



Statement by
JOHN R. FERNANDEZ
ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT
U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
May 6, 2010 – 10:00 AM

Introduction

Chairwoman Norton, Ranking Member Diaz-Balart, and members of the Subcommittee, thank you for the opportunity to testify today on behalf of the Economic Development Administration (EDA) to discuss EDA's priorities for economic dislocation and disasters and EDA's proposed 2011 budget.

Throughout the agency's 45 year history, EDA has been called upon many times to respond to adverse changes in economic conditions.

Economic Disasters

This hearing is extremely timely as this week alone the nation responds to two disasters: one natural, devastating floods in Tennessee and Kentucky, and one manmade, the massive BP oil spill impacting the Gulf Coast. EDA has a long history of promoting economic recovery following disasters and is already mobilizing our planners to assist communities reeling from these catastrophic events.

Though not a “first responder,” EDA’s role is to facilitate delivery of Federal assistance to local governments’ recovery strategic planning and economic redevelopment. Last week, I put on notice staff from EDA’s Austin and Atlanta regional offices who are on the frontline of these disasters. Regional office staff reached out to our network of local government partners in those effected areas to offer the agency’s assistance and staff deployed to Alabama and Louisiana. While in the short term, EDA regional staff is prepared to provide technical assistance, our focus will remain on promoting long-term economic recovery and we will continue to work closely with the affected communities long after the cleanups are complete.

In response to a string of devastating natural disasters in 2008, Congress appropriated \$500 million to our Economic Adjustment Assistance (EAA) fund in two supplemental appropriations to provide economic recovery assistance. Here’s an example of the work we did following the Midwest floods. In June 2008, floods destroyed the city-central, coal-fired boilers that provided steam heat and hot water for St. Luke's Hospital and Coe College in Cedar Rapids, Iowa. When the utility company that was responsible for the system announced its plan not to rebuild its boiler facility, the hospital and college were left without permanent heating capacity. Both institutions could not continue to operate without a consistent, affordable and reliable energy supply-- the college estimated their energy costs would quadruple and the 540-bed hospital faced an inevitable curtailment of services vital to the community. A year after the floods, EDA invested \$4.65 million in disaster supplemental funds to help construct and install an

upgraded, energy efficient natural gas-fired boiler system. EDA's assistance with the rebuilding effort was critical to helping the hospital and the college keep their doors open, saving approximately 3,150 jobs.

Another example included responding to the devastating impact of the flood on Cedar Rapids' downtown area. With EDA's assistance, local leaders developed major redevelopment plans, including the reconstruction of the City's events center and arena. Last week, we announced a \$35 million grant which will support the implementation of that plan by funding the construction of the events center.

EDA's investments extend beyond rebuilding in the wake of disasters. EDA's goal is not only to promote recovery but to create sustainable, economically-robust communities after major and catastrophic events. We strive to create new economic opportunities and to leave adversely impacted communities better off than they were before the disaster or disruption. For example, EDA invested \$10 million in disaster supplemental funds to renovate and expand the Center for Technology and Workforce Development, a biotech business incubator on the campus of the University of Texas Medical Branch at Galveston. This project will not only allow the 14 companies displaced by Hurricane Ike to return to the incubator, but will expand the facility to support 24 additional biotech companies. Similarly, when an area of West Virginia already reeling from the decline of the coal industry was hit by severe flooding, EDA provided a \$2.1 million EAA investment to Philippi-Barbour County Regional Airport Authority for construction of infrastructure, two airplane hangars, and office space for an

aviation industry incubator for aircraft manufacturing and repair at the airport, encouraging new businesses development and job creation. A few weeks ago, I had the opportunity to travel to New Orleans, Louisiana, to announce a \$3 million EDA investment to construct a River Turbine Laboratory at the Tulane University RiverSphere Center for Excellence for Sustainable Energy Systems. This project will capitalize on the underutilized inner-city riverfront in New Orleans, building a business incubator and demonstration facility that will focus on hydrokinetic energy systems. In an area still recovering from tremendous devastation caused by Hurricanes Katrina and Gustav, this project will help create high wage jobs and bring significant private sector investment to the region.

Economic Adjustment Assistance

Economic disasters — whether caused by forces of nature (e.g., hurricanes or flooding) or be they man-made (e.g., a plant or military base closure) — each bring their own unique set of challenges and opportunities. Rather than pursuing a one-size-fits-all approach, EDA funds customized solutions such as traditional infrastructure investments, business incubation, revolving loan funds, planning grants, and other resources. EDA’s unique portfolio of flexible programs allows us to respond to changing economic conditions faced by our local government and regional partners.

The key to EDA’s success in responding quickly and effectively to disasters and economic disruptions is its Economic Adjustment Assistance (EAA) program. This program allows for a wide range of technical, planning, public works, and infrastructure

assistance—a complete toolbox of development tools which EDA can leverage to create customized recovery packages. Furthermore, the inherent flexibility in EAA allows the agency to fund innovative development projects, such as those projects promoting entrepreneurial development, microfinance opportunities, and technology commercialization. Most importantly, EAA investments can be multifaceted, allowing EDA to develop an integrated response with a single application.

Through EAA, the agency can assist state and local economic development partners in three crucial ways:

- **Strategic Planning**

EDA funds comprehensive strategic planning activities to help create a coordinated, long-term recovery strategy following an economic disruption. EDA also offers financial resources and technical assistance to perform pre-disaster planning to increase resiliency and immediate recovery.

- **Infrastructure Development**

EDA provides grant funds to build new infrastructure, such as business incubators, technology parks, research facilities, and basic utilities, to retain or attract jobs to the region.

- **Financing**

Addressing another critical need—access to capital—EDA provides funding through EAA to establish Revolving Loan Funds (RLF). These funds can make below market-rate loans to businesses to help provide gap financing to support new business development.

Perhaps the best example of this three-prong approach is occurring now in Moraine, Ohio, near Dayton. In June 2008, GM announced plans to close its assembly plant in Moraine, a decision which resulted in a direct loss of 5,000 jobs and thousands more indirectly. Within two weeks of the announcement, staff from EDA's Chicago Regional Office began working with state and local officials to develop a strategy to deal with the effects of the plant closure. As the first step, EDA subsidized the development of a Comprehensive Economic Development Strategy (CEDS) for the Greater Dayton region to guide the recovery efforts. EDA also funded a Community Economic Adjustment Program which brought together local leaders and stakeholders to discuss recovery plans. With the CEDS in place, EDA staff continues to provide technical assistance on strategy implementation and is working with Moraine officials on how EDA could support the redevelopment of the former GM site. Additionally, an EDA-funded Revolving Loan Fund (RLF) continues to provide capital to encourage the development of new and existing businesses which will spur job creation.

FY 2011 Budget Request

In order to continue providing economically distressed communities with the assistance they require, EDA has requested \$246 million for its Economic Development Assistance Programs in FY 2011. While this figure is on par with EDA's FY 2010 appropriation, the Agency requests a significant shift on how that appropriation is allocated across EDA's seven Economic Development Assistance Programs.

For FY 2011, EDA has asked that the largest percentage of program funding (\$125 million) be allocated to the Economic Adjustment Assistance program. In the past, the bulk of EDA's program funds have been appropriated to the agency's Public Works program. In FY 2010, the Public Works program received more than \$133 million, versus \$38.6 million to the Economic Adjustment Assistance.

While the Public Works program remains an extremely useful tool, EAA can provide a wide range of technical, planning, and implementation assistance, including public works and infrastructure projects, which allows the agency to bring to bear its full range of projects to elicit change to an economy. As EDA's most flexible program, EAA is critical to the agency maintaining its ability to effectively and efficiently respond in real-time to economic dislocations as they occur.

Closing

Madame Chairwoman, Ranking Member Diaz-Balart, and members of the Subcommittee, thank you for the opportunity to address EDA's role in economic disaster response. I am proud of the agency's continued leadership on this issue and firmly believe that EDA will continue to be a driver for growth in distressed areas of our country. EDA is ready and prepared to do our best to assist with the devastating BP oil spill in the Gulf Coast region. I look forward to working closely with Congress to strengthen the Federal government's coordinated response to economic disasters, and I welcome any questions you may have.