

**HEARING ON THE NOMINATION OF JOHN R.
FERNANDEZ TO BE ASSISTANT SECRETARY OF
COMMERCE FOR ECONOMIC DEVELOPMENT,
UNITED STATES DEPARTMENT OF COMMERCE**

HEARING
BEFORE THE
COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

—————
JULY 29, 2009
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ONE HUNDRED ELEVENTH CONGRESS
FIRST SESSION

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C O N T E N T S

Page

JULY 29, 2009

OPENING STATEMENTS

Boxer, Hon. Barbara, U.S. Senator from the State of California	1
Inhofe, Hon. James M., U.S. Senator from the State of Oklahoma	2
Lugar, Hon. Richard G., U.S. Senator from the State of Indiana	4
Bayh, Hon. Evan, U.S. Senator from the State of Indiana	5
Klobuchar, Hon. Amy, U.S. Senator from the State of Minnesota	6
Bond, Hon. Christopher S., U.S. Senator from the State of Missouri, prepared statement	19

WITNESS

Fernandez, John R., nominated to be the Assistant Secretary of Commerce for Economic Development, U.S. Department of Commerce	8
Prepared statement	10
Responses to additional questions from:	
Senator Vitter	12
Senator Baucus	14
Senator Voinovich	16

**HEARING ON THE NOMINATION OF JOHN R.
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OF COMMERCE FOR ECONOMIC DEVELOP-
MENT, UNITED STATES DEPARTMENT OF
COMMERCE**

WEDNESDAY, JULY 29, 2009

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC.

The full committee met, pursuant to notice, at 10 a.m. in room 406, Dirksen Senate Office Building, Hon. Barbara Boxer (chairman of the full committee) presiding.

Present: Senators Boxer, Inhofe, and Klobuchar.

**OPENING STATEMENT OF HON. BARBARA BOXER,
U.S. SENATOR FROM THE STATE OF CALIFORNIA**

Senator BOXER. Good morning everybody. Today we are holding a hearing on the nomination of John R. Fernandez to be Assistant Secretary of Commerce for Economic Development at the U.S. Department of Commerce.

Mr. Fernandez comes to us today with a significant record of accomplishments. As the Mayor of Bloomington, Indiana from 1996 to 2003, John Fernandez spearheaded innovative economic development plans that resulted in more than \$400 million in private investment and created thousands of new jobs. I believe his experience will benefit EDA and the communities it serves.

If confirmed for this position, he will be responsible for leading the Economic Development Administration, an agency whose mission is to help economically distressed communities create good jobs and build strong businesses.

During this time of economic recession, we need a strong EDA more than ever. From providing funding for water and sewer improvements to helping manufacturers and producers become more competitive in a global marketplace, the EDA provides valuable assistance to communities across our nation.

According to the EDA, the agency awarded over \$1.2 billion in investments from 2004 to 2008. Those investments are expected to create more than 392,000 jobs at an average cost of \$2,507 per job. Those Federal dollars—and this is important—also spur large amounts of private sector investment. Over the same timeframe, each dollar of EDA funding attracted \$33. Each dollar attracted \$33 in private sector investment.

In my own State of California, EDA has provided vital funding for several important projects that are creating jobs and revitalizing communities. For example, in 2007 EDA awarded a grant of \$2 million to the city of Victorville to convert the former George Air Force Base into a multi-modal airport complex for light, medium and heavy industrial usage. This project is anticipated to create 1,000 jobs and leverage \$10 million in private investment.

In 2008, the EDA awarded a grant of \$3 million to the city of Calexico, which is on the border of Mexico, to construct water and street improvements for the Town Center Plaza and an industrial site. These improvements are expected to create 2,804 jobs and \$395 million in private investment.

Congress recognized the EDA's unique role in job creation and economic development by providing its Economic Development Assistance Program with \$150 million in the American Recovery and Reinvestment Act. Strong leadership is needed at the EDA to ensure that those funds are wisely spent to help economically distressed communities create and sustain jobs.

Mr. Fernandez, I believe your many years of work on economic development issues will serve you well as you take on this challenge and I certainly look forward to your testimony today.

I am going to turn to the Ranking Member and, as soon as he is done, your two illustrious friends, Senator—

Senator INHOFE. And we will look forward to that.

Senator BOXER [continuing]. Senator Lugar and Senator Bayh will introduce you formally.

Senator Inhofe.

**OPENING STATEMENT OF HON. JAMES M. INHOFE,
U.S. SENATOR FROM THE STATE OF OKLAHOMA**

Senator INHOFE. Well, let me just identify with the statements of Chairman Boxer. I agree wholeheartedly with everything she said. In fact, I have a long, brilliant statement that I am going to spare you and enter it into the record without objection.

Senator BOXER. Without objection. So ordered.

Senator INHOFE. In my State of Oklahoma, this has been a real God-send. We have worked with Sandy Baruah and David Sampson. David Sampson used to come up there all the time. Every time we would start a program, he would actually come up and we would have a little ceremony together. And I hope that you would be doing the same thing and have the great pride in what you have done.

In the State of Oklahoma, in the period of time that we had that authorization, we had \$29 million that came in from Federal dollars. That was matched with \$30 million of State money and \$558 million of private funds. Now this is what Government is supposed to be doing, and we just desperately need to get back and get this thing authorized.

I can tell you about down in Elgin, Oklahoma, where we have the Paladin PIM rebuild job next to Fort Sill. That thing—as we are speaking today, they are building a 100,000-square-foot building down there in a town, that town is less than 400 people. So these are great success stories. Other places, Woodward, Oklahoma, certainly in the area of Southern Oklahoma that has always

been somewhat of a depressed area down around Durant, we just totally changed all that.

Now, one thing, Madam Chairman, that Mr. Fernandez brings is that he and I both had the hardest job in the world. We were mayors of major cities. And I tell my friends up here all the time, Mr. Fernandez, that if you want a hard job, become a mayor. There is no hiding place. If they don't like the trash system, it ends up in your front yard. And it did.

So, we know it is tough and you have the right background for it. I am looking forward to this confirmation as quickly as possible so that we can get busy and get this thing reauthorized and get to work.

Thank you.

[The prepared statement of Senator Inhofe follows:]

STATEMENT OF HON. JAMES M. INHOFE,
U.S. SENATOR FROM THE STATE OF OKLAHOMA

Good morning, Madam Chairman. I'd like to join you in welcoming John Fernandez and his family to our hearing today. I was able to meet with Mr. Fernandez last week, and I let him know that I am unaware of any objections to his nomination to be Assistant Secretary of Commerce for Economic Development. In that position, he will lead the Economic Development Administration, an agency over which this committee has jurisdiction. I am pleased to have worked closely with former Assistant Secretaries Sandy Baruah and Dr. David Sampson to assist numerous communities in Oklahoma, and I hope to have a similar experience working with Mr. Fernandez as Assistant Secretary.

I have long been a strong supporter of EDA. I believe the agency does an outstanding job of providing relatively small grants that help secure significant amounts of private investment in distressed communities across the country. Contrary to what some people would say, the Government itself does not—cannot—expand the economy and create long term jobs—the private sector does.

What the Government can do, however, is help provide the right conditions for private sector investments to flourish. EDA does this in a myriad of ways, but primarily through infrastructure investments. I only wish more of the so-called “stimulus” bill had been dedicated to programs like EDA that are truly successful at spurring economic development.

EDA has worked long and hard with economically distressed communities in my home State of Oklahoma to bring in private capital investment and jobs. In fact, over the past 6 years, EDA grants awarded in my home State have resulted in approximately 9,000 jobs being created. With an investment of about \$29 million, we have leveraged another \$30 million in State and local dollars and more than \$558 million in private sector dollars. Specifically, since the fall of 2004 when we last reauthorized the agency, EDA investments in Oklahoma include:

- assistance for infrastructure to support a 75,000-square-foot facility in Elgin for Paladin Integrated Management (PIM), which is a program that would accelerate modernization of the M109A6 Paladin artillery howitzer;
- assistance to help build the Woodward Community Campus, a multipurpose higher education and conference center campus;
- thousands of new jobs in Oklahoma City which paved the way to support the infrastructure necessary for a new Dell service center; and
- funds to create additional space to manufacture and assemble goods in an expanded Foreign Trade Zone in the Durant area.

Mr. Fernandez has been nominated to lead this high performing agency, and I believe he has the background and experience to make it even stronger. As a former mayor, Mr. Fernandez knows first-hand the economic challenges local communities face, and his economic development accomplishments as mayor are impressive and instructive.

Yet local elected experience is not all the nominee will bring to EDA. He also brings experience in private sector development. In fact, it is unique for a nominee to combine local and private sector experience, which, I should add, was highlighted in the letter of support we received from two recent Assistant Secretaries—Sandy Baruah and Phillip Singerman. Madam Chairman, I ask unanimous consent to include that letter in the record.

Mr. Fernandez, I hope that once confirmed you will work with us to reauthorize EDA's primary programs. As I'm sure you know, EDA's authorization expired on September 30, 2008. I am concerned that the lapse in authorization may leave the agency vulnerable to funding cuts during this appropriations cycle and more generally result in uncertainty for the agency as well as the struggling communities that depend on its assistance.

I introduced a reauthorization bill in July 2008, and this committee reported a bipartisan bill in September. Unfortunately the bill was never enacted. In February of this year, I again introduced a bill to reauthorize and improve EDA's programs. I think it is important that we complete reauthorization as quickly as possible, and I ask that, once confirmed, you work closely with us to do so.

[The referenced letter was not received at time of print.]

Senator BOXER. All right, we are going to now hear from our two Senators, then we will turn to Senator Klobuchar, and then we will turn to Mr. Fernandez.

Senator Lugar, would you like to begin?

**OPENING STATEMENT OF HON. RICHARD G. LUGAR,
U.S. SENATOR FROM THE STATE OF INDIANA**

Senator LUGAR. Thank you very much, Chairman Boxer, Ranking Member Inhofe and Senator Klobuchar.

I really appreciate this opportunity to introduce to the committee John Fernandez, whom the President has nominated to serve as the Assistant Secretary of Economic Development for the Economic Development Administration. John is joined here today by his wife, Karen, and a host of proud relatives in celebration of this important achievement.

John Fernandez is a well known Hoosier leader, especially in the Bloomington area. He attended Indiana University, where he received his Bachelor of Science from the School of Public and Environmental Affairs. He followed this academic pursuit by adding a Master of Public Affairs degree and Doctorate of Law, both from Indiana University in Bloomington. During this time, he also ran successfully for the Bloomington City Counsel and served as its president in 1991.

After clerking for Indiana Supreme Court Justice Roger DeBruer, John entered private practice, and from 1996 to 2003 he served as the Mayor of Bloomington, Indiana. I enjoyed opportunities to visit with John during his annual trips to Washington, DC, with an esteemed delegation from the Bloomington area. I appreciated these opportunities to learn more about his activities and his leadership, and we worked together on projects of critical importance to that community.

The EDA is an important asset to our local communities, especially today, given the exceptional challenges and stresses the current economic situation presents. The EDA works carefully with local and State organizations to revitalize infrastructure, provide technical and planning experience, and coordinate individual assistance for workers.

In almost every instance where a community experiences considerable economic decline, shuttering factories, increasing rates of unemployment and a lack of investment for new business, there stands ready a tremendous collection of local talent, ability and resources that can be reinvigorated and retooled to new projects and new purposes.

Identifying and securing the needed investments and expertise to kick start economic development projects are often a challenge. The Federal Government, through the EDA, can be an effective partner by providing guidance and an avenue for competitive funding. In turn, communities are able to attract private investments, foster growth in new and innovative industries and provide new employment opportunities.

Many parts of our home State of Indiana have suffered heavy job losses during this difficult time. The Elkhart-Goshen Metro Area in the Third Congressional District, for example, has a 17.5 percent unemployment rate according to the Bureau of Labor Statistics. Kokomo, Indiana has even a more severe labor problem.

The Economic Development Administration will be a key player in assisting these communities. John's experience as a city council member and as a mayor is ideally suited for this type of leadership role.

Chairman Boxer, it is my privilege to recommend a signal leader to address these critical challenges in Indiana and throughout our country.

Senator BOXER. Senator Lugar, thank you so much for that wonderful introduction. We know you have a hectic schedule, so we really appreciate your being here. Feel free to leave whenever you need to.

Senator Bayh, I was telling our friends that they all have on the same time this morning. I did not know whether that was planned—

Senator BAYH. We are en message, Madam Chairman.

[Laughter.]

Senator BOXER. You really are en message. Go ahead, Senator.

**OPENING STATEMENT OF HON. EVAN BAYH,
U.S. SENATOR FROM THE STATE OF INDIANA**

Senator BAYH. Thank you, Madam Chairman, for your hospitality and leadership this morning. Ranking Member Inhofe, and my dear friend Senator Klobuchar, it is good to be with all of you this morning.

It is also wonderful to be once again with my friend and colleague, Senator Lugar. As you can tell by our presence, Mayor Fernandez enjoys strong bipartisan support because he has worked with Democrats and Republicans to help meet the challenges that face the people of our State. I am confident that he will bring that same devotion to consensus building and pragmatism to the Federal Government for this important position for which the President has nominated him.

I have known John for almost 20 years. We have worked together, first in my capacity as Governor and now in the U.S. Senate, and in a variety of capacities that he has been privileged to serve in over all of this time. He is a man of integrity, intelligence, and as I have said, he focuses on the bottom line—how do we work together to help people; the public sector cooperating with the private sector to get the job done.

I will skip over the part of my statement that deals with his academic background and the different posts that he has held. I thought Senator Lugar touched upon that very well.

Just to give you a couple of examples of the effectiveness that this individual will bring to the task of being Assistant Secretary of Commerce for Economic Development, I will just give a couple of those examples for the record.

As mayor of Bloomington from 1996 to 2003, John played a critical role in revitalizing a town that serves as a major business center for our State, in addition to be the home of our mutual alma mater, Indiana University. Madam Chairman, we might call that the Berkeley of the Midwest.

[Laughter.]

Senator BAYH. During John's first term, Thompson Consumer Electronics, at the time the largest private employer in Bloomington, announced plans to close its plant. Knowing the devastating impact such a closure would have on Bloomington, John acted quickly to keep Thompson alive, marshalling resources to produce a redevelopment plan that eventually led to \$200 million in private investments and created hundreds of new jobs. Those are the same sorts of results that I would expect from his service in the Department of Commerce.

John also played a major role in revitalizing and strengthening the business community in Bloomington, a plan that led to \$100 million of new investment in the city. This spirit of ingenuity and entrepreneurship that John so clearly possesses is exactly the approach that we need to get the economy moving once again today.

Since leaving public service, as Senator Lugar pointed out, John has maintained a vibrant career in the private sector. He currently serves as of-counsel to the Indianapolis law firm of Krieg Devault, as well as Senior Vice President at First Capital Group in Bloomington.

Despite the many demands on his time, John is a devoted husband to his wife, Karen, who is with us today, and the proud father of two children, Isabel and Ian.

Madam Chairman, Senator Inhofe, Senator Klobuchar, I can without reservation recommend a fine public servant from our great Hoosier State, John Fernandez, for this important post. Thank you again for your courtesy this morning.

Senator BOXER. Well, thanks to our two great Senators from Indiana, and you are free to leave. We are going to hear from Senator Klobuchar and then we will go to Mr. Fernandez.

Senator Klobuchar, please proceed.

**OPENING STATEMENT OF HON. AMY KLOBUCHAR,
U.S. SENATOR FROM THE STATE OF MINNESOTA**

Senator KLOBUCHAR. Thank you, Madam Chair.

Thank you and congratulations, Mr. Fernandez. If you have kept two great Senators like that on either side of you, it is a good beginning for you in your role.

I did note that you went to law school at IU. My husband did as well, and in fact his parents met at Ball State in a ballroom dance class. So, there you go. Those are my Indiana connections, right there.

I just wanted to stress how important I think your job is with Economic Development, especially at this time. I actually became more aware of the EDA's programs just from going around my

State. I visit all 87 counties every single year, so we visit a lot of new developments and new projects.

Just to give you a sense, and I know that you know what you will be doing in your job, but with one State what it means. Last year, I visited Superior Thermowood in Brainerd, Minnesota, and they told me that they got an EDA loan from the Arrowhead Regional Development Commission to buy equipment to treat wood in a novel, new way. Without the loan, they would never have been able to afford the equipment that they needed from Finland, and also they would not have been able to hire three new employees. So, it just gives you an example of how one project can make a difference.

The EDA's University Centers Program is another example of how EDA bridges the Federal Government and local resources. In my State, at the University of Minnesota-Crookston, which is kind of up near the Canadian border, they are home to an EDA University Center Program, and for 2009 they are focusing on a number of projects that my staff looked into including places that you probably never heard of, such as Tower, Minnesota, where they are establishing a new business incubator, and in Long Prairie, Minnesota, assistance for some recreational trails inventory. And tourism is very important to our economy in Northern Minnesota.

EDA also helps communities recover after disasters. As you know, you heard about the floods in the Red River Basin, and there was a lot of focus on Fargo. Well, we like to call it the Moorhead-Fargo Area. Moorhead, Minnesota, had a lot of problems as well, and so we are hopeful that EDA officials will work with those communities as we go forward.

I do not think it is any coincidence that \$150 million were included in the American Recovery Act for EDA because the work is so important to our State, both in large urban areas but also in some of these smaller rural areas that I have talked about today. So I wanted to thank you for that.

I am not going to be able to stay for questions. I have another committee hearing. But thank you, and congratulations. We look forward to working with you.

Senator BOXER. Thank you, so much.

And now we turn to you, Mr. Fernandez. And if you want to, once again, introduce your family. We would be honored to acknowledge them.

Senator INHOFE. Yes, let them stand up. I want to see who all of these people are up there.

[Laughter.]

Mr. FERNANDEZ. We have quite a crew.

On my left, this is Karen Hull; she is my cousin, and she came in from Elyria, Ohio. This is my Aunt Nina, Consuelo Puffer; she is my father's sister, and she came in from Ohio as well. Next is my sister, Anamaria Shrock; she is here from Kokomo, Indiana. I think directly behind me is my cousin Jim Everhart, who is part of the Ohio group that is here. This is my—well I will save that for last.

On my far right is Mary Clute. She is my brother-in-law's mother-in-law who happens to live here in Washington, DC. Next to her are my brother-in-law's wife, Christy, and my brother-in-law, Gavin

Howe. They both came in from Wilmington, North Carolina. Behind Gavin is Peter Clute, who is here from Washington, DC, too. He is Mary's husband and Christy's father.

Senator BOXER. I love this.

Mr. FERNANDEZ. I do have a cheat sheet.

[Laughter.]

Mr. FERNANDEZ. Last, but not least, is my wife, Karen Howe. She actually came in from—she needed to take a ferry and two airplanes to get there, but she made it. So, I am very happy to have them all here today.

Senator BOXER. That is wonderful. It is nice to have that kind of back-up.

Mr. FERNANDEZ. You know, I missed a couple.

Senator BOXER. You did?

Mr. FERNANDEZ. I knew if I did this I was going to get in trouble.

[Laughter.]

Senator BOXER. Go ahead, go ahead.

Mr. FERNANDEZ. I have eyes in the back of my head. I have two nieces here as well, Emily Shrock, she is from Kokomo, Indiana, and next to her is Elise Shrock, who is also from Kokomo. So, that is the family.

Senator BOXER. So did he get everybody? Everybody's OK?

Mr. FERNANDEZ. And if there is anybody else, they can stand up who is not my family—

[Laughter.]

Senator BOXER. Everyone in the room will be family and friends, so that is it.

So please, proceed, Mr. Fernandez.

STATEMENT OF JOHN R. FERNANDEZ, NOMINATED TO BE THE ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, U.S. DEPARTMENT OF COMMERCE

Mr. FERNANDEZ. Thank you very much, Chairman Boxer, Ranking Member Inhofe, and Senator Klobuchar.

I am honored to be here today as President Obama's nominee for Assistant Secretary of Commerce for Economic Development. I really appreciated Senator Lugar's and Senator Bayh's presence here today. During my tenure as mayor, I could not have asked for better Federal partners.

I want to thank President Obama and Secretary Locke for the tremendous trust they placed in me with this nomination. I think we all fully appreciate the enormous challenges we face as we work to restore America's economy, and I share their sense of urgency.

For 20 years I have been heavily involved in economic development. As an elected official, attorney and businessman, I have worked to create jobs and attract community investments. My extensive experience in the public and private sectors gives me a comprehensive understanding of how the Federal Government can play a meaningful role to help communities rebuild their economies and create a strong foundation for sustained economic growth.

While I have been the mayor of Bloomington, Indiana, and spend my professional life grounded there, my roots are firmly planted elsewhere. I grew up in Kokomo, Indiana, in a relatively typical middle class family. I am a first generation American. My parents

came to this country to escape fascism. Their families arrived in America with little more than hope for a better life.

Through their sacrifices, they provided my generation with tremendous opportunities. My father is a retired auto worker and my mother a retired nurse. They still live in Kokomo.

As Senator Lugar mentioned, Kokomo today is reeling from the collapse of the domestic auto industry. The most recent unemployment figures for the region hit 19.7 percent. Home foreclosures have skyrocketed, and families there are experiencing profound fear for their future.

There are far too many Kokomos in nearly every State across America. Places like Merced, Toledo, St. Louis, Lincoln County, Hughes County. We all know families in these communities, good people who have worked hard all their lives and now, due to immense economic forces beyond their control, they are unemployed and struggle not only to make ends meet, but to sustain hope.

It is my belief that the Economic Development Administration is as well positioned as any Federal agency to provide the critical support these communities need. EDA has a long history of doing just such work. Often EDA's work is very quiet and under the radar. Yet in the communities, large and small, where this agency has performed, the impacts have been significant and lasting.

I was introduced to the EDA during my first term as mayor when RCA closed its Bloomington plant. One thousand two-hundred jobs were lost along with our largest property taxpayer. RCA's decision left Bloomington with a 200-acre brownfield site and over 2 million square feet of obsolete industrial buildings.

Our community did pull together. We successfully applied for an EDA grant to fund a new road that significantly enhanced access to this intercity site. This modest Federal investment created the catalyst for transforming this obsolete industrial site into a thriving 21st century employment center.

To date, the private sector has invested well over \$200 million in capital improvements. We have replaced over half of the RCA jobs and restored stability to this area of the city. This is a classic example of the good works that EDA has been doing for over 40 years all across America.

These are truly challenging times for our country. I cannot imagine a more important calling than to be engaged in our economic recovery efforts. I am ready for this challenge.

If I am fortunate enough to earn this committee's support, and if I am confirmed by the full Senate, I will look forward to working with you, your colleagues and your staff and the very dedicated staff of EDA to help EDA live up to the agency's mission, which is leading the Federal economic development agenda, promoting innovation, and preparing American communities for growth and success in our global economy.

Chairman Boxer, I want to thank you again for the opportunity to address the committee. I look forward to your questions.

[The prepared statement of Mr. Fernandez follows:]

MAYOR JOHN FERNANDEZ

**ASSISTANT SECRETARY-DESIGNATE FOR ECONOMIC DEVELOPMENT AND
ECONOMIC DEVELOPMENT ADMINISTRATION ADMINISTRATOR,
DEPARTMENT OF COMMERCE**

**OPENING STATEMENT TO THE SENATE COMMITTEE
ON ENVIRONMENT AND PUBLIC WORKS**

Wednesday, July 29, 2009

Chairman Boxer, Ranking Member Inhofe, distinguished members of the committee, I am honored to come before you today as President Obama's nominee for Assistant Secretary of Commerce for Economic Development. Over the past few days I had the opportunity to meet with several of you and members of your staff. I want to thank you for your wonderful hospitality. I enjoyed the visits and the insights shared regarding your home states.

Senators Lugar and Senator Bayh, I am very grateful for your kind remarks. Indiana is so fortunate to be represented by you. Throughout my years as Mayor, I could not have asked for better partners.

I want to thank President Obama and Secretary Locke for the tremendous trust they placed in me by this nomination. We all fully appreciate the enormous challenges we face as we work to restore America's economy, and I share their sense of urgency.

I would like to also say a special thank you to my family and friends who are here today. I especially want to introduce my wife Karen. She's been a terrific partner throughout my years of public service while also being an amazing mother to our children and a darn good attorney too.

Our children, Isabel and Ian, could not be here today. Hopefully, they're watching a webcast of today's hearing with their grandparents.

For over twenty years, I've been heavily involved in economic development. As an elected official, attorney, and businessman, I've been working to create jobs, attract community investments and improve the quality of life for our citizens. My extensive experience in the public and private sectors gives me a comprehensive understanding of how the federal government can play a meaningful role to help communities rebuild their economies and create a strong foundation for sustained economic growth.

While I've been the Mayor of Bloomington, Indiana and spent my professional life grounded there, my "roots" are firmly planted elsewhere.

I grew up in Kokomo, Indiana in a relatively typical middle class family. My father is a retired autoworker and my mother is a retired nurse. They still live in Kokomo as does one of my sisters, Anamaria, who is here today with her two daughters.

I'm a first-generation American. My parents came to this country to escape fascism. Their families arrived in America with little more than the hope for a better life. Through their sacrifices, they provided my generation with tremendous opportunities. They taught us the value of hard work and instilled in me a deep passion for public service.

Kokomo today is reeling from the collapse of our domestic auto industry. The most recent unemployment figure for the Kokomo region hit 19.7%. Home foreclosures have skyrocketed and families there are experiencing profound fear for their futures.

There are far too many "Kokomos" in nearly every state across America. Places like Merced, Toledo, St. Louis, Lincoln, and Hughes counties. We all know families in these communities – good people who have worked hard all their lives. Showed up on time. Performed their jobs well. Paid their taxes. Served in their churches and community organizations. And now, due to immense economic forces beyond their control, they're unemployed and struggle to not only make ends meet but to sustain hope.

It's my belief that the Economic Development Administration (EDA) is as well-positioned as any federal agency to provide the critical support these communities need to recover and create a stronger foundation for sustained economic growth. EDA has a long and accomplished history of doing such work. Often EDA's work has been quiet and below the radar. Yet, in the communities, large and small, where this agency has performed, the impacts have been significant and lasting.

I was first introduced to the EDA during my first term as Mayor when RCA closed its Bloomington plant. 1200 jobs were lost along with our largest property taxpayer. RCA's decision left Bloomington with a 200-acre Brownfield site and over 2 million square feet of obsolete industrial buildings.

Our community pulled together and created an incredible public-private partnership. We successfully applied for an EDA grant to fund a new road that significantly enhanced access to this intercity site. This modest federal investment created the catalyst for transforming this obsolete industrial site into a thriving 21st century employment center. To date, the private sector has invested well over \$200 million in capital improvements. We replaced over half the lost RCA jobs and restored stability in this area of the city. This is a classic example of the good works that EDA has been doing for over 40 years all across America.

These are truly challenging times for our country. I can't imagine a more important calling than to be engaged in our economic recovery efforts. I'm ready for this challenge. And if I'm fortunate enough to earn this committee's support and if I'm confirmed by the full Senate, I will work with you, your colleagues and the very dedicated staff at EDA to live up to this agency's mission – leading the federal economic development agenda, promoting innovation and preparing American communities for growth and success in our global economy.

Chairman Boxer, thank you again for the opportunity to address this Committee. I look forward to your questions.

**Responses from John Fernandez
Nominee, Assistant Secretary of Commerce for Economic Development**

**Questions from:
Senator David Vitter**

1. Mr. Fernandez, energy plays an important role in our economy that cannot be understated. I'd like to hear your thoughts on what reliable and affordable energy means to low and middle-income families, as well as to our economy as a whole? As a follow up, how would it be possible to increase the cost of energy without reducing the standard of living on America's poor and working class?

Answer:

From the perspective of a practitioner with over 20 years of experience working on economic development issues – as a Mayor and private sector entrepreneur – I have seen firsthand how energy costs affect both firms and families.

If I am confirmed, I will certainly be cognizant of the important role that energy plays when making decisions about Economic Development Administration (EDA) assistance. The Economic Development Administration's role is to make strategic grant investments that help to raise the standard of living for all Americans through the creation and retention of higher-skill, higher wage jobs in economically distressed areas and regions.

2. As someone who will play a major role in economic development, can you discuss the relationship between increased energy use and economic expansion? Can you cite any period over the last 100 years in which the U.S. saw economic expansion and a simultaneous decrease in energy consumption?

Answer:

Energy plays a critical role in supporting economic expansion; however, I have no particular expertise in the area of energy use or consumption. I do believe that it is incumbent upon the federal government to encourage the use of technologies and practices that increase energy efficiency and therefore enhance the economic competitiveness of taxpayer-funded EDA investments.

If confirmed, my role as Assistant Secretary for Economic Development will be to faithfully execute the Public Works and Economic Development Act and the Trade Act of 1974.

3. Warren Buffet in a recent interview called Cap and Trade "A huge tax, and there is no sense calling it anything else." He further stated that "it's a fairly regressive tax." What did Warren Buffet mean by "fairly regressive tax?" As well, was Warren Buffet incorrect in his statements and why?

Answer:

I am not familiar with Mr. Buffett's remarks and therefore I cannot comment directly on his statement. I do agree, however, that the EDA must consider the impact of broad policies on working families and the poor.

**Questions from:
Senator Max Baucus**

1. EDA has an enormous task of creating jobs and new opportunities for America's communities. To achieve this task, EDA needs real leadership. The agency unfortunately has suffered from the lack of leadership in the midst of decreased funding. What role does EDA have in restoring economic confidence? What kind of leadership will you provide as EDA Administrator?

Answer:

With my public and private sector experiences, I will bring a very pragmatic approach to EDA. While EDA has a relatively modest budget, its impact can be significant – not only in terms of spurring job creation and economic growth, but also in demonstrating federal commitment to a multitude of communities in need across the country. Some of EDA's individual investments are modest but their reach is wide. EDA assists hundreds of communities in all 50 states each year. EDA provides the gap financing needed for worthy projects to move forward, leverages other public and private sector dollars, and targets its investments to maximize job creation, particularly in areas of high economic distress.

I agree that the current economic condition creates an enormous task for the Assistant Secretary of Economic Development. I am also aware that over the last several years, difficult budgetary times took a toll on EDA's capacity. Nonetheless, I am gratified at the support the Congress has shown the agency over the last year, with the additional work entrusted to the agency to deal with economic problems of communities beset by natural disaster and by economic downturn and the funding to back up these efforts. If I am fortunate enough to be confirmed, I will work to fill critical positions that will enable the agency to respond more effectively to problems of economic dislocation and long term deterioration. I will review the EDA's budget program by program, line by line, to ensure our federal tax dollars are deployed as efficiently as possible.

2. Federal investment in distressed communities can have a significant impact on economic recovery and job creation. In Montana, federal investment certainly has a positive ripple effect across the state. But the measurement of progress cannot be compared with those investments made in more populous, more industrialized regions. EDA must recognize the unique challenges of rural communities like those in Montana. What will you do to ensure rural communities are considered in EDA's investment strategies? How will you ensure measurements take into consideration the unique challenges of individual communities?

Answer:

I agree with you that EDA must maintain its traditional focus on both rural and urban areas. EDA's focus on regional approaches to economic development is intended to ensure that sound economic development considers the entire assets within the region, both rural and urban. I am also advised that some of EDA's most successful projects from a job creation standpoint have

occurred in rural areas. I assure you that if confirmed, I will review closely EDA's performance metrics to see how they deal with economic development in rural areas.

3. The federal government plays a meaningful role in rebuilding communities and creating new economic opportunities. It is important that we address these needs comprehensively and leverage public-private investments. This is why I worked to include the new Trade Adjustment Assistance (TAA) for Communities program as part of the TAA reauthorization earlier this year. The concept is similar to your efforts in addressing the adverse effects of the RCA layoff as Mayor of Bloomington. What did you learn from that experience and how will you use it to effectively implement the new TAA for Communities program?

Answer:

From the RCA plant closing in Bloomington I learned how critically important it is to have a cohesive and collaborative economic development strategy – with buy-in from all levels of government, private sector and diverse community interests. As mayor, I saw how a modest amount of federal infrastructure assistance can leverage a large amount of private investment to great effect. In this case, EDA's investment created leverage for over \$200 million in private capital improvements and helped restore over half of the 1,200 jobs lost by the RCA closure. I believe this traditional economic adjustment model is well-suited to addressing trade dislocations. I understand the new TAA for Communities program contemplates similar types of assistance. If confirmed, I would look forward to learning more about this new economic development opportunity.

Questions from:
Senator George V. Voinovich

1. In 1998, Congress established a peer review, performance evaluation system for the allocation of funds under EDA's University Center Economic Development Program. However, in 2004, EDA imposed a regular competition for resources distributed through the program. The frequent competitions have resulted in unpredictable funding levels, making it difficult for universities to make long-term commitments. What are your views on the peer-reviewed evaluation process for this program versus a competition?

Answer:

Should I have the privilege to serve, I will need to review the particulars of the University Center Economic Development Program. I understand that EDA started to seek competitive proposals for the program because of statutory changes designed to ensure that performance of the Centers was good and if not, to ensure that other universities and community colleges had the opportunity to compete. However, I am not intimately familiar with the peer evaluation process required in EDA's statute, so I would want to review this to ensure EDA is striking the proper balance between internal and external perspectives.

I am most interested in reviewing the program, particularly with a view to technology transfer, which can be a critical engine for economic growth and job creation.

2. The EDA has a local match requirement of 50 percent for its grants. This requirement helps ensure local commitment to projects, and I certainly support it. However, current regulations allow EDA to reduce the local match some cases. Given the current economy, would you support giving the Assistant Secretary broad flexibility to reduce matching requirements?

Answer:

As a former mayor, I know all too well how hard it is for a community to come up with matching funds particularly when times are tough. This is certainly an issue that I have heard a lot about, and should I be confirmed, I look forward to working with you and the other members of the committee on this and other matters as you consider EDA's reauthorization.

Senator BOXER. Thank you very much, Mr. Fernandez.

I just want you to know that when Senator Inhofe and I—you know, when we differ, we differ. But when we agree, we strongly agree. And on this EDA program, we both believe it really is a transformational program.

I think that we come out with very much the same attitude, that leveraging, leveraging other moneys with seed money from the Federal Government, is a very good way to go because you know then that it is like a check and balance on the program. It is not 100 percent Federal funding. It just starts you off, and if it is a smart idea, you are going to attract these other funds.

So we are looking forward to a reauthorization soon of the program. I also want you to know that when the President put together the stimulus project, I phoned Larry Summers to talk about the importance of this particular program, as well as the COPS funding. Those were the two that I talked about.

I hope that as soon as you get into your job—and I have a sense, because the lack of attendance means that people are happy with this nomination, if I might tell you that. That is my feeling about it. If you move quickly, will you commit to us to let us know how those stimulus funds are moving out of the door?

Mr. FERNANDEZ. Chairman Boxer, absolutely. From my perspective, I think working with EDA to effectively get the stimulus dollars out into our communities is job No. 1.

Senator BOXER. OK. Now, I just was curious. As mayor or as a developer, was there ever a time when you sought help from the EDA and they were unable to assist? I worry about the small, relatively small funding. So, do you have any examples of that?

Mr. FERNANDEZ. Well, Chairman Boxer, my experience, the one opportunity that we did pursue assistance was with the Thompson closing, the RCA closing, and we did not have any problems. There are limited resources, but you have got a very dedicated staff there, and if I am confirmed, I will certainly do all I can to make sure we are working as effectively and efficiently as we can.

Senator BOXER. Good. So my last question is, tell us about the importance of public-private partnerships in restoring the economic stability of communities throughout the country. I think that is what is so unique about this particular program.

Mr. FERNANDEZ. Well, I would agree with you that leveraging resources—that using public funds to leverage private investment is a critical component to a successful economic development strategy. You know, the Government can only do so much in terms of creating jobs and growing the economy. That partnership with the private sector is essential.

That has been our experience at home, and there are examples all over the country of where these modest investments can really be a tremendous catalyst for further private investment and job creation. So, I think it is at the heart of EDA, and it is a very sound policy.

Senator BOXER. Very good.

Senator Inhofe.

Senator INHOFE. Thank you, Madam Chairman, and I think that you and I should share with him that you and I are going to try

to get this done a lot faster, getting the reauthorization done. So, we will be looking for you to help us in this respect.

I want to tell you one thing to kind of look out for and try to get a commitment on this. Now and then—and this happened once in Oklahoma, so I am not pointing fingers outside of my own State—applications were made by a city for the use of these funds showing the leverage, showing the State commitment, showing the private sector. And when the funds got there, they used it for a different purpose. I personally went to—at that time it was Simpson, and I went to him, and I said I want this withdrawn.

The commitment I would like to have from you is that you will not allow this to happen. If they go through this, any city, in Oklahoma, in California, or anyplace else goes through this, to make sure that the funds are used in the way that they are represented in the application. I think it is very, very important.

Mr. FERNANDEZ. Senator Inhofe, I would absolutely agree with that. Accountability is essential. Transparency is essential. If I am confirmed, I will certainly work with the EDA staff to ensure that is how we operate the agency.

Senator INHOFE. That is good because in my State when this happened we had some of the other communities come and say, well, look, they did not do, you know, so that is the problem that you have.

I want to correct something I said in the opening statement. I was talking about the 100,000-square-foot building in Elgin, Oklahoma. It is a 75,000-square-foot building, but still, in a population of 400, that is a lot of activity.

I would only ask if there are any further examples that you would like to use, that you have dealt with this. We have many examples. I would say this. In Southern Oklahoma, in the city of Durant, that city has been totally revitalized. It is one that was looked upon as an impoverished area of the State. We have so many successful programs, almost all, three of them, that went through the EDA, that have just totally revised that city. And that is the kind of thing that can happen.

Senator Boxer is right. She and I disagree, and we fight like cats and dogs on a lot of issues. On this, we are in unity. We want to get this done as soon as possible.

So, I would only ask, Madam Chairman, if Mr. Fernandez has any other examples he wants to use, go ahead, this is your opportunity to do it. If not, I will get out of here, and we will try to get reauthorized.

Mr. FERNANDEZ. Thank you again, Senator Inhofe. I think there are a wealth of examples of where the EDA has been in small communities, been in large communities, investing and leveraging the kind of job creation and private investment that you are so supportive of.

You know, my sense is that, if I am confirmed, one of the things that I would like to work with the staff to do is to make sure that we are telling that story. And in telling that story, not use it just as an opportunity to pat each other on the back, but rather to use it as an advertisement, if you will, of the tremendous potential that the EDA has to help Main Street businesses, to be a front door to the Department of Commerce and other initiatives that we can

bring to bear to those small and mid-sized businesses on Main Street, help them with innovation, help them with strategic development goals, and in the process rebuild communities and really build a strong economy.

Senator INHOFE. Good.

Senator BOXER. Well, thank you, Senator Inhofe.

I just have some required questions for you.

Do you agree, if confirmed by the Senate, to appear before this committee or designated members of the committee and other appropriate committees of the Congress and provide information subject to appropriate and necessary security protection with respect to your responsibilities as Assistant Secretary of Commerce for Economic Development?

Mr. FERNANDEZ. I do.

Senator BOXER. Two, do you agree to ensure that testimony, briefings, documents, and electronic and other forms of communication are provided to this committee and its staff and other appropriate committees in a timely manner?

Mr. FERNANDEZ. Yes, Madam Chairman.

Senator BOXER. Does that include the minority members? Because I know that Senator Inhofe feels strongly about that as well.

Mr. FERNANDEZ. Absolutely.

Senator BOXER. And do you know of any matters which you may or may not have disclosed that might place you in any conflict of interest if you are confirmed?

Mr. FERNANDEZ. I do not.

Senator BOXER. Excellent.

Well, if there are no further questions.

Senator Inhofe.

Senator INHOFE. No further questions.

Senator BOXER. Then we will close this hearing. We wish you the best, and we are going to move this nomination as quickly as we can. Thank you very much.

We stand adjourned.

[Whereupon, at 10:32 a.m., the committee was adjourned.]

[An additional statement submitted for the record follows:]

STATEMENT OF HON. CHRISTOPHER S. BOND,
U.S. SENATOR FROM THE STATE OF MISSOURI

Thank you, Chairman Boxer and Ranking Member Inhofe, and of course thank you to Mr. Fernandez for coming before us today.

First, let me congratulate you on your nomination. It is an honor that is indicative of your hard work and dedication.

Being a former Governor, I am always happy to see people in a Federal role that have a good understanding of the local perspective. And with your many years dedicated to the city of Bloomington, I appreciate the perspective that you would bring to the Economic Development Administration.

Additionally, it is my hope that your years on the on business side of economic development will allow you to better shape the EDA in a manner that provides businesses the opportunity to provide long term economic growth and sustainability for their communities. Both of these unique perspectives will serve you well in taking on many of the challenges that lay ahead.

That aside, your pending confirmation comes at a critical period in economic development. With unemployment nearing double digits and small businesses throughout the country struggling to access necessary credit, I can't overstate the importance of this position in moving the EDA and the country forward.

As you know, the EDA is the only Federal agency that concentrates on private sector economic sustainability. While other agencies play an important role in help-

ing communities on a short term basis, it is EDA that can provide immediate aid that can provide long term economic stability. So, if properly equipped and structured, EDA has a unique position to help this country reverse its economic direction.

Missouri has numerous examples of how EDA can have an enormous impact on economic development. The EDA investment in initiatives across Missouri has worked to diversify our job base by focusing on high tech, high growth industries. This refocusing has allowed Missouri to compete globally for the private investment that attracts and maintain higher paying jobs in the area.

For example, EDA awarded a \$2.9 million grant as seed capital for the Center of Research, Technology and Entrepreneurial Expertise (CORTEX) in St. Louis. The Federal funds helped immediately leverage over \$30 million to create a life science research and commercialization district that focuses on transforming scientific innovation into new companies to create jobs in the St. Louis urban core. In the long run, this research center is expected to encourage over \$400 million in investment by concentrating the essential life science resources.

Recently, the EDA also provided \$1.7 million for the development of a Midwest-China air cargo hub in the St. Louis area. The development of this trade route will put St. Louis at the center of Chinese-U.S. commerce. By doing so, it will increase access for our U.S. exports, cultivate commercial opportunities, generate new jobs and provide sustainable economic development in a community that suffered the economic distress of a natural disaster.

Under your leadership, I expect that success stories such as these will continue to add to the success of EDA. However, I expect you to lead EDA in a direction that will also allow the country to compete in an ever changing business climate.

In the past, the symbol for economic growth and development was embodied in the bricks and mortar of buildings. They represented a place where people went to work and where business got done. However, while that ideal remains partially true, we are beginning to see a shift.

The economic promise of this country is in the promise of ideas. It is in the patents being developed across the country in this nation's incubators and laboratories. It is the recognition and development of potential new trade routes.

By supporting these types of ideas, EDA will be investing in the job creation of tomorrow. We must provide EDA with the ability to empower these ideas in order to grow our economy and offset the economic strain of disaster.

Additionally, I expect you to work toward a reauthorization of EDA in order to give them the tools necessary to build and sustain jobs and development in this economic climate. Such a reauthorization must include providing flexibility on local match levels during this time of economic hardship, focus on the economic development needs in rural communities and EDA staffing in local offices, and improving an efficient accessible revolving loan fund.

I look forward to your testimony and hearing your ideas in how to tackle many of the obstacles ahead. Again congratulations on your nomination, and I look forward to working with you throughout the confirmation process.

