



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 throughout the country to facilitate the creation of jobs and stimulate economic growth. In practical terms, that means three things:

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

EDA translated this philosophy through our work on the American Recovery and Reinvestment Act of 2009.

American Recovery and Reinvestment Act Funding

Since I last appeared before the committee in February, I would like to update you the progress that EDA has made on its 68 recovery act 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.

As you know, EDA received \$150 million of Recovery Act funding. 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, \$11 million to promote trade, connecting regional economies to the global marketplace and \$25 million for a variety of other development projects.

Project investments range from \$184,000 to \$6.4 million. The projects funded through these investments target a wide range of economically distressed and underserved communities, expanding local assets and infrastructure, thereby strengthening their regional economy and enhancing the communities' 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.

In the three months since I last appeared before the committee, new projects have broken ground, helping communities and businesses create jobs. To date 72.06% of EDA's Recovery Act projects are underway, as opposed to 41.18% three months ago. These projects total \$111,175,796 million, or 76% 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.

In addition, with our Regional Offices, we developed specific outreach initiatives to assist our recipient partners in meeting the reporting requirements of the Recovery Act. At the end of the second reporting period, 100% of our Recovery Act grant recipients successfully met progress reporting requirements.

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 successful results is the direct result of three core strengths.

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

In 2009, the Agency awarded \$591 million in EDAP and supplemental appropriations. EDA strategically focuses on supporting ecosystems that promote innovation and entrepreneurship.

EDA recently announced a major investment in the Caveland Sanitation Authority, KY to help expand their critical wastewater treatment plant capacity in Progress Park, the county's industrial park. This ARRA investment will improve the Horse Cave Wastewater Treatment Plant to expand its capacity from 280,000 GPD to 560,000 GPD, to allow for industrial park expansion and business retention and recruitment. Grantees estimate that this industry expansion will generate \$20,000,000 in private investment as well as allow for future economic growth. It is this type of investment that helps distressed communities grow their economic ecosystems to support industrial expansion using cost effective and cost efficient means.

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

EDA investments achieve a catalytic role in local communities, and provide seed money that attracts other private and public investors. According to 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.

EDA has a recent investment that will construct critical road, water and wastewater line improvements to facilitate development of a new road segment of NW 44th Avenue in the City of Ocala, Florida. According to grantee estimates, three companies will invest \$25 million in capital improvements within three years and several industrial tracts will become more marketable for future development and employment growth. In the short term, construction jobs will be created, but in the long run these industrial tracts will serve the Ocala community for decades.

- **Finally, EDA investments support critical projects and initiatives that support national competitiveness, including innovation and development of regional economic clusters.**

EDA designs its programs to support job creation and stronger regional economies. EDA particularly focuses on building upon two key economic drivers – *innovation* and *regional collaboration*. Many of EDA’s traditional programs support these efforts. For example, the Agency’s Revolving Loan Fund program provides much-needed capital to help grow and create businesses, and EDA’s University Center Program leverages local assets to support regional collaboration.

A great example is the Northeast Minnesota regional aviation cluster. Since the mid-1990’s, this has evolved into one of the region’s major manufacturing sectors and has played a significant role in providing “living wage” jobs and benefits supporting advanced general aviation employment. This cluster has served as a significant driver of economic diversification from a natural resources-dependent economy that has relied on mining, wood products and tourism for generations. Cirrus’s growth has helped create a technologically advanced supplier support network of companies providing new age precision machine parts, wiring assemblies, avionics, seating and interiors for the composite aircraft of the present and future.

This cluster has grown in part because of the significant support and investment provided by EDA in buildings, business parks and public infrastructure, and the region’s revolving loan fund. For example, Cirrus Aircraft grew from a handful of employees to 1,012 employees in July 2008 during an unprecedented growth period. A support cluster of approximately 20 companies grew with Cirrus and accounted for another 830 jobs in Duluth and across the region. These same companies have also provided their expertise in product development and services to support other aviation related companies nationally.

In addition to these direct jobs, this cluster has also spurred advanced education, training and proto-type development at the University of Minnesota-Duluth and nearby community and technical colleges, supported new entrepreneurship and has advanced innovation in other areas of the region's economy. Cirrus is developing a new generation of aircraft which may bolster this area's vibrant aviation cluster.

Second, EDA investments have been leveraged to create new investments in future growth industries. Recently, EDA funded an infrastructure support project in Dorchester County, South Carolina, to support their regional biotechnology cluster. This infrastructure will be used to recruit, retain, and grow high wage and high skilled jobs within the biotechnology industry. Just recently Dorchester County announced the recruitment of a private sector biotechnology firm, which grantees estimate will generate over \$14 million in private investment.

Finally, EDA is helping in an automotive industrial park expansion project in Hamilton County, TN. This investment will upgrade and expand the capacity of the rail system at the Enterprise South Industrial Park in Chattanooga, Tennessee to serve the new North American production facility for a major automotive group. Grantees estimate that the initial automotive production facility will eventually generate private investment of \$1 billion.

Lessons Learned

EDA's ability to obligate the Agency's entire Recovery Act allocation a full year ahead of schedule exemplifies the flexibility of its programs, and the continued dedication of EDA staff. In addition, our experience administering the Recovery Act funds has provided the Agency a unique opportunity to evaluate the strengths and weaknesses of its programs and processes.

I am personally committed to making our grant application system work even better for future EDA applicants. Based in part on our experience with the Recovery Act, we have

been evaluating and analyzing how we can make our grant process even more transparent, quicker, and continue to increase overall return on investment. We know that our grantees will welcome this kind of improvement, and we continually reach out to our stakeholders for feedback and ideas for improvement. We plan to have a modified process in place by the end of this year.

EDA Reauthorization

The lessons learned from the Recovery Act have also guided our thinking as we drafted the Agency's proposal for reauthorization. Reauthorizing EDA represents a unique opportunity to continue advancing our nation's economic recovery. Since the enactment of the Public Works and Economic Development Act of 1965 (PWEDA), the statute has provided EDA with the flexibility to help distressed communities respond to long-term economic decline, as well as to wrenching "sudden and severe" economic dislocations caused by the loss of a major employer or natural disaster. Our Recovery Act success suggests that this flexibility serves the country well.

The great economic challenges we face today require a considered effort to ensure that EDA works even more effectively to help American communities, businesses, and employees compete in the global marketplace of the 21st century. Reauthorization of EDA in 2010 presents a window of opportunity to modernize the Agency – aligning its priorities and program structures to improve the competitiveness of American communities. National economic development policies must reflect the importance of collaborative regional innovation initiatives as the new framework for sustainable economic growth.

Mr. Chairman, the Public Works and Economic Development Act has served the agency and the Nation well. The basic framework remains flexible and sound. Nonetheless, the reauthorization proposal we submitted to Congress has some important changes that we believe will help us become even more effective. Our proposal emphasizes innovation,

entrepreneurship and global competitiveness as the keys to sustainable economic development.

Conclusion

Mr. Chairman, EDA has a long-term, and very successful, working relationship with you and the Committee. Though the balance of EDA's Recovery Act allocation has been awarded, our work to improve economic conditions in the country's hardest hit areas is far from done. We remain eager to provide excellent service to the citizens of this country. The Department of Commerce is looking forward to working with the Congress on reauthorization of EDA 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.