

House Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings,
and Emergency Management
**EDA Reauthorization: Rating Past Performances and
Setting Goals During an Economic Crisis**

Testimony of

**Mr. Denny Coleman
International Economic
Development Council
734 15th Street, N.W.
Suite 900
Washington, DC 20005
(202) 223-7800**

Opening Statement by Denny Coleman

President and CEO of the St. Louis County Economic Council and Secretary-Treasurer of the International Economic Development Council.

In Testimony before the Subcommittee on Economic Development, Public Buildings, and Emergency Management of the Committee on Transportation and Infrastructure

March 10, 10 am hearing: "EDA Reauthorization: Rating Past Performance and Setting Goals During an Economic Crisis"

Chairwoman Norton, Ranking Member Diaz-Balart and members of the committee, thank you for having me here today to testify on behalf of the St. Louis County Economic Council, the International Economic Development Council and communities around the country. I am speaking on behalf of the International Economic Development Council, the world's largest membership organization serving the economic development profession. We are a non-profit organization on the front lines of helping economic developers - from public to private, rural to urban, local to regional, and international – do their jobs more effectively. Our members are currently faced with the greatest economic challenges in decades and have communicated to us the urgent and necessary role that EDA plays in helping them confront the local downturns in their economies – the diminishing jobs, struggling small businesses and high rate of foreclosures.

I'm here to share with you the vital role that the Economic Development Administration plays in aiding distressed communities rebuild and revitalize their local and regional economies – especially as we face the greatest economic crisis of a generation - and to express the support of the International Economic Development Council for the bill before you reauthorizing EDA through 2013.

First, a few words on the importance of this Committee in helping mitigate the already devastating impact to many American workers, businesses, homeowners and communities. In this time of economic hardship we have to be reactive to address these immediate needs and proactive to plan for longer term economic development strategies. Chairwoman Norton, we appreciate all the work you and the Committee have done to confront these current economic challenges with rapid response efforts and strategies for long term, sustainable and competitive economic growth. We would also like to acknowledge the contributions of the Committee Chairman James L. Oberstar, who has been a staunch champion of the EDA and who was a recipient in 2005 of IEDC's Federal Leadership in Economic Development Award. As Chairman of the Subcommittee on Economic Development in the 1980s, Representative Oberstar stopped the dismantling of EDA by embarking on a grueling thirty-day schedule of Congressional hearings to evaluate the agency and its programs. This singular effort is recognized as the major factor in the continued existence and success of EDA.

Please allow me to now share with you a few grim statistics that underscore the economic crisis facing our communities and nation. The Bureau of Labor Statistics reported that 651,000 jobs were lost in February alone and that the national unemployment rate surged last month to 8.1 percent, its highest level in 24 years. The state of Michigan has the highest unemployment at a level of 10.6% as of December, 2008, followed by Rhode Island and South Carolina; and states like Representative Shuler's home state of North Carolina were in the top ten with an unemployment rate of 8.7% in December. This crisis is not regional. It's hitting all parts of the country as well as all sectors. In 2008, 791,000 manufacturing jobs were lost, hitting the auto sector hardest. The construction sector shed 899,000 jobs since peaking in September 2006. People are losing their jobs – and their homes. In 2003, there were an average of 3,100

foreclosures per day in the U.S. or 2.3 million total. People, companies, and communities suffer. The property tax revenue base declines and communities can't provide their basic services. Given the demands to be reactive and stop the bleeding, it's hard to be proactive in the area of economic development – and yet we must.

Here's why we need EDA.

EDA is the only federal agency focused solely on private sector job growth and economic sustainability. Its mission is, and I quote, “to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.” Working with partners in both local governments and the private sector, EDA helps distressed communities generate jobs, retain existing jobs, and stimulate industrial and commercial growth.

While some other agencies including the Federal Emergency Management Agency, The Department of Housing and Urban Development, The Rural Development Administration at the Department of Agriculture, and the Economic Adjustment program at the Department of Defense all have programs to help economic dislocation and revitalization, only EDA is purposed solely for economic development and only EDA has the institutional knowledge, dating back to its creation in 1965, and expertise to lead this important task. FEMA, for example is limited by statute and mission to disaster recovery; they do not do economic recovery. We all know how important it is for a region to rebuild its economy in the aftermath of a natural disaster – and dating back to Hurricane Andrew in 1992, to the floods that ravaged areas in the Midwest including the St. Louis region in the 1990s to Hurricane Katrina, EDA has a proven track record

of helping communities rebuild. EDA also assists communities recover from other forms of sudden and severe economic dislocations including closure of military installations and other federal facilities, changing trade patterns and the depletion of natural resource. EDA also helps communities deal with problems associated with long-term structural economic distress. EDA's mission is vital to local economies and indeed our national economy – now more than ever.

Now, a few points on the bottom line.

EDA is cost-effective and has proven results. In Fiscal year 2007, EDA awarded over \$277 million in investments, of which \$209 million was for construction and infrastructure investments that are expected to create over 50,000 jobs at an average investment of \$4,000 per job. We've seen this translate to jobs for workers of various skill levels – from machinists and technicians in advanced manufacturing to high tech R&D workers.

EDA is an Agency that pays for itself – and more. On average, every dollar in taxpayer money attracts about \$26 in private capital investment. Since EDA's creation in 1965, the EDA has leveraged in excess of \$130 billion in private sector investments in distressed communities while creating more than four million private sector jobs.

EDA funds are matched. This makes local taxpayers, and those of us who work to grow the economy on their behalf, invested and accountable. Local communities are required to match all disbursements of EDA grant money at a level of between 20% and 50% dependent on the degree of economic distress in the community. We are investment partners with the EDA and the

private sector to create and retain the jobs, businesses, industries and technologies that are competitive in the worldwide economy.

EDA is forward-looking. Its investments leverage jobs in the private sector that will be competitive in the global marketplace. The current mission statement, which emphasizes innovation, competitiveness and the worldwide economy, reflects this proactive vision. EDA's programs illustrate the Administration's priorities - from the stalwart Public Works and Economic Development and Economic Adjustment Assistance Program - to programs in Research and National Technical Assistance, Brownfields Development, a University Center Economic Development Program and Trade Adjustment Assistance. As I will illustrate with local examples, as a result of investment from EDA, communities have built business incubators, enhanced technology transfer and commercialization and bolstered the export sector of our local economies. Partnerships are cross-cutting – from industry and entrepreneurs to universities and worker job training programs.

During this time of national economic slowdown, effective investment in lagging parts of the country is crucial to maintaining our country's competitive advantage. We cannot leave distressed communities behind and we need an agency dedicated – in partnership with local government and the private sector – to that task.

Please allow me to talk about what EDA has meant for St. Louis.

St. Louis County is truly a great place to live and work and continues to receive recognition for its affordable cost of living, family-oriented environment, excellent cultural amenities and supportive business climate. But we have had to be proactive, resourceful and innovative to stay competitive in the modern global economy. In the 1990s, downsizing in the defense industry hit St. Louis hard. The region lost 60,000 jobs in the defense industry, 27,000 alone from McDonnell Douglas, which is now merged with Boeing. Floods inflicted heavy damage in 1993 and 1995 and continue to hurt the economy with remnants from Hurricane Ike and earlier floods causing extensive damage in the spring of 2008. Through this time, the EDA has helped us with the economic recovery and the transition from a heavy manufacturing and defense-based economy to one with more diverse, globally competitive industries. EDA has been a valuable partner in helping us expand our international trade capability, spawn entrepreneurship and develop and commercialize technologies for the benefit of economic development. St. Louis County Executive Charlie A. Dooley, my boss, recognizes EDA as an important partner in our economic resilience when we run into troubled times.

St. Louis County has been fortunate to be the recipient of EDA assistance for a number of projects that illustrate the significant impact EDA funding has on local communities. I will briefly discuss the breadth and depth of the significant community impact that EDA-funded projects have had in the following areas: economic readjustment and the loss of major employers; disaster recovery; entrepreneurship and small business development; increased competitiveness in the global economy; and jobs and training for distressed communities.

Economic readjustment and the loss of major employers. EDA provided funding of \$12 Million which includes funding for the WTC and MET Center discussed below to establish the

highly successful St. Louis Defense Adjustment Program, a regional job and industry diversification effort organized in response to defense downsizing initiated in 1990. The Defense Adjustment Program has had far-reaching impacts including the spawning of several critical technology partnerships that ultimately led to the development of medical and plant science technology commercialization centers -which provide the specialized facilities, knowledgeable support services, entrepreneur training programs, and access to capital needed to establish and develop next generation bio-technology companies.

Disaster Recovery. EDA was our critical partner in developing and implementing economic development strategies in the wake of the 1993 and 1995 Midwest floods, in part by developing two successful small business incubators in flood-impacted areas. More recently, EDA has awarded \$1.725 million to develop St. Louis as the Midwest hub for U.S. and Chinese commerce - increasing US exports to China and creating new jobs in the communities in the Midwest that have been severely impacted by the 2008 floods. This EDA investment also advances the economic development priorities of competitiveness in the global economy, enhancing entrepreneurial opportunities, and responding to the loss of major employers.

Entrepreneurship and Small Business Development. Our St. Louis Enterprise Centers (SLEC) relied on \$5.8 Million in EDA funding to construct two business incubators that assist new and small businesses with affordable business space, shared support services, access to expert mentors, and networking opportunities. Companies served by the Centers employed 716 full-time employees with gross revenues totaling nearly \$160 million in 2007 alone. This EDA investment also advanced additional economic development priorities: 1) Disaster recovery - the

Lemay and Chesterfield Centers were built with 1993 flood recovery funds in flood impacted areas, and 2) Jobs for Distressed Communities – Centers were constructed in older, inner-ring communities of Lemay and Wellston.

Competitiveness in the Global Economy. Initially relying on \$820,000 in EDA assistance, the World Trade Center *St. Louis* (WTC) guides and prepares businesses for international success by providing research, expertise and support services in international trade. As a result of that early EDA assistance, in the past 11 years, WTC client companies have produced more than \$100.3 million in international trade revenues and economic growth. In the last three years alone, the WTC has provided research and education services for 825 companies. The WTC also advances the economic development priority of growing small businesses by providing them with resources and critical linkages to international markets. WTC is also leading the regional effort to establish the Midwest-China Air Cargo Hub.

Jobs in Distressed Communities. EDA provided \$6 Million for the development of the Metropolitan Education and Training Center (MET Center), a unique partnership of public, private, and community organizations, that provides a comprehensive set of technical job training, placement, and career development services to disadvantaged populations. The MET Center is located in Wellston, an old, inner-ring suburb suffering from severe disinvestment, inadequate infrastructure, and poverty. From January 2000 to March 2009 the MET center has successfully placed 3,675 customers into fulltime employment at an average wage of \$10.37 per hour which represents an approximately \$79 million impact to the St. Louis regional economy.

St. Louis is one of hundreds of communities and regions around the country revitalizing with the assistance of investment from EDA in combination with local money and significant leverage from the private sector. Here are some other examples.

Aurora, Colorado. When the 578-acre former Fitzsimons Army Medical Center located outside Denver shut down in 1999, 4,000 jobs were lost. But with the help of EDA funding, the site is now known as the Fitzsimons Life Science District and Anschutz Medical Campus, and the number of jobs on the site has quadrupled to 16,000. The site is the largest medical-related redevelopment project in the nation. I recently visited it. On one square mile is a hub of bioscience - the campus of the University of Colorado Denver's health sciences schools and University of Colorado Hospital, The Children's Hospital, the Colorado Science and Technology Park at Fitzsimons, an 184 acre business park for biotechnology and biomedical companies and The EDA-funded Bioscience Park Center, a life sciences incubator that opened in 2000. This incubator currently houses 33 bioscience companies and has had 5 successful graduates; these companies have created 481 jobs and raised \$620 million in funding. Total EDA investment for the site has been approximately \$30 million including multiple components of site infrastructure – including roads, sewer and water utilities – and the biosciences incubator.

Albuquerque, New Mexico. The Sandia Science and Technology Park is home to over 20 technology businesses, more than 2000 employees and over \$250 million dollars in private investment. It just celebrated its ten year anniversary. Ten years ago, the site was a barren piece of land. It required the vision of local entrepreneurs who could persuade outside investors of the importance of incubating new business and commercializing and bringing to market new

technology. The park is now home to companies that tap the resources of the nearby Sandia National Laboratory, the University of New Mexico, and Technology Ventures Corporation to develop and commercialize technology that was previously being developed at the University or the Lab and then shipped out of state, commercialized and brought to market elsewhere. EDA made an initial million dollar grant to the Technology Ventures Corporation to install a fiber-optic line within the Park for high speed communications to help get the Park going - and has since then followed up with three other investments totaling \$2.4 million. EDA was an early supporter and has continued to be a strong advocate of business incubators, innovation and research and development parks – home-grown economic development initiatives that are competitive world-wide.

New Orleans. Fran Gladden, the Undersecretary for Economic Development in the state of Louisiana recently sent the International Economic Development Council a note endorsing the reauthorization of the EDA and expressing the importance of the Administration's role in the economic recovery of New Orleans in the aftermath of Hurricane Katrina. EDA provided the state with a \$4 million grant to develop a recovery strategy, provide development assistance to businesses, work on restoring investor confidence, retain key employers in the City or the State; and engage the business community to leverage private development resource. EDA followed up with a \$2.5 million supplemental grant last year after hurricanes hit the Gulf Coast again. EDA also directly invested another 4.5 million in New Orleans for projects to help the economy recover in such a way that they would be more globally competitive moving forward. To that end, EDA funds were directed toward a Bio-Innovation Center, the Regional Planning

Commission, the World War II Museum, the Medical District and a Revolving Loan Fund, among other projects.

EDA has a portfolio of investments in diverse communities facing different kinds of challenges but determined to meet those challenges with economic development tools that will help them be sustainable in a global economy. There are numerous other examples. Recent winners of the Administration's Economic Development Awards reflect that - East Baltimore Development, Inc. is transforming 88 blighted areas with \$1.8 billion dollars in new investments – with the goal of attracting families and market enterprises back to the neighborhood. Paulding County, Georgia's Board of Commissioners is implementing a plan that will develop a retail area and an airport that is an alternative to Atlanta's busy hub – all within an area of natural forestry and wildlife. They have been able to balance economic development with environmental priorities.

Throughout its history, EDA has proven to be an effective tool in combating economic distress and chronic poverty. EDA believes that economic development is a locally driven process. Their process is competitive. They vet our proposals and give funding to the most competitive. EDA then becomes a partner with local government and the private sector. It has proven to be a nimble partner, responding to the needs of local government and helping us shape our local economies without dictating unreasonable federal mandates.

Finally I would like to share with you a few critical points and recommendations regarding EDA.

Not only does EDA need to be reauthorized, it needs to get significant more funding

particularly for the next three to five years as we deal with this economic disaster. There are several core areas of the agency that have been cut and need to be restored to former levels or need significant augmentation. These include the Public Works Program, Economic Adjustment Assistance, Baseline Funding for Economic Development Districts and Planning grants and the Revolving Loan Fund.

- The Public Works Program. We have found that among the most crucial tools of EDA are its Public Works program for which funding has unfortunately declined nearly 35% since fiscal year 2002 and its Economic Adjustment Assistance Program. Funds need to be increased to higher levels.
- Economic Adjustment Assistance. We are pleased that in this new authorization bill, EDA will continue to allocate the majority of its funds to its core program of Economic Adjustment Assistance. The flexibility of this program has assisted infrastructure development and strategic planning goals. But it needs to be bolstered as more and more communities need the critical intervention this assistance can provide as they face our economic crisis.
- Baseline Funding. We would also like to see an increase in the baseline funding for the planning grant programs and for the agency's economic development districts (EDD's).
- The Revolving Loan Fund. The revolving loan fund provides crucial funding to businesses at below market rates or when financing is not available from the private sector and we would like to see more revolving loan funds with increased local flexibility. It's a crucial issue as credit markets remain tight.

Because FEMA is an agency that is prohibited from doing economic development, the EDA needs to be the lead federal organization on economic development in the aftermath of a natural disaster. And Congress needs to appropriate supplemental funds to EDA as the front agency in economic disaster relief and recovery in the immediate wake of a natural disaster.

The EDA should revisit the criteria for distressed communities.

We need to take a hard look at the criteria for economic distress. Are we using definitions that were constructed years ago? Many communities are currently facing economic distress brought on by the current crisis in the housing market, credit market and job market. They need immediate help; an infusion of funds could make the difference to their economic future. We need to get help to these communities now and consider a relaxation of rules qualifying communities as distressed.

The EDA should lower or waive matching requirements by communities during this time of economic crisis. The \$500 million disaster supplemental that was appropriated last year had a blanket 75% grant rate, meaning EDA recipients had to match with 25%. During this time of economic crisis, the EDA should adopt that grant rate or go even higher - or even waive the grant rate. Some of the distressed communities that need the help the most are the ones that do not have the surplus resources to contribute matching funds. But those may be precisely the ones that are hardest hit and that we need to reach.

EDA needs to be reinvigorated, with resources and manpower.

We are pleased that the current budget will allow for EDA to fill vacant positions as they arise in 2009, but we are concerned that overall that there has not been an effort to reinvigorate this agency for some time. It has been left to languish without new investment in manpower and resources. Now with a number of people with significant experience set to retire and most importantly during this economic crisis, we need sufficient manpower for rapid and effective response. A top-notch staff that provides advanced technical services and understands the changing and challenging dynamics of local economic developers and private sector partners is crucial in our current economic times.

EDA needs to do more to support regional initiatives. We also would like to see EDA support initiatives that foster regional coalitions of economic developers. We recognize that regional economies do not respect local political boundaries. Therefore, economic developers recognize that economies must draw upon the resources of an entire region as they seek to develop private sector growth that is globally competitive.

On behalf of communities around the country working hard to stay competitive in this challenging global economy, I urge you to reauthorize the Economic Development Administration for another five years. We look forward to EDA continuing to partner with us and the private sector in our efforts to generate and retain jobs and stimulate industrial and commercial growth in order to build stronger communities for a stronger America.

Thank You.