

Testimony by
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Chief Financial Officer and Chief Administrative Officer

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U.S. House of Representatives, Committee on Transportation and Infrastructure,
Subcommittee on Economic Development

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Introduction

Chairwoman Norton, Ranking Member Diaz-Balart, and members of the Subcommittee, thank you for this opportunity to testify on behalf of the Economic Development Administration (EDA). EDA's mission is to *lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.* Through grants to local government entities and eligible non-profits to create jobs and generate private investment, EDA is seeding our communities for success. Our investments create the conditions in which jobs are created, often in the midst of economic hardship or adjustment. At EDA, we are proud of the agency's accomplishments and believe that we can continue our work to assist distressed American communities especially in the current economic climate.

EDA's investments have two major goals: attracting private capital investment and creating higher-skill, higher-wage jobs. EDA's achievements are a reflection of our policy priorities: to encourage collaborative regional economic development; to promote competitiveness and innovation; to cultivate entrepreneurship; and, to spur our economic development partners to take advantage of the opportunities of the worldwide marketplace.

As part of its FY 2010 budget request, the Administration has emphasized two priority areas for EDA: regional innovation clusters and business incubator networks. We are encouraged by this focus and find it consistent with the results of recent EDA research as well as best practice in the economic development field overall.

Another element critical to our success is our focus on planning. While economic development planning is often overlooked, EDA's work with our partners in the field, designated Economic Development Districts (EDDs), has proven invaluable in ensuring that communities think holistically about their economic futures. EDA has consistently found that projects which result from effective planning and significant local support tend to have more positive impacts on communities. EDA currently has 378 EDDs designated nationwide.

EDA's Innovative and Sustainable Initiatives

At the direction of Congress, EDA established the \$9.4 million Global Climate Change Mitigation Incentive Fund (Fund) in FY 2008 to advance the connections between economic competitiveness and environmental quality. The goal of the Fund is to promote EDA policies and strategies which contribute to sustainable "green" construction and resource conservation in an effort to address the effects of global climate change. EDA used the Fund to invest in projects in which a building or structure is developed or redeveloped using green building techniques. By utilizing the US Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system to certify the environmental benefits of the project, EDA is able to verify that each Fund-related investment effectively contributes to sustainability and mitigates associated environmental impacts.

EDA's work in this area is showcased in its \$2.6 million investment for the Port of Bremerton, in Washington State's Kitsap County. This FY 2008 investment, which also received an equal amount in local matching funds, will construct a two-story, LEED Silver clean technology business incubator in the port's sustainable energy industrial park. The incubator will provide clean energy technology start-up businesses with laboratories and high-bay manufacturing space. The Port estimates that the facility will be able to support approximately 585 employees.

Responding to Severe Economic Dislocations

EDA's expertise has proven to be extremely valuable in responding to sudden and severe economic dislocations through our Economic Adjustment Assistance program. Whether dislocations result from a major employer closing a plant or a defense facility, or from a natural disaster, EDA is able to assist communities in responding to the loss of jobs.

EDA is on the front line of reacting to assist communities following national disasters. Last year, Congress allocated \$500 million in two supplemental appropriations to EDA in response to the natural disasters that severely impacted communities across the nation in 2008. With this additional funding, EDA has assumed the role of secondary responder and is working closely with disaster-affected communities to help rebuild their economic bases. To date, EDA has invested in the redevelopment strategies of 11 states severely impacted by last summer's Midwest floods and continues to develop, review and fund applications from communities affected by hurricanes, wild fires, and other natural disasters.

American Recovery and Reinvestment Act Funding

In addition, EDA received \$150 million as part of the American Recovery and Reinvestment Act of 2009 to respond to sudden and severe economic dislocation and job loss due to corporate restructuring. EDA is ahead of the curve in its implementation of the Act and anticipates publishing a Federal Funding Opportunity (FFO) notice this week and will get the funds disbursed quickly to assist communities.

Revolving Loan Funds

As EDA has celebrated its successes, it has also aggressively confronted its challenges, most specifically the administration of its Revolving Loan Fund (RLF) program. In response to the Department of Commerce Office of Inspector General's (OIG) September 2007 report on Revolving Loan Funds, EDA developed an Action Plan and published an Interim Final Rule implementing many of the Plan's milestones. To date, EDA has successfully completed 26 of the 30 milestones and anticipates successful completion of an additional three more in the coming months. Furthermore, in the last 18 months, EDA has successfully implemented six of the OIG's seven recommendations. EDA has made excellent progress towards implementing the seventh recommendation—developing and implementing a web-based reporting and data management system to manage EDA's RLF portfolio— and we are on target for online reporting beginning with the period ending September 30.

In partnership with OIG, EDA also organized a series of comprehensive training sessions on RLF reporting and audit requirements in 2008, which more than 600 individuals representing

more than 450 RLFs attended. Feedback from those sessions was extremely positive, and EDA plans to conduct further training sessions in 2009.

Impact Assessment Report

In an effort to evaluate the agency's strengths and weaknesses, EDA recently funded a study focused on assessing the economic impacts and federal costs of the agency's construction investments. The study, conducted by Grant Thornton in partnership with academia, the private sector, and outside experts, used regression models to determine whether counties that received EDA funding for construction projects had experienced increased job creation.

The study showed that EDA investments in rural areas had a statistically significant correlation with increased employment levels in the communities in which they were made. Moreover, the study supported EDA's strategic focus on innovation and entrepreneurship by showing that EDA investments in business incubators were more correlated with job growth than other project types.

Conclusion

Chairwoman Norton, Ranking Member Diaz-Balart and members of the Subcommittee, thank you for your time today and for inviting me to give an overview of EDA's programs. With me today is Dennis Alvord, the acting Deputy Assistant Secretary for Economic Development who oversees EDA's six regional offices. We look forward to answering any questions you may have, and working with the Subcommittee on legislation to reauthorize the agency.