work to eliminate fragmentation and duplication of federal, state and local efforts.

5. **Monitoring and Updating** – to ensure maximum relevance and impact, the DRA must continuously monitor and update the information it makes available and its communication and coordination methods.

In 2009 the Delta Regional Authority commissioned a study of health and healthcare in the Delta region. That study, ***Growing a Healthy Workforce in the Delta***, was released in the summer of 2009. The report released a series of ten recommendations regarding support of grassroots efforts to improve the health of the communities and their workforces. It recommended that DRA support grassroots efforts with information on effective projects that are currently being undertaken, valid measures of existing health conditions in each of the DRA counties, and a grant program that would help the communities initiate health improvement programs.

Further discussions once the report was published brought the realization that such substantial undertakings would require ongoing support and oversight by the DRA. A review of the recommendations and refinement occurred at a meeting of the Health Advisory Committee in December of 2009. This meeting, led by Mr. Bill Triplett, Senior Advisor to the Federal Co-Chair of DRA, reviewed the recommendations and the expected costs and processes necessary to put the recommendations into place.

The recommendations support each other, similar to pieces of a puzzle. Each is connected in its intent and its purpose. They must be considered in totality and, once implemented, lay the ground work for a successful program to support the communities in the Delta region as they embark on efforts to improve themselves.

Growing a Healthy Workforce in the Delta requires preparation, planning, tools and nourishment, similar to that of an agricultural effort. Three basic components are proposed for this major effort. The first component, "Ground Preparation," involves 'preparing the soil' so that it can produce strong, healthy yields. This component of the project will involve hiring a

Director of Health Programs to coordinate the ongoing efforts and programs to ensure success. This component will also include the expansion of the DRA web site to enhance information sharing, increase local input, and facilitate the ongoing monitoring of projects and activities. Local and regional meetings will also take place as a part of this component to create local coalitions that can serve as the front line in the push for improved health. To this end, the DRA Leadership Institute will be used in this and other components of the program to promote and educate regional leaders about the program. Finally, the Health Advisory Committee will continue to meet to monitor the progress of the DRA on all projects and suggest any midcourse corrections.

The second component of this effort will be "Tool Provision." The activities of this component will provide critical information and tools to local groups as they develop and implement projects to address problems in their specific geographical area. Information will include local Health Statistics and Tool Kit information suggesting successful projects and programs (best practices) to address specific health or workforce issues. Coordination with existing organizations, both private and governmental, will assure productive and efficient coordination of resources.

The final component of the program will be "Seed Planting" for the region. This component will establish and administer a Grant Program to fund local and/or regional coalitions comprised of stakeholders as they undertake projects informed by evidence and best practices activities to improve the health and wellness of their local communities. This grant program will be administered in a manner consistent with the existing Federal Grants Program and will require similar concrete outcomes.

The DRA knows that there are very exciting health-related programs at work in the Delta region. The intent of the agency is not to replace or duplicate these programs in any way, but to support, facilitate, augment and coordinate their efforts in meaningful ways that can benefit the individuals and communities of the Delta region. Focusing on the strengths of the agency in convening, coordinating, and empowering local leaders while requiring accountability; this action plan will ensure that the DRA achieves maximal impact on the health of the region from its investment.

Recent national events make it especially critical that the DRA step forward at this point in time with a strong health action plan that focuses on evidence-based interventions and activities and the sharing of best practices across the region. In the last two years, this nation has struggled through one of its worst economic depressions since the Great Depression; in response, the Congress passed The American Reinvestment and Recovery Act (ARRA), a $787 billion bill providing tax incentives and benefits and funding a variety of projects across the country designed to build infrastructure and create jobs, including numerous health- and health-care related projects. These funds provide some real opportunities for health projects in the Delta to get off the ground and make an impact, but they can have an even greater impact if they are appropriately leveraged and coordinated with other efforts in the region—something this action plan emphasizes. Very recently, Congress also passed major health care reform (Patient Protection and Affordable Care Act). While the funding and attention on health care promised by this reform will create a unique environment for change, it is critical that organizations and individuals who know the Delta region provide informed input to create constructive, positive change and prevent system alterations that are detrimental to our already vulnerable populations. We simply cannot afford any mistakes in health care in our region. The costs will be too high.

Summary of Project Expenses

Estimated Program Costs:	
Project	Subtotal
PROJECT COMPONENT ONE: Ground Preparation	
Employ a Full-time Director of Health Programs	$ 134,450.00
Organize Regional and Sub-Regional Workforce Task Coalitions	$ 29,000.00
Establish Technical Assistance Programs Through HRSA & USDA	$ 23,745.00
Integrate Programs into DRA Leadership Institute	$11,195.00
Health Advisory Committee to Monitor Progress	$28,000.00
Component One Subtotal	**$ 226,390.00**
PROJECT COMPONENT TWO: Tools Provision	
Produce County Health Data on the DRA Web Site	$ 78,005.00
Improve Health Data with Coordination of State Resources	$ 69,720.00
Set up Tool Kit Information on the DRA Web Site	$ 12,360.00
Establish a Wiki-Style Input Capability on the DRA Health Web Site	$ 9,045.00
Convene and Coordinate Rural Health Organizations Improvement Efforts	$ 40,800.00
Convene and Coordinate Rural Health Government Agency Initiatives	$ 29,200.00
Component Two Subtotal	**$ 239,130.00**
PROJECT COMPONENT THREE: Seed Planting	
Initiate a Grant Program to Fund Local Health Initiatives	$ 1,034,480.00
Component Three Subtotal	**$ 1,034,480.00**
Total Funding Requested for Growing a Healthy Workforce in the Delta	**$ 1,500,000.00**

Project Summary

PROJECT	NEED	PROCESS	IMPACT MEASUREMENT	GUIDING PRINCIPLE(S)	OUTCOME	COSTS
			GROUND PREPARATION			
Employ Full-Time Director of Health Programs	Local groups need support to undertake projects and activities to improve local health and workforce productivity. Increased support by DRA in health improvements requires continuous oversight and leadership.	Establish a job description and employ a full time Director that will oversee day-to-day activities and coordinate with the Federal Co-Chair all initiatives. Equip office and cover travel expenses	Number of successful projects, identification of quantifiable improvements in health of communities that undertake projects.	Empowerment of Local Leadership Local Determination Accountability Coordination/Alignment Monitoring/Updating	Delta communities will have established health programs with direct support from the DRA offices and will have a known contact in DRA to assist with the programs.	$134,450.00
3.h:Organize Regional and Sub-regional Workforce Task Groups	Communities are often not organized sufficiently to take advantage of resources that are available to them and need help getting started with health projects.	Provide support through educational programs, direct support from the Director of Health Programs, and exposure to health data and examples of successful community projects.	Number of active projects that are established during specified time periods.	Empowerment of Local Leadership Local Determination	Successful projects result in improved health of the community citizens.	$29,000.00
3.e:Establish Technical Assistance Programs	Technical assistance programs are needed to help the organized regional and sub-regional groups plan and initiate projects.	Technical assistance programs will be developed and presented in all states within the region. Targeted communities will be provided support in using resources.	Number of technical assistance programs presented. Number of groups that use TA materials to undertake health projects and programs.	Empowerment of Local Leadership Local Determination	Local projects and programs are established using TA materials and regional and sub-regional groups are successful in implementing programs.	$23,745.00

PROJECT	NEED	PROCESS	IMPACT MEASUREMENT	GUIDING PRINCIPLE(S)	OUTCOME	COSTS
GROUND PREPARATION (continued)						
3.f: Integrate Programs into DRA Leadership Institute	The Delta Leadership Institute participants are identified local leaders. Health program information needs to be integrated into its development programs to help these leaders quickly initiate projects.	Redesign course work to include materials about Workforce Health, Improvement programs, and resources available.	Number of LI participants that incorporate health initiatives and projects in their local community programs.	Empowerment of Local Leadership Coordination/Alignment	Increased number of health initiatives throughout the region as LI participants use the information from the training programs.	$11,195.00
Health Advisory Committee	Senior leadership monitoring of projects and progress to ensure accountability and make mid-course corrections as needed	Quarterly reports and meetings as required to review progress.	Quarterly reports on all projects, progress, expenditures, outcomes.	Accountability, Coordination/Alignment, Monitoring/Updating.	Completion of projects on time, on budget, with expected outcomes.	$28,000.00
TOOL PROVISION						
2: County Data Reports	Uniform, reliable, easy-to-use data for local leadership to use in benchmarking and grant applications.	Compile county-level data and prepare county, state and regional reports; provide access on DRA website; update annually.	Number of times website is accessed, reports downloaded; number of planning documents & grant proposals using data reports.	Empowerment of Local Leadership Accountability Monitoring/Updating	Increased use of quality information through the region; increased investment in the region through grants, contracts, business development.	$78,005.00

PROJECT	NEED	PROCESS	IMPACT MEASUREMENT	GUIDING PRINCIPLE(S)	OUTCOME	COSTS
TOOL PROVISION (continued)						
3a: Improve Health Data by Convening/ Coordinating State Data Efforts	Lack of standardized data elements across the region to support benchmarking and comparisons. Strongest need in areas of workforce productivity.	Two-stage process: (1) information gathering on data areas and individuals with knowledge/responsibility; (2) convening of working groups.	Progress in standardization of specific data measures based on number of measures addressed; increased use of data in planning documents and grant proposals; meaningful progress on specific health measures.	Coordination/Alignment	Local projects and programs are implemented with Improved workforce productivity measures.	$69,720.00
3.b: Set up Tool Kit Information on DRA Web Site	Local leaders don't always have the resources or time to research programs that might help improve the health of their citizens. They need easy access to proven projects and programs.	DRA web site will feature the successful programs that already exists in the region or elsewhere.	Number of times website is accessed to download tool kit information.	Empowerment of Local Leadership Local Determination Coordination/Alignment	Local projects and programs will be implemented quicker and with higher levels of success.	$12,360.00
3.g: Establish a Wiki-Style Input Capability on Web Site	Local citizens need assistance in sharing information that can benefit others in the region.	Web consultants will establish capabilities for citizens to submit information and comments. The submissions will be reviewed and approved by DRA before displayed.	The number of posts to the web site will indicate the interest, involvement, and activity within various parts of the region.	Empowerment of Local Leadership Local Determination Coordination/Alignment Monitoring/Updating	Information sharing will occur that will allow faster, better implementation of health projects and programs.	$9,045.00

PROJECT	NEED	PROCESS	IMPACT MEASUREMENT	GUIDING PRINCIPLE(S)	OUTCOME	COSTS
TOOL PROVISION (continued)						
3.c: Convene and Coordinate Rural Health Advocacy Organizations	There may be overlap with existing national advocacy programs and those DRA intends to initiate. Coordination is needed to assure that resources are used most efficiently and that citizens get the most impact from the various programs.	DRA will convene officials from the national advocacy to encourage coordination in the application of programs and services. Technical assistance will be coordinated. Establish ongoing relationship.	Number of advocacy programs that support and complement DRA activities.	Coordination/Alignment Monitoring/Updating	Local projects and programs will utilize DRA and other groups to enhance success of health initiatives that are well coordinated with little or no overlap or waste.	$40,800.00
3.d: Convene and Coordinate Rural Health Governmental Agencies	There may be overlap with existing governmental programs and resources, and those DRA intends to initiate. There is a need to coordinate with DRA programs for maximum effectiveness.	DRA will convene officials from the governmental programs to encourage coordination in the application of programs and services. Technical assistance will be coordinated. Establish ongoing relationship. Meeting should be held in Washington.	Number of governmental programs that support and complement DRA activities.	Coordination/Alignment Monitoring/Updating	Local projects and programs will utilize DRA and other groups to enhance success of health initiatives that are well coordinated with little or no overlap or waste.	$29,200.00
SEED PLANTING						
1: Grant Program	Support of local groups is needed to undertake projects and activities to improve local health and workforce productivity.	Set aside $1M/year to support local projects (consistent with the federal grant program); accountability for projected outcomes.	Local leaders must identify significant & quantifiable measures of program success and meet targets or return funds.	Empowerment of Local Leadership Local Determination Accountability Coordination/Alignment	Improvement/Increase in significant & quantifiable measures specified by local project leaders.	$1,034,480.00
Total Program Costs						**$1,500,000.00**

DELTA REGIONAL AUTHORITY
PROJECTED TIME LINE
GROWING A HEALTHY DELTA

	Month													
	1	2	3	4	5	6	7	8	9	10	11	12		Costs
GROUND PREPARATION														
Employ Full-Time Director of Health Programs														$ 134,450
3.h:Organize Regional and Sub-regional Workforce Task Groups														$ 29,000
3.e:Establish Technical Assistance Programs														$ 23,745
3.f: Integrate Programs into DRA Leadership Institute														$ 11,195
Health Advisory Committee														$ 28,000
TOOL PROVISION														
2: County Data Reports														$ 78,005
3a: Improve Health Data by Convening/ Coordinating State Data Efforts														$ 69,720

		1	2	3	4	5	6	7	8	9	10	11	12		Costs
3.b: Set up Tool Kit Information on DRA Web Site															$ 12,360
3.g: Establish a Wiki-Style Input Capability on Web Site															$ 9,045
3.c: Convene and Coordinate Rural Health Advocacy Organizations															$ 40,800
3.d: Convene and Coordinate Rural Health Governmental Agencies															$ 29,200
SEED PLANTING															
1: Grant Program															$ 1,034,480

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U.S. House of Representatives Committee on Transportation and Infrastructure – Subcommittee on Economic Development, Public Buildings, and Emergency Management

April 29, 2010 – 2:00 p.m. Room 2167 Rayburn House Office Building

"Proposed Fiscal Year 2011 Budgets for Regional Economic Development Commissions, Priorities and Impacts on Regional Economies and Employment"

Testimony by Joel Neimeyer, Federal Co-Chair, Denali Commission

Thank you Madame Chair

Ladies and Gentlemen of the U.S House of Representatives - Subcommittee on Economic Development, Public Buildings, and Emergency Management

As noted, I am here to discuss the Proposed Fiscal Year 2011 Budgets for Regional Economic Development Commissions – specifically, the Denali Commission in Alaska.

The Denali Commission's FY11 proposed program funding is directly connected to improving essential life, health and safety conditions, and promoting lasting sustainability for rural Alaskan communities. The originating legislation creating the Denali Commission defines a role of place-based initiatives throughout the entire state of Alaska and deals with one of the most impoverished regions in our nation.

The barriers in Alaska created by size, geography, and lack of basic infrastructure still cause significant portions of our rural population to live without basic public facilities, and endure lower health standards. The Denali Commission is proud to be in alignment with President Obama's place-based focus and we are pleased to present to you today on this important organization. The Denali Commission has impacted many lives in our state and continues to improve the lives of all Alaskans. I'm pleased to share with you today some of our progress thus far.

Congress created the Denali Commission 12 years ago with a vision to deliver the services of the federal government in the most cost-effective manner to rural Alaska. This small, independent federal agency is charged to move quickly to tackle systemic issues of rural development by listening to rural Alaskan's concerns, and working with the State of Alaska, local communities and tribes to build basic community infrastructure and sustain rural economies.

The Denali Commission's infrastructure projects throughout the state proceed in an efficient, transparent manner with the involvement of the people they serve. Over

2,000 projects have been funded by the Denali Commission in every community of our state in numerous program areas including: *Energy, Health Facilities, Training, Transportation* and *Economic Development.*

Most of our communities cannot be reached by road. Mountain ranges, waterways and sheer distance make a statewide electric system prohibitively expensive, the majority of rural villages are not connected to a major power grid. Many communities still lack basic indoor plumbing. Driving to another community to meet basic needs is not an option to most Alaska communities.

The Commissioners of the Denali Commission rely on well established guiding principles: *SUSTAINABILITY, ACCOUNTABILITY, INCLUSIVENESS, RESPECT FOR PEOPLE AND CULTURES* and a *CATALYST FOR POSITIVE CHANGE* to meet the basic infrastructure needs so many in the *"lower 48"* states take for granted. Having participated in the development of these guiding principles during the Commission's first year – I can attest to the directional value they provide for the staff, our program partners and stakeholders.

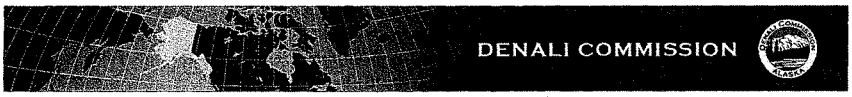
In 2009 the Commission had over 700 active projects on the books and, to date, the Commission has funded over 2,000 projects across Alaska. The Commission's two legacy programs, *energy* and *health,* continue to evolve and succeed through partnerships with strategic entities and are making a lasting impact for rural Alaska.

Partnerships with the Commission have resulted in the completion of 93 community bulk-fuel tank farms, 48 rural power system upgrades, 95 community clinics, 33 road projects, 30 waterfront projects, and many other community projects. More infrastructure projects are in the process of design and construction and the Commission's training and economic development programs continue to contribute to improving rural economies.

The creation of the Denali Commission was to address the disparities in social and economic conditions that exist in Alaska. Some day, I would like to come back to this Committee and report to you all that the job is complete. Today is not that day, in fact there is much more work to be done, and this work is urgent and imperative.

In closing I would like to share with you all that I was appointed to serve as the agency head of the Denali Commission in January 2010 and I am extremely proud to serve in this important role. I would also like to share with you that I am the first Alaska Native to lead the efforts of the Denali Commission and I can tell you with certainty that the Commission impacts the lives of all Alaskans, rural and urban.

Thank you for your time.



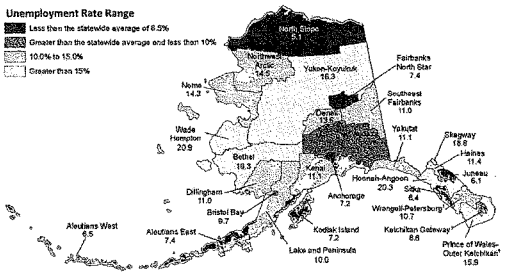
U.S. House of Representatives Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings and Emergency Management
Follow-up to the April 29, 2010 Hearing—Testifying Witness is Joel Neimeyer obo Denali Commission
Questions for the Record: Attention Chairwoman Norton

- **WHAT HAS BEEN THE IMPACT OF THE RECENT ECONOMIC DOWNTURN ON THE DISTRESSED COMMUNITIES YOUR COMMISSION SERVES? IN PARTICULAR, THE NATIVE ALASKAN COMMUNITIES?**

The Denali Commission (Commission) services rural Alaska, an area that has not avoided the recent economic downturn. Rural Alaska has a high percentage of Alaskan Natives and, according to the State of Alaska Department of Labor and Workforce Development (DOL&WD), over 50% of our rural communities are classified as *distressed*. Distressed communities have an average market income that is less that $15,000 annually and in some villages unemployment rates can exceed 50%. According to the April 2010 DOL&WD, some entire regions in Alaska experience over 20% unemployment rates.

"The state's economy is stagnating... and it's expected to remain stalled through the next decade..." Michael Catsi, president for the Alaska Partnership for Economic Development, told legislators according to a December 2009 article in Alaska Dispatch. That same article

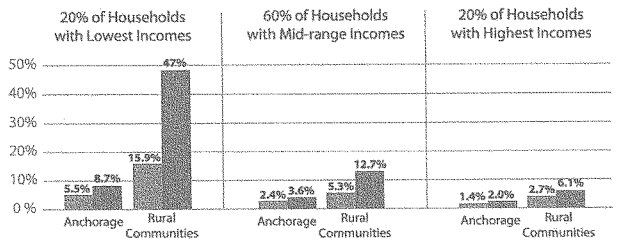
April 2010 Unemployment Rate
Not Seasonally Adjusted



The statewide unemployment rate for April 2010 is 8.5 percent

Notes:
1 Because of the creation of the Wrangell Borough, these census areas have changed or no longer exists.
Data for the new borough and census areas will be available in 2011. Until then, data will continue to be published for the old areas.

Estimated Median Share of Income
Alaska Households Spend for Home Energy Use



Source: Estimated Household Costs for Home Energy Use, May 2008 a report by ISER

speculated "Alaska's per capita income is expected to fall compared to the national average, with 10 years of decline anticipated under current conditions. The state's main economic driver, the oil industry, isn't looking so shiny."

One of the biggest areas of alarm in rural Alaska is the ever increasing cost of fuel (necessary for heating homes, providing electricity, and fueling vehicles) a concern for all rural residents. According to the State of Alaska Division of Community and Regional Affairs, some rural communities can see fuel prices at the pump jump to $10 a gallon, a huge burden to our lower income rural residents.

January 2010: Gasoline Prices per Gallon across Alaska

	Gulf Coast	Interior	Northern	Northwest	Southeast	Southwest	Western
High	$6.00	$10.00	$7.95	$7.80	$4.79	$6.85	$6.66
Low	$3.24	$2.32	$4.00	$4.40	$2.96	$3.31	$4.74
Average	$4.18	$5.12	$5.17	$5.55	$3.74	$5.05	$5.55

Current Community Conditions: Fuel Prices Across Alaska, January 2010—DCRA

DENALI COMMISSION

U.S. House of Representatives Committee on Transportation and Infrastructure
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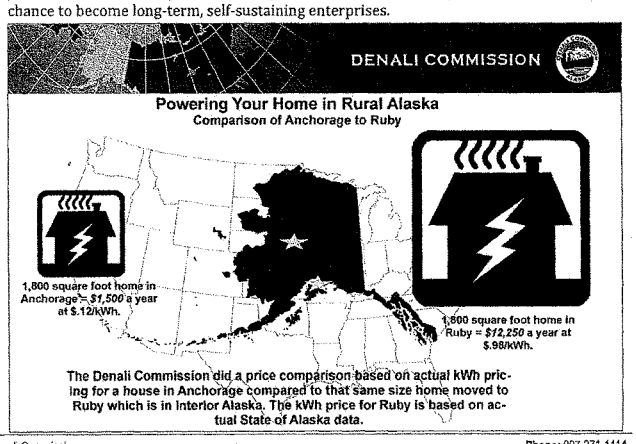
The Commission's role in this dilemma is critical. Environmentally compliant bulk fuel tank farms provide the fuel storage capacity for a village to see it through the long winter months. The Commission's rural power system upgrades provide communities with improved energy efficient sources of power, decreasing diesel consumption in a community. The Commission's efforts in exploring alternative-renewable power options including wind, geothermal and small scale hydrokinetic power are reducing the dependence of foreign oil and driving costs down for communities. Advancements in emerging technologies are a priority for the Commission. Solutions driven by local entrepreneurial efforts provide lasting results.

The Commission firmly believes that sustainable economic development for Alaska's rural communities will be generated in the private, commercial sector. To that end, the Commission supports development of basic infrastructure upon which the private sector creates jobs and wealth and helps ensure that good businesses and entrepreneurial ideas have a chance to become long-term, self-sustaining enterprises.



DENALI COMMISSION

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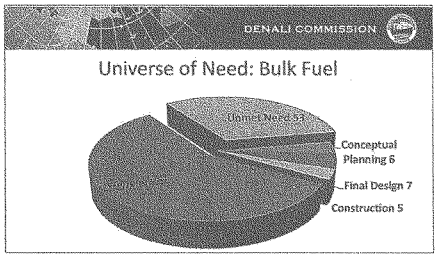
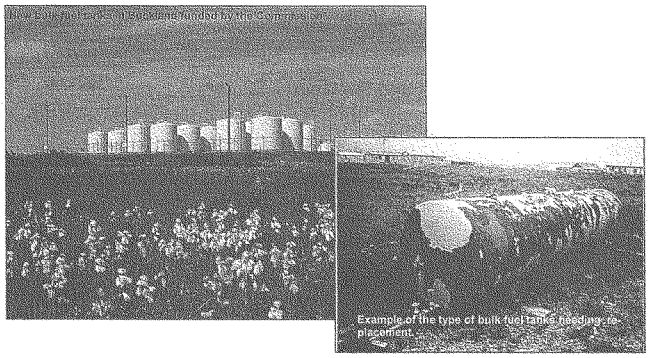
- HAVE YOU SEEN A SIGNIFICANT INCREASE IN APPLICATIONS FOR GRANT FUNDING?

Since inception, over 75% of Denali Commission (Commission) funding has been used for the *Energy Program* and the *Health Facilities Program*. When addressed, these basic community functions help to build a stronger community foundation essential to the community's future sustainability.

Both the Energy and Health programs operate on a collaborative basis with numerous program partners, methodically investing in projects throughout Alaska ***based on a universe of need***



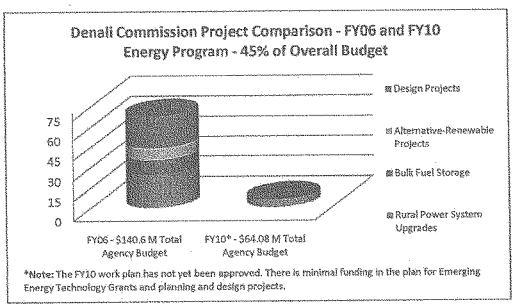


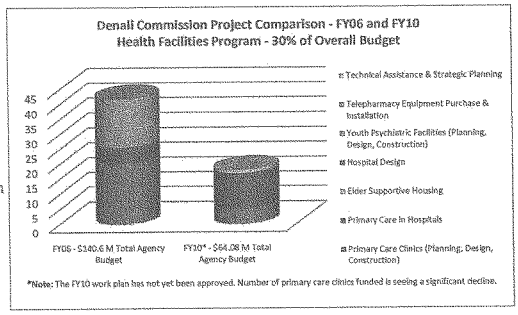
and a deficiency list. In general the Commission provides support to planning and design activities including business planning. Organizations move through this process at their own pace. After planning and design, typically, projects move to the construction phase within a year or two.

In answer to this question, the Commission has not seen an increase in grant applications; what the Commission has seen is a ***decrease in the number of projects we are able to address*** on our existing project needs lists. *(See graphs.)*

Energy Solutions:
The Commission's Energy Program funds: Bulk Fuel Storage, Community Power Generation and Rural Power System Upgrades, Energy Cost Reduction Projects, Renewable and Alternative Energy and Power Line Interties.

Access to Healthcare:
The Health Facilities Program funds: Primary Care Facilities, Behavioral Health Facilities, Elder Housing and Assisted Living Facilities and Primary Care in Hospitals.





DENALI COMMISSION

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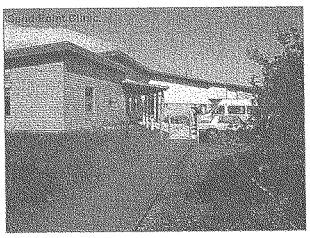
- **DO YOU ENVISION THAT YOUR PROGRAM DELIVERY MAY NEED TO BE ALTERED OR BOLSTERED IN SOME WAY TO COMPLEMENT THE INCREASED ACCESS TO PUBLICLY SUPPORTED HEALTHCARE SERVICES?**

Access to healthcare is an ongoing challenge in rural Alaska. The Denali Commission's (Commission's) work in the Health Facilities Program area has made significant strides in providing increased access to state-of-the art health facilities, however, much more work is needed.



Partnerships with the Commission have resulted in the completion of ***103 community clinics to date.*** Today, ***23 new clinics are now being constructed.*** Many more health facilities projects are in the process of design and construction.

In most cases, clinics in rural Alaska provide the ***only access*** to healthcare for rural residents. Less funding translates into fewer clinics constructed. In 1999 the Commission's Health Facilities Program created a deficiency list for primary care clinics and found 288 communities statewide in need of clinic replacement, expansion and/or renovation. Many Health Facilities projects still exist on the Commission's statewide deficiency list.

Sand Point, a village of approximately 958 residents of which nearly 50% are Alaska Native, is located approximately 570 air miles from Anchorage. [illegible] rural villages, Sand Point is accessible [illegible] only.

As far as access to publically supported healthcare services, the Denali Commission regularly communicates and works with the U.S. Department of Health and Human Services agencies including: Health Resources and Services Administration (HRSA) and Indian Health Service (IHS). The Commission will meet with them in the coming months to discuss how reauthorization and how reform will affect Alaska. We will meet with IHS in June and HRSA in August to discuss this very question and the changes to Alaska healthcare overall. We look forward to reporting to the subcommittee later this summer to discuss this further.

U.S. House of Representatives Committee on Transportation and Infrastructure
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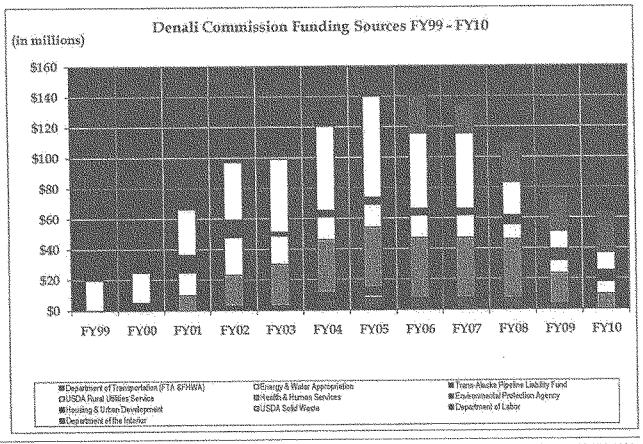
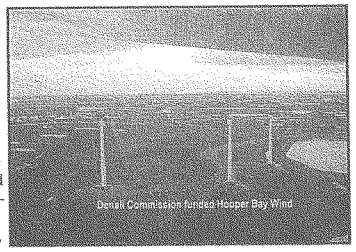
- **PLEASE DESCRIBE THE IMPACT OF THE LACK OF CAPITAL IN YOUR REGIONS AND WAYS YOUR PROGRAMS HAVE SOUGHT TO ADDRESS THIS ISSUE.**

Many of Alaska's most remote and rural villages do not have access to the typical forms of economies and capital that are present in other locations in the United States. Additionally, and as previously discussed in this document, rural Alaskans experience very high unemployment rates, distressed community classifications and woefully inadequate health, energy, education, and transportation infrastructure. The majority of Alaska's rural economies are fueled and financed by non-traditional sources of "capital" including: subsistence hunting and fishing, transfer payments, dividends from tribal corporations and small micro -business enterprises connected to traditional lifestyles.

The Commission's programs are responding to the needs in Alaska communities as well as the absence or traditional forms of capital through coordination, capacity building, infra-

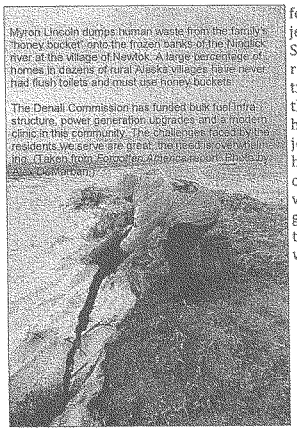


structure development and training initiatives. The Commission's engagement, through our health facilities program, in the Nome Hospital project is an excellent example of our efforts to enhance local economies and take advantage of both traditional and non-traditional sources of capital.



Denali Commission funded Hooper Bay Wind

The Commission worked in partnership with the Indian Health Service (IHS) to fund the design of the Nome Hospital. In so doing the Commission engaged with the regional health organization, the tribal non-profit organization and various regional stakeholders. As a result of the Commission's investment, the hospital received funding through the American Recovery and Reinvestment Act (ARRA) to move forward with construction. This construction project will be the largest of its kind in the Norton Sound region. To assure that local and regional residents will work on the job the Commission's training program has coordinated meetings with the contractor, regional training center and the health corporation. At the conclusion of this project the residents of Norton Sound region will have adequate access to high quality health care, been trained in careers that allow them to work on future infrastructure projects, and have gained critical capacity building skills that allow them to pursue future funding opportunities while remaining in their home village or region.



Myron Lincoln dumps human waste from the family's "honey bucket" onto the frozen banks of the Ninglick river at the village of Newtok. A large percentage of homes in dozens of rural Alaska villages have never had flush toilets and must use honey buckets.

The Denali Commission has funded bulk fuel infrastructure, power generation upgrades and a modern clinic in this community. The challenges faced by the residents we serve are great, the need is overwhelming. (Taken from *Forgotten American Communities* by Alex Dewerstaff)

WRITTEN STATEMENT FOR THE RECORD

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

WASHINGTON, DC
APRIL 29, 2010

Thank you, Chairwoman Norton, Ranking Member Diaz-Balart and members of the subcommittee for the opportunity to testify today on the proposed fiscal year 2011 budgets for regional economic development commissions, priorities and impacts on regional economies and employment.

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

The **National Association of Development Organizations (NADO)** provides advocacy, education, research and training for the national network of 520 regional development organizations. NADO members – known locally as councils of governments, economic development districts, local development districts, planning and development districts, regional councils and regional planning commissions – are focused on strengthening local governments, communities and economies through regional solutions, partnerships and strategies.

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

The **Northwest Arkansas Economic Development District** is a regional economic development agency serving nine counties (Baxter, Boone, Benton, Carroll, Madison, Marion, Newton, Searcy and Washington) in

the northwest corner of Arkansas. The organization serves as a regional planning and development organization under the guidance of both the Delta Regional Authority (DRA) and EDA. In addition to our professional and technical assistance programs for local governments, businesses and non-profit entities, our organization operates an EDA-funded Revolving Loan Fund (RLF), operates the region's Workforce Investment Board (WIB) as designated by the U.S. Department of Labor (DOL), serves as a regional transit provider and operates senior service centers throughout the region.

Madam Chair, I would like to thank you and the members of the subcommittee for your support of the federal regional commissions and the nationwide program delivery network of local development districts (LDDs). We appreciate the time you have provided to focus on the important role federal regional commissions play in helping distressed communities develop basic foundations for economic development.

First, Madam Chair, the existing and emerging federal regional commissions need consistent federal support to capitalize on their unique intergovernmental partnership model.

Policy leaders and economic development professionals at the federal, state and local levels have closely monitored the Appalachian Regional Commission (ARC) and consistently cite the 13-state commission as the premier example for a successful regional approach to economic development. The impressive record of ARC inspired leaders from other severely impoverished regions to replicate the ARC model: Lower Mississippi River Delta, Northeastern Border, Northern Great Plains, Southeast Crescent, Southwest Border and rural Alaska.

The ARC model is unique among federal programs because it is a true intergovernmental partnership that preserves a direct federal role in investment and policy decisions. At the same time, it maintains a strong emphasis on multi-state, state and sub-state regional priorities and decision-making, which encourages active participation of local governments, economic development organizations and community groups.

Currently, three federal-state regional commissions are fully operational and receive consistent levels of federal assistance: the ARC, Denali Commission and DRA.

In the 2008 Farm Bill (P.L. 110-627), Congress authorized the creation of the four-state Northern Border Regional Commission; the seven-state Southeast Crescent Regional Commission; and the four-state Southwest Border Regional Commission. Congress authorized the creation of a five-state commission for the Northern Great Plains as part of the 2002 Farm Bill (P.L. 107-171).

The Southeast Crescent Regional Commission and the Northern Border Regional Commission recently received start-up funds ($250,000 and $1.5 million, respectively) as part of the FY2010 Energy and Water Development Appropriations Act (P.L. 111-85).

These recently established federal regional commissions are organized and structured to capitalize on the strengths of the ARC model. They are structured to be independent federal agencies with the direct involvement of the governors from the region and all but the Denali Commission are required to support multi-county local development districts (LDDs) and recommend forms of interstate cooperation.

While ARC, DRA and the Denali Commission have proven the merits and value of the federal regional commission model, it must be stressed that they have benefited from receiving sustained annual appropriations.

Adequate and consistent funding is a necessary element to ensure the effectiveness of the existing and emerging federal regional commissions. Appropriations requested by the administration to sustain the activities of ARC, DRA and the Denali Commission, as well as funds for the Northern Border, Southeast Crescent and Southwest Border Regional Commissions, will provide much needed resources and attention to the challenges faced in these distressed areas.

Second, Madam Chair, a key element of the successful regional commission model is the link made at the local level by the networks of multi-county local development districts, which are responsible for helping local communities and officials assess, plan and facilitate action in their areas.

Legislative mandates for federal regional commissions acknowledge and support LDDs for their important planning and coordinating roles and their relationships with local governments and other stakeholders throughout distressed areas. Congress has made a conscious decision to mandate or strongly encourage each commission to use the existing network of EDA economic development districts (EDDs) as their local delivery mechanism. This avoids duplication of services, provides a natural mechanism for leveraging resources and staff expertise, and strengthens intergovernmental relationships with local officials.

As the primary local partner under the federal-state regional commission's intergovernmental partnership model, LDDs help integrate areas that are economically—and it some cases geographically—disconnected from mainstream America. Through long-range planning, strategic program implementation and the development of local professional capacity, LDDs work with federal, state, local and private sector partners to transform residents and businesses into valued assets and contributing collaborators in the growth of the region and the nation.

LDDs are cost-efficient, accountable and flexible organizations that leverage minimal federal seed funding with local matching funds. Traditionally engaged in a variety of planning activities, each LDD has evolved over the years to provide a comprehensive menu of essential services targeted to local area needs and priorities.

This highly effective partnership program provides communities with the expertise, incentives and leadership needed to plan and implement complex community and economic development strategies and projects. For example, the 73 LDDs covering ARC's 13 state region have amassed accomplishments over a broad array of programs:

- Between 1995 and 2005 LDDs invested more than $368 million in business development gap financing for local firms and entrepreneurs, made more than 2,550 business loans and leveraged an additional $1.1 billion from the private sector in underserved regions and for companies and entrepreneurs struggling to secure traditional bank financing
- Almost 60,000 jobs have been created or retained and 96,000 workforce clients were prepared to contribute to the region's economy as a result of LDD workforce development programs from the mid 1990s to 2004
- During the same time period, roughly 2.3 million seniors benefited from aging programs funded at $425 million and administered by LDDs in parts of the region
- Between 1990 and 2005, LDDs administered almost 7,700 grants and projects totaling more than $5.5 billion in pass-through and programmatic funds

On an individual basis, LDDs through ARC work to promote and develop a variety of initiatives, including:

- In Central Pennsylvania, SEDA-COG (Lewisburg) has secured various grants for broadband technology, allocating portions of those grants to help area small businesses invest in broadband technology.
- Since 1980, a revolving loan fund operated by the Tri-County Council for Western Maryland (Frostburg) has provided gap financing and capital for local businesses that are unable to secure loans from conventional lending institutions. It has made over 180 loans in its three-county service area, leveraging over $10 million into more that $60 million in other public and private sector investments. These loans helped create 2,100 new jobs and retain another 1,600 in this rural region.
- The Tri-State Regional Workforce Alliance, comprising 26 counties in three states of Alabama, Georgia and Tennessee, takes a regional approach to develop training programs that produce a local, highly-skilled workforce that can attract new businesses and provide employees to existing employers. The alliance is staffed by representatives from the organization's lead agencies, including two ARC LDDs, Northwest Georgia Regional Commission (Rome, Georgia) and the Southeast Tennessee Development District (Chattanooga, Tennessee). The alliance consists of more than 60 partners, including economic development and regional planning organizations, educational institutions, philanthropic groups and businesses.

As the designated DRA LDD for my region, my organization is tasked with assisting the commission in conducting public outreach activities to local officials and other stakeholders to build support and gather input on projects being considered for funding. This is a vital process to building a cohesive consensus in commission's project development process.

Third, Madam Chair, especially given these turbulent economic times, federal multi-state regional commissions are strategically positioned to provide the most severely distressed regions of our nation with the additional resources and attention needed to overcome persistent challenges to economic sustainability.

With nearly 15 million Americans out of work and the country's unemployment rate near 10 percent, many communities across the nation are suffering during this economic downturn. However, in the Delta region, it is not uncommon for counties to experience unemployment and poverty levels two or even three times the national average.

The Council of Economic Advisers recent report, *Strengthening the Rural Economy* indicates that the average rural county posts poverty rates "at least" several percentage points higher than those in urban counties and that per-capita income levels in rural areas are 20-30 percent lower than those in urban areas.

The support provided by the federal regional commissions is specifically targeted to reach areas experiencing substantial levels of economic distress. I am well aware of the transformative effect commission investments can have in some of our nation's most distressed communities, including those in northwest Arkansas.

The city of Marshall water and wastewater systems were in need of improvement, specifically within the commercial and business area of the city along U.S. Highway 65 near the Searcy County Airport and Industrial Park.

My organization, the Northwest Arkansas Economic Development District, worked with community leaders to receive $257,000 from DRA for the needed water and wastewater improvements. During this time, funds were received from the Arkansas Department of Economic Development to construct a new health unit that was to be located in the industrial park.

Petit Jean Electric Cooperative, a local electric service provider, was also looking for a site to construct a new work facility. However, the Searcy County Industrial Park's wastewater service was considered unsuitable for such a facility and was almost passed over until the DRA provided funds to make the necessary infrastructure improvements.

Consequently, Petit Jean Electric purchased a site in the industrial park and then donated enough land back to the county to construct the Searcy County Health Unit. In addition, a 2,250 square foot fire station and ambulance facility was constructed in the area, with funds from the U.S. Department of Agriculture (USDA) and the Arkansas Department of Rural Services.

Because of the infrastructure improvements made, the Highland Court Rehabilitation and Resident Care Facility also located in the area. The 78-bed 30,000-square foot outpatient physical therapy center was completed in 2008.

The seed funding provided by DRA allowed more than $10 million in additional public and private funding to be leveraged and generated more than 80 jobs in a rural county with a population of roughly 8,000 that suffers from a poverty level that is nearly twice the national average.

Federal regional commission success stories extend far beyond my region of northwest Arkansas.

In 2009, the Denali Commission awarded $88,000 to the Juneau Economic Development Commission to implement an Alaska Entrepreneurial Development System. The project includes the implementation of six statewide business workshop and entrepreneurial education events, the creation of a peer exchange and mentorship network and the promotion of best practices to strengthen the capacity of existing local business assistance organizations.

In 2003, the Purchase Area Development District (Mayfield, Kentucky)— a DRA LDD— received $100,000 in DRA funding that was part of a $6.1 million project to expand a Briggs and Stratton plant in Calloway County. As a result of the expansion, 100 new jobs were created in this distressed community.

Finally, Madam Chair, federal-state regional commissions are not intended or designed to replace or duplicate other federal programs.

Federal regional commissions can serve as powerful and effective partners in helping the nation's most distressed areas develop the fundamental building blocks needed to support and sustain local economic growth. However, these regional commissions should not be considered a replacement, or even duplication, of other federal programs. They are intended to complement existing programs and services of federal and state agencies.

Federal regional commissions are designed to ensure that regions with chronic distress have the capacity and resources to tap into potential public and private sector investments and to access federal assistance programs without duplicating existing programs and creating massive bureaucracies.

The federal regional commissions complement and partner with other federal agencies to accomplish their missions and help communities develop essential infrastructure—which is often identified by local elected officials and economic development professionals as one of the major impediments to sustainable economic development in small town and rural America.

Unfortunately, most distressed communities have great difficulty meeting the local match requirements of federal grant programs, not to mention the burdens of paying back loans under other federal infrastructure programs.

A valuable role that the federal regional commissions play is helping local communities determine their highest priority projects, then to leverage other private and public sector investments to make infrastructure projects a reality. Without the seed money or gap financing provided by ARC, DRA or the Denali Commission, many projects in these distressed regions would never reach fruition.

Federal regional commissions also serve as thought leaders on pressing issues of regional concern. They are often the only federal or state entity focused on issues of specific impact on their regions. For example, ARC has developed initiatives emphasizing regional opportunities for entrepreneurship, broadband, renewable energy, green-led economic development and the development of in-land ports. Recently, ARC worked with National Geographic on an asset-based cultural tourism initiative that yielded a first-of-its-kind *Geotourism Map Guide to Appalachia*.

The DRA has developed region-wide initiatives focused on increasing local leadership capacity and increasing earthquake preparedness along the region's New Madrid Fault Line. The commission has also completed a Delta transportation study that serves as a guide for developing multimodal assets throughout the eight-state region.

Thank you, Madam Chair and members of the subcommittee, for the opportunity to testify. I would welcome the opportunity to answer any questions.

June 3, 2010

The Honorable Eleanor Holmes Norton
Chairwoman
Subcommittee on Economic Development, Public Buildings and Emergency Management
House Committee on Transportation and Infrastructure
U.S. House of Representatives
585 Ford House Office Building
Washington, DC 20515

Dear Chairwoman Norton:

On behalf of the National Association of Development Organizations (NADO), thank you for providing me the opportunity to testify before the subcommittee on the FY2011 budgets for economic development regional commissions and their impact on regional economies and employment.

Below, please find responses to questions submitted for the record.

1) **Can you speak to the importance of Economic Development Districts and why they are necessary? Can you also speak to how regions comprised of both urban and rural counties can work together?** The Economic Development Administration's (EDA) economic development district (EDD) planning program is the only program in the federal government that invests in regional economic development planning with a specific focus on increasing private sector employment. It is the only program of its kind that allows local governments to collaborate on a region-wide basis to strategically plan for their economic sustainability.

   Congress has recognized the indispensable role EDDs play in planning and coordinating economic development activities throughout distressed areas and has made a conscious decision to mandate or strongly encourage each federal regional economic commission use the existing network of EDA EDDs as their local delivery mechanism. This avoids duplication of services and provides a natural mechanism for leveraging resources and staff expertise, and strengthens intergovernmental relationships with local officials.

   Unlike most suburban and urban communities, most of the nation's small metropolitan and rural communities lack the financial and human resources to individually develop strategic economic development plans, and fully leverage existing public and private sector investment opportunities. By working with EDDs, these traditionally underserved communities can compete with their wealthier counterparts.

   Rural and urban communities face many of the same economic development challenges. These challenges do not end at the county line or even regional or state boundaries. Managing

development in a new era of economic realities requires a thorough understanding of global economic conditions, familiarity with cutting edge technology and innovations, 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.

Across the country, there are many examples of regions where urban and rural communities work in a collaborative manner through their involvement in an EDD. The EDD is able to serve as a neutral and central forum for all regional stakeholders to come together for the purposes of developing an economically and geographically diverse region.

Urban or rural, local economic development is an exhaustive, lengthy and continuous process that requires significant amounts of regional collaboration, intergovernmental coordination and sustained organizational capacity and expertise. EDDs work to effectively foster regional cooperation, identify regional and local priorities and bring public, private and non-profit sector leaders together to work toward a common vision.

2) **What would you say is the impact of the failure to fund the Southeast Crescent Regional Commission, Southwest Border Regional Commission and the Northern Great Plains Regional Commission?**
The support provided by the federal regional commissions is specifically targeted to reach areas experiencing substantial levels of economic distress. In many cases, these are communities that are unable to fully access federal or state economic development programs.

Resources provided by the federal regional commissions are designed to ensure that regions with chronic distress have the capacity and resources to tap into potential public and private sector investments and to access federal assistance programs, without duplicating existing programs and creating massive bureaucracies. Many distressed communities have great difficulty meeting the local match requirements of federal grant programs, not to mention the burden of paying back loans under other federal infrastructure programs.

If significant resources were provided to fund the Southeast Crescent, Southwest Border and Northern Great Plains Regional Commission, many communities in these areas suffering from long-term persistent economic distress would be better able to fully access a greater array of federal, state and private resources for economic development and job creation purposes.

Again, thank you for the opportunity to testify on this important issue. Please contact me or NADO Director of Government Relations Jason Boehlert if NADO can be of any further assistance.

Thank you,

Michael Norton
President

For

Transportation and Infrastructure Committee

Subcommittee on Economic Development, Public Buildings, and Emergency Management

April 29, 2010

Leonard Winchester
WNCEdNET

- **WNC EdNET** builds on prior visionary efforts of regional college, school and corporate leaders.

- The **WNC EdNET** approach is collaborative and as such provides for a focus of resources in a rural, sparsely populated section of Southern Appalachia. A myriad of different players are working together rather than competing with each other in procurement and use of critical resources.

WNC-EDNET

PARTNERS

Southwestern NC Planning & Economic Development Commission
Western Region Education Service Alliance (WRESA)
Jackson County Schools
Macon County Schools
Clay County Schools
Cherokee County Schools
Graham County Schools
Swain County Schools
Cherokee Tribal Schools
Southwestern Community College
Western Carolina University
Tri County Community College

WNC EdNET CONTACTS

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125 Bonnie Lane, Sylva, NC 28779
Phone: 828.586.1962
Email: bill@regiona.org

For additional information visit the WRESA Website at www.wresa.org

WNC-EDNET

"A Partnership for Connected Learning"

A Project to Enhance Learning Using Broadband Techniques

Funding Provided By

GOLDEN LEAF, INC

CHEROKEE Preservation Foundation

ARC APPALACHIAN REGIONAL COMMISSION

WNC EdNET: Project Summary

Purpose

To collaboratively assist the schools and colleges in **Jackson, Macon, Clay, Cherokee, Graham** and **Swain Counties**, and the **Cherokee Tribal Schools** to procure and use upgradeable high capacity broadband technology configurations and services to enhance learning, professional development, and organization administration, and to open up learning opportunities not currently available or imagined.

Objectives

1) To establish a collaborative of partners for the purpose of collaboratively enhancing the development and use of technology as a tool for improving learning opportunities
2) To facilitate procurement of broadband infrastructure by participating partners' central and field sites
3) To facilitate capacity building and use of broadband technology for the enhancement of teaching and learning
4) To help export the **WNC EdNET** model to other potential adopting sites.

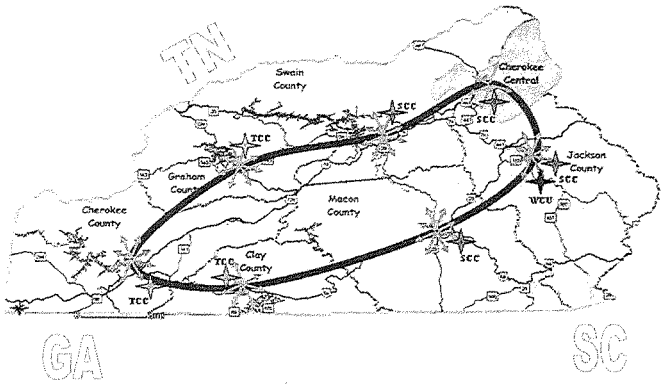
Funding

The **WNC Education Network** is jointly funded by grant monies from the **Golden LEAF Foundation** the **Cherokee Preservation Foundation** and the **Appalachian Regional Commission (ARC).** These funds will be used mostly as start-up cost supporting Objective 2. Other resources will be sought to further implement and continue the project.

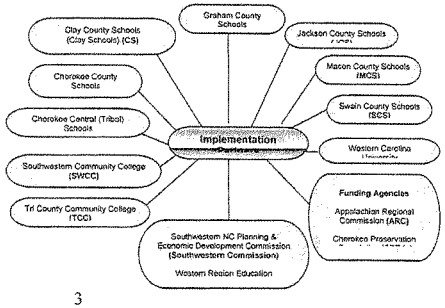
Partnerships and Organization

The project grantee is the **Southwestern Commission** which will partner with the **Western Region Education Service Alliance (WRESA)** to collaboratively manage the grants. An **Executive Steering Committee** composed of the CEOs of the 12 partners plus a Golden LEAF representative govern the project. **Partner Technology Coordinators** are primarily responsible for implementing and helping to evaluate the program. A **Technology Applications Committee** provides leadership in use of high speed technologies and applications. Consulting Partners from other agencies and organizations such as ERC, e-NC Authority and NCDPI provide technical leadership and guidance.

Western North Carolina's WNC EdNET: A Ring of Stars



WNC EdNET: Partner Organizations - 70 Educational Sites



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WNC EdNET Background Summary

The westernmost area of North Carolina has historically had to do collaborative planning in order to procure critically needed infrastructure and services for the Southern Appalachian Mountain communities in Jackson, Macon, Clay, Cherokee, Graham and Swain counties including the Cherokee Nation. The following represents an abbreviated timeline for the evolution of the collaborative 501 (c) (3) WNC EdNET, Inc. Corporation.

- Mid 90's state of N.C. launched "Connect North Carolina" to provide connectivity to rural areas.
- The south westernmost (Region A) did collaborative planning for connectivity by launching a 501 (c) (3) organization called "Region A ConnectNC Commission, Inc." ("Connect Region A"). The organization, staffed by partner – contributed – resources, provided region-wide awareness, planning, information, and needs – sensing. The partners consisted of the local Region A COG (Council of Governments), public schools, colleges, libraries, local governments, and the Cherokee Tribe.
- Later "Connect Region A" joined with a 25 county initiative, "The Knowledge Coalition," for purposes of focusing on middle mile connectivity issues.
- Subsequently, "Connect Region A" became part of "Appalachian Access" – a three county and community college project designed to help solve the middle mile problem in Macon, Jackson, and Swain Counties.
- Later "Connect Region A" formed a linkage with Balsam West Fiber Net LLC for the purpose of exploring options and getting broad public support for expanding and developing initiatives addressing region-wide middle mile and last mile connectivity issues.
- In 2005, a planning/resource procurement management group was formed called WNC EdNET involving the school districts of Jackson, Macon, Clay, Cherokee, Graham, and Swain Counties, the Cherokee Tribal Schools, Western Carolina University, Southwestern Community College, Tri County Community College, Western Region Education Service Alliance (WRESA), and Region A – Southwestern Planning Commission. The partner CEO's formed the governing Executive Committee and the partner Technology Coordinators formed the implementation group. The WRESA and Southwestern Commission collaboratively provide project management and financial services. The purpose of WNC EdNET was to plan, procure, and manage start-up resources to help connect 60 school and college sites (west of Balsam Gap) with high capacity broadband infrastructure for the purpose of enhancing learning. Substantial funding has been obtained and much of the work has been accomplished; however, much remains to be completed.
- Since WNC EdNET viewed itself as a start-up organization, plans were made to establish a long term command and control and maintenance organization for the

project. Thus a 501 (c) (3) organization seemed to be the most plausible entity; furthermore it made sense to re-configure the "Region A Connect" organization for WNC EdNET long term purposes.

- In 2007, WNC EdNET began evolving into WNC EdNET, Inc.
- Stakeholders in WNC EdNET and "Connect Region A" have agreed to establish WNC EdNET, Inc. as a 501 (c) (3) entity by changing the name and part of the focus of the "Connect Region A" organization; new bylaws, guidelines, board of directors and mission have been developed.
- Recently WNC EdNET, Inc. became an operational entity. It enjoys the support and involvement of all of the WNC EdNET players and stakeholders as it moves forward. This Janirve application represents the first formal request for funding from the new WNC EdNET, Inc. organization.
- WNC EdNET, Inc. Guidelines and Bylaws are available upon request.

The WNC EdNET project is a project to collaboratively assist the schools and colleges in **Jackson, Macon, Clay, Cherokee, Graham** and **Swain Counties** to procure and use upgradeable high capacity broadband technology configurations and services to enhance learning, professional development, and organization administration, and to open up learning opportunities not currently available or imagined.

The WNC EdNET **OBJECTIVES** are:
1) To establish a collaborative of partners for the purpose of collaboratively enhancing the development and use of technology as a tool for improving learning opportunities
2) To facilitate procurement of broadband infrastructure by participating partners' central and field sites
3) To facilitate capacity building and use of broadband technology for the enhancement of teaching and learning
4) To help export the WNC EdNET model to other potential adopting sites.

The major focus of WNC EdNET is to enhance learning through technology applications. Learning configurations using technology will be broadened in many ways. The Technology Applications Committee is providing leadership in this area. A major "state of the art" Technology Applications Conference is planned for the region's instructional leaders and personnel in October 2007. When complete, the project will permit area students to compete at or above par with their counterparts globally. In effect, learning opportunities not currently available or imagined will be accessible by the target students.

The **NEEDS** of the WNC EdNET members being addressed, in order are:

1) Laterals within each school district (stars)
2) Transport to the internet

3) Internet service provisioning
4) District to district connectivity (ring)
5) Connectivity to state networks

These needs are to be addressed in a way that incorporates the best network design, considers upgrade flexibility, uses an open bid process, fosters competition, and minimizes recurring costs.

The WNC EdNET concept has been under development for several years. Multi agency planning, collaboration and organization resulted in the Western Region Education Service Alliance (WRESA) and the Southwestern Planning District Commission (RegionA) in 2005 being requested by funding sources, school and college partners to coordinate, manage and build on an ongoing regional initiative which began several years earlier under the leadership of school and college leaders. WNC EdNET was created with the Executive Committee, Technology Coordinators, Technology Consulting Partners, and the Technology Advisory Committee serving as command/control and operational entities. Specifically, the project grantee is the **Southwestern Commission** which partners with the **Western Region Education Service Alliance (WRESA)** to collaboratively manage the grants. An **Executive Steering Committee** composed of the CEOs of the 12 partners plus a Golden LEAF representative governs the project. **Partner Technology Coordinators** are primarily responsible for implementing and helping to evaluate the program. A **Technology Applications Committee** provides leadership in use of high speed technologies and applications. Consulting Partners from other agencies and organizations such as ERC, e-NC Authority and NCDPI provide technical leadership and guidance.

An interdependent project evolved in Graham County. In addition to the needed connectivity to Robbinsville schools, the county needed connectivity for governmental services. The Cherokee Indian Reservation desired connectivity to the Snowbird community, an isolated reservation tract separated from the main reservation boundary. WNC EdNET provided the oversight and management to accomplish this connectivity consistent with its goals as well as the partner needs.

Verbal comments for the Committee

Thank you for this opportunity to share with you some of the details of a model project funded partially with ARC funds. The project is called WNCEDNET, Western North Carolina Educational Network and involved connecting all the public and charter K-12 schools in a six county area in Western North Carolina and the Cherokee Indian Reservation using fiber optic lines.

It is a cradle to the grave type project built on a foundation of communication, cooperation and collaboration. We have operated with the unanimous consent of our member institutions. On this type of foundation then followed construction contracts, equipment acquisition, installation, configuration, training, staff development and today widespread use.

This required approximately 500 miles of fiber in a rural area involving some of the most difficult terrain you'll find anywhere. Much of this was new construction. This summer we will complete the last school and end up within budget of just over $6 million. The pricing that we got from BalsamWest Fibernet to build this was less than 10% of market price. Through this initiative and resulting volume pricing agreements schools, on their own, made major expansions that were outside of the goals of WNCEdNET, connecting bus garages, maintenance facilities and offices and acquiring additional equipment.

WNCEdNET connected each school to a central hub. The State of North Carolina, leveraging e-rate funds connected the hubs to the state network and in turn the rest of the world. We have today, a world class fiber optic network operating in Western North Carolina with the single exceptions of the one school to be finished this summer. This is currently benefiting over 20,000 students. As an example we had 1175 students taking on-line courses this year. Prior to WNCEdNET, this could not have happened.

Student teachers can remotely observe a model teacher in distant school to see how an experienced teacher does things. The knowledge and expertise of an exemplary teacher is easily shared using this technology. The applications are endless.

In a sister project, we also connected Graham County governmental facilities, providing them also with additional fiber marketable for economic development.

"If you build it they will come", may not always be true, but if you don't build it they can't come. As a result of the joint efforts of BalsamWest Fibernet, Cherokee Indian Reservation, Phil Drake, and WNCEdNET and all our funding partners; GoldenLEAF, Cherokee Preservation Foundation, ARC, the State of North Carolina , there is today a world class fiber optic network circling through the westernmost six counties of NC that offers enormous economic development opportunities. Microsoft, Google, Sun, Dell, Hewlett Packard can come to our mountains set up a company and get direct access to 56 Marietta. 56 Marietta, just out of Atlanta, is the Southeast's largest concentration of telecommunications companies, housing over 60 carriers and over 100 telecommunications related companies. It is the Silicon Valley of the Southeast.

Thank you to the ARC and those of you for providing appropriations to the ARC that made this a reality. I hope that you will consider technology infrastructure a very high funding priority.

Leonard Winchester
WNCEdNET