



Testimony of

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Introduction

Chairman Oberstar, Ranking Member Mica, and members of the committee, thank you for this opportunity to testify on behalf of the Department of Commerce's Economic Development Administration (EDA).

From his first day in office, Secretary of Commerce Gary Locke has focused the Department on fostering economic growth by supporting job creation efforts, harnessing innovation and increasing capital investments in economically distressed areas

To achieve these objectives, EDA is working, region by region, to help speed the transition to a more entrepreneurial, innovation-driven society. In practical terms, that means three things:

- Fostering regional innovation that builds on an area's competitive advantage;
- Encouraging business exports and competitiveness; and
- Leveraging private investment.

As the economic recovery continues, EDA plays an important role in helping build a new foundation for sustainable economic growth. EDA responds quickly and nimbly to changing economic conditions largely due to our support for and reliance on a well-established network of local and regional economic development professionals. This bottom-up approach to economic development builds on our local partners' strategies, rather than relying on a top-down imposed solution.

American Recovery and Reinvestment Act Funding

I've been asked today to provide you with an update on the progress being made regarding EDA's 68 American Recovery and Reinvestment Act (Recovery Act) of 2009 funded projects. I am pleased to report that many communities hard hit by the economic

recession are already putting these funds to work – breaking ground, hiring workers and leveraging significant private investment.

EDA is an integral part of President Obama’s economic recovery team and is committed to sustained economic growth through its efforts to create jobs, harness innovation and increase capital investments in economically distressed areas. EDA is proud of its reputation as an agency that can efficiently foster job creation, and one that encourages innovative solutions in the interests of improving local and regional economic development outcomes.

EDA received \$150 million of Recovery Act funding to apply toward these goals. By the end of last September—a full year ahead of schedule—we obligated 100% of our allocation, funding 68 projects in 37 states. We invested \$50 million to promote the development of regional innovation clusters, \$37 million to promote business incubation, \$27 million to promote green jobs, and \$11 million to promote trade, connecting regional economies to the global marketplace.

Investments ranged from \$184,000 to \$6.4 million. These projects targeted a wide range of economically distressed and underserved communities, and focused on assisting them expand local assets and infrastructure to strengthen the regional economy and thereby enhance global economic competitiveness. EDA awarded \$141.3 million (96%) of its Recovery Act funds for construction projects. These projects are creating high-skill, high-wage jobs, and attracting private investment. EDA’s Recovery Act investments are expected to leverage \$981 million in private investment over the next nine years. Committee staff has been provided a complete listing and description of all EDA Recovery Act projects.

To date 41.18% of EDA’s Recovery Act projects are already underway - helping communities and businesses create jobs. These projects total over \$50 million, or 34% of our Recovery Act allocation. I am pleased to report that to date, nearly all projects

within EDA's Recovery Act portfolio met anticipated construction start and other project implementation milestones. We have been encouraged that some projects have, in fact, started ahead of schedule.

These investments support a diverse mix of economic development activities that are proven to be effective at creating long-term economic stability and job growth, such as supporting regional clusters, promoting business incubation and investing in innovation.

- **EDA invested approximately \$50 million of its Recovery Act funds to promote the growth of regional innovation clusters, which leverage a region's existing competitive strengths to boost job creation and economic growth.**

One example of how EDA can address one of the biggest challenges facing businesses today is by improving access to capital. EDA, utilizing its Economic Adjustment Assistance program, made a \$2.7 million Revolving Loan Fund (RLF) investment to provide much-needed capital to businesses in Montana's timber and wood products industry.

This investment is providing capital and technical assistance to borrowers, intermediaries such as economic development districts, and lenders to help them formulate and implement specific loan packages for targeted firms in this important regional cluster.

EDA has worked closely with the State of Montana to ensure the quick disbursement of funds. As of January 28, 2010, \$2.5 million, or 93% of the entire Recovery Act award, has been disbursed.

EDA expects that this investment will leverage \$4.7 million in private investment.

- **EDA also invested \$37 million to promote business incubation.**

EDA's ARRA program funded 13 projects for a total of \$37.4 million to promote business incubation. According to grantee estimates, these grants will leverage \$246 million in private investment.

For example, in Anderson, Indiana, one of many communities struggling to respond to the restructuring of the U.S. domestic automotive industry, EDA invested \$2.7 million to expand the Flagship Center. The Flagship Center was developed in 2003 and has produced such success stories as Bright Automotive. EDA's Recovery Act investment will enable the Flagship Center to construct a new multi-tenant facility to serve companies that "graduate" from their incubator.

- **EDA's Recovery Act investments included \$27 million to promote green jobs**

EDA recognizes the critical role strategic investments in environmentally sustainable development have on creating jobs and regional prosperity. EDA provided a \$1.75 million investment to ACCION New Mexico to fund the construction of an 8,000 square foot LEED certified facility. Construction on this green facility began October 7, 2009. Additionally, this investment is expected to leverage \$12.6 million in private investment over the next nine years.

- **EDA directed \$11 million to promote trade.**

In an increasingly globalized world, investments that help high growth businesses and entrepreneurs expand and compete in larger markets are critical. The \$11 million EDA invested to help communities more effectively trade will generate regional jobs and prosperity.

For example, EDA provided a \$3 million investment in Matanuska-Susitna Borough, Alaska to support the construction of a 7.8 acre expansion to their existing dock. The investment in this dock expansion will provide necessary platforms to allow for exchange of goods and materials into and out of Alaska. Construction on this investment broke

ground on January 12, 2010. EDA anticipates this investment will leverage \$21.1 million in private investment over the next nine years.

ARRA Summary

The Recovery Act requires new measures for unprecedented accountability and transparency. With our Regional Offices, we developed specific outreach initiatives to assist our recipient partners in meeting these additional reporting requirements. I am pleased to report that at the end of the second reporting period, 100% of EDA Recovery Act grant recipients have successfully reported on their progress.

Success of ARRA & EDAP Programs

EDA's ability to successfully implement the Recovery Act should be no surprise to those familiar with the Agency: we have a long history of working with communities to provide effective infrastructure, technical assistance, and capital investments through traditional Economic Development Assistance Programs ("EDAP"), as well as through budgetary supplementals, such as those that have been recently provided for disaster-mitigation and job creation purposes. EDA's ability to consistently achieve these successful results is the direct result of three core strengths.

- **First, EDA provides cost-effective investments to distressed communities.**

EDA manages investments in a cost-effective manner: in 2009 the Agency's 161 FTEs oversaw \$407 million in EDAP and supplemental appropriations, a rate of more than \$2.5 million per employee. EDA's strategic focus on innovation and entrepreneurship make sense, in that investments in business incubators generate significantly greater impacts in the communities in which they are made than do other project types.

- **Second, EDA projects successfully leverage other investments.**

EDA investments serve a catalytic role in local communities, serving as seed money that attracts other private and public investors. According to the research by Rutgers

University, every \$1 million of EDA funding leverages on average \$10.08 million in private investment and another \$1 million in Federal, state, or local investment.

- **Finally, EDA investments support critical components that support national competitiveness, including innovation and entrepreneurship.**

EDA's programs are designed to support job creation and stronger regional economies throughout the United States. To achieve this, EDA is particularly focusing on programs that build upon two key economic drivers – *innovation* and *regional collaboration*.

Many of EDA's traditional programs support this effort. For example, the Agency's RLF program provides much-needed capital to help grow and create businesses, EDA's University Center Program leverages local assets to support regional collaboration, and our Global Climate Change Mitigation Fund is being used to grow the "green" economy.

Conclusion

Mr. Chairman, EDA has had a long-term and very successful working relationship with you and the Committee. We remain eager to provide excellent service to the citizens of this country. As the Committee prepares for EDA reauthorization, I look forward to working with you to develop a stronger framework for sustainable economic development that meets the needs of the 21st century.

Chairman Oberstar, Ranking Member Mica, and members of the committee, thank you for your time today and for inviting me to discuss progress on EDA's implementation of the American Recovery and Reinvestment Act of 2009. I look forward to answering any questions you may have.