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U.S. SENATE, COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
September 9, 2008 –10 am

Introduction

Senator Cardin, Ranking Member Isakson and members of the committee, thank you for having me here today to testify on behalf of the Administration and the Economic Development Administration (EDA). I am proud of the accomplishments we've achieved at EDA and I look forward to continuing to work closely with Congress and our stakeholders to reauthorize EDA, and improve its effectiveness even more in the coming years.

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.* The agency does this through grants or "investments" to government entities and eligible non-profits to create jobs and generate private investment. Our investments create the conditions in which jobs are created, often in the midst of economic hardship or adjustment. For example, in Garrett County, Maryland, EDA investments totaling $2.4 million made between 2004 and 2008 have enabled that region to launch the transformation from an economy based on heavy manufacturing and coal mining to an economy based on tourism, light manufacturing and technology. One such EDA investment, the McHenry Business Park, has been particularly successful in attracting technology businesses that generate higher wage jobs.

I am proud that at EDA we live our mission statement and are actually achieving it, committed to both rural and urban America, with our forward-looking and innovative approach to economic development.

Program Successes since 2004

EDA's investments have two goals: attracting private capital investment and creating higher-skill, higher-wage jobs. In FY 2007 alone, EDA awarded over $277 million in investments, of which $209 million was for construction investments that are expected to create 52,134 jobs, according to grantee estimates, at an average cost of $4,000 per job. On average, every dollar in taxpayer money attracts $26 in private capital investment.

From FY 2004 to date, EDA awarded over $1.29 billion in investments, of which $983 million was for construction investments that are expected to create 392,413 jobs at an average cost of $2,507 per job. On average, for this timeframe, every dollar in taxpayer money is expected to attract $33 in private capital investment.

At a time of national economic transformation, effective investment in lagging parts of the country is crucial to maintaining our country's competitive advantage. EDA's track record of achieving results across America owes largely to our investments in projects that reflect three basic policy priorities: collaborative regional economic development, a focus on competitiveness and innovation, and cultivation of entrepreneurship.

For 2008, EDA has added a fourth policy priority: to link our American regional economies to the worldwide marketplace. This new policy priority reflects a basic 21st century economic reality: that all American economic communities now must compete in an integrated worldwide marketplace. EDA's goal is to spur its economic development partners to look beyond their immediate economic regions to understand the challenges and take advantage of the opportunities of the worldwide marketplace.

Responding to Severe Economic Dislocations

Since 2004, EDA has honed its expertise in responding swiftly and effectively to sudden and severe economic dislocations. It has invested in redevelopment and rebuilding following plant closures in Groveton, New Hampshire, Graniteville, South Carolina, and Wilmington, Ohio. By the end of this month, we will have invested in the redevelopment strategies of 11 states affected by this summer's Midwest floods (including $3 million for Iowa), part of the $100 million appropriated to EDA in June for this purpose. Finally, EDA has invested over $34 million in regular program funds to rebuild the Gulf Coast following the 2005 hurricanes that ravaged that region, and the agency is once again mobilizing to address economic redevelopment needs in the wake of Hurricane Gustav.

EDA's Planning Program

In 2004, Congress mandated that EDA fund its Planning program with a minimum of $27 million annually. With this increased funding, and following explicit Congressional direction, EDA has funded 38 previously-designated and unfunded Economic Development Districts (EDDs) as well as 25 newly-designated EDDs. To enable our now 381 EDDs nationwide to spend more time doing economic development work and less time doing paperwork, EDA has moved the vast majority of its Planning program recipients into a three-year funding cycle and will complete this transformation in the near future.

Performance Awards

To recognize and encourage excellence in project development and execution, EDA has since 2004 awarded monetary performance awards to investment recipients. Similarly, planning performance awards to EDDs or other investment recipients recognize excellence in the coordination of planning with project execution. EDA made 14 such awards in 2007, and 24 more have been made already in 2008. These financial awards for successful EDA projects will continue to be granted quarterly.

Redevelopment of Contaminated Sites

Over its 43 year history, EDA has had a longstanding role in funding economic redevelopment of contaminated, abandoned industrial and commercial sites, long before the term brownfield ever appeared in our daily lexicon. Overall, EDA's goal is to create value by returning non-productive, blighted or formerly contaminated real estate to local tax rolls while creating opportunities for capital investment and job creation.

Between FY 2004 and the present, EDA has invested over $129 million in 111 brownfield redevelopment projects. These investments have leveraged over $3.5 billion in private funding and created almost 78,000 jobs.

EDA Excellence in Economic Development Awards

While EDA can rightly speak of our program successes, nothing gives EDA employees more pride and satisfaction than to see an individual project tie all of these goals together to make a real difference in the lives of a community. Two such projects, both winners of EDA Excellence in Economic Development Awards, come to mind:

East Baltimore Development Inc. (2008)

East Baltimore Development Inc. (EBDI) is a nonprofit partnership of private and public entities that has undertaken the single largest redevelopment program in Baltimore, Maryland. It is currently in the process of transforming 88 physically blighted acres with $1.8 billion of new investments. EBDI's goal is to successfully attract families, enterprises and market-oriented investments to the East Baltimore community to equip residents with new housing, employment, business and educational opportunities. EBDI provides displaced homeowners with the resources necessary to start anew in a quality home in a strong neighborhood, and guarantees to displaced residents a new home in the project area once one becomes available. The new Science and Technology Park at Johns Hopkins University complements the initiative with a new economic engine in the community, with opportunities for further expansion. The Park's first biotech building opened on April 11, 2008. This project is one of the most innovative approaches to transforming beleaguered inner cities and other cities have taken notice. For these accomplishments, EBDI received EDA's 2008 Excellence in Urban Economic Development.

Paulding, County, GA (2007)
Paulding County, Georgia's Board of Commissioners won the 2007 EDA Award for Excellence in Innovation for the adoption of a unique, internationally competitive model for economic and self-sustainable development as part of the worldwide economy. With the rising cost of energy, Paulding County had the foresight to turn the whole county into an economic development project by maintaining the area's large, unspoiled natural areas while at the same time creating jobs within the county so residents no longer needed to commute to Atlanta. Implementation of this plan will occur over the next 10-12 years. The result will be a high-tech, environmentally-sensitive development program that will include an airport and retail areas surrounded by forests and wildlife areas. County residents can avoid traffic and expensive gas purchases by commuting to their jobs near home and are within a short drive of the county's airport. The airport is also attractive to businesses hoping to avoid the traffic and airplane congestion of Atlanta's airport. This is a model community for today's high energy-cost environment.

A complete list of FY 2007-2008 EDA Excellence in Economic Development Award recipients appears in Appendix A.

Challenges since 2004
As EDA has celebrated its successes, we have also aggressively confronted our challenges, most specifically the administration of its Revolving Loan Fund (RLF) program. In response to the Department of Commerce Inspector General's (IG) 2007 report on Revolving Loan Funds, EDA developed an Action Plan consisting of 30 elements, and is deep into the home stretch with the completion of 23 elements. It has also implemented five of the seven IG recommendations and is in the final stages of implementing the remaining two. EDA completed testing of an automated RLF reporting, tracking, and management system in August 2008 and determined that the system will be operational by the end of the second quarter of FY 2009. When complete, this system will track all of the IG-recommended data, as well as default rates, audits, excess cash, sequestered cash, and interest remitted. In the interim, EDA is using a reporting tool to oversee the program and provide stakeholders with information about the size and scope of the portfolio.

In addition to the IG's recommendations, EDA developed detailed internal guidance to address the deficiencies identified in the audit. We also required all EDA regional staff and all RLF operators to attend RLF training, including single audit training provided by the OIG, and—in partnership with the OIG—organized five training sessions for our RLF operators. In terms of concrete results, we have increased the on-time reporting rate of RLFs from 50 to 70 percent, and have reduced the number of non-reporting RLFs from 47 at the time of the RLF audit to five.

FY 2009 Budget
The President continues to support EDA and our economic development agenda. The President's budget request of $92.8 million for grants and $30.8 million in salary and expense money for FY 2009 enables EDA to continue helping distressed communities rebound from tough economic conditions.

In a difficult budget environment, the Administration has made tough choices. EDA has a flexible and scalable nature--we can "ramp up" operations, as well as "ramp down" based on available funds. In light of this, EDA plans to allocate the majority of its funds to the Economic Adjustment Assistance program. This program focuses on communities facing sudden and severe economic distress as well as long-term chronic distress. Economic Adjustment is EDA's most flexible assistance since it provides resources for both infrastructure development and strategic planning. Additionally, EDA will continue to utilize funds currently available to fill vacant positions as they arise in 2009, particularly in our regional offices, to reach and maintain the agency's full staff operating level of 175 employees. EDA also plans to fully fund the partnership planning program, which supports the Economic Development Districts, and to maintain the funding level of the popular university center program, which provides valuable research on regional economic issues.

Reauthorization

EDA stakeholders have ideas about how to improve this agency and we've been listening. We have made a concerted effort to encourage feedback as part of our preparation for the agency's 2008 reauthorization, resulting in the introduction of the Administration's reauthorization legislation this past May. I have taken note of ideas offered in meetings by 232 Economic Development Districts (EDDs) from 32 states over the past eighteen months. We have also received feedback online through EDA's web site.

I look forward to working with Congress to reauthorize EDA. As part of our reauthorization proposal, which we submitted on April 16, 2008, we have included provisions that give economic development professionals **more local control and flexibility**. First, the flexibility for Revolving Loan Fund operators to "convert" assets to more productive uses in accordance with a strategic re-use plan; second, the ability to "amortize" or pro-rate the federal interest for construction grants; and, third, for the first time, there is a request for a "dedicated source of funding" to administer the Revolving Loan Fund, to ensure that this program receives the resources it deserves.

Closing

Senator Cardin, Ranking Member and members of the committee, thank you for your time today, and for inviting me to address the issues relevant to EDA's reauthorization. Since 2001, the President, Congress and EDA have shared a commitment to advancing this agency and economic development throughout America. I believe that EDA will continue to be a driver for innovation, entrepreneurship, growth and competitiveness in distressed areas of our country. I therefore look forward to working closely with Congress on reauthorization, and urge that an EDA reauthorization bill be acted upon this year. I look forward to answering any questions you may have.

APPENDIX A

FY 2008 EDA Excellence in Economic Development Awards

1. Excellence in Rural Economic Development
   Jackson County Development Council, Inc.
   Marianna, Florida

2. Excellence in Urban or Suburban Economic Development
   East Baltimore Development, Inc.
   Baltimore, Maryland

3. Excellence in Enhancing Regional Competitiveness
   City of Lima, Ohio
   Lima, Ohio

4. Excellence in Economic Adjustment Strategies
   City of Duluth Economic Development Authority
   Duluth, Minnesota

5. Excellence in Technology-led Economic Development
   Ben Franklin Technology Partners
   Harrisburg, Pennsylvania

6. Excellence in Community and Faith-Based Social Entrepreneurship
   Desert Alliance for Community Empowerment
   Coachella, California

7. Excellence in Innovation in Economic Development
   Bladen's Bloomin' Agri-Industrial, Inc.
   Elizabethtown, North Carolina

8. Excellence in Historic Preservation-led Strategies to Enhance Economic Development
   Silver City MainStreet Project
   Silver City, New Mexico

FY 2007 EDA Excellence in Economic Development Awards

1. Rural Economic Development
   Ohio State University Endeavor Center
   Piketon, OH

2. Urban or Suburban Economic Development
   Gateway Park, LLC
   Worcester, MA

3. Enhancing Regional Competitiveness
   KCSourceLink
   Kansas City, MO

4. Economic Adjustment Strategies
   Regional Planning Commission of New Orleans
   New Orleans, LA

5. Technology-led Economic Development
   Florida Institute for Human and Machine Cognition
   Pensacola, FL

6. Community and Faith-Based Social Entrepreneurship
   Pyramid Community Development Corporation
   Houston, TX

7. Innovation in Economic Development
   Paulding County Board of Commissioners
   Dallas, GA

APPENDIX B

A list of Planning and Performance Planning awards is available upon request.