

Testimony by

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Introduction

Chairman Boxer, Ranking Member Inhofe, and members of the committee, 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 bureau'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. EDA supports the creation

of regional innovation clusters that leverage the region's existing competitive strengths to boost job creation and economic growth. Business incubator networks will expand on EDA's existing efforts to fund business incubators and begin the creation of a nationwide network of incubators that can facilitate the sharing of best practices and all-important business contacts. EDA is encouraged by this focus and finds it consistent with the results of recent EDA research, as well as best practice in the economic development field overall.

EDA has a history of investing in regional innovation clusters and business incubator projects. For example, in 2007, EDA approved a Public Works investment in the amount of $1,217,000 for the city of Oak Ridge, Tennessee to construct utility infrastructure improvements to support the development of the Innovation Valley Science and Technology Park. Within three years of construction completion, two companies have committed to locate and collectively invest $32.5 million and create 600 new jobs. The park will provide space for private sector companies with the goal of commercializing technologies developed at the Oak Ridge National Laboratory. The Science and Technology Park will include: prospective land and buildings intended primarily for private research and development facilities for technology and science-based companies; engineering support services; technology commercialization incubation space; and prototype manufacturing facilities.

EDA is also working to assist communities in diversifying their economies and in transitioning to high-tech industries. In northeast Ohio, EDA is currently partnering with JumpStart, a non-profit whose programs focus on preparing the region for a transition from old-line, manufacturing industries to a high-tech, entrepreneurial-based economy. EDA supports

JumpStart's outreach to, and development of, entrepreneurs in 21 counties of northeast Ohio, an area that is among the hardest hit by the recent economic decline and the foreclosure crises. JumpStart expects to support the creation of 650 new jobs and help its clients raise $43 million in private sector investments.

Another element critical to our success is our focus on planning. While economic development planning is often overlooked, research confirms that projects developed with effective planning and significant local support tend to have more positive impacts on communities. EDA is pleased that Congress recently provided the first funding increase in the planning program's contemporary history.

EDA's Innovative and Sustainable Initiatives

At the direction of Congress, EDA established the 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 supports the Fund and is pleased that the President's 2010 budget request provides for $16.5 million, which represents a $1.8 million increase. As part of this

request, EDA is exploring whether the Fund might be broadened to include additional types of projects such as developing or manufacturing a green end-product, or, greening an existing function, process, or activity.

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. To date, EDA has $411.3 million worth of projects in various stages of the application process. 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. 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.

EDA's support in this area is showcased in its $1.25 million investment in the New Orleans Bio-Innovation Center, a project funded in 2006 and located in the New Orleans Medical District. As part of a new wave of advancements in Louisiana, this Center is at the forefront of today's

biotechnology surge. The Center's mission is to assist in the development of biotechnology–related companies looking to commercialize technologies from greater New Orleans area universities and research institutions, including the LSU Health Sciences Center, the Tulane Health Sciences Center, the University of New Orleans, and Xavier University.

American Recovery and Reinvestment Act Funding

EDA received $150 million as part of the American Recovery and Reinvestment Act (ARRA) 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 published a Federal Funding Opportunity (FFO) notice on March 11, 2009. EDA received approval of its ARRA spending plan and has allocated funds to each of our six regional offices to initiate the process of disbursing funds quickly to assist communities. To date, EDA has $100.3 million worth of projects in various stages of the application process.

Revolving Loan Funds

EDA is also aggressively confronting 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 was attended by more than 600 individuals representing more than 450 RLFs. 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 investigate whether counties that received EDA funding for construction projects had experienced increased job creation.

The study indicated 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 suggesting that EDA investments in business incubators were more correlated with job growth than other project types.

Conclusion

Chairwoman Boxer, Ranking Member Inhofe, and members of the committee, 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 committee on legislation to reauthorize the agency.