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Introduction

Chairman Denham, Ranking Member Norton, and members of the Subcommittee, thank you for inviting me here today to testify on behalf of the Economic Development Administration (EDA).

There is no denying that this is a tough economy. The country is recovering from the deepest financial crisis since the Great Depression. President Obama and the Congress have taken many bold actions over the past two years to move our economy in the right direction. While there has been progress, economic and job growth has not been strong enough, nor has it been fast enough. We clearly have more work to do.

While we acknowledge the work ahead, we must also operate in a constrained fiscal environment. As President Obama has consistently stated, one of the most important and urgent things we can do for the economy is get our fiscal house in order and reduce our nation's deficit. In this context, the focus of today's hearing is particularly timely and extremely important.

When we look closely at thriving economies, we see at their core, a business climate that supports innovation, industry clusters, and the development and growth of entrepreneurs and small businesses. EDA's investments cultivate public/private partnerships that support strategies to capitalize on regional assets to create jobs and encourage business expansion. Importantly, the investments we make support bottom-up strategies developed by the local and regional leaders we serve. This orientation – that the best ideas bubble up from regional and small business leaders – is a critical element of EDA's programs.

Rather than pursuing a one-size-fits-all approach, EDA funds customized solutions such as innovation infrastructure, business incubation, revolving loan funds, planning grants, and other resources within urban, rural and regional economies. EDA's unique portfolio of flexible programs allows us to respond to changing regional conditions faced by our local government and regional partners. We are able to do this because EDA is the only federal agency with economic development as its exclusive mission.

Partnerships that support local solutions

I recently visited Fresno, California, an area particularly hard hit during the economic downturn, and had the opportunity to sit down and talk with local officials and business leaders. EDA assisted in developing and implementing Fresno's economic development strategies with key partnership investments.

For example, EDA funds helped construct the Claude Laval Water and Energy Technology (WET) Incubator on the campus of Cal State Fresno. At WET, start-up companies and entrepreneurs are doing cutting edge research in the use of water supporting the agricultural sector while helping grow small businesses. WET reports that, since opening its doors in 2007, it has launched15 new businesses, leveraged $17 million in private sector investment and created 95 new jobs. Companies like PEAR California, Pure Science and STI, are rapidly becoming market leaders.

This incubator is a good example of how EDA supports economic development from the ground up. While it is the local entrepreneurs and the university who created the jobs, EDA's investment served as a vital catalyst for the local partnerships necessary to spur innovation and new business development. The incubator has been successful linking and aligning programmatic support and sponsorship from private companies such as Amazon.com and Microsoft, and public organizations such as the local Workforce Investment Board (WIB), City of Clovis, City of Fresno, USDA Rural Development, and the Small Business Administration (SBA).

Coordination, not duplication

The WET Incubator is but one example of how EDA's investment can be used to align other federal programs in highly complementary ways. EDA has a long-standing practice of coordinating with other Federal agencies. For example, the Black Hills Business Development Center in Rapid City, South Dakota, promotes the development of early stage technology based companies. EDA funded the construction of this facility, while a SBA- funded Small Business Development Center, located within the incubator, provides services and programming support

for the tenant businesses. In 2010, EDA awarded $800,000 to the Innovation Depot located in Birmingham, Alabama to rehabilitate existing office space to make it more suitable for start-ups and meet area demand. The Birmingham Area SBDC office is located in the Depot and performs the traditional services of the SBDC. These examples illustrate how we can maximize investments from programs with similar goals in a highly complementary fashion. We will be the first to acknowledge, however, that we can do even more to align and leverage diverse funding opportunities across the federal government with the needs of our local communities.

EDA is using its knowledge of best practices to create several new initiatives designed to further advance regional economic growth strategies through coordinated federal investments. For example, EDA's Office of Innovation and Entrepreneurship recently announced the Jobs and Innovation Accelerator Challenge. The Jobs Accelerator, through a single competitive process, offers a combined $33 million in funding from three federal agencies as well as technical assistance from 13 additional agencies to support 20 competitively selected industry clusters with high growth potential in urban and rural regions across the nation. Each of these investments will serve as a catalyst for leveraging private capital from an array of sources such as foundations, financial institutions, corporations and other private sector partners.

This initiative represents the Administration's policy priority to accelerate bottom-up innovation. The Jobs Accelerator also meets the Administration goals for the smarter use of existing government resources by bringing together siloed Federal programs and promoting more coordinated federal funding opportunities that offer more efficient access to federal resources.

The response to this competition has been extremely positive and we believe this can be a model for better integrated federal economic development investments.

Providing a customized portfolio of solutions to complex problems

Every region across the country, from California's Central Valley to Central Appalachia, has unique economic challenges, opportunities, and assets. The diversity of each of these regions' economies also reflects the complexity that often makes up an economic development ecosystem. Through its six regional offices, EDA deploys economic development professionals assigned to assist communities in each state. These economic development representatives work directly with local officials to provide assistance and guidance in developing strategies for economic growth.

Working with these regions to develop an effective local economic ecosystem that can leverage these opportunities and assets is the central purpose of our investments. Key to EDA's bottom-up approach to economic development is the agency's ability to provide customized solutions that address the economic needs unique to every community. While EDA's programs each have a distinct focus and authority, together they represent a portfolio of flexible tools that the agency utilizes to address the critical economic needs of distressed communities.

The tool set

Building or re-building a regional economy is not easy, particularly during these tough economic times. Each community's needs will be different depending on the infrastructure and assets they

have to work with. This is why all of EDA's programs empower communities to help themselves.

EDA has planning tools. EDA supports more than 380 Economic Development Districts (EDD) across the country. Each EDD is comprised of a collection of counties and communities that work together to support, develop, and implement Comprehensive Economic Development Strategies for their regions. These strategies capitalize on each region's comparative strengths and assets to spur innovation and investment that will ultimately lead to long-term economic prosperity.

EDA provides economic development technical assistance to communities. EDA's University Center program helps colleges and universities effectively leverage their resources to provide technical assistance and economic development strategy support to the communities they serve. One University Center, the Delta Center at Arkansas State University, provides technical support, strategic planning services, research and analysis, training and leadership development for local government, chambers of commerce, and development organizations across Arkansas. Through the Delta Center, University faculty works directly with community leaders to identify assets and leverage them to build the community and grow the economy. Since the beginning of 2010, the Delta Center has assisted more than 440 firms.

EDA supports innovation infrastructure. EDA will fund infrastructure necessary to meet a Region's strategic economic development goals and needs, which in turn results in job creation. This includes infrastructure used to develop basic economic development assets as well as

infrastructure that supports innovation and entrepreneurship. Some examples of innovation and entrepreneurship-related infrastructure that support job creation include business incubators, business accelerators, proof of concept centers, science and research parks, venture development organizations and technology transfer centers. EDA's Office of Innovation and Entrepreneurship plays a unique role in this arena.

In 2010, the Office of Innovation and Entrepreneurship launched the i6 Challenge, a competitive grant program to support technology commercialization and entrepreneurship. Jointly funded by EDA, the National Institutes of Health (NIH) and the National Science Foundation (NSF), the i6 Challenge invested a total $12 million in the six winning projects, one in each of EDA's regions. In Atlanta, Georgia the Global Center for Medical Innovation (GCMI) received one of the awards to accelerate the development and commercialization of next generation medical devices. Building on the success of this initial i6 Challenge, EDA's Office of Innovation and Entrepreneurship is partnering with USDA and the US Environmental Protection Agency (EPA) to fund the i6 Green Challenge. We expect to announce the six winning projects later this summer.

Smarter money, continuous improvement

As a model of smart, lean government EDA works with regions to fully leverage existing assets. While EDA has had tremendous success in our programs, we continue to look inward and evaluate our processes. One thing was very clear: in order to meet the needs of its stakeholders in the 21st century, EDA needed to move at the pace of business. With this in mind, the agency embarked on a comprehensive internal study of its grant making process in 2010. EDA

leadership engaged stakeholders in a collaborative process to create a new grant application system that would significantly reduce the time it takes to respond to each application, while still maintaining exemplary levels of customer service. This evaluation process culminated in an overhaul of the EDA's grant application process to increase the efficiency, accountability, and transparency of the competitive based system. Since its initiation in October 2010, EDA's new process has significantly increased our efficiency and enabled the agency to decrease the time it takes to make funding decisions from 128 business days to 20 business days or less.

Also, we recently completed a 70-day public comment period where we invited stakeholders to make suggestions on where EDA can eliminate regulations that are obsolete or interfere with small business and job creation. Our goal is to make sure EDA's regulations reflect best practices and help the agency work even more effectively with our public and private partners to create jobs and promote competitive regional economies. Later this summer, we expect to publish streamlined regulations that are flexible, responsive, and improve accountability.

Closing

Mr. Chairman, Ranking Norton and members of the subcommittee, thank you for your time today, and for inviting me to talk about EDA. EDA is proud of its reputation as an agency that can achieve positive results and as an agency that does not shy away from innovative solutions or rigorous evaluation of its programs to improve local and regional economic development outcomes. I am proud of the agency's continued leadership on these issues and firmly believe that EDA will continue to be a catalyst for economic growth and job creation throughout our country. I look forward to answering any questions that you may have.