

**REAUTHORIZATION OF THE  
ECONOMIC DEVELOPMENT ADMINISTRATION**

---

---

**HEARING**  
BEFORE THE  
**COMMITTEE ON ENVIRONMENT AND  
PUBLIC WORKS**  
**UNITED STATES SENATE**  
**ONE HUNDRED EIGHTH CONGRESS**  
SECOND SESSION

APRIL 28, 2004

Printed for the use of the Committee on Environment and Public Works



U.S. GOVERNMENT PRINTING OFFICE

94-605 PDF

WASHINGTON : 2006

---

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Internet: [bookstore.gpo.gov](http://bookstore.gpo.gov) Phone: toll free (866) 512-1800; DC area (202) 512-1800  
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

ONE HUNDRED EIGHTH CONGRESS  
SECOND SESSION

JAMES M. INHOFE, Oklahoma, *Chairman*

JOHN W. WARNER, Virginia	JAMES M. JEFFORDS, Vermont
CHRISTOPHER S. BOND, Missouri	MAX BAUCUS, Montana
GEORGE V. VOINOVICH, Ohio	HARRY REID, Nevada
MICHAEL D. CRAPO, Idaho	BOB GRAHAM, Florida
LINCOLN CHAFEE, Rhode Island	JOSEPH I. LIEBERMAN, Connecticut
JOHN CORNYN, Texas	BARBARA BOXER, California
LISA MURKOWSKI, Alaska	RON WYDEN, Oregon
CRAIG THOMAS, Wyoming	THOMAS R. CARPER, Delaware
WAYNE ALLARD, Colorado	HILLARY RODHAM CLINTON, New York

ANDREW WHEELER, *Majority Staff Director*

KEN CONNOLLY, *Minority Staff Director*

# C O N T E N T S

Page

## APRIL 28, 2004

### OPENING STATEMENTS

Allard, Hon. Wayne, U.S. Senator from the State of Colorado .....	19
Baucus, Hon. Max, U.S. Senator from the State of Montana, prepared statement .....	37
Bond, Hon. Christopher S., U.S. Senator from the State of Missouri .....	5
Clinton, Hon. Hillary Rodham, U.S. Senator from the State of New York .....	21
Crapo, Hon. Michael D., U.S. Senator from the State of Idaho .....	5
Inhofe, Hon. James M., U.S. Senator from the State of Oklahoma .....	1
Jeffords, Hon. James M., U.S. Senator from the State of Vermont .....	2
Murkowski, Hon. Lisa, U.S. Senator from the State of Alaska .....	15
Thomas, Hon. Craig, U.S. Senator from the State of Wyoming, prepared statement .....	37
Wyden, Hon. Ron, U.S. Senator from the State of Oregon .....	7

### WITNESSES

Gatson, Charles R., vice president and Chief Operating Officer, Swope Community Builders .....	28
Prepared statement .....	75
Gorshing, Gary, president, National Association of Development Organizations .....	25
Prepared statement .....	65
Sampson, David A., Assistant Secretary of Commerce for Economic Development, Economic Development Administration .....	8
Prepared statement .....	39
Responses to additional questions from:	
Senator Baucus .....	61
Senator Jeffords .....	46
Senator Murkowski .....	62
Senator Thomas .....	60
Saudade, James J., deputy commissioner, Department of Housing and Community Affairs, State of Vermont .....	27
Prepared statement .....	72
Singerman, Phillip A., executive director, Maryland Technology Development Corporation, on behalf of the International Economic Development Council .	30
Prepared statement .....	77
Responses to additional questions from Senator Jeffords .....	80

### ADDITIONAL MATERIAL

Charts:	
EDA Investments and Advance Faith-Based Social Entrepreneurship and Redevelopment Strategies, FY 2002 to Date and Over \$1M in EDA Funding, May 12, 2004 .....	59
EDA Investments FY 1998 to Date In the State of Vermont, May 12, 2004 .....	52-53
EDA Investments to the Philadelphia Region Office FY 1998-2004 to Date for Public Works, EA Construction and RLF Only, Average Estimated Private Investment Leveraged per EDA\$, May 12, 2004 .....	54
EDA Public Works, EA Construction and RLF Investment FY 1998 to Date In the State of Vermont, May 12, 2004 .....	51

IV

	Page
—Continued	
EDA Revolving Loan Fund Investments, FY 1998 to date, Sorted by FY and State, May 12, 2004 .....	55–58
Letter, Union County Board of Commissioners to Oregon Congressional De- legation .....	88
Policy Recommendations, International Economic Development Council (IEDC).....	80–84
Statement, National Association of Regional Councils and National Associa- tion of Counties .....	86

## **REAUTHORIZATION OF THE ECONOMIC DEVELOPMENT ADMINISTRATION**

**WEDNESDAY, APRIL 28, 2004**

U.S. SENATE,  
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,  
*Washington, DC.*

The committee met, pursuant to notice, at 9:30 a.m. in room SD-406, Senate Dirksen Building, Hon. James M. Inhofe (chairman of the committee) presiding.

Present: Senators Inhofe, Bond, Crapo, Murkowski, Allard, Jeffords, Wyden, and Clinton.

### **OPENING STATEMENT OF HON. JAMES M. INHOFE, U.S. SENATOR FROM THE STATE OF OKLAHOMA**

Senator INHOFE. The meeting will come to order.

First of all, good morning, and we thank all the witnesses for appearing before us today. A special welcome to Gary Gorshing, who is here from Oklahoma, from southwest Oklahoma. We are glad to have you here, Gary, and look forward to your testimony. That is one thing nice about being Chairman of the committee, you can always have a witness from Oklahoma.

Senator JEFFORDS. I remember my days.

Senator INHOFE. Well, you have one from Vermont; so do not cry.

Senator JEFFORDS. All right.

Senator INHOFE. This hearing today is to discuss the reauthorization of the Economic Development Administration. It was created in 1965 to provide assistance to economically distressed areas, primarily those experiencing substantial and persistent unemployment and poverty. We have a lot of those problems in Oklahoma that, of course, Vermont does not have. So I am more concerned about this probably. These areas count on EDA to help create favorable environments for long-term economic growth. Studies have shown that EDA uses Federal dollars efficiently and effectively, creating and retaining long-term jobs at an average cost that is among the lowest in the Government.

We have had some great successes working with EDA in our home State of Oklahoma; overall, in the last decade, EDA investments of about \$47 million, leveraged by \$42 million in State and local dollars, and more than \$1 billion in private sector dollars. Now, that is what this is all about, that is what we are supposed to be doing. Altogether, these investments created or saved more than 13,000 jobs just in my State.

More specifically, just about a year ago, I joined Dr. Sampson as he presented an award to the city of Durant and the Choctaw Na-

tion of Oklahoma for a public works project. The project is construction of an industrial park and infrastructure to support the expansion of a Big Lots, Inc. distribution facility. It will include significant local, State, tribal, and private investment and will support more than 300 jobs. I know we will have many more of these success stories as time goes by. I am sure, Mr. Sampson, you were impressed with the very large turnout that was there with you and me on that date.

The EDA contributes to important projects like this all across the country. Reauthorization gives us an opportunity to talk about the efficiencies and about areas where we might have room for improvement. One thing I would like to pursue, and perhaps you could address this in your opening statement, and maybe your predecessor on the next panel could also do it, is we have been disturbed a little bit recently about some of the language I have seen on EDA's work on brownfields that would change the role from redeveloping to remediation of these sites. As you and I talked in my office, Mr. Sampson, that is the role of the EPA, EDA is supposed to be creating jobs. So maybe we can talk about that as we move on. Thank you very much for appearing.

[The prepared statement of Senator Inhofe follows:]

STATEMENT OF SENATOR JAMES M. INHOFE, U.S. SENATOR FROM THE  
STATE OF OKLAHOMA

Good morning. Thank you to all of our witnesses for appearing before us today and a special welcome to Mr. Gary Gorshing from southwestern Oklahoma. We're glad to have you here, Gary, and I look forward to your testimony.

Today's hearing is to discuss reauthorization of the Economic Development Administration. EDA was created in 1965 to provide assistance to economically distressed areas, primarily those experiencing substantial and persistent unemployment and poverty. These areas count on EDA to help create favorable environments for long-term economic growth. Studies have shown that EDA uses Federal dollars efficiently and effectively creating and retaining long-term jobs at an average cost that is among the lowest in government.

We've had some great successes working with EDA in my home State of Oklahoma. Overall, in the last decade, EDA investments of about \$47 million, leveraged \$42 million in State and local dollars and more than \$1 billion in private sector dollars. All together, these investments created or saved more than 13,000 jobs. More specifically, just about a year ago, I joined Dr. Sampson as he presented an award to the city of Durant and the Choctaw Nation of Oklahoma for a public works project. The project is construction of industrial park infrastructure to support expansion of a Big Lots, Inc. distribution facility. It will include significant local, State, tribal and private investment and will support more than 300 new jobs. I know we will have many more of these success stories in the future as well. In fact, just yesterday we announced \$2.1 million in EDA project and planning grants for the State of Oklahoma. I look forward to seeing the benefits of these good investments in the coming months and years.

EDA contributes to important projects like this all across the country. Reauthorization gives us an opportunity to ensure the continuation of this good work and to provide the tools necessary to improve performance even further. I look forward to hearing from today's witnesses and to working with my committee colleagues, the Administration and interested stakeholders to move a reauthorization bill as quickly as we can.

Senator INHOFE. Senator Jeffords.

**OPENING STATEMENT OF HON. JAMES M. JEFFORDS,  
U.S. SENATOR FROM THE STATE OF VERMONT**

Senator JEFFORDS. Good morning, Mr. Chairman. Thank you for holding this hearing today on the Economic Development Adminis-

tration (EDA). I am delighted to be here to discuss the reauthorization of this very important Agency.

EDA and its programs provide vital financial and technical assistance to our Nation and to my home State of Vermont. I am so pleased to welcome a witness from Vermont, James Saudade, the deputy commissioner of the Vermont Department of Housing and Community Affairs. He most recently completed 7 years as executive director of the Green Mountain Economic Development Corporation and has valuable insight into EDA's performance in Vermont. Welcome, Mr. Saudade.

During the past 10 years, Vermont has seen an EDA investment totaling over \$13 million. This investment has created over 750 jobs and leveraged over \$89 million of private sector investment in our small rural State. Vermont's State and local match dollars total \$22 million. These are significant economic investments for a small State. Through regional planning grants and infrastructure project money, the Economic Development Administration has been a vital and willing partner in Vermont's economic growth. In fact, the last time Dr. Sampson and I were together we were in the bucolic setting of rural Randolph, VT, announcing a new business incubator initiative. This initiative represents a wonderful collaboration between the Federal Government, higher technical education, and local Vermont business community.

In addition to commending EDA for its important role, I am here to explore how the Agency can do its job more efficiently and effectively despite being hamstrung by budgets being authorized levels and far below the economic development needs of this country. I am also interested in exploring how EDA's programs meet the needs of rural States, like Vermont, which suffer not only from high poverty levels and unemployment but underemployment as well.

We all know the critical importance of innovation and value-added industries. However, where would we be without the preliminary planning process that informs any successful economic initiative. EDA has a very important role to play in supporting planning at the local level. Nationwide, EDA has spearheaded the development of the business incubators, creating a platform for a variety of entrepreneurs to grow small businesses. It is a great idea. Small business is the backbone of our country. The economy and statistics tell us that it is. A supported startup in a business incubator has far better possibilities of success.

I appreciate hearing many more people talk about the fundamental importance of linking research universities to businesses. Ideas need a hospitable environment in which to incubate in order to create new enterprises. Support for the university centers and technology transfer they may foster from the laboratory to the marketplace is very important in our economy. These opportunities result in high paying, skilled jobs and prosperity for our citizens. EDA must continue to make work force development a high priority so that the United States can meet the skill needs of the global marketplace.

Brownfield redevelopment is another area of great interest to me. The State of Vermont has over 2,000 brownfield sites. Only a handful of these have been declared cleaned up. It is my hope that EDA

can play a larger role in the economic redevelopment of these brownfield sites in order to diminish the amount of industrial property sitting idle.

Mr. Chairman, thank you for scheduling this hearing at the full committee level. I look forward to hearing testimony from this morning's witnesses.

[The prepared statement of Senator Jeffords follows:]

STATEMENT OF SENATOR JAMES M. JEFFORDS, U.S. SENATOR FROM THE  
STATE OF VERMONT

Good morning. Mr. Chairman, thank you for holding this hearing today on the Economic Development Administration (EDA). I am delighted to be here to discuss the reauthorization of this very important Agency. EDA and its programs provide vital financial and technical assistance to our Nation and to my home State of Vermont.

I am also pleased to welcome a witness from Brownsville, Vermont—James Saudade, the Deputy Commissioner of the Vermont Department of Housing and Community Affairs. He most recently completed 7 years as the Executive Director of the Green Mountain Economic Development Corporation and has valuable insight into EDA's performance in Vermont. Welcome Mr. Saudade.

During the past 10 years Vermont has seen an EDA investment totaling over \$13 million. This investment has created over 750 jobs and leveraged over \$89 million of private sector investment in our small rural State. Vermont's State and local match dollars total \$22 million. These are significant economic investments for a small State.

Through regional planning grants and infrastructure project money, the Economic Development Administration has been a vital and willing partner in Vermont's economic growth. In fact, the last time Dr. Sampson and I were together, we were in the bucolic setting of rural Randolph, Vermont announcing a new business incubator initiative. This initiative represents a wonderful collaboration between the Federal Government, higher technical education, and the local Vermont business community.

In addition to commending EDA for its important role, I am here to explore how the Agency can do its job more efficiently and effectively despite being hamstrung by budgets below authorized levels and far below the economic development needs of this country.

I am also interested in exploring how EDA's programs meet the needs of a rural State like Vermont, which suffers not only from high poverty levels and unemployment, but under-employment as well.

We all know the critical importance of innovation and value-added industries. However, where would we be without the preliminary planning process that informs any successful economic initiative?

EDA has an important role to play in supporting planning at the local level. Nationwide, EDA has spearheaded the development of business incubators. Creating a platform for a variety of entrepreneurs to grow small businesses is a great idea. Small business is the backbone of our economy. The statistics tell us that a supported startup in a business incubator has a far better possibility of success.

I appreciate hearing many more people talk about the fundamental importance of linking research universities to businesses. Ideas need a hospitable environment in which to incubate in order to create new enterprise. Support for University Centers and the technology transfer they foster from the laboratory to the marketplace is very important to our economy. These opportunities result in high paying skilled jobs and prosperity for our citizens. EDA must continue to make work force development a high priority so that the United States can meet the skill demands of the global marketplace.

Brownfield redevelopment is another area of great interest to me. The State of Vermont has over 2,000 brownfield sites. Only a handful of these have been declared cleaned up. It is my hope that EDA can play a larger role in the economic redevelopment of these brownfield sites in order to diminish the amount of industrial property sitting idle.

Mr. Chairman, thank you for scheduling this hearing at the full committee level. I look forward to hearing testimony from this morning's witnesses.

Senator INHOFE. Thank you, Senator Jeffords.  
Senator Crapo.



**OPENING STATEMENT OF HON. MICHAEL D. CRAPO,  
U.S. SENATOR FROM THE STATE OF IDAHO**

Senator CRAPO. Thank you very much, Mr. Chairman. I, too, appreciate your holding this hearing and your strong work in this area. I also want to welcome and acknowledge Dr. Sampson. I would like to say at the outset that I believe the EDA is one of those Federal Agencies that is really working well. It is doing its job. As you can tell from the comments that have already been made by other Senators, the results are visible on the ground out in the States. I simply want to commend you for the job that the Agency is doing.

That is not to say we do not have our issues once in a while. But the fact is that you personally and your staff have worked very closely with me when I have raised concerns or when we have needs and issues. All over Idaho we can see the evidence of the good work that EDA is doing in helping our communities. I simply want to note that.

I want to specifically join in the Chairman's comments on brownfields. We need to clean up the brownfields in this Nation and we must give that the attention that it needs. There is a role that the EDA can play in terms of the economic development and jobs related to these kinds of issues. But I am very concerned that we do not want to see funds diverted away from jobs into a separate program that should be operated by the EPA rather than by the EDA. I am very concerned to make sure that we do not see a weakening in the focus of the Agency's efforts so that we turn this Agency into a cleanup Agency rather than into an economic development and a jobs oriented Agency. So I share in the Chairman's comments in that context.

Last, I would simply say that, as you know, Dr. Sampson, I have some concerns about the formula that has been recently changed with regard to the trade assistance adjustment centers. We will work together on that between ourselves and I will not necessarily bring it up or make it a big issue here. But I am very concerned about the recent adjustments in this formula that have, in my opinion, made it more difficult for us to get the kinds of resources and support into the rural areas that we need. So I will be working with you personally on that more in the future.

Thank you again very much for your great work and this Agency's work.

Senator INHOFE. Thank you, Senator Crapo. I have talked to Secretary Sampson about this. I know he shares our views on the proper role of EDA.

Senator Bond.

**OPENING STATEMENT OF HON. CHRISTOPHER S. BOND,  
U.S. SENATOR FROM THE STATE OF MISSOURI**

Senator BOND. Thank you very much, Mr. Chairman. Welcome, Dr. Sampson. I would join in with concerns that apparently you have expressed and Senator Crapo have expressed.

I am very pleased that, under the leadership of Dr. Sampson, the Economic Development Administration has been transforming itself into a results oriented Agency, maximizing the economic impact of each and every dollars while at the same time maintaining its core

focus on empowering distressed communities to develop and implement their own economic development strategies. I think EDA has remained true to its guidelines.

EDA assistance in Missouri has been a great boon to local investment. Over the last decade, some 300 projects have resulted in investments of more than \$150 million in Missouri, leading to the creation of 5,000 jobs and leveraging an additional \$1.4 billion, roughly, in private and State and local funding. EDA has recently invested in several good activities. Last August, EDA awarded a \$2 million grant as seed capital for the North H. Shell wetlab space, which is tremendously important in moving forward in biotechnology.

I think it is important EDA continue transforming itself from a culture of compliance to a culture of performance. In the past, too often, economic development districts would be rewarded for simply being a member of an economic development district and filling out the paperwork. I think changing the structure to reward districts for their achievements while motivating others to improve makes a lot of sense.

The EDA should achieve its maximum impact with every dollar. I also think the Administration has to remember its legislative mandate to aid distressed communities. I am concerned about the new standards of EDA regarding the minimum amount of money leveraged and jobs created per EDA dollar. It is my understanding that under the new Balance Scorecard measurement, a region must meet an average of no less than \$22 non-EDA dollars for each EDA dollar, and no more than \$5,000 of EDA funds per job created. This could wind up funding only projects that are in a strong position to leverage a maximum amount of jobs and investment already. A recent example, a southwest area career center in Monett, MO, was turned down because it did not have the new direct job creation requirements. I think in Mexico, MO, EDA has looked at putting some resources into job training in an area where resource-heavy industries such as refractories industries have been shut down and we are looking for skilled work forces to replace them.

But I look forward to hearing your testimony and the testimony of other witnesses as we work toward a reauthorization, a multi-year authorization that will support the good, new path on which you and this Administration have chosen to put EDA. Thank you.

[The prepared statement of Senator Bond follows:]

STATEMENT OF SENATOR CHRISTOPHER S. BOND, U.S. SENATOR FROM THE  
STATE OF MISSOURI

Thank you Mr. Chairman. I am pleased to be here today to discuss the reauthorization of the Economic Development Administration. Under the leadership of Dr. Sampson the Economic Development Administration has begun the transformation into a results oriented Agency that maximizes the economic impact of each and every dollar while at the same time, maintaining its core focus on empowering distressed communities to develop and implement their own economic development and revitalization strategies.

EDA has been successful over the years because it has remained true to the guideline that "distressed communities must be empowered to develop and implement their own economic revitalization strategies."

EDA assistance in Missouri has truly been a boon to local investment and economic growth. For instance, over the last decade EDA has implemented over 300 projects and invested more than \$115 million in Missouri. Since 1998, EDA funds

have led to the creation of over 5,000 jobs in my State and leveraged an additional \$684.7 million in private sector funds and \$83.1 million in State and local funding.

Recently, EDA has invested in several economic development initiatives in Missouri that have continued to diversify the job base with a focus on high-tech, high-growth industry. For example, last August EDA awarded a \$2 million grant as seed capital for the "North 8" shell wet lab space.

It is important that EDA continue its transformation from a "culture of compliance to a culture of performance." I support implementing further incentives that reward deserving projects and their communities based on their performance.

Economic development districts are rewarded for simply being a member of an economic development district. A change in this structure will reward districts for their achievements while motivating others to improve further.

While it is important for EDA to achieve the maximum impact with every dollar, the Administration must also remember its legislative mandate to aid distressed communities.

Specifically, I am referring to EDA's new standards regarding the minimum amount of money leveraged and jobs created per EDA dollar. It is my understanding, that under the new "balanced score card" measurement rules, the region must meet an average of no less than 22 non-EDA dollars per each EDA dollar and more no more than \$5,000 EDA funds per job created. It is my concern that EDA may become overly focused on funding only projects that can leverage a maximum amount of jobs and investment.

These new criterion will be devastating to distressed rural and urban communities throughout Missouri.

One recent example of a project that has been rejected based on the new standards is the Southwest Area Career Center in Monett, Missouri. It is my understanding that this project was turned down expressly for not meeting the new direct job creation requirements.

A better example of EDA's role in our Nation's evolving economy can be found in my hometown of Mexico. As the economy continues to grow and diversify away from natural resource heavy industries such as firebrick, businesses in the surrounding area will need a highly skilled work force.

My testimony has highlighted just a few examples of the opportunities and needs for economic development across my State.

I look forward to hearing the testimony from our witnesses today and look forward to working with you all in the future toward a multi-year reauthorization of EDA.

Senator INHOFE. Thank you, Senator Bond.  
Senator Wyden.

**OPENING STATEMENT OF HON. RON WYDEN, U.S. SENATOR  
FROM THE STATE OF OREGON**

Senator WYDEN. Thank you very much, Mr. Chairman. I really appreciate your holding this hearing. As Mr. Sampson knows, he and I have been going back and forth with a series of letters. Anyway you slice it, Mr. Chairman and colleagues, the message is out in the rural part of the country and in the rural west that you have to come up with more dollars in the private sector in order to get some additional help. I am just looking at a letter that I got from the Union County Board of Commissioners. Mr. Chairman, I would just ask unanimous consent to have this made a part of the record.

Senator INHOFE. Without objection.

Senator WYDEN. The first paragraph says it all. It says,

"We are writing to express deep concern regarding the new 2004 rule from the Economic Development Department regarding a \$22-to-\$1 match for economic projects. Union County enjoys a wonderful working relationship with our Federal partners regarding our economic efforts."

It goes on to say, as I have heard consistently throughout my State, that the relationship with your Agency, Mr. Sampson, is exceptional. It is very positive. Ann Berblinger, in particular, has been an incredibly useful and constructive kind of partner. I think

this letter sums it up. It says, "We see this new rule to be a considerable barrier to our partnership."

I am going to have some detailed questions to ask when it is appropriate, Mr. Chairman, and you have always been very gracious about that. But having looked at these exchanges that Mr. Sampson and I have had, and I appreciate the fact that you have been willing to do them very quickly, Mr. Sampson, I think it is clear that the message is out in the rural west in these hard hit towns, many of which have unemployment way over 10 percent, is they have to figure out how to come up with additional dollars in the private sector. I think that is regrettable and I hope we can change it. I look forward to the time when we can ask some questions. Thank you.

Senator INHOFE. Thank you, Senator Wyden. That time will be shortly.

Secretary Sampson, and for the other witnesses on the second panel, we will confine your opening remarks to 5 minutes. Your entire statement will be made a part of the record. We will give a little more latitude to Secretary Sampson since he is the only person on this panel. With that, we will recognize you and thank you at the same time for the fine job you are doing.

**STATEMENT OF HON. DAVID A. SAMPSON, ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, ECONOMIC DEVELOPMENT ADMINISTRATION**

Mr. SAMPSON. Thank you, Mr. Chairman, members of the committee, it is a pleasure to be with you this morning. Thank you for this opportunity. I have had the opportunity of touring your States with many of you and look forward to the opportunity of being in other Members' States with you.

Economic development is very near and dear to my heart. I have dedicated much of my professional career to economic development. Over the years, I have learned a lot. I have seen what works and what does not work. I have had economic development responsibilities at the local level in the Dallas/Fort Worth area. I have had economic development responsibilities for the entire State of Texas. I have also had work force development responsibilities at the local and State level. While I do not claim to have all the answers with respect to economic development, the perspective I offer today in my role as the Assistant Secretary for Economic Development is one that has been informed by years of economic development professional experience, careful review of the research, and now almost 3 years as the head of EDA.

It is clear to me that the only constant in economic development today is change. American companies face changing competition, both domestically and from worldwide markets, and government budgets are tied at the State and local as well as at the Federal level. Just like our counterparts in the private sector, Government Agencies must adapt and get the most from our resources. As officials entrusted with public responsibility, we ignore this new reality at our peril.

The reauthorization language builds upon the good work of my predecessor in the previous Administration, Dr. Phillip Singerman. His efforts and your support secured the reauthorization of EDA 5

years ago, after a 16-year gap, and set the stage for the improvements that we seek today.

Today, EDA's mission is to help lead the Federal economic development agenda by promoting innovation and competitiveness, preparing American communities for growth and success in the worldwide economy. In order for EDA to achieve this mission and for the Federal Government to be successful in its overall economic development efforts, we need a new economic development strategy for the 21st century. I believe this new strategy has at least five elements.

No. 1, focusing on regional development. Economies are not hermetically sealed along artificial political boundaries. The evidence clearly shows that those regions that collaborate are better able to attract the private capital that spurs job creation.

No. 2, promoting America's innovative capacity. EDA strongly supports innovation as a key driver of economic development. At EDA, we believe the goal of economic development is to increase prosperity, to increase the per-capita income of the residents in your State. Productivity and increased rates of productivity growth is the primary driver of prosperity, and innovation is what drives productivity. That is why we have made university-led and technology-led economic development a funding priority for EDA.

No. 3, maintaining flexibility and local control. EDA's development partners laud our program flexibility. However, they have told us that we can do a better job, and this bill increases our flexibility while maintaining accountability.

No. 4, enhancing coordination with other Federal programs. The Federal Government spends a total of \$20 billion a year in economic development programs, spread across nine different Federal Agencies. We believe that all of our communities, especially the economically distressed communities, will be better off if we can coordinate our efforts better. This legislation supports a first step in that direction.

No. 5, focusing on results and rewarding performance. At the end of the day, results are what matter most. This legislation mirrors EDA's focus on results with language that rewards our partners who exceed job creation and private investment expectations.

Those are the broad thematic underpinnings of EDA's reauthorization legislation. There are a couple of specific provisions that warrant your attention. The first involves Revolving Loan Funds.

Twenty-seven years ago EDA created the first economic development Revolving Loan Fund. Today, we have a portfolio of over 600 RLFs around the country, capitalized at over \$1 billion. Reforms are needed to ensure the continued effectiveness and accountability of these funds. Since 2001, DOC's Inspector General has conducted 46 audits of EDA RLFs and all but a handful of these audits revealed serious instances of non-compliance or failure to safeguard RLF assets, such as loans to ineligible borrowers, failure to properly document loan decisions, poor accounting and financial management practices, and failure to meet basic reporting requirements, among other issues. We need additional tools that only Congress can authorize to help us manage this portfolio better.

The second area, Mr. Chairman, is one that you mentioned, and that is brownfields. I know the committee is keenly interested in

the brownfields provisions added by the House. EDA is a very strong supporter of brownfield redevelopment. We have made 269 investments in brownfield projects since 1999. We average \$50 million a year in grants to brownfield redevelopment.

I believe the language inserted by the House will actually reduce EDA's effectiveness in returning brownfields into productive economic assets. Specifically, the provisions that tie EDA to the CERCLA language causes us particular concern. These provisions will graft limitations of CERCLA onto EDA's brownfields activities that are not consistent with our brownfield work. CERCLA is targeted to clean up programs, and EDA's focus, on the other hand, is on the phase after the cleanup takes place, the development of the site for job creation and private investment. As written, the CERCLA alter and I believe would ultimately wither our brownfields efforts. Please know that I am confident after visiting with both majority and minority staff that we can identify language that will address your concerns and enable us to move forward with our core mission, which is economic development and turning brownfields back into productive assets.

In the interest of time, I have submitted more detailed written testimony that I appreciate your including in the record. I thank the committee for holding this hearing and I look forward to answering your questions.

Senator INHOFE. So I would assume then that you are in agreement with Senator Bond and myself and Senator Crapo when we brought up this concern that we had with CERCLA?

Mr. SAMPSON. I certainly do. I think the CERCLA provisions will be a very significant barrier. One of the greatest implications of this is that it would preclude our ability to work on the next round of BRAC closures, military base closures, because military bases owned by the Federal Government do not meet the definition for brownfields in the CERCLA legislation, and EDA is a major player in getting military bases back into productive assets. That is just one example of how the CERCLA language would fundamentally change our program.

Senator INHOFE. As you well know, being very familiar with your neighbor to the north, Oklahoma, we are a rural State and I expressed to you a concern that I had on the \$22-to-\$1 policy. So I would ask you on the record here if this is a rule, how much flexibility there is in this, or is this a goal?

Mr. SAMPSON. That is a very good question, Mr. Chairman. First of all let me say, it is not a rule. It is a goal. It is one measure in our Balance Scorecard among many measures that we look at in evaluating both our regional office performance as well as evaluating individual projects.

The decision to look at private sector leverage is not one that is arbitrary or capricious on our part. Global Insight, which is one of the world's leading econ-metric and economic development strategy firms, has said, "Private capital investment is a pre-requisite for job growth." EDA began tracking private sector investment in its grants as a result of the GPRA provisions back in 1997. We have been tracking and looking at the private sector leverage since the 1997 timeframe. The actual data that we have was standardized and begun to be collected in 1998.

So the degree to which the private sector is willing to invest in a project we believe is a very clear indicator of the successful outcome of that project. Professor Michael Porter at Harvard was in town earlier this week and was talking to a group of international economic development professionals and made I think a very compelling point. That is, economic development cannot be focused on the work of government at any level—national, State, or local—that it has to be market-driven and private sector led. That is why we have placed a significant focus on private sector leverage.

That being said, the \$22-to-\$1 ratio is a goal. We have a very broad diversity in our portfolio. What we are looking at is a broad portfolio management at the regional level and at the national level.

Senator INHOFE. Thank you. I agree with your interpretation. Could you elaborate a little bit on the Revolving Loan Fund audits, what they consist of now and what you would like to have them be.

Mr. SAMPSON. Yes. The goal of the Administration under this section of the legislation is, No. 1, to ensure better financial integrity. No. 2, to allow RLFs to consolidate or expand their lending area, at their request, not ours. Many economic development organizations around the country manage multiple RLFs. They may have a general purpose RLF, they may have an RLF that was created as a result of a military base closure, they may have an RLF that was created as a result of natural disasters. As a result of that, they have multiple reporting periods for each of those RLFs. What we are proposing to do in the Administration's legislation is to allow them to consolidate those RLFs into a single general purpose RLF which will take them, in the case where they have three RLFs, from six reports submitted a year to one report submitted a year.

No. 3, our proposal would allow third party service of an RLF portfolio. In those cases where we have had RLFs that simply were not performing, we have had an inability to close those RLFs down because we did not have the ability to have those RLFs managed by a third party.

No. 4, the RLF provisions in this bill would allow for possible future securitization of RLF loans. There are other Federal RLF funds that can be securitized. What we have done is include placeholder language that if a significant market develops for securitization, it would allow our RLFs to pursue that course.

Now, with respect to the audits. When an RLF brings in an auditor, the auditor can only look at what the OMB circular says that they can look at, which is basic program functions. What we are asking for authorization for in this bill would be for us to define more broadly what the auditor can look for—basic business practices as opposed to just looking at the broad program practices. In essence, we have an RLF system around this country that is unregulated. It is a separate banking system. Banks and S&Ls all have very rigorous national oversight. Our RLF program as it has evolved over the years does not have that kind of rigorous oversight. The provisions that we are asking for and that are included in the House bill would enable us to look a little more deeply into the basic business management practices of those RLFs.

Senator INHOFE. Secretary Sampson, thank you very much.  
Senator Jeffords.

Senator JEFFORDS. Our country has been losing manufacturing jobs at a staggering rate. Since the start of the recession, Vermont has lost over 10 percent of the State's manufacturing jobs. Could you tell me what EDA is doing to help communities suffering from loss of manufacturing jobs and what authorities the Administration is using?

Mr. SAMPSON. Senator Jeffords, the loss of any job is regrettable. We believe that we have to stay focused on those kinds of policies that are going to create jobs in this country. That is certainly what our focus is at EDA and it is the focus of the President's economic growth and jobs agenda. We think we are beginning to see the job market come back and we are starting to see hiring again.

EDA's particular focus is at the direction of the Secretary of Commerce. He has directed us to give priority to those communities that are experiencing the loss of manufacturing jobs. We have tried to intervene early in those communities as opposed to just waiting until the factory has closed down and all of the lay-offs have taken place. We have tried to move EDA in much more of a proactive measure, that as soon as the plant closure is announced or as soon as significant lay-offs are announced, we come in with a cross-disciplinary team, bringing our colleagues from the Department of Labor in with the Employment and Training Administration to early on develop a retraining program, enhanced job training programs for those workers who have been dislocated to help them get easy access into continuing health care benefits. While we at EDA are working with the community on developing a comprehensive adjustment strategy, a strategy that is focused on retaining their existing manufacturers, No. 1, but, No. 2, diversifying their economic base, and then No. 3, helping that community plan for and then implement the kind of economic infrastructure that is going to enable them to tap into and compete in a world-wide economy.

We have had some great success stories in that effort. I think of an event that I did with Senator Bond I guess about a year and a half ago now in St. Louis, where Ford announced a closure of a major truck manufacturing plant in St. Louis. We came in very early on, as soon as that closure was announced, working with the St. Louis economic development authority and the surrounding governments, providing them with funds to do an economic adjustment strategy to look at some of the fundamental business environment issues. The good news is, as a result of that study and the teamwork that was involved both at the Federal delegation level, State and local, they made a very compelling case to Ford that made a decision to keep that plant open. I think that is the kind of scenario we would like to replicate around the country.

Senator JEFFORDS. Is EDA considering a regional reorganization plan? If so, will this allow regional staff to visit States more often?

Mr. SAMPSON. Senator Jeffords, we are operating under a very tight budgetary environment. We have been flat funded now in terms of our S&E account for 3 years running. That places some very significant operating constraints on us. We were concerned about that when we arrived 3 years ago as we looked at the S&E



funding level. As you know, we went through a headquarters reorganization. We worked in very close cooperation with committee staff and members on this committee as we went through that process. The reason we did that was to try to free up more resources to place out in the regional office level where that direct interaction with the clients and the communities take place. I am very pleased to be able to tell you that we accomplished that headquarters reorganization without a single involuntary separation. That is a commitment I made to you personally, that is a commitment I made to this committee's staff, and we were able to keep that commitment.

What we are looking at now is if we continue to be flat funded at S&E moving forward, what are the implications for our cost structure in the regional office level. I have asked our six regional office directors to look at their business processes to see where we can standardize and streamline those across our six regional offices. They have made a report to me. We are very carefully considering that. My commitment to you, Senator, is that we will work very closely with you and this committee staff, in the same way that we pursued our headquarters reorganization, to make sure that we maintain the capacity to deliver speedy and accurate service to the communities and clients that we have around the country.

Senator JEFFORDS. Thank you. I see my time has expired. I will submit my other questions.

Senator INHOFE. Thank you, Senator Jeffords.

Senator Bond.

Senator BOND. Thank you, Mr. Chairman. Dr. Sampson, Senator Jeffords touched on the very important issue of job loss and manufacturing job loss. As I understand it, the Department has been dealing with this job loss problem in manufacturing for quite a few years, it did not just come with the recession that began in 2000, and there is a lot of talk about outsourcing. Now I understand that the Department figures indicate that I think it was \$78 billion of job outsourcing was going on but \$134 billion worth of job insourcing was coming in. I would like to know what your experience has been through your administration with this job loss, and are you able to facilitate more of the job insourcings so more foreign companies are investing in the United States and hiring people. How is that working? I think you are in a good position to give us some how idea how that is working.

Mr. SAMPSON. Mr. Chairman, that is a great question. The reality is that participation in the worldwide economy has tremendous upside potential at the macro level and at the macro level there is no country in the world that is better positioned to take advantage of the worldwide markets than the United States. You are right, the United States imports more jobs from foreign companies than what we outsource. Last year, we had a \$77.3 billion surplus in jobs that are insourced into the United States.

That having been said, clearly there are industry sectors and there are sections of the country that are harder hit by those changing trade patterns than other industry sectors. The manufacturing sector has been particularly hard hit. Manufacturing has been losing jobs as a percentage of the private sector work force for

the last 40 years. It has been losing about  $\frac{3}{10}$  of a percent of its percentage of total employment over a period of about 30 years now. We believe that we have a special and unique responsibility to work with those communities and those regions that are going through this structural economic change and dislocation and we have placed a great deal of emphasis on that at Secretary Evans' direction. We have been very active in the textile impacted regions of this country, we have been very active in steel-based regions of this country, and manufacturing-based regions of this country, even as in previous years and previous administrations EDA has focused on those economies that have been particularly hard hit as they moved away from natural resource-based economies.

There are communities that are making that adjustment faster than others. We believe that one of the real key elements of success in making this transition is tapping into the power of universities in States around the country really pursuing technology-led economic development strategies, wedding work force development efforts with economic development efforts. The Federal Government spends \$23 billion a year in work force development. We need to make sure the work force development and economic development system are closely wedded together.

Senator BOND. Well, coming from a part of my State which has been hit hard by natural resource outsourcing, refractories was dependent upon the steel industry and then they were decimated by asbestos litigation. The jobs in northeast Missouri have been outsourced thanks to asbestos litigation.

What specifically can EDA do in those areas to bring in, you have mentioned the insourcing, what is it that EDA can do to facilitate insourcing? We do not care where the jobs come from, we just need jobs in northeast Missouri.

Mr. SAMPSON. We can help your communities buy down the cost of basic infrastructure to attract new jobs into your State. Some 6.4 million Americans work for companies that are owned abroad. Just last week I was in the poorest county in Alabama, Loundes County, Alabama, where we awarded a \$2 million grant to open the first county-wide industrial business park in that county's history. They already have a tier I supplier to Hyundai which is opening a major manufacturing plant outside of Montgomery. This tier I supplier in the poorest county in Alabama has already committed to invest \$25 million in a plant there and employ 200 people. I think that is a very dramatic example of the role that our infrastructure grants can play in helping communities be able to attract those jobs in the future.

Senator BOND. Thank you very much, Dr. Sampson. You can help also as well by developing technical training facilities, for which we are most grateful. Thank you, Mr. Chairman.

Senator INHOFE. Thank you, Senator Bond.

It might be helpful for the record, I was very much impressed with the statistic you used of the \$77 billion surplus of insourcing versus outsourcing, and it would be kind of interesting to see this over about a 20-year period to see where the trends are. Maybe you could get someone to do that for us for the record.

Mr. SAMPSON. I would be happy to do that, contact my colleagues at the Economic Statistics Administration that actually run those numbers.

Senator INHOFE. OK. That is great.

Senator Murkowski, as you know, the rules of the committee are that once opening statements are concluded and we are into questions we do not revert back to that. But certainly your statement will be made a part of the record. We will recognize you for questions at this time.

**OPENING STATEMENT OF HON. LISA MURKOWSKI,  
U.S. SENATOR FROM THE STATE OF ALASKA**

Senator MURKOWSKI. Thank you. I appreciate the opportunity to submit my opening statement for the record. I just want to state my very sincere and genuine appreciation to you, Mr. Sampson, and all the efforts that EDA has made in Alaska. I think we recognize in Alaska we really are seeing true investment coming out of EDA. We have had a chance to talk about some of the projects. We have a dry dock in Ketchikan, we have an all tides dock in Dillingham, and both are huge investments in very small communities. As you know, in these depressed communities where oftentimes there is only one real economy, this is an effort to really expand on the economy and we are seeing those efforts.

The conversation up at the table here has been focused on how you are making an impact in those industrial or manufacturing jobs. I would like to hear your comments about how you balance that with the needs in the rural areas, creating these jobs and these opportunities in the rural parts of the country. I would like to know that there is balance as you weigh these projects and your investments.

Mr. SAMPSON. Senator Murkowski, that is a very important dimension of our overall management of our portfolio of economic development grants. Over the last 3 years of my stewardship of the Economic Development Administration, 56 percent of our grants have gone to rural areas, 38.7 percent have gone to urban areas. I know that does not add up to 100 percent. The other 6 percent roughly have been either statewide grants or they have been national technical assistance grants. That is an average or a split of our portfolio that has been consistent historically. As of April 24 of this year, we have awarded 34 rural public works investments totaling \$40.2 million, and 20 urban investments for \$34 million. So we take that management very seriously.

Our goal is not to penalize the rural and remote regions, but it is rather to help rural and remote regions plug into a growing national economy and to develop strategies that they can link into the growing State economies. Some of the research that we have funded over the last 3 years, and I believe just this week we posted a ground-breaking new national research grant on rural economic development strategies that was completed for us by Professor Michael Porter, one of the leading thinkers and practitioners in competitiveness and cluster development anywhere in the world, on how rural areas can better develop their economies by linking into broader regional economies. That is something that we are very focused on and that we are committed to. We are committed to work-

ing with our partners at the Department Agriculture and Rural Development, where there are billions of dollars in grants available, to really ensure that there is an integrated focus on rural economic development strategies.

Senator MURKOWSKI. So as you are evaluating where you go and how you go within the regions, are you taking specific steps to encourage programs in these rural areas in non-traditional projects as opposed to the bricks and mortar type of an approach that you would see in the urban areas?

Mr. SAMPSON. That is certainly our desire. I have made it a point during my leadership of EDA to spend a significant amount of time rural America. As a matter of fact, I have been called the “Captain Kirk” of the Commerce Department because I have boldly gone where no Assistant Secretary of Commerce has gone before. I can assure you the places I go to in rural America you do not fly into, you spend a lot of time in cars. But we believe that is important.

We are holding 20 economic development forums around the country this year specifically focused on rural economic development strategies and we have held those forums in rural America. We have not gone necessarily to the major metropolitan area in those States. We have gone into the more remote places, like Millinocket, ME, in the middle of January, and places like that to deal directly with the economic development practitioners who are on the ground there.

Senator MURKOWSKI. I appreciate your efforts in our rural areas. You will not be able to drive to them, but we will fly you out and keep you there for a while. Thank you.

[The prepared statement of Senator Murkowski follows:]

STATEMENT OF SENATOR LISA MURKOWSKI, U.S. SENATOR FROM THE  
STATE OF ALASKA

Mr. Chairman, thank you for moving forward with this hearing, and I would like also to offer my thanks to Dr. Sampson and the other witnesses for appearing today.

I am pleased to have an opportunity to make sure that my strong support for the reauthorization of the Economic Development Administration (EDA) goes on the record. I sincerely hope that this important reauthorization measure does not become hostage to other issues and will progress briskly from here to the floor.

Along with many of my fiscally conservative colleagues, I am concerned about the appropriate role for the Federal Government in encouraging private industry. I believe industry is healthiest when it does as much as possible for itself.

However, after carefully watching the activities of the EDA in my State of Alaska, I have been very positively impressed. Mr. Chairman, the dollars disbursed by the EDA are not going to waste. They are building economic capacity so that the private sector can step in to provide real, long-lasting economic activity and employment. That is absolutely vital in a State like mine, which continues to lag far behind most others in the kinds of infrastructure that make a vibrant economy possible.

Quite frankly, Mr. Chairman, many times Federal funds are committed for projects that are quick shots in the arm but product no lasting impact. EDA projects are linked to private sector job growth. As such they are both different and deserving of our support.

In Ketchikan, for example, we have a shipyard capable of doing almost any job on vessels up to and including our own marine ferries, Coast Guard cutters and NOAA research ships. This yard has an exemplary reputation for high quality workmanship, it has won high praise from almost all its clients, and it is capable of providing upwards of 200 highly skilled, well-paid, year-round private sector jobs in a local economy that was shattered by the loss of the timber industry and where seasonal fishing and tourism just can't carry the whole load. Unfortunately, it has one problem—although it can DO the work, it cannot ACCEPT all the work it is offered, because when its drydock is in use by one vessel, it cannot move any other vessel into an area where work can be done. EDA is helping solve that problem by sup-

porting the construction of facilities that will allow it to accept additional work—and provide additional jobs.

Another example occurs in Dillingham, a relative remote community in Alaska's Bristol Bay region. For years, all goods delivered to Dillingham and through Dillingham to nearby villages have had to arrive in shallow-draft barges, from which the goods are transferred to other, smaller vessels before coming ashore. The reason is that Dillingham has lacked a dock structure that will support larger vessels at all tide conditions. What it means is that every item that comes into the region arrives at a higher price because of increased shipping costs, and every item shipped out of the region is sold at a lower profit margin for the same reason. EDA is changing that by helping the region build a dock suitable for use anytime.

These two simple projects, for very modest amounts of money, are making new economic development in those communities not just possible, but probable—and that is no small thing.

In short, Mr. Chairman, I consider the programs of the EDA to be an "investment" in the very best sense of the word.

In the interests of time, I won't go into detail on other aspects of the reauthorization except to note that the EDA's involvement in economic adjustment grants and trade assistance programs are also very important both to many communities.

I do, however, want to mention one other requested change that has my strong support. The Administration has suggested the inclusion of a provision regarding "Special Impact Areas," which would allow the Secretary to waive certain requirements for assistance in the event there is a finding that a grant or technical assistance will fulfill a pressing need and be useful in easing excessive unemployment.

Mr. Chairman, I don't anticipate this provision would be abused, and I think it would be very important for the most economically depressed areas where the regular process may be difficult to accommodate. I, for one, would like to see it included in the bill we send forward.

Finally, Mr. Chairman, I want to note my support for authorizing full funding for the EDA at the requested level. We on this committee will not actually be providing appropriations, but it is nonetheless important that we provide this support, so as to ensure maximum flexibility for those who will.

Thank you Mr. Chairman. I look forward to hearing from our witnesses.

Senator INHOFE. Thank you, Senator Murkowski.

Senator Wyden.

Senator WYDEN. Thank you very much, Mr. Chairman. Mr. Sampson, let me review where we are with respect to economic development. I think, first, everybody understands that it is important for towns to generate private sector involvement. It is just crystal clear that that is important. During the Clinton administration, they began an effort to sort of monitor that effort, as you announced in your testimony, and that was a constructive step by the Clinton administration as well. You all then come in in 2003 and come up with this so-called goal of the little towns having \$20 of private sector money to get \$1 of help from EDA. Then we go to the new so-called goal of \$22-to-\$1. As I have told you, my small towns are just up in arms about it. What is especially troubling to them is that they say they were not consulted. We have heard from the small towns in Oregon who work with your Agency and love working with your Agency that nobody consulted with them before this new so-called goal of \$22 private sector dollars before you got \$1 from EDA. What would be your response to them on the question of whether you consulted with them before you put in place this new, as I call it, so-called goal?

Mr. SAMPSON. Senator Wyden, I believe that we have had the greatest degree of collaboration with our partners around the country in many years at EDA. We have met with each of our regional offices around the country, I have discussed our funding priorities from day one when I arrived, I have discussed the investment policy guidelines that we have developed over the course of the last

3 years. In virtually every speech that I have given out there I make myself available for questions, for dialog as I meet with economic development practitioners, economic development districts around the country. We have held economic development forums in Oregon where I laid out all of these policies and goals. So I think we have provided ample opportunity for dialog and discussion of the direction that we go. But ultimately, I believe that my responsibility as the leader for EDA, in consultation with Secretary Evans, is to set the policy guidance and direction that ensures the best stewardship of these taxpayer dollars.

Senator WYDEN. Well, tell me then how you came up with the figure of \$22 private sector to \$1 from EDA? Let me make it clear, the people that are on the ground in Oregon feel that you did not consult with them. Maybe you had some conferences, maybe you gave some speeches. I am just telling you that is how they see it. These are people who like your Agency. These are not people who are opposed to your Agency. So that is No. 1. But, No. 2, tell me how this figure was arrived at. Why not \$9, or \$31, or—how did you get the figure that you had to generate \$22 private sector dollars?

Mr. SAMPSON. First of all, as I mentioned earlier, the GPRA measures that we started to collect in 1998 tracking private sector investment and private sector leverage has been a part of the evaluation of grant proposals ever since that period of time. It may have been before but the numbers were not tracked then. The GPRA measures in 1998 were \$9-to-\$1. So that was the baseline from which we started.

As we faced decreasing budgets appropriated by Congress, we believe that it is our responsibility to try to achieve the maximum economic impact for those decreasing Federal dollars and so we began to look at increasing competition for EDA dollars. There are more grant applications coming into us than what we have dollars to fund. So we began looking at regional economic impact, looking for drivers of regional economic growth, not focused so much on small one-of-type projects like landscaping main street, but looking for those kinds of projects that are going to drive regional economic growth.

Before I arrived up here, I met with a number of equity fund managers that manage equity funds or VC funds that specifically do business in urban areas, inner-city areas, or economically distressed areas where they are really focused on a triple bottom line as opposed to just a single bottom line of return on investment. I asked them what kind of return on investment are you looking at. The numbers that I got were far higher than \$20-to-\$1. So in consultation with our regional directors of our six regional offices, we settled on a \$20-to-\$1 ratio as our goal.

The reality on the ground is that last year we actually achieved a \$28-to-\$1 ratio, which was far in excess of our goal. So as we set goals for this year, we did what we think any good manager does, we increased that ratio by a modest 10 percent. As I mentioned earlier, when you look at the split between rural and urban, even though we set that \$20-to-\$1 goal, we still achieved that historic rural-urban balance.

Senator INHOFE. The time has expired.

Senator Allard, do you have questions?

**OPENING STATEMENT OF HON. WAYNE ALLARD,  
U.S. SENATOR FROM THE STATE OF COLORADO**

Senator ALLARD. Yes, Mr. Chairman, and I also have a statement I would like to make part of the record.

Senator INHOFE. We have a policy, and I explained that to Senator Murkowski, that once our opening statements are made and we go to questions, we do not revert back to opening statements, unless you want to make it using your question time.

Senator ALLARD. I would just like to have mine put in the record.

Senator INHOFE. Without objection.

[The prepared statement of Senator Allard follows:]

STATEMENT OF SENATOR WAYNE ALLARD, U.S. SENATOR FROM THE  
STATE OF COLORADO

Mr. Chairman, thank you for holding this hearing. As someone who is a Member of both the Banking and the Armed Services Committees in addition to this committee, I have a great interest in the work that the Economic Development Administration does. The Economic Development Administration does important work in many economic sectors throughout the county in communities large and small.

As we are aware, the House has already passed a bill reauthorizing the Economic Development Administration. There are some positive changes in that bill, but there are also portions that deserve a second look. That is at least part of what we are doing here today.

The Economic Development Administration is in charge of a budget of around \$300 million. While that is a lot of money to pretty much every individual person in this room, it is quite a small amount in the scheme of the entire Federal budget. However, even with such a modest investment, the EDA is able to leverage many times over that amount in private funds with every dollar that they spend. I think that deserves praise.

As a Member of the Banking Committee, and the Chairman of the Subcommittee on Housing and Mass Transit, I get to see a lot of projects that aim to bring about redevelopment in communities around the country. The projects that are most successful are those that bring Federal and private funds together. There will never be enough Federal dollars to fund every project that someone deems worthy, by bringing in private funds which, in turn, guarantee private sector involvement, the EDA is setting communities and organizations with partners that help them to succeed on their own. The need for perpetual Federal funding is just not there with this kind of arrangement.

Mr. Chairman, again I thank you for bringing the EDA, and the projects that they help fund, to the forefront of the committee's attention. After reviewing the witness testimony I look forward to a productive discussion on the issue of why and how the Economic Development Administration's reauthorization will move forward.

Senator ALLARD. Thank you. Your budget is one of the few budgets that does not get earmarked during the congressional appropriation process. Would you talk a little bit about how this affects your ability on spending the money that Congress sends to you.

Mr. SAMPSON. Well, we believe that we are very fortunate in that we have not had earmarks historically. We believe that what that enables us to do is to be responsive to the economic development organizations and the communities around the country and respond to their needs on a competitive basis and ensure that the grants that are awarded are truly grants that score well on a competitive process. We certainly hope that moving forward our appropriations will not be earmarked.

Senator ALLARD. You have public-private partnerships that you work with. Has this been working out satisfactorily with you?

Mr. SAMPSON. I guess that depends somewhat on who you listen to around this table this morning. But, yes, I believe that our private-public partnerships are working well. We think we have demonstrated an ability to significantly crowd in or attract significant private sector money for every dollar of Federal appropriation that goes out—a \$28-to-\$1 ratio last fiscal year.

Senator ALLARD. We have a nuclear site in Colorado that is in a cleanup stage right now and getting close to termination. But with the private contractor and cleanup there has been incentives built into the contract where there was a reward for getting the project done ahead of schedule and doing various desirable things like keeping the injury rate down low and that kind of thing. Do you have performance-driven contracts that you work with in trying to get that accomplished, because this has worked so well in Colorado. We are one of the few States that has actually had some cleanup occur as far our nuclear sites are concerned, with the sites ahead of schedule and under budget. Do you try and utilize this process in your projects?

Mr. SAMPSON. We certainly do. In the Administration's bill, we have proposed a transferable performance credit that would reward the grant recipient if they met or exceeded a number of performance measures, including coming in on time, under budget with their economic development expectations met or exceeded. In negotiations with the House, what emerged were three performance awards. One, an award for under-cost underruns, where the grant recipient could keep the underrun and use it to enhance the project. The second is a performance award where if they meet or exceed the private sector leverage or job creation projections, they are eligible for up to a 10 percent award on the project cost. And then the third element of the award was for a planning performance reward, moving away from a passive process-oriented award to a reward for planning districts who actually have projects that are not just planned but are actually implemented and then meet or exceed their expectations. So we have three performance awards in the House-passed version.

Senator ALLARD. One of the issues happening in Armed Services Committee is BRAC. Could you discuss some of the successes and perhaps some of the difficulties that EDA has encountered during these projects? We have a BRAC situation in Colorado and it has had some problems and other parts of it have done very well. So I would like to have you talk just a little bit about that.

Mr. SAMPSON. I think that we have learned a great deal in terms of how to take former military bases and return them to productive use. There have been a number of very successful bases around the country that have been converted; Pease Air Force Base in New Hampshire and Kelly Air Force Base in San Antonio. Perhaps one of the greatest success stories anywhere is the former Fitzsimmons Army Medical Center right in Aurora, CO, where they have now successfully attracted already \$1.3 billion of new private sector investment onto that base. It is a magnificent redevelopment. It is not primarily a land development, it is a cluster development, a biotechnology cluster that has been developed there. As a matter of fact, Senator, I was so impressed with that project that I hired away the executive director of the Fitzsimmons Reuse Authority



who is now our regional director for our Denver Regional Office and he will be an extremely valuable resource for EDA as we move forward into the next round of base realignment and closure.

Senator ALLARD. I see my time is running out. Just briefly, Mr. Chairman, one last comment on GPRA, the Government Results and Performance Act. I think this is really important and if you are not in conformance with the GPRA law and everything that we have passed, I hope that you would look at making sure that is implemented. I think about 60 percent of the Agencies in the Government are now considered in compliance with GPRA or close to it. I hope that you can set these parameters, measure results, because I think it is very beneficial to committee members as well as people in the Administration like yourself. So I would encourage that you use that.

Mr. SAMPSON. Senator, not only do we take it seriously and are in compliance, but we view GPRA as a floor and not the ceiling for our performance measures. It is the basic performance measure requirements. But our goal is to develop performance measures that are even more rigorous than GPRA.

Senator INHOFE. Senator Clinton.

**OPENING STATEMENT OF HON. HILLARY RODHAM CLINTON,  
U.S. SENATOR FROM THE STATE OF NEW YORK**

Senator CLINTON. Thank you, Mr. Chairman. I, too, would like to submit my opening statement for the record.

Senator INHOFE. Without objection.

[The prepared statement of Senator Clinton follows:]

STATEMENT OF SENATOR HILLARY RODHAM CLINTON, U.S. SENATOR FROM THE  
STATE OF NEW YORK

Thank you, Mr. Chairman for holding this important hearing. I strongly support reauthorization of the Economic Development Administration. I think we can all agree that economic development and the job creation that goes with it has to be one of our top priorities.

It is certainly a high priority for me, particularly with respect to upstate New York. We are losing manufacturing jobs in upstate New York, as I know is happening in many other parts of the country. And while job creation has to occur in the private sector, the Federal Government can and should play a role in spurring job creation.

In the case of the EDA, its mission since being established in 1965 has been to help economically distressed areas address conditions of substantial and persistent unemployment. While many economic conditions have changed in the intervening 40 years, that core mission remains relevant today.

I think that EDA is doing a good job with the resources that we provide them. In the last 10 years alone, EDA has funded 280 projects in New York State. I want to mention just a few examples.

In fiscal year 2003, EDA provided \$2.8 million to support the 72-acre Cornell Agriculture & Food Technology Park in Geneva, New York. Cornell broke ground on that project just a couple of weeks ago. This will help companies to carry out cutting edge research in food, agriculture and bio-based technologies, and will existing research and extension programs of the New York State Agricultural Experiment Station and Cornell University.

In Rome, New York, EDA has put four rounds of funding to assist in the conversion to civilian uses the former Griffiss Air Force Base property. These grants have helped attract private funding for the Griffiss Business and Technology Park, which has helped retain and develop more than 3,000 jobs.

And in 2002, EDA provided \$3 million in funding to the Essex County Industrial Development Agency for infrastructure work related to the development of the Chesterfield Commerce Park. EDA's investment will leverage private investment, and will help lead to the creation of 200 new jobs.

So I know that EDA can be helpful.

I note that in his testimony, Dr. Sampson states that EDA's mission today is to lead the Federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.

This is certainly no small task. And while EDA can only be a catalyst for public sector development, I strongly believe that current funding levels are totally inadequate.

In fiscal year 2004, we appropriated \$318 million for EDA, and the Administration has requested a similar amount for fiscal year 2005. This is simply not enough, and I hope that we can work together in this committee to increase the funding for EDA.

I also look forward to working with Chairman Inhofe, Senator Jeffords and other members of the committee as we move toward markup on several proposals that I have been working on, such as new ways to promote business incubators, training, and entrepreneurship.

Senator CLINTON. I strongly support reauthorizing the EDA. I appreciate the work that you have done in New York over so many years because, as with many of my colleagues, part of my State has been very hard hit by the loss of manufacturing jobs, mostly upstate. There is a proposal currently pending at EDA, submitted by the Rochester Institute of Technology, applying for a \$300,000 grant for the Roadmap Project, which is a project focused on analyzing 10 manufacturing clusters in New York to develop a roadmap to enhance competitiveness for manufacturing and attraction of private sector investment. This is a very important project. RIT is a first-class institutions with the intellectual brain power to really make a significant difference in the State. Can you inform me about the status of this particular grant application, Mr. Sampson?

Mr. SAMPSON. Senator Clinton, I am very pleased to be able to tell you that that grant has been processed. It will be on my desk by the end of the week for me to sign and prepared to be announced. It is a model example of what we are looking for in economic development projects. No. 1, it is regional in nature and scope; No. 2, it focuses on developing industry clusters; and No. 3, it is a university-led economic development strategy. So it is a model example of what we are trying to give priority to around the country.

I will tell you in the way of how it has worked through the process, I believe, as you are familiar with, that money was actually appropriated to the Office of Economic Adjustment at the Pentagon, then transferred to us. As a result of the delay in getting an appropriation for Commerce this year and being in the Omnibus—and then we faced three recisions after the Omnibus was passed—we got our allotment in three different crunches of funds that were released, we were not able to process all of the grants as early in the fiscal year as we would normally like to do. But that grant has completed its processing and I will be signing that grant this week.

Senator CLINTON. I am very, very glad to hear that. I agree with you, I think it is a model project that I hope has implications not only for other parts of my State but other States as well.

I also wanted to inquire about the status of work that Congressman Walsh and I have been doing with respect to the workers laid off at Carrier. As you know, Carrier Air Conditioning laid off 1,200 workers in the Syracuse area and moved them to the far East, even though it was a profitable plant, which caused a lot of angst be-

cause they kept doing everything they could to enhance profitability and nevertheless those jobs were lost. Congressman Walsh and I have worked hard to try to figure out how to fill the hole left by this announcement. I know that the Congressman convened a meeting to get EDA's assistance to develop a comprehensive, coordinated plan to reuse the potentially available space at the Carrier campus. It is my understanding that local officials are working on the final details to submit that proposal to EDA and that Congressman Walsh has received commitments that the proposal would receive a very high priority. So I just want to publicly reinforce the importance that Congressman Walsh and I place on this and ask if I can get the assurance that it will receive the high priority attention that we think it merits.

Mr. SAMPSON. Senator, I have been to Syracuse and met with State and local officials, I have met with the labor leaders that were there. We had a very extensive discussion about the challenges that community faces. I brought with me my regional director that serves New York who operates out of Philadelphia, had our economic development representative for New York who was there at that meeting as well. I made very clear to my staff that this was a very high priority issue. Further, Secretary Evans has directed EDA to give high priority to all of our grant applications to those communities that have been impacted by manufacturing job loss. So I can give you my personal assurance that that will receive high priority consideration.

Senator CLINTON. I appreciate that very much. Finally, Mr. Sampson, the whole question about outsourcing, off-shoring, whatever we want to call it, I think many of our companies are missing the opportunities in low-cost rural areas throughout our country. I know Senator Murkowski asked about rural areas. When you take into account the full cost of off-shoring, there is an article in I think it is The New York Times this morning talking about there are lots of hidden problems and costs that businesses are only now recognizing—customer relations problems, monitoring problems, depth of knowledge and experience challenges. Many rural areas could be great competitors to keep these businesses in America but right now they do not have the infrastructure. They do not have the fiber optic communications, the office parks, the trained work force clustered sufficiently to be a viable competitor.

I think it would be very helpful for EDA to make a special effort to look at call centers and back office processing. I predict that many of our companies that have made these moves in this particular sector are going to be having second thoughts. Therefore, we need our rural areas, whether it is Colorado, Missouri, Oklahoma, Vermont, New York, to be better positioned so that we basically can compete for in-shoring, so we can tell people in New York or Chicago or Los Angeles you do not need to go off-shore to another country, you can come to the rural areas of this country, we have the assets that you need.

So I would ask that perhaps I could work with you and your colleagues and my colleagues to try to figure out if there is some special way that we could get positioned for this in the next several years so that we stop the flow of jobs overseas and we actually are competitive enough so that when the tide turns, which I think it

will for security reasons and so much else, we have the assets ready to take those jobs and be competitive here at home.

Mr. SAMPSON. Senator, I can tell you that we believe that making telecommunications, broadband infrastructure available in rural areas is certainly a high priority for us. Last week I was in New Mexico where we announced a major point of presence grant there that will serve the entire State of New Mexico. We have a grant that is in processing right now that will serve very rural areas of Virginia, Kentucky, and North Carolina in a partnership. We believe that is a high priority for us. Further, I would just say that in the Agriculture bill that was passed I guess the last session there was a significant amount of money that was included in that for deployment of broadband technology in rural areas. I think this is another example where we need to work very closely with Agriculture and Economic Development close together.

Senator INHOFE. Thank you, Dr. Sampson. We are not going to have a second round. However, if any of the members have a very high anxiety level for one more minute, we would cooperate with that.

Senator BOND. One high anxiety minute. I commend you on having the \$22-to-\$1 ratio that you have been able to achieve. I think that is great for banks and private investors. But I would look forward to discussing with you and your staff whether that means that some of the really poor or distressed areas might be shut out. This has been raised by Senator Wyden and others. It may be the social investment may be great even though you cannot meet that \$22-to-\$1 private investment. I hope that does not become an albatross and drive you from the poorer to the wealthier but still needy areas.

Senator CLINTON. Mr. Chairman, could I just add on to Senator Bond's point?

Senator INHOFE. Surely.

Senator CLINTON. It might be very useful if EDA could give us some breakdown of exactly how that ratio is reached. I think that the Senator from Missouri is right on target, that in some areas that is a ratio that probably not only can be met but exceeded, which then raises the average, when we know that when we are talking about poor or distressed communities, at least a lot of the places I represent in up-state New York, they could never meet that kind of requirement. But we do projects all over the State that have merit and that raises the average. So I think it would be useful to get a breakdown of this information as to how the \$22 and \$28 figures actually were arrived at.

Senator INHOFE. Thank you, Senator. We did discuss that earlier on in this meeting. Of course, we reemphasize that is a goal, not a rule.

With that, I would just say to you, Secretary Sampson, that you have done a great job. In the OMB performance assessment, I think you are among the highest, if not the highest, of all these bureaucracies that we have around here. They even recommended a higher budget, which is most unusual. So let me just congratulate you on the fine job you are doing.

Mr. SAMPSON. Thank you, Mr. Chairman.

Senator JEFFORDS. I would like to join in your accolades. You are doing a fantastic job.

Mr. SAMPSON. Thank you, Senator Jeffords.

Senator INHOFE. We will now move to the second panel.

The next panel consists of Mr. Gary Gorshing from southwest Oklahoma, Mr. Jim Saudade from Vermont, Mr. Charles Gatson, and Phillip Singerman. Dr. Singerman, we would be very interested in any comments you may make on any of these things. Since you are the predecessor in the job of Dr. Sampson, you might have comments to make during the course of your presentation relating to how you view things from your perspective.

We will start with Mr. Gorshing. Because of the late hour, I would like to ask you to confine your remarks to 5 minutes and then we will have a round of questioning. Your entire statements will be made a part of the record.

**STATEMENT OF GARY GORSHING, PRESIDENT, NATIONAL  
ASSOCIATION OF DEVELOPMENT ORGANIZATIONS**

Mr. GORSHING. Good morning, Mr. Chairman and members of the committee. My name is Gary Gorshing. I am the current president of the National Association of Development Organizations, and the executive director of the South Western Oklahoma Development Authority, an EDA-designated economic development district headquartered in Burns Flat. Thank you for the honor and the opportunity to testify today in support of the work and achievements of the Economic Development Administration. We have submitted a lengthy and detailed statement for the record, so I will be brief.

Mr. Chairman, the members of NADO believe there are four major reasons for Congress to support a multi-year reauthorization of EDA. The Association and its members make these recommendations with observations in more than 35 years of experience with Federal community and economic development programs including EDA. I would also like to mention that NADO is a member of the Coalition for Economic Development.

First, Mr. Chairman, EDA has a clearly defined role within the broad portfolio of Federal economic development programs. As the only Federal Agency focused solely on private sector job growth, EDA is a vital resource for distressed communities. Through its diverse portfolio of programs, the Agency has the flexibility to meet the needs of local communities. This applies from a programmatic standpoint where EDA has resources for strategic planning, infrastructure improvements, business investment capital, and technical assistance. It also applies from a community standpoint, whether a locality is struggling with long standing poverty, declines in traditional industries such as coal, timber, or fisheries, or even if a community is impacted by a natural disaster, a military base closing, or a manufacturing plant closing.

My second point is that the EDA planning program for multi-county economic development districts is proven and cost-effective resource for our Nation's distressed communities. As reported in a 2002 program evaluation by Wayne State University, the national network of 320 regional development districts "provides the critical backbone for economic development planning at the local level."

Therefore, we specifically urge the committee to retain the leadership role of the districts at the multi-county and local levels. This involves both the crafting and, most importantly, the implementation of regional roadmaps for economic growth and sustainability. It is important to note that the EDA planning program is far more than simply developing strategic economic development plans for a region. It also involves providing hands-on technical assistance to local government officials and business leaders in our regions. Without the flexibility and expertise of the EDA planning districts, most of our local communities would lack the capacity to package infrastructure and development deals.

My third point is that the EDA public works program is essential and cost-effective. It is a primary resource for distressed communities who are striving to develop the most basic building block for economic development—the public infrastructure. In my home region of Oklahoma, EDA has made several valuable investments. In 1992, for example, the city of Clinton received EDA assistance to meet an overwhelming need for improved sewer treatment infrastructure. Without the assistance of EDA, it is most certain that the BAR-S Company, a major local employer, would have been forced to close its plant in Clinton, with the loss of approximately 400 jobs. As part of any EDA reauthorization package, we encourage the committee to maintain fair and flexible eligibility criteria for public works grants. Over the years, the success of EDA has been rooted in its bottom-up approach. The projects originate from a local planning process, with EDA coming into the process later as a key catalyst. The bottom line is that most impoverished communities, especially small town and rural America, would struggle by themselves to build the infrastructure and facilities required to support new and expanding businesses without the EDA public works program.

My fourth and final point, Mr. Chairman, is that the EDA Revolving Loan Fund program is a powerful tool for addressing the credit gaps that exist in many underserved communities, especially rural areas. The participation of locally controlled EDA RLFs in a business deal usually encourages once-reluctant banks to participate in the project. EDA RLFs are a vital source of capital in areas underserved by traditional lending institutions. You will note that I included numerous examples in my written statement of the success and power of the RLF program.

Mr. Chairman, we generally support the modifications made in the House bill to the RLF program, including a provision allowing local RLF grantees to consolidate their funds. We would like to see Congress allow the defederalization of RLFs, meaning that all of the funds would become local or nonfederal after the money has been loaned out and fully revolved.

I see my time is up. Thank you.

Senator INHOFE. Thank you, Mr. Gorshing, for a very timely and excellent opening statement.

Mr. Saudade, you are recognized.

**STATEMENT OF JAMES J. SAUDADE, DEPUTY COMMISSIONER,  
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,  
STATE OF VERMONT**

Mr. SAUDADE. Good morning, and thank you for the opportunity to provide testimony to the committee this morning. I am really glad to hear the Senator remind folks around here that Vermont is a very small State that is facing substantial economic challenges. The median income for a family of four in Vermont grew only about \$500 from 1989 to 1998. Our poverty level actually increased during that period from 8.1 to 9.6 percent. While our statewide unemployment averages below the national average, Vermont hosts regions of high unemployment such as our Northeast Kingdom and substantial underemployment is pervasive throughout Vermont.

To address these disturbing trends, we have undertaken economic development planning and projects to stimulate new businesses, train workers, and grow the businesses we have. In this effort, we have enlisted the assistance of EDA as our partners to help underwrite the cost of new infrastructure, capitalize Revolving Loan Funds, and build small business facilities. In fact, Mr. Chairman, as we are meeting here this morning, the ribbon is being cut on a new business facility in St. Johnsbury, VT, one of our most economically distressed areas. This center, which is largely underwritten with EDA funds, resides in an industrial park that was originally established with EDA assistance and also expanded with EDA assistance.

I actually helped to establish the business incubator in Randolph, VT, that Senator Jeffords and Dr. Sampson visited last year. That will open in a couple of months and provide much needed jobs to a community that was devastated by a series of fires and has suffered recent plant closures. Both the Randolph and the St. Johnsbury projects were planned and executed in accordance with comprehensive economic development strategies, CEDS, as they are known to us. These CEDS are a requirement for participation in EDA activities and are a planning feature which I, and the Agency that I represent today for the State of Vermont, strongly endorse. The process to complete these plans is arduous, time consuming, and not without cost, but their value for smart development is indispensable.

This week, perhaps even as we are meeting right here, our State's legislature is considering changes to our limited liability program for brownfields reclamation. I believe the improvements in these laws will result in a watershed of new interest in brownfield reclamation. With over 2,000 brownfields in Vermont, as Senator Jeffords noted, we will need the help of EPA and EDA to remediate and reuse those sites.

Vermont is a rural State by character and it is very different than urbanized areas of this country. As such, we sometimes find ourselves working within constructs of the Federal Government that do not work quite as well as they might in more populated States. This is true with EDA. We recommend that EDA allow some discretion in the design and implementation of its programs to absorb inherent differences that exist across the country, and particularly in small States.

I am very glad to hear this morning that the \$22-to-\$1 ratio is a goal that is not necessarily shared by everyone in all regions because, I can tell you, it is unattainable in Vermont and would threaten to make EDA an anachronism in our State.

Also characteristic of very rural States is a lack of professional staff for small communities. EDA relies heavily on regional representatives to provide technical assistance. These EDRs, as they are known, are responsible for large geographic areas that prohibit frequent visits and limit accessibility. This dependence on very few individuals to provide both technical assistance and firewall review of new proposals for a huge area does not do justice to the otherwise well thought out EDA system of resource deployment.

We would also appreciate an improved EDA application process that did not place project viability in the hands of one person initially, and also allowed for the capture of time sensitive and unusual, but creative projects. The existing application process is multi-tiered and cumbersome. We recommend a special review process for applicants that can demonstrate a need for an extraordinary procedure. We might also suggest a closer partnership with EDA field representatives to State community development departments. In Vermont, as is the case in many States, development department staff have become proficient in the review and administration of CDBG small cities projects and may offer EDA some assistance in extending field capacity and offering field support to EDA.

In conclusion, we enthusiastically recommend reauthorization of EDA. While we recommend some flexibility and discretion in applying program standards to small States, EDA's major program features are sound, its products are invaluable, and Vermont's economic distress would become further exacerbated without EDA support.

Senator INHOFE. Thank you, Mr. Saudade.

Mr. Gatson.

**STATEMENT OF R. CHARLES GATSON, VICE PRESIDENT AND CHIEF OPERATING OFFICER, SWOPE COMMUNITY BUILDERS**

Mr. GATSON. Mr. Chairman, Senator Jeffords, and members of the committee, thank you for inviting me to testify in front of your committee on the EDA reauthorization bill. I want to particularly recognize Senator Bond who has been a friend and a champion of our efforts to improve the lives of thousands of folks living in Kansas City, MO.

I am currently vice president/chief operating officer of Swope Community Builders, a position I have held for the past 13 years. Swope Community Builders is one of the Nation's 3,600 community based development organizations represented by the National Congress for Community and Economic Development. We are a non-profit community development corporation with a \$7.5 million annual budget. On December 31, 1991, our total assets were approximately \$60,000. On December 31, 2003, our total assets exceeded \$61.4 million. We have completed in excess of \$120 million in development projects—single and multi-family housing, as well as commercial and institution projects—over the past 10 years. Every dollar the Federal Government invests in our work leverages an-



other \$7 to \$12. We manage more than \$100 million in investment. We have over \$100 million of new investments in our development pipeline.

One of our most important projects, the H&R Block Technology Center, was completed in December 1999. This project, a corporate technology center built using cutting edge construction, cabling, and computer technology, relocated 150 employees earning an average of \$45,000 per year from suburban Kansas to Kansas City's urban core and created 400 full-time equivalent jobs with starting salaries of \$15 per hour. The total annual payroll at the H&R Block Technology Center exceeds \$20 million.

Swope Community Builders is in the development phase of a new project called the New Village at Technology Center, a 480,000 square foot office/warehouse project, accompanied by a 50,000 square feet in companion retail/service space and 175 units of work force and market rate housing. This will be a \$48.6 million project that will employ over 1,200 people.

None of the projects that we have done to date would have been possible without Federal involvement. But the one Agency missing from that list is the Economic Development Administration. Despite our best efforts, Swope Community Builders has never received any funding from the EDA. Indeed, none of the 14 Community Development Corporations in Kansas City has received substantial funding from the EDA in the past 16 years. It is not an isolated case. NCCED has surveyed our membership nationwide and, with the exception of the western region, none of the CDCs have had real good access to EDA.

We are in the pre-application stage of the New Village at Technology Center, as I described earlier. It has been very difficult to make that project work and it will not be able to work without substantial up front cash from the Federal Government. As mentioned before, the \$22-to-\$1 leveraging factor for us just does not work. I hear people talking jobs, leaving their communities. Our communities do not have jobs in the first place. So to get investment at a \$22-to-\$1 ratio is almost impossible for us, yet we have been successful using other techniques and we would like to be able to access this one.

I have 1 minute and 39 seconds left. It normally takes me that much time to introduce myself. But I want to use part of that other minute and a half to just basically talk about the Senator from Missouri, who has been very instrumental in every project that we have done for the last 13 or 14 years. He understands how it works in urban areas. He understands how we do what we do.

I am here today basically because he invited me to talk about EDA. I do not pretend to be an expert about EDA. What I am an expert on is taking dollars and leveraging them into projects to create jobs in the urban core. Again, we have not been successful with the EDA. We plan on being successful in the future. But if you are going to have a \$22-to-\$1 leverage, it is going to be very difficult for us. We would recommend, however, maybe a special set aside for not-for-profits like us that we could access on a national level. We would also like you to take a look at special impact districts that could be created to deal with projects specifically in the urban core. We have also discovered from looking at rural opportunities

for our organization that it is no different. There is disinvestment in rural communities, there is disinvestment in urban communities. We feel that the EDA can help that particularly with public infrastructure dollars. I will yield my 22 seconds to the next speaker.

Senator INHOFE. Mr. Gatson, thank you very much. I will pass on your complimentary comments to Senator Talent.

[Laughter.]

Mr. GATSON. Senator Talent is too new. He is just getting here. Senator INHOFE. Dr. Singerman.

**STATEMENT OF PHILLIP A. SINGERMAN, EXECUTIVE DIRECTOR, MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION, ON BEHALF OF THE INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL**

Mr. SINGERMAN. Mr. Chairman, members of the committee, I am really honored to be invited to testify before you. I currently serve as the executive director of the Maryland Technology Development Corporation. More relevant to this proceeding, from 1995 to 1999 I served as Assistant Secretary of Commerce and in that capacity was responsible for EDA when you reauthorized the Agency in 1998. That was a milestone achievement of the Congress, carried out in a bipartisan fashion, and I want to congratulate you for that visionary action.

I also want to commend Assistant Secretary Sampson for his leadership of the Agency. He and members of his staff have made a special effort to reach out to me and my colleagues in the local economic development community. I want to thank him for these personal and professional courtesies.

I am also here today as a member of the board of director of the International Economic Development Council, IEDC, which is the leading association of 4,000 members serving economic development professionals around the world. IEDC is holding its 2005 conference in St. Louis this September and we look forward to seeing you there, Senator.

I have carefully reviewed both the House-passed legislation and the Senate introduced Administration bills. I have attached a set of policy recommendations provided by IEDC to my written testimony. I just want to briefly highlight three points: No. 1, the importance of prompt passage of EDA reauthorization; No. 2, the importance of providing adequate funding authorization levels; and No. 3, the importance of allowing more efficient management of EDA's Revolving Loan Fund.

In 1998, I had the privilege of testifying before this committee then chaired by the late Senator Chafee, joined at that hearing by Senator Baucus, the Ranking Member, and Senator Warner, the Subcommittee Chair. I was told afterwards that during the hearing Senator Warner turned to his colleagues and asked, "Does everybody like this Agency?" The answer then and the answer now is, yes, because EDA, as members of this committee have stated, is perhaps the most efficient and effective Federal Agency to assist local economic development communities and can play a significant role in addressing the decline of manufacturing jobs.

I respectfully urge the committee to consider prompt passage of the reauthorization prior to the August recess. Here is why. This spring the Congress will be reviewing the Administration's budgetary request for fiscal year 2005, and this summer Agencies will be submitting their requests to the Administration for fiscal year 2006 funding. In the normal give and take of the budgetary process, an Agency that is not reauthorized will suffer. To those who care about the ability of EDA to provide critically needed support to our most distressed communities, tardiness in reauthorization will limit the Agency's competitiveness. I can talk about this at greater length in the question period.

Second, it is essential that robust funding levels are authorized. The House-passed legislation proposes an authorization level of \$400 million for fiscal year 2004, rising annually to \$500 million by fiscal year 2008. This legislation provides Congress with the authorization flexibility it needs to address unanticipated economic difficulties. What we learned in the 1990's is that every region in the country and nearly every community will inevitably face sudden and severe economic distress—tornadoes in Oklahoma, floods in Missouri, ice storms in Vermont, closures of military bases and DOE facilities across the country.

During the latter part of my tenure we were faced with economic crises in the steel and textile industry, yet the lack of sufficient authorization levels prevented an adequate response to address these problems. The result was that funding to communities suffering long term deterioration was taken away and a pernicious competition among equally needy communities was created. This new authorization language does not eliminate the ultimate authority of Congress to make judgments about budget priorities, but it does remove an artificial constraint to your ability to exercise an appropriate level of discretionary flexibility.

My final point, Mr. Chairman, relates to the Revolving Loan Fund modifications, which have already been mentioned. Just let me state briefly that modifications of this legislation will eliminate an unnecessary and, frankly, unmanageable administrative burden on EDA and its local partners. This is really a very modest step. Defederalization of local loan programs is already guaranteed by other Federal Agencies and EDA already releases its interest in construction projects after 20 years. So if this is applied to Revolving Loan Funds, it will level the playing field. You should note that it would only be carried out pursuant to formal regulations issued by the Secretary and under the guidance of the Inspector General.

I think I used up my 22 seconds as well. Just let me thank you again for the opportunity to testify before you.

Senator INHOFE. Thank you, Dr. Singerman. I will confine my questions to Mr. Gorshing and Dr. Singerman since I am sure that my colleagues from Vermont and Missouri will have questions for the other two witnesses.

Mr. Gorshing, we in Oklahoma, or you are responsible for using technology that I dare say is not used nationwide. I am talking about your mapping with GIS and GPS. Do you have any idea as to how many other States—are we ahead of the pack in technology?

Mr. GORSHING. We like to brag we are, Senator.

Senator INHOFE. That is all the answer we need.

[Laughter.]

Senator INHOFE. I compliment you for that. I am not saying this just to blow smoke at you, but you are doing such a great job. We are doing a great job in Oklahoma. I am just so appreciative of Dr. Sampson and his predecessor for all the things that have taken place in Oklahoma. But of all the programs that come to your mind, which one do you think would serve best as a model? Could you single out one that has had unusual success?

Mr. GORSHING. You mean a specific EDA investment?

Senator INHOFE. Yes.

Mr. GORSHING. There are a great many of them out there. I can share with you one incident in a very small community which certainly is not unique across the national landscape. But there is the small town of Thomas, a population of 1,000, and the city, because of its size and lack of resources, has no management staff whatsoever. They had an opportunity in the year 2000 for a new manufacturing company. We are losing manufacturing jobs all over, so this was a great opportunity. W.W. Manufacturing Company made cattle handling equipment—loading chutes, temporary pens, et cetera. It was a \$3 million project. But EDA invested a public works grant of \$500,000 to the city's economic development authority in order to support the infrastructure that was needed in terms of water and sewer. The company itself invested \$2 million into the project and the differences were provided by a variety of State and Federal funds. But it was a packaging project which the city clearly had no capability of putting together. It was our economic development staff, through our economic development planning program, that was able to put that package together. Today, that company has grown from about 8 or 10 employees to a little over 80, and additional growth is in sight.

Senator INHOFE. That is great. I appreciate that very much, and we appreciate very much your being here to testify.

Dr. Singerman, you said during your opening statement there are a couple of things you would elaborate on. I will give you that opportunity with the remainder of my time. I think you have already covered your feelings on the \$22-to-\$1 issue, but perhaps you could elaborate a little bit more on brownfields.

Mr. SINGERMAN. Yes, Mr. Chairman, thank you. I concur with Secretary Sampson's remarks. EDA's ability to provide flexible funding focused on job creation is very important and to have it entangled with a very complex set of legislation and regulations that flow properly from the EPA and their approach to brownfields would severely restrict EDA's ability to address those communities and those problems. I had not thought about this before, but Secretary's Sampson's comments about the impact of future BRAC communities I think is very significant because that will be a major issue coming before the Congress and EDA's ability to assist those communities has been historically very important.

Senator INHOFE. Specifically, how? What ideas do you have on how you could assist someone after this BRAC round takes place?

Mr. SINGERMAN. Well, I believe you will need, as you did in the earlier BRAC rounds, supplemental funding to address the problems of those communities. EDA gets in pretty quickly right after the Office of Economic Adjustment's planning grants and, as Sec-

retary Sampson mentioned in regard to some of the communities in Colorado, I believe in Oklahoma as well, Texas, providing flexible funding not just for construction projects but for Revolving Loan Funds, and for planning, and for training, and for the kinds of technology transfer projects that you have mentioned, Mr. Chairman, and that Secretary Sampson has mentioned, the ability to provide timely, flexible, and adequate funding is really critical to be able to help the communities affected by the BRAC process.

Senator INHOFE. Thank you very much, Dr. Singerman.

Senator Jeffords.

Senator JEFFORDS. Jim, pleased to have you here. I would like to get your views on a couple of things here. What key changes would you make to EDA's programs to improve your working relationship with the Agency?

Mr. SAUDADE. I think that having one EDR, Economic Development Representative that covers all of up-state New York, all the State of Vermont, and all the State of New Hampshire provides a unique challenge for anybody to try to provide a reasonable level of service and technical assistance. To me, I think we would like to help EDA through our community development department at the State level to try to extend that field capacity, provide support, maybe an initial level of review on applications so that the EDR has a little bit more assistance in the region closer to its constituents to provide that assistance that is very much needed.

Senator JEFFORDS. Please elaborate on how EDA's planning process could be improved.

Mr. SAUDADE. The CEDS is a terrific process in that it enlists the planners, businessmen, bankers, and other interested parties to take a sobering view of the economic picture in a region, to take a look at its resources, and then to come up with a solid plan for action. The problem with the CEDS process in Vermont that we experienced is that it seems to be geared to more of an urbanized environment. In Vermont, we do not have lots of people that are closely aggregated that can serve on boards and committees and can make a lot of meetings and things of that nature. It is tough. We also do not have the diversity representation that you might find in Philadelphia or New York or some other cities. So it is very difficult for us to assemble the type of committee that has been the model for EDA.

What we did in Vermont was we took the boards of existing regional planning commissions, three of those, and two regional development corporations to assemble about 74 individuals that were broadly representative of the region. However, this model was simply very different than anything EDA had seen before.

So I would recommend flexibility and a higher level of understanding that small States are not necessarily going to have the type of constituencies and the type of organizations that you would find in more urbanized and populated areas.

Senator JEFFORDS. As you know, Vermont historically was the machine tool industry of the Nation. As a result of that, I think we have a lot of brownfields. What problems does that give to you in trying to find suitable sites for industries?

Mr. SAUDADE. Well, along our rivers where most of the manufacturing originally started because of water power, we have many,

many, many of those sites, as you say. The machine tool industry is just one of the many industries that contributed to this problem.

We recently had a site that cost \$800,000 to do the testing and to write the corrective action plan for remediation, but it only cost \$300,000 to actually remediate it. That is still \$1.1 million to get over the hurdle of one small spill. The reason why we need EDA and EPA is EPA can help us with the testing and the remediation, but the costs are so extreme in this spots that EDA assistance can help us to underwrite and credit enhance the redevelopment of those sites. A developer is not going to arrive at a feasibility decision on a project that has that kind of up front cost related to the brownfields problem. However, I am optimistic because our brownfield legislation in Vermont had a catch. Even if you did everything right, if there was something found wrong at the end of the cleanup, even if it was completely within the corrective action plan, the secretary could make you do more. This left a blank check, basically, wide open. Frankly, attorneys for our banks would not allow anybody to get involved with such projects. We think that hole is going to be plugged this week or next week in our legislature and I think you are going to see a lot more people excited about getting involved with brownfields. I am hoping that EDA is going to be an important player along with EPA to help us address those sites because they are critical to the stability of our towns and our village centers, they are important to the creation of jobs, and they help us to protect our undeveloped countryside.

Senator JEFFORDS. Thank you. Thank you, Mr. Chairman.

Senator INHOFE. Thank you, Senator Jeffords.

Senator Bond.

Senator BOND. Thank you, Mr. Chairman. I guess Mr. Gatson blew the cover, so I might as well tell you that he has an extensive background in urban affairs and economic development, more recently he is branching out from the great work he has done with Swope Community Builders in Kansas City to work in rural areas, and he was a recipient in 2002 of Fannie Mae Foundation's Johnson Community Fellows Award for leading development professionals. He is currently serving a 3-year term on the Federal Reserve's Consumer Advisory Council. So with that background, without getting into the Kansas City Chiefs, Chuck, I would like you to tell us briefly why your organization has been unable to tap into the EDA funding? What do you see as the problems of accessing EDA funding for urban and to the extent that you have experience in the rural areas? What impedes your ability to go to EDA?

Mr. GATSON. I think the biggest issue that we have with accessing is staffing. The gentleman to my right talked about that in Vermont. We have one person in the State of Missouri that everybody goes through and it is very difficult to get his ear, to get time with him. That is No. 1 for us. No. 2, it is the difficulty in taking the EDA funds and getting them into our projects at the appropriate time. We have not on a regular basis attempted EDA because we have had other paths to go through. I guess the district in Kansas City, MO, that deals with EDA is administered by two separate agencies, Economic Development Corporation and the city of Kansas City, MO, and those two are not often talking to each other or dealing with each other. So that is a problem for us, the

local politics, the local bureaucracies. That is why I spoke earlier about special set asides for not-for-profit community development corporations that can by-pass those kinds of local issues and deal directly with the office in Washington, DC, based upon the kind of projects that we do. I think the third thing is just a fear from our organization of spending the kind of time and effort it takes to put together that kind of application and then not being successful. As I said, we have assets of about \$61 million but that does not mean that we have a lot of time and a lot of staff. We have about 25 people and they are all assigned to projects on a regular basis. So to take somebody off of a process that we know that we can go through and be successful and put them on a process that is a lot more difficult, a lot less reasonable for success, that is the third reason, Senator.

Senator BOND. The \$22-to-\$1 ratio you feel would be beyond the ability of your organization and others with which you deal?

Mr. GATSON. We thought we were pretty hot when we said we were doing \$7-to-\$12-to-\$1. In the communities I work in, if you have \$22 to do a project, you do not need \$1 more. We have \$5 to do a project, we need \$5 or \$6 more to make it work. Everything we do we thought was pretty highly leveraged, everything from Community Development Block Grant funds to home funds, to philanthropic program related investments, to bank dollars, special equity funds. We use all of that. So for us to go out and find another \$10 or \$12 to do a project, it will not work for us. If there were those kinds of returns on investment in the communities we worked in, the private sector would be doing it already.

Senator BOND. Thank you, Mr. Gatson.

I wanted to followup with Dr. Singerman on a couple of little ideas. Again, I join with Dr. Sampson in expressing appreciation for the leadership you gave the Agency. We have a local EDA project in my part of the State where a group of farmers, a cooperative were trying to qualify for a private loan from a bank and the bank could not lend the money without assurance of EDA funding, but that cannot be announced until the EDA completes its prevention of unfair competition study. Is that really still necessary to do that? How important is that?

Mr. SINGERMAN. I do not think it is important at all and I think we tried to get rid of it 6 years ago and were unsuccessful. I believe the Administration's bill ends that anachronistic provision, and I think the House agreed with that. So that would be a step in the right direction.

Senator BOND. Finally, some people are saying that the House bill gives EDA too much room to rewrite rules and regulations. You have been in the other seat and now you are in the International Economic Development Council, and I know you have to watch your step because you have to apply to Dr. Sampson, but is it going too far in giving him leeway to rewrite rules and regulations?

Mr. SINGERMAN. Well I do not know the provision in the House legislation that does that. But I do know that between the Department of Commerce's lawyers, the Department of Commerce's budget office, OMB, congressional appropriating committees, the congressional authorizing committees, and the Office of Inspector General, there are lots of people who have their eyes on EDA's pro-

grams and it is very hard to sneak something through without the proper vetting. So I think you would agree that the problem in the Federal Government is not too much flexibility but really too little flexibility and too many burdensome and onerous regulations and rules.

Senator BOND. Thank you, Dr. Singerman. Thank you, Mr. Chairman.

Senator INHOFE. Thank you. I have no further questions but if either of my colleagues do, feel free to ask.

Let me thank all five of our witnesses. Dr. Sampson is still here and it is very unusual to stay for the second panel. I appreciate that very much, Dr. Sampson. If anyone of you has one or two things that you should have said and just realize you did not, and you too, Dr. Sampson, get up here, we will give you that chance to do so. Mr. Saudade?

Mr. SAUDADE. I would like to say that one of the problems I had when we first got into planning our CEDS was that the website was not very good at EDA. I want to commend EDA for improving that website enormously. Today, it is such a great resource and they have done a wonderful job with that. I really appreciate that.

Senator INHOFE. Well, that is good. All right, anybody else? Yes, Mr. Gatson?

Mr. GATSON. I would like to say I do recognize that there are two Senators in the State of Missouri.

[Laughter.]

Senator INHOFE. That is what is unusual about Missouri.

[Laughter.]

Senator INHOFE. Dr. Sampson.

Mr. SAMPSON. Thank you, Mr. Chairman, for your flexibility. I know we will have an opportunity to respond to questions, and we look forward to that, written questions, and, again, I certainly want to make myself available to members on both sides for a personal sit-down with questions. But I do want to clarify one thing in the public setting.

We have heard a lot about the \$22-to-\$1 as a goal. The reality is that we have many, many grants that are far below the \$22-to-\$1 ratio. We have some grants—as a matter of fact, and I am sorry Senator Wyden is not here—we have one grant that is in the process now for Port West in Oregon that is a \$980-to-\$1 ratio, in a very poor, very rural community that is going to have a significant impact on that whole region of the State. Clearly, when the Seattle regional office has one grant that has a \$980-to-\$1 ratio, that enables us to have a great deal of flexibility on the small side of the scale to do small projects that are not highly leveraged. That is why I talk about this as it is an overall goal for a very broad portfolio at the regional level but then at the national level.

What we look forward to is providing you with the full range of grants so you can see that we do extremely small leveraged grants as well as some that are very highly leveraged. But the important principle is economic development cannot be successful at any level unless there is significant private sector money leveraged into that deal.

Thank you very much, Mr. Chairman.



Senator INHOFE. I appreciate that and I am sure that Senator Wyden's staff will convey that, that we are talking about averages.

Mr. Gorshing or Dr. Singerman, either of you have anything further?

Mr. SINGERMAN. Yes, Mr. Chairman. I would just like to emphasize one point that I perhaps rushed through, and that is the significance of this committee's action and your ability, I know you are not the appropriators, but by sending a message through the authorization levels that you set in the legislation, to really set a benchmark for not only your colleagues in Congress but members of the Administration to pay attention to EDA and provide the level of funding that I think you all would agree is necessary to support the kinds of projects that you endorse.

Senator INHOFE. Well I appreciate that. I think our sentiments have been conveyed to all of you as to our feelings about the EDA and the work that you do. Again, we thank you very much for all of your efforts.

With that, we are adjourned.

[Whereupon, at 11:20 a.m., the committee was adjourned, to reconvene at the call of the chair.]

[Additional statements submitted for the record follow:]

STATEMENT OF SENATOR CRAIG THOMAS, U.S. SENATOR FROM THE  
STATE OF WYOMING

Mr. Chairman, I thank you for holding this hearing today. I believe it is important that we as legislators continually review the functions of the Federal Government so that the policies and programs remain effective and efficient.

All too often it seems that all sorts of assistance programs continue without review only to be duplicated by another Agency, administration, bureau or nook in the Federal Government to address a similar challenge as the previous program.

The EDA is an organization that many people look to when local development, jobs and creating lasting improvements to the business environment are needed. This is a unique organization with a mission that cannot be understated, and we are fortunate to have Dr. Sampson as its administrator.

As the American economy continues to grow and change, we must be prepared to address the challenges that lie ahead. By allowing communities to access funds for infrastructure and capacity, technical assistance and other obstacles, we can see a one stop shop that will, hopefully, allow an economically depressed area get assistance or get training or get construction so folks can get back to work. In Wyoming, we have seen a number of successes and it is important that as we hear testimony and review the reauthorization, we capture the essence of this program that will focus our resources to our rural and urban communities to create jobs.

I am particularly pleased that we have Assistant Secretary of Commerce Dr. Sampson here today to give us some insight on where his program is and where he wants to take it. As I mentioned, this is important to ensure our Federal dollars are used wisely. I know the President has made the implementation of responsible and accountable policy changes a priority and I am glad the EPW Committee can hear testimony today.

---

STATEMENT OF SENATOR MAX BAUCUS, U.S. SENATOR FROM THE STATE OF MONTANA

Mr. Chairman, thank you for convening this hearing. As you know, I am a big supporter of the Economic Development Administration. This Agency has been a major contributor to the development of Montana's economy over the years and has been a solid partner in state and local efforts to move our state's economy forward. My support for EDA comes from first-hand experience in working with EDA on virtually every major economic development project and initiative over the past dozen years or more.

I also have first-hand experience in EDA's reauthorization, as former Chairman and ranking member of the Environment and Public Works Committee. In 1998, I sponsored S. 2364 along with my original co-sponsor, Senator Snowe. The bill even-

tually attracted co-sponsorship of more than 60 Senators. That bill was unanimously reported out of this committee and passed under unanimous consent in the Senate. Later that year, the House of Representatives passed S. 2364 unanimously and it was signed into law. This marked the first passage of an EDA reauthorization bill since 1980, a period of 18 years.

That bill not only reauthorized EDA, but significantly improved EDA's authority to advance this nation's efforts in improving the economies of economically distressed communities. I am the first to admit, however, that we cannot rest on our laurels. There is a need for constant improvement. That improvement should be accomplished with a recognition of the core mission of EDA and should recognize its strengths while identifying ways to increase its effectiveness.

With this in mind, I feel that we should identify some of EDA's key strengths. First and foremost is this Agency's efforts at the state and local level. It is widely recognized that economic development is inherently locally driven. That is, economic development is only effective when state and local leaders engage the private sector to realize economic development goals and objectives. EDA's strength is that it is built on this premise.

A critical component in local economic development, for example, is the Comprehensive Economic Development Strategy, or CEDS. These strategies, a key requirement for investment, provides the basis for consensus among local government and business leaders as they plan for critical infrastructure improvements, public-private partnerships and investment strategies that are needed to support economic growth and job creation. In addition, EDA's assistance programs engage key partners at the state and local level. These include state and local government, economic development districts, local development organizations, university centers, and tribal governments. Consensus is created before a project is designed, much less implemented.

The effective word here is "Partner". EDA's programs do not operate in a vacuum, directed by Washington bureaucrats. Instead, assistance is directed by local and regional planning, with EDA staff at the local level providing technical assistance where it is needed most—on the ground, where the action is! EDA operates as an active partner, working with state agencies and other Federal Agencies to make a difference at the local level. This important partnership is greatly enhanced by the actions of the Economic Development Representative. I have witnessed first hand in Montana on many, many occasions the excellent working relationship between the EDR and many Montana entities. This is a core strength that we need to enhance. I will be interested to hear Dr. Sampson's ideas regarding how we can augment this important component of how EDA programs are delivered at the state, regional and local level.

A major factor contributing to the success of EDA is its ability to maintain its local partnerships over many years, ensuring continuity and stability as economically distressed areas struggle to make lasting economic improvements. A prime example is EDA's support for economic development districts. Montana currently has four economic development districts, providing economic and community development planning and assistance to communities in 22 of Montana's 56 counties. The planning grants provided by EDA have allowed these districts to develop and maintain critical expertise to assist communities in addressing their needs. However, funding for economic development districts literally has not increased for more than 30 years. In fact, it has diminished over that time. In addition, Montana has four economic development districts that have been designated by EDA but do not receive any planning funds. This means that the remaining 34 Montana counties do not receive the substantial benefits of EDA's planning grant program.

In addition to economic development districts, some Indian Tribes within Montana only receive \$35,000 to support their economic development planning efforts. Indian reservations are some of the most economically distressed areas of this country. Quite frankly, I do not know how we can expect advancements in the economic development of our reservations with such limited resources. I would be particularly interested in hearing Dr. Sampson's ideas for increasing funding for economic development districts and Indian Tribes.

In my state, we also have an EDA-funded University Center. The University Technical Assistance Program (UTAP) provides critical technical assistance to small manufacturers using engineering students from Montana State University. I cannot think of a more cost effective way to provide valuable "hands-on" technical assistance to small manufacturers than UTAP does. In fact, this program eventually lead to the formation of the Montana Manufacturing Extension Center (MMEC). These services are critically needed at this particular moment in time, when manufacturers are moving jobs overseas. I would be interested to know how EDA will strengthen its commitment to organizations such as UTAP.

Another critical component in EDA's "tool box" of programs is the successful Revolving Loan Fund program. In Montana, we have realized significant private investment in our communities because this program was available to economic development districts and local development corporations. The program is responsible for literally thousands of jobs retained or created in Montana communities. We need to build on this program to ensure its effectiveness in combating low per capita income, high unemployment, and high out-migration rates in our distressed communities. Montana's EDA Districts, local development organizations and other political entities have utilized the RLF program in many innovative ways to leverage millions of dollars of local, state and private sector funds to create significant employment opportunities.

EDA's programs have proven to be effective in addressing local economic development needs. These programs avoid duplication of other Federal programs while providing assistance that complement other Federal, state, and local efforts to create lasting improvements in economically distressed areas.

In summary, I would like to stress that the success of EDA in carrying out its mission is dependent on its partnership at the state and local level. Assistance that is based on locally driven planning through the Comprehensive Economic Development Strategy process, coupled with adequate funding of our economic development districts, tribal economic development programs, University Centers and the Revolving Loan Fund program is the key to EDA's future success.

STATEMENT OF DAVID A. SAMPSON, ASSISTANT SECRETARY OF COMMERCE FOR  
ECONOMIC DEVELOPMENT, ECONOMIC DEVELOPMENT ADMINISTRATION

Chairman Inhofe, Ranking Member Jeffords, Subcommittee Chairman Bond, Subcommittee Ranking Member Reid and Members of the Committee, thank you for this opportunity to appear before the Senate Environment and Public Works committee regarding the reauthorization of the Public Works and Economic Development Act of 1965 (PWEDA), as amended.

We are at a critical time in our economic history and the decisions we make today will have profound impact. The challenges of today will require policymakers to be forward-looking and innovative. Tomorrow's Challenges will not be answered with yesterday's solutions.

Mr. Chairman, I am convinced that the only constant in economic development today is change. Nowhere else is this more evident than the scope of competition that American companies and communities face both domestically and from worldwide markets. American companies and communities must be able to operate in a worldwide marketplace and American political leaders must be in synch with business and labor leaders to adapt to this reality.

One significant step in this effort is to reauthorize the Economic Development Administration. I urge the Senate to quickly pass this legislation so the valuable program changes in this legislation can be employed to help the economy grow.

On October 21, 2003, the House of Representatives passed H.R. 2535, legislation to reauthorize the Economic Development Administration (EDA). While H.R. 2535 is not the same as S. 1134, legislation the Administration proposed to Congress on May 15 of last year and introduced by Chairman Inhofe and Bond in on May 22, the House bill is a bipartisan compromise that passed the House without dissent.

In 1965 EDA was created to help communities generate new jobs, retain existing jobs, and stimulate industrial and commercial growth in economically distressed areas of the United States primarily through the construction of infrastructure. Assistance is available to both rural and urban areas of the Nation experiencing high unemployment, low per-capita income, or other severe economic distress.

EDA's work to help communities was greatly advanced by my predecessor in the previous administration, Dr. Philip Singerman. His work with your committee in 1998 to reauthorize EDA for the first time in 16 years, set the stage for the improvements we seek in our proposed legislation. I believe his testimony today will be valuable to your efforts.

Today, 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. In order for EDA to achieve this mission and for the Federal Government to be successful in its overall economic development efforts we need a New Federal Economic Development Strategy for the 21st Century.

A NEW FEDERAL ECONOMIC DEVELOPMENT STRATEGY FOR THE 21ST CENTURY

As I travel across the Nation, it is clear to me that economic development is a top agenda item for almost everyone. However, it is also clear to me that America

needs a smarter economic development strategy for the 21st Century. We need to set clear expectations and develop an overall strategy for these efforts by establishing a coherent design—including some common management goals and common performance measures among Federal economic development programs.

#### WHAT IS THE FEDERAL ROLE?

The bottom-line of economic development is prosperity—a high and rising standard of living. Productivity and productivity growth are the fundamental drivers of prosperity and innovation is the key driver of productivity. President Bush has said, “The role of government is to create conditions in which jobs are created, in which people can find work.” The economic development focus of the Bush administration is supporting innovation and competitiveness on a regional level across America. Increased innovation and competitiveness empowers distressed regions to attract private-sector investment thereby improving the opportunities for American workers.

#### THINKING REGIONALLY

Economies are not hermetically sealed in artificial political boundaries. The dominant reality of economic development today is that all communities, cities, towns and counties alike, must think regionally and pool their resources to build a strong economic platform for growth. By pooling their resources regionally, communities can attract the private sector investment necessary to spur job creation, because it is the private sector that creates jobs and spurs economic growth.

Let me give you an example: I was in Georgia meeting with officials from four counties who were encouraging EDA to assist in the development of a development project in one of the four counties. I asked them, why three of the counties were asking us to invest in a county outside of their own. They told me that they understood that this project would be a driver of job growth for the entire region and it would benefit all of their constituents. By pooling their resources they could attract more private sector investment than if they each went it alone.

Encouraging regional collaboration should be one of the key goals for defining the Federal role in economic development—and it is at EDA.

EDA is guided by the basic principle that distressed communities must be empowered to develop and implement their own economic development and revitalization strategies through close collaboration with the private sector, local governments, and universities. Based on these regionally developed priorities, EDA partners with state or local governments, regional economic development districts, public and private nonprofit organizations, and Indian tribes to help them attract the critical private sector investment that is necessary to overcome long-term economic distress as well as sudden and severe economic dislocations due to natural disasters; the closure of military or other installations; changing trade patterns; or the depletion of natural resources.

#### PROMOTING AMERICA’S IMMENSE INNOVATIVE CAPACITY

The innovative capacity of the United States has always been one of our greatest strengths. The innovation infrastructure of our country is built on over 200 years of invention, discovery, development and commercialization. It is an intricate system that exists no place else on Earth.

Innovation will drive the growth of American industry by fostering new ideas, technologies and processes that lead to better jobs and higher wages—and as a result, a higher standard of living. America’s capacity to innovate will serve as its most critical element in sustaining prosperity. New products and new production methods embedded in the oldest of our mainline manufacturing businesses will raise our productivity and ensure that our economy remains the most competitive in the world. Only by focusing on innovation and competitiveness can we ensure that the jobs created will be good jobs that provide a higher standard of living for Americans.

America’s economic infrastructure is dependent upon innovation and one key place innovation occurs is on America’s university campuses. One of EDA’s investment priorities is to advance technology-led economic development by supporting the commercialization of university research and development efforts by linking them with regional economic development. We must foster technology transfer and entrepreneurial ecosystems, in which private industry, universities and communities can partner to drive economic expansion.

#### NATIONAL ECONOMIC DEVELOPMENT STRATEGY

EDA has a unique position in the national economic development strategy. Since its creation nearly forty years ago, EDA has invested over \$12 billion dollars to help

distressed communities create an environment conducive to sustained job growth and economic opportunity. This is a small fraction of the overall Federal investment in economic development activities over the same period.

According to a General Accounting Office study of Federal economic development programs conducted in 2000, there are at least 30 Federal economic development programs, providing approximately seven billion dollars to support economic development activities. Some more recent analysis lists the budget for economic development at over \$20 billion.

EDA's fiscal year 2004 budget of \$318 million may seem insignificant when compared to the nation's \$11 trillion economy. Indeed, it is critical to job creation and long-term economic growth for the overall economy that the much larger macro-economic policies in President Bush's Six Point Economic Plan are passed by Congress as well.

These critical six items are:

- Making Health Care Costs More Affordable.
- Reducing the Lawsuit Burden on Our Economy.
- Ensuring an Affordable, Reliable Energy Supply.
- Streamlining Regulations and Reporting Requirements.
- Opening New Markets for American Products; and
- Enabling Families and Businesses to Plan for the Future with Confidence by Making Tax Cuts Permanent.

However, at the local and regional level, EDA has a proven ability to provide catalysts for economic growth in areas the marketplace bypasses or that are experiencing sudden and severe economic dislocation. The legislation before the Senate to reauthorize EDA will enhance our ability to address these important economic needs. EDA's legislation was crafted with the following three principles:

- Being flexible to deal with change;
- Enhancing our coordination with other Federal programs; and
- Rewarding Results.

#### INCREASED FLEXIBILITY

As I travel across the country talking with our economic development partners, they repeatedly comment on the value to them of our programs' flexibility. They like the existing flexibility of our programs, but note that EDA can do better in some areas. We've listened to their ideas about increasing that flexibility while maintaining, even increasing, accountability for taxpayers' dollars.

To increase our flexibility, we have reorganized our work force to improve and streamline our internal operations and through our reauthorization we are seeking to transform EDA into a flexible, forward-looking Federal resource that focuses on investing in economic infrastructure that will promote development of regional engines of economic growth.

Many of the Administration's proposed changes included in both S. 1134 and the version that passed the House are related to this objective. For example, H.R. 2535 clarifies that certain non-profit organizations and special units of government are eligible for EDA assistance. As key players in the economic development arena, it is important that we be able to work along side community development corporations and municipal utility districts to promote strategies that will result in economic growth. These types of entities were not envisioned when EDA was created in 1965.

This Administration's proposal allows the savings, from construction projects completed under budget, to be recaptured to fund additional economic development projects. Under current law, these funds are either returned to the Federal treasury or are used to improve the project. EDA needs the flexibility to use these funds to invest in additional projects in distressed communities. The House has agreed to allow the EDA the opportunity to utilize these funds for additional projects but modified the language to allow recipients of EDA funds to keep under-run costs as an increase in the Federal share of their grant.

Finally, both the Administration's bill and the House version eliminate the provision in our law dealing with overcapacity (Section 208). This provision was relevant to our programs when EDA made large loans to entire industry-sectors but has proven to be administratively burdensome to both our grantees and our staff. We would also note that communities providing mandatory matching funds will not invest in projects creating over-capacity because they will not be viable over the long term and the private-sector will not invest in a project unless market demand exists. We will use investment policy guidelines and our regulations to achieve the purposes of this section in a less burdensome manner.

## ENHANCING OUR COORDINATION WITH OTHER FEDERAL PROGRAMS

A highly trained and skilled work force is crucial to our economic growth. The legislation we sent to Congress proposes several changes to existing law to promote coordination among Federal economic and work force development programs, such as those authorized under the Workforce Investment Act. The House bill includes similar provisions.

The President has stated that a better-educated work force means America is more productive resulting in more jobs and higher paychecks. This Administration is committed to developing closer linkages between work force development and economic development. I have been working closely with my counterpart at the Department of Labor's Employment and Training Administration to build these linkages. Our proposed statutory changes would make it easier for these partnerships to be built at the local level.

Additionally, the House added a provision to require EDA to coordinate our efforts with other economic development programs, which dovetails with our ongoing efforts to partner on a governmentwide basis to coordinate Federal Economic Development Efforts.

## REWARDING RESULTS

EDA has demonstrated through measurable outcomes the value of its leading programs. We have adopted a Balanced Scorecard as a tool to measure our performance and scored relatively well in the Office of Management and Budget's Program Assessment Rating Tool (PART).

But these achievements are not enough. We have also focused the agencies core values on results. Our values include:

- Responsibility
- Entrepreneurship
- Security
- Urgency
- Leadership
- Teamwork
- Success

*Responsibility:* We act with integrity and respect for others and are accountable for our actions.

*Entrepreneurship:* We seize opportunities in the midst of change and take market-based risks, challenging the status quo. We seek partners with similar attributes.

*Security:* We enhance economic security. At work, we operate in a safe, secure, and alert work environment.

*Urgency:* We act now—with alacrity.

*Leadership:* We develop leaders, communicate concisely, and exhibit a high degree of professionalism. We make tough choices.

*Teamwork:* We are passionate about economic growth and build synergy by collaborating. We expand relationships.

*Success:* We set high goals, stretch our abilities, and exceed expectations. We focus on critical items first and commit to implement them fully.

EDA evaluates its programs by measuring the results in such areas as the number of jobs created and the amount of private-sector funds leveraged. Correspondingly, EDA also requires its grantees to measure the results of their projects.

This Administration expects high levels of results from EDA's investments and commits to providing recipients an incentive to reach these performance goals. When an EDA-funded project provides excellent results taxpayers gain: prompt project implementation, better overall stewardship of taxpayer resources, faster creation of higher-skill, higher-wage job opportunities, and timely investment of private sector funds—all of which help communities become more competitive and economically vibrant.

## REWARDING PERFORMANCE

EDA's proposed legislation contained a performance-based incentive recognizing the importance we place on achieving results and the critical role that our partners play in transforming distressed communities into successful, economically stable communities. Currently, applicants have an incentive to overstate the number of jobs they anticipate creating because job creation is a large part of the evaluation criteria. The Administration hopes to temper this incentive by offering a 10 percent bonus award for projects that exceed their job performance targets. This funding for

the 10 percent bonus would come from the elimination of the 10 percent bonus for projects that flow out of the economic development districts, as described below.

The House was very supportive of the concept, but altered the delivery mechanism of this incentive. The House creates a performance based incentive program that would reward high performance with a straight bonus, rather than EDA's proposed credit, of up to 10 percent of the project cost that can be used on other eligible activities.

For example, if the city of Stillwater, Oklahoma received a \$1 million grant from EDA that promised to create 200 jobs and attract \$35 million in private sector investment and the project created 450 jobs and attracted \$60 million in private sector investment, it would be eligible for an EDA performance award of \$100,000. This \$100,000 could be used by the city of Stillwater for improving the project, for another EDA project, or it could be used as non Federal matching funds for other Federal grants the city may be seeking.

This House provision retains the pro-results intent of the Administration while rewarding local recipients with additional flexibility to make this reward a useful goal. We believe that by recognizing high performance recipients with a significant and tangible incentive-based reward, this provision will raise the performance bar across the board for all EDA recipients. It will also help EDA evaluate projects at the front end of the process as it will encourage applicants to focus on achievable goals for the projects in submitting their applications.

The House also made an additional performance incentive change. The Administration's proposal calls for the elimination of the current 10 percent bonus for projects that flow out of economic development districts under section 403 of the statute (42 U.S.C. 3173) because participation in the economic development districts is high. The Administration believes the current 10 percent bonus could be better spent to incentivize performance, as outlined above. The House bill similarly deletes the current 10 percent bonus for economic development district projects, but also has added a 5 percent planning performance bonus similar to the 10 percent performance award. This 5 percent planning bonus would go to recipients who utilized an economic development district to process and support an economic development project. Projects in a region not covered by an EDA approved Economic Development District would not be eligible for this award.

#### REVOLVING LOAN FUNDS

One component of results is being a good steward of the taxpayer's money. At EDA, no where is this more important than our revolving loan fund (RLF) program.

Twenty-seven years ago EDA created the first economic development RLFs. Today, with a portfolio of over 600 RLFs, worth approximately \$1 billion, EDA believes that it is both necessary and appropriate to implement much needed management reforms to ensure the continued effectiveness and accountability of these funds. In its reauthorization proposal, EDA seeks new authority to correct technical issues to ensure the efficient operation and financial integrity of our Revolving Loan Fund Program.

#### FINANCIAL INTEGRITY AND ACCOUNTABILITY OF THE REVOLVING LOAN FUND PROGRAM

Over the past 3½ years, the Department Of Commerce's Office of Inspector General has conducted 46 audits of EDA Revolving Loan Funds. The seriousness of financial integrity problems in the revolving loan fund program is demonstrated by the several file cabinets full of documents we have had to review to resolve significant problems. All but a handful of these audits revealed serious instances of non-compliance or failure to safeguard RLF assets, including:

- (1) Unused RLF assets due to startup delays or insufficient demand for loans;
- (2) Ineligible loans or borrowers, and failure to properly document loan decisions;

and,

- (3) Poor accounting and financial management practices, including failure to safeguard and protect RLF assets.

The Inspector General reported significant problems for Revolving Loan Funds operated in every region of the Nation, by many different local, state and regional development organizations. These 46 audits cover a significant portion of EDA's overall portfolio and I believe are indicative of problems with the program. We must act now to avoid much larger problems in the future to make sure this economic development tool remains a viable option.

The Administration's proposed legislation provided EDA with the authority to write specific regulations addressing basic financial accountability standards that every EDA RLF must meet. These uniform standards will then be incorporated into the Single Audit Act compliance requirements. This will allow certified public ac-

countants conducting RLF audits to verify the financial integrity of EDA RLFs on a regular basis.

These changes in our RLF program will produce positive effects on our partners around the country. With a more robust audit, EDA need only require an annual report from our RLFs instead of the semiannual reports currently required.

Additionally, over sixty EDA RLF operators manage from two to four EDA RLFs, capitalized at different times from different EDA appropriations, such as a Long Term Economic Deterioration (LTED) RLF, a defense adjustment RLF, or created following a natural disaster. The proposed technical corrections will enable EDA to merge multiple RLFs into a single, efficient fund per operator, thereby greatly simplifying the administrative and reporting burden for both the grantees and EDA. In many instances RLFs will decrease from four reports to one more comprehensive report, annually, and numerous RLF operators will decrease from eight reports to one report, annually. These changes will reduce bureaucracy, improve accountability, and save valuable staff time and resources for both our RLF operators and EDA.

The House has accepted these changes with one clarification. The House made clear that the consolidation is an option of the RLF operator, not a mandate from Washington. That is a helpful distinction that the Administration accepts.

#### TRANSFER OF RLFS TO THIRD PARTIES FOR LIQUIDATION

The legislation also seeks new authority to transfer RLF portfolio assets to third parties for liquidation. Due to issues of non-compliance or simply for the convenience of the parties, EDA, in some cases, needs to terminate an RLF. To date, the uncertainty of how to deal with, and pay for, the liquidation of an outstanding portfolio of loans has seriously impaired EDA's ability to dispose of these assets in a timely manner. By allowing EDA to arrange the transfer of the RLF portfolio to a third party, the new law will enable EDA to arrange for the orderly or timely disposition of an RLF while paying for the necessary costs of liquidation activities from the assets of the RLF being terminated.

The House accepted this provision in H.R. 2535.

#### RELEASE OF THE FEDERAL INTEREST IN EDA RLFS

Finally, at the request of the RLF community, the Administration seeks new authority to closeout existing RLFs by allowing the repayment of the initial grant used to capitalize an RLF after a period of 20 years, similar to the release of EDA's interest in public works grants after 20 years. Although EDA does not directly fund RLFs, it does provide grants to local governments and non-profits that in turn set up revolving loan funds. Unfortunately, the House did not accept this change to our RLF program in H.R. 2535.

It is important to note that this provision is a very modest change to current law. Current law provides that an RLF grant recipient can cut its strings with the Federal Government by compensating the Federal Government for the Federal share of the value of the RLF property. As an incentive to encourage a gradual reduction in the number of RLFs outstanding, our proposed provision would allow a RLF grant recipient to cut their strings with the Federal Government by repaying the amount of the initial grant only.

This provision would apply to RLFs that have demonstrated and sustained financial and program performance. I believe that after 20 years any high performing RLF will have provided considerably more new jobs and increased leverage of private-sector investment than originally anticipated.

We anticipate that the proposed buy-out option will be particularly attractive for the best performing RLFs and will become an important performance incentive for all RLFs. The ability of an RLF to closeout their grant from EDA after 20 years of successful management will provide EDA a powerful new management tool and RLFs with a strong incentive to increase their efficiency.

Further, this new authority will help EDA to correct the historic and growing imbalance of finite EDA resources available to monitor and administer an ever-increasing number of RLFs. Without congressional action, RLFs will become less attractive to economic development professionals as they are perpetual, federally regulated, grants despite possible changed circumstances. The gradual reduction of EDA's RLF portfolio will enable EDA to effectively utilize its staff for higher quality administration of the remaining grant portfolio. It will allow us to recognize our economic development successes from the last 20 years and move on to future challenges.

#### COMMENTS ON ADDITIONAL HOUSE CHANGES

H.R. 2535 made several other changes to the Administration's proposal.



As part of the last minute negotiations on the bill, a section of the House bill raised the Federal share of all planning grants to be a minimum of 65 percent. Currently this share is 50 percent-100 percent for Native American planning grants. I would like to point out to the Senate that this change in Federal minimum percentage will have no real dollar impact for economic development districts. Since we have more districts than funding, everyone will receive the same amount of money. What this does do, however, is lower the local cost share and that may negatively impact planning activities as EDA is "buying" less of a product.

Similarly, H.R. 2535 did not include the Administration's flexible language relating to program funding. The Administration sought language to set the budget for the current year at the President's request with such sums as necessary for the next 4 years. The House has instead chosen to authorize program funding at \$2.25 billion over 5 years.

H.R. 2535 also places a rider that expands the boundaries of the Appalachian Regional Commission. The Administration opposed similar language in H.R. 3550, the Transportation Legacy Act. Moreover, this provision is not related to EDA reauthorization and should be removed. I encourage the Senate to pass a clean bill.

#### BROWNFIELDS AND BRIGHTFIELDS

The House also added sections 218 and 219 related to Brownfields and Brightfields. These provisions purport to allow EDA to engage in redevelopment of projects utilizing brightfield technology or in brownfield areas.

I appreciate the interest that the Committee has shown in EDA's brownfields activities, which have represented a significant part of EDA's investment activities over the past 5 years. From fiscal year 1999 through fiscal year 2003, EDA has made 269 investments in brownfields totaling \$266,579,653, or 15 percent of EDA's total program appropriations during that time period. That works out to an average of 54 brownfields investments annually, with an average brownfields expenditure of \$53,315,931 per fiscal year.

We look forward to continuing our pro-active work in brownfields investments, especially given the anticipated BRAC round scheduled for fiscal year 2005. Our major goal with the legislation is to be able to continue this work with maximum flexibility in accord with EDA's funding priorities and investment policy guidelines. The provisions that tie EDA to the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) in the House bill and in legislation that passed this committee in the 107th Congress cause us particular concern.

These provisions attempt to graft a set of definitions, obligations and limitations from CERCLA onto EDA's brownfields activities that are not consistent with EDA's brownfields work. The CERCLA provisions, as written, would radically alter and ultimately wither EDA's current brownfields work.

CERCLA brownfields provisions are directed toward a clean-up program, because that is the focus of CERCLA—to authorize the Federal Government to fund and perform, establishing liability for, and reimbursing the Superfund for—environmental clean-up.

On the other hand, EDA's investments in brownfields rarely involve even the most residual clean-up activity. Our work is directed to a completely different end—development of an existing project site to create jobs and get it back on the tax rolls.

The consequences of EDA being bound by the CERCLA provisions would be extreme. As the most obvious example, funding under this section could not be applied to former military bases as CERCLA does not consider military bases to be "brownfields." EDA does. What's more, EDA recipients would be unable to claim reimbursement for the cost of any Federal compliance, as they are currently allowed to do. This is of particular concern as it relates to our work with Indian Tribes. Currently, federally recognized tribes are eligible for 100 percent grants from EDA. This provision would weaken our ability to fund brownfields development on Indian lands. But the real overall effect would be to limit and steer EDA's existing brownfields activities toward those involving clean-up of polluted sites, and we believe that would ultimately end EDA's program. Of course, EDA is not seeking to in any way relieve a responsible party from liability under CERCLA nor provide funds to a party to undertake clean-ups required under CERCLA, since to do so would undercut the "Polluter Pays" principle on which CERCLA is founded.

I am confident that a mutually agreeable provision can be drafted that strengthens our work to redevelop brownfields sites. I stand ready to work with the Committee to craft a solution to this issue, with consultations, technical drafting assistance and other assistance you require.

I also urge the Committee to retain section 701 of H.R. 2535 which provides a general authorization of appropriations for EDA's programs without imposing spe-

cial limits for brownfields redevelopment or other programs which could limit EDA's flexibility to respond to a variety of economic situations.

Moreover, the section on Brightfields contains a demonstration program for economic redevelopment using solar sources. EDA is not opposed to pursuing the right Brightfields project provided it is consistent with our goals to create as many jobs and attract as much private sector support as possible. Again, the goals of the House's Brightfields language can be furthered using existing EDA program authority.

#### SUMMARY

The Administration's legislative proposals and H.R. 2535 contain valuable program enhancements, critical to EDA's continued success. They will safeguard the financial integrity of EDA's programs while ensuring a more flexible and forward looking organization to meet the challenges of the 21st Century.

The testimony from my colleagues that you will hear from today demonstrates exciting new growth opportunities in the area of economic development. To take advantage of these opportunities the Administration's legislation focuses on:

(1) Increasing flexibility to allow us to take advantage of these exciting opportunities;

(2) Enhancing coordination to work in a comprehensive fashion with other agencies to achieve results; and, most importantly,

(3) Rewarding the performance of our most successful partners.

I urge that the Senate act quickly to pass legislation to give EDA and our partners across the Nation serving regions in economic distress the economic development tools necessary achieve the President's goal to leave "no demographic or geographic area behind in the pursuit of more fully participating in the American Dream."

Thank you for the opportunity to testify before you today and I look forward to answering your questions about this legislation.

---

#### RESPONSES BY DAVID SAMPSON TO ADDITIONAL QUESTIONS FROM SENATOR JAMES M. JEFFORDS

*Question 1.* EDA would like to achieve leveraging ratios of 22:1 of other funds to EDA dollars. As Mr. Saudade testified, this level of leveraging, while laudable, is very difficult for a rural state like Vermont to achieve. How can you guarantee that rural states will still receive a fair share of EDA dollars? Please provide a completing listing of EDA's grants to Vermont over the last six years, the leveraging ratio on each project, and the annual leveraging average broken down by state covered by the Philadelphia Regional Office during each of the last six years i.e. FY 1998–FY 2003—if data are available for FY 2004, please provide this as well.

Response. Since 2000, EDA has shown impressive results in attracting private capital investment in distressed communities, especially rural communities. It increased the average ratio of private capital investment per every EDA dollar invested across its infrastructure projects portfolio by 405 percent from 8.7:1 to 43.9:1. In rural areas in particular, EDA increased that ratio 115 percent from 10.5:1 to 22.6:1. And the percent of EDA's investments in rural areas have not changed to any statistically-significant degree (69 percent in 2000 versus 66 percent as of May 6, 2004). Therefore, while the percent of EDA's funds invested in rural areas remain substantially the same, the amount of private capital investment in rural areas has dramatically increased. This dramatic increase is a leading indicator of future increased job creation. Reducing private capital investment is a dangerous proposition that will lead to reduced job growth.

See attachments 1A, 1B and 1C. Please note that on chart 1B private sector investment is not calculated for grants other than infrastructure projects. As a result there are missing data points and zeros in the private sector investment columns. [The referenced documents follow on pages 51–54.]

*Question 2.* EDA has a number of investment criteria they consider when evaluating grants that appear to be subjective. How does EDA evaluate these criteria?

Response. All proposals for EDA investment assistance are reviewed by EDA's regional office. Each regional office utilizes an Investment Review Committee (IRC) comprised of career EDA staff professionals experienced in EDA's programs and economic development work. Most of these career staff members have been with the agency for many years, even decades. The IRC process includes the review of each proposal in light of EDA's investment criteria. Proposals are evaluated in compari-

son to other proposals under consideration in that specific regional office and based on previous proposal evaluated by the IRC.

EDA's five investment policy guidelines are: (1) The investment must be market-based and results oriented; (2) The investment must have strong organizational leadership; (3) The investment must advance productivity, innovation and entrepreneurship; (4) The Investment must look beyond the immediate economic horizon, anticipate economic changes and diversify the local and regional economy; (5) The investment must demonstrate a high degree of commitment from other governmental partners and the private sector.

*Question 3.* A number of EDA investment criteria appear to drive federal assistance to large companies versus small enterprises that exist in distressed communities. For example, the investments must be market-based, a high level matching funds is required, and the investment must maximize return on taxpayer investment. While it is the private sector that must create the jobs, the public sector can help ensure that communities have a chance to level the economic playing and support local small and medium enterprises.

It seems that these investment criteria might lead EDA to assist larger companies rather than helping small and medium-sized companies generate economic opportunities in communities. EDA awarded a \$1 million grant to support BMW's manufacturing plant in Greer, South Carolina. Please explain the rationale for the grant to this BMW plant? Please provide a yearly listing of the private and public companies with over 500 employees in the United States that received EDA assistance between FY 2001 and FY 2004, and the amount of such assistance.

Response. EDA does not provide grants or direct loans to any for-profit entities. In fact, EDA has regulations (13 CFR 314.3(c)) to guard against the indirect "pass through" of the benefits of EDA grants from EDA eligible entities (e.g. government entities, non-profit organizations) to a for-profit entity. However, EDA investments may—and in fact are geared toward—the benefit of the local economy, which naturally includes private, for-profit entities.

The \$1 million grant that you referenced was made to the Greer Commission of Public Works in 1994 and involved the construction of water lines, relocation of an elevated water tank, and an emergency backup power system that would help serve the new BMW facility located in Greer. This grant was made to support the long-term development of the regional economy and the automotive cluster in South Carolina. The entire project resulted in over 4,500 direct-hire jobs at BMW and over 7,500 jobs with local area suppliers.

There is no data to match your request.

*Question 4.* In February, Secretary Evans announced that the Manufacturing Extension Partnership program (MEP) would be eligible to compete for up to \$45.4 million in economic adjustment assistance provided by the EDA. How much funding has EDA made available to the MEP Centers and how is EDA reaching out to these Centers to make this funding available?

Response. EDA strives to be forward looking and to approaching its responsibilities in a pro-active manner. As a result, EDA's regional offices have a good idea of the investments they will approve several months in advance. This means that once fiscal year funds become available to EDA, much of the 'pipeline' for EDA investments is already filled.

At Secretary Evans' direction, EDA held in abeyance all non-committed EDA Economic Adjustment funds, totaling about \$5 million. These funds will be focused on communities experiencing job losses in the manufacturing sector and initiatives geared to advancing America's competitiveness in manufacturing, including MEP Centers.

A joint EDA and Technology Administration (the parent entity for the Manufacturing Extension Partnership) committee has been formed and will be responsible for identifying those MEP Centers in a position to successfully compete for EDA funds. Once identified, a representative from EDA accompanied by a representative from the MEP Program will work with the MEP Center to complete and process their application for EDA funds.

*Question 5.* Please comment on any future plans to reorganize or reassign the regional economic development representatives?

Response. EDA has had flat funding for S&E since FY 2002, and anticipates this level of funding for FY 2005. Through the Headquarters restructuring effort, EDA was able to absorb inflationary increases to payroll and other cost categories such as rent and utilities without a reduction in force. Because EDA is small and operates on an extremely frugal budget, the tangible impact of flat funding was an inability to transfer the savings from the headquarters reorganization to increase re-

sources in the regions. In light of anticipated future flat funding, EDA is now analyzing its regional operations to look for opportunities for streamlining, process improvements and increased efficiency. EDA has not yet completed its analysis nor developed final recommendations at this time but will look forward to the opportunity to work with your staff to ensure EDA can continue to provide the highest level of service within available resources.

*Question 6.* Please provide an annual breakdown of RLF capitalizations and recapitalizations grants from FY 1998 through FY 2004. Please include grant amounts, grantee name, and type of geographic location served i.e. urban or rural.

Response. [The referenced documents follow on pages 55–58.]

*Question 7.* Please provide a list of EDA grants over \$1 million for FY 2002–FY 2004 that fit under the President's faith-based initiative.

Response. It is important to note that all EDA investments in faith-based initiatives are subject to the same review process and investment criteria as all other EDA proposals.

Response. [The referenced document follows on page 59.]

*Question 8.* Should planning funds be set aside to help create new economic development districts?

Response. Economic Development Districts (EDD) were a concept included in EDA's original legislation in the mid-1960s. Since that time, EDA and local development entities have been very successful in creating EDDs that cover most of the Nation, and a vast majority of populated areas.

Planning is a critical element of economic development and EDA will continue to advocate sound, market-based and collaborative planning efforts by economic regions. However, with limited funds, EDA is unable to dedicate additional funds to support local planning efforts without having a substantial, negative impact on our programs that directly support the creation of higher-skill, higher-wage jobs.

EDA's appropriation for planning has remained at \$24,000,000 since FY1997.

*Question 9.* On April 22, 2004, Tom Friedman wrote in the New York Times that the United States is currently engaged in a war for innovation. Clearly our manufacturing sector is under siege. EDA's entire budget of about \$315 million is tiny compared with the overall Federal budget and this country's GDP. Are we in danger of losing our competitive edge, because we are not devoting enough resources to economic development?

Response. EDA's modest budget makes it even more critically important that the agency leverage federal dollars with private sector investment. EDA often provides the critical final component allowing high-impact development projects to proceed. While EDA's budget may only be about \$300 million, we anticipate EDA will be able to leverage over \$10 billion in private sector investment, a key indicator of future job growth.

In addition, EDA is not the only federal agency with economic development responsibilities. A recent analysis by the Office of Management and Budget cites over \$20 billion annually in federal programs across nine federal departments and agencies with economic development responsibilities. In addition, the federal government spends about \$15 billion a year in workforce development programs. These federal resources highlight the need to increase federal coordination of job producing efforts.

It is also important to keep in mind that in fiscal year 2004, the federal government will spend a record \$126 billion on research and development (a 42 percent increase since 2000) and President Bush has proposed increasing this amount further to \$132 billion. The American private sector will spend an additional \$193 billion on research and development, a trend that can be enhanced by making permanent the R&D tax credit.

*Question 10.* As part of an economic redevelopment project, recipients of EDA grants on occasion engage in environmental remediation and other clean up related activities at their sites. Does EDA currently fund projects that primarily involve environmental remediation or is such remediation typically incidental to the economic redevelopment project?

Response. Environmental remediation activities undertaken as part of an EDA funded economic redevelopment project are always incidental to the larger redevelopment activities. As a general rule, as an economic development entity, EDA believes that cleanup activities are most appropriately handled by state and federal environmental regulatory agencies with the background and technical expertise to address complex remediation issues. EDA is exclusively focused on the end use of the parcel, and has a policy of not engaging in land banking, or cleanup for cleanup's sake. Therefore, EDA would not fund a project that consists only of environ-

mental remediation simply to prepare a site for an unknown future use. EDA's Hazardous Waste Cleanup Policy states that "EDA will . . . participate in cleanups as a relatively minor part of an overall economic development-related project that directly results in beneficial economic activity in distressed communities."

Furthermore, cleanup activities exclusive of a market-based redevelopment plan would not be competitive under EDA's established investment policy guidelines. EDA is not interested in funding projects that lack solid market fundamentals and that have limited likelihood of supporting the future growth of the regional economy. This would include speculative projects with no clear plan for future development or very long development lead times. As a general rule, EDA is also not interested in funding projects that have a minimal impact on securing jobs and leveraging private investment or have undefined purposes.

Finally, some institutional history may be instructive. In 1995, EDA became the U.S. Environmental Protection Agency's first federal partner in EPA's then-newly-minted national Brownfields Redevelopment Initiative. At that time, and during the ensuing years, EDA's mission has been recognized not as that of a cleanup authority, but as an agency that can facilitate brownfields redevelopment. The brownfields revitalization process has been characterized by both entities as a continuum, with EPA focused on the front end with assessment and cleanup, and EDA focused on the back end with the economic redevelopment of the sites.

*Question 11.* When EDA grant recipients engage in environmental remediation activities as part of an economic redevelopment project, what environmental cleanup standards apply, and how does EDA oversee the projects to ensure that the work performed is consistent with federal environmental standards?

Response. When EDA investment recipients engage in environmental remediation activities as part of an economic redevelopment project, all applicable federal and state cross-cutting statutory requirements apply. This could include the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), the National Environmental Policy Act (NEPA), the Clean Water Act, the Safe Drinking Water Act, and the Clean Air Act, among others. EDA is typically involved in a brownfield redevelopment project after the site or facility has been certified "clean" to applicable standards by federal and state environmental authorities. In instances where incidental cleanup is involved, that cleanup is always conducted pursuant to applicable state and federal requirements and EDA works closely with applicable entities (i.e., federal and state environmental regulatory authorities) to ensure that all applicable cleanup standards have been satisfied.

EDA has environmental compliance specialists in each of the bureau's six regional offices. These individuals, in coordination with EDA project engineers and attorneys, work closely with representatives from other federal and state environmental regulatory authorities to confirm that when remediation work is performed, all applicable environmental standards have been satisfied. These same individuals are involved in ensuring environmental compliance in instances of EDA non-brownfields related infrastructure development work as well.

*Question 12.* Federal facilities are required under CERCLA § 120(h) to ensure that all remedial action necessary to protect human health and the environment are taken prior to a transfer of the property to a non-federal owner. To the extent that remediation activities are needed as part of an overall economic redevelopment plan of a Department of Defense site, for example, DOD would be required to pay for the cleanup. Is it accurate that EDA would not use its economic redevelopment funds to perform remediation activities at federal facilities?

Response. Instances of EDA remediation activities at former federal facilities are similar to those carried out at typical EDA brownfield project investments. As noted previously, in the context of the bureau's brownfields redevelopment work, in isolated instances EDA has been involved in cleanups where they are subordinate or incidental to a much larger economic development project. In all of these cases cleanup eligibility has hinged on the fact that the costs have been reasonable, related to a larger redevelopment project, and have not consumed a significant portion of the investment award. Moreover, remedial work at former federal facilities being redeveloped can go beyond the "hazardous substance" warranty under Section 120(h) of CERCLA. For example, EDA has addressed asbestos remediation as part of the demolition and removal of structures on former federal facilities, and underground storage tank removal as part of the construction of new infrastructure (e.g., roads, utilities, etc.) to support site redevelopment. Nevertheless, in all instances, EDA-funded remediation has represented a very small portion of the larger redevelopment effort. Like EDA's other brownfields redevelopment work, in most cases the hazardous substances at the site have already been fully cleaned by the federal

landowner, e.g., the Department of Defense, prior to transfer or lease of the site to the project sponsor. EDA carefully vets with all involved parties the documentation certifying the environmental condition of the site to be transferred.

However, as you know, in rare instances additional remediation needs arise following transfer of the site during the redevelopment phase. This may occur because of unknown circumstances, unforeseen future uses or a change in project scope. If these additional remediation needs are substantial, EDA suspends funding of the project and reverts the project to the appropriate federal authorities, including the prior landowner. EDA does not have the technical, financial or program resources to undertake such work. If, however, those needs are purely incidental to the project (as with the examples cited above), EDA will fund the incidental remediation if doing so will safely and legally ensure the efficient and expeditious reuse, redevelopment or expansion of the site. Reversion of the project to the prior landowner in these circumstances would almost certainly substantially delay the project, which could jeopardize its overall progress and success. EDA's policy is to undertake such remediation only in service of its economic development objectives. In doing so, EDA ensures that this work is conducted pursuant to applicable state and federal requirements, and it works closely with applicable authorities to ensure that all applicable cleanup standards have been satisfied.

EDA Public Works, EA Construction and RLF Investments FY 1998 to date  
In the State of Vermont

Date: 5/12/04

FY	Prog	Project No.	Appl Short Name	Project Location	Project Short Descrip.	EDA \$	Priv Investment	Priv Inv/EDA\$
1998	PW	010103751	Burlington City of	Burlington -VT	Parking Facility	\$1,000,000	\$42,000,000	\$42.0
	PW	010103710	Newport City of	Newport -VT	Water System Improvement	\$555,000	\$0	\$0.0
1999	PW	010103838	NE Vermont Dev Assn	St. Johnsbury (Town O-VT	St. Johnsbury/lyndon IP	\$1,000,000	\$4,000,000	\$4.0
2000	PW	010107229	Enosburg Falls Village	Enosburg Falls	municipal infrastructure	\$672,000	\$7,000,000	\$10.4
2001	PW	010107513	NE VT Dev Association	St. Johnsbury	Incubator/ resource Ctr	\$1,000,000	\$2,500,000	\$2.5
2002	PW	010107677	FCIDC	St. Albans	Multi-tenant building	\$1,200,000	\$4,500,000	\$3.8
	T9	017907747	NE VT Dev Association	Island Pond	Multi-Tenant Building	\$1,000,000	\$1,500,000	\$1.5
2003	PW	010107799	VTC	Randolph	Technology Incubator	\$830,000	\$500,000	\$0.6

Date: 5/12/04

EDA Investments FY 1998 to date  
In the State of Vermont

FY	Prog	Project No.	Appl Short Name	Project Location	Project Short Descrip	EDA \$	Priv Investment	Priv Inv/EDA\$
1998	PL	01051107198	EDC of Northern VT Inc	St. Albans, VT	Pig Continuation Grant	\$61,000	\$0	\$0.0
	PW	010103751	Burlington City of	Burlington	Parking Facility	\$1,000,000	\$42,000,000	\$42.0
	PW	010103710	Newport City of	Newport	Water System Improvement	\$555,000	\$0	\$0.0
	T9	011903791	EDC of Northern VT Inc	Multi	Flood Coordinators	\$60,000	\$0	\$0.0
	TA	010603703	Windsor Town of	Windsor	301(A)local T/a Grant	\$25,000	\$0	\$0.0
Subtotals for FY = 1998						\$1,701,000	\$42,000,000	
1999	PL	01051107199	EDC of Northern VT Inc	St. Albans, VT	Pig Continuation Grant	\$52,000	\$0	\$0.0
	PW	010103838	NE Vermont Dev Assn	St. Johnsbury (Town C-VT	St. Johnsbury/lyndon IP	\$1,000,000	\$4,000,000	\$4.0
	T9	017903916	EDC of Northern Vermont	St. Albans	GIS Information System	\$5,000		
Subtotals for FY = 1999						\$1,057,000	\$4,000,000	
2000	PL	018307242	EDC of Northern VT	St. Albans	Partnership Planning	\$52,000		
	PW	010107229	Enosburg Falls Village	Enosburg Falls	municipal infrastructure	\$672,000	\$7,000,000	\$10.4
	TA	010607218	Lamoille Reg Waste Mgmt	Morrisville	Reuse Cntr Feas Study	\$12,000	\$0	\$0.0
Subtotals for FY = 2000						\$736,000	\$7,000,000	
2001	PL	018307473	EDC of Northern VT	Multi-county	Partnership Planning	\$52,000		
	PW	010107513	NE VT Dev Association	St. Johnsbury	Incubator/ resource Ctr	\$1,000,000	\$2,500,000	\$2.5
	T9	017907402	NE VT Dev Association	St. Johnsbury	Workforce Profile	\$25,000		
Subtotals for FY = 2001						\$1,077,000	\$2,500,000	
2002	PL	018307660	EDC of Northern VT	Multi-county	District Ping Grant	\$52,000		
	PW	010107677	FCIDC	St. Albans	Multi-tenant building	\$1,200,000	\$4,500,000	\$3.8
	T9	017907742	EDC of Northern VT Inc	St. Albans	Economic Adjustment	\$60,000	\$0	\$0.0
	T9	017907747	NE VT Dev Association	Island Pond	Multi-Tenant Building	\$1,000,000	\$1,500,000	\$1.5
Subtotals for FY = 2002						\$2,312,000	\$6,000,000	



EDA Investments FY 1998 to date  
In the State of Vermont

Date: 5/12/04

FY	Prog	Project No.	Appl Short Name	Project Location	Project Short Descrip	EDA \$	Priv Investment	Priv Inv/EDA\$
2003	PL	018307851	EDC of Northern VT	Multi-county	District Ping Grant	\$52,000		
	PW	010107799	VTC	Randolph	Technology Incubator	\$830,000	\$500,000	\$0.6
Subtotals for FY = 2003						\$882,000	\$500,000	
2004	T9	016907981	Greater Burlington Indus	Burlington	Econ. Adj. Planning	\$50,000		
Subtotals for FY = 2004						\$50,000		
Report Totals						\$7,815,000	\$62,000,000	

Date: 5/12/04

EDA Investments to the Philadelphia Region Office FY 1998-2004 to date  
 For Public Works, EA Construction and RLF Only  
 Average Estimated Private Investment Leveraged per EDAS

ST	1998	1999	2000	2001	2002	2003	2004
	Investmt per EDAS	Investmt per EDAS	Investmt per EDAS	Investmt per EDAS	Investmt per EDAS	Investmt per EDAS	Investmt per EDAS
CT	\$0.0	\$0.0	\$9.9	\$18.7		\$6.3	
MA	\$4.9	\$76.2	\$16.1	\$30.4	\$15.4	\$10.9	\$4.3
MD	\$0.0	\$2.0		\$5.9	\$12.2		\$14.5
ME	\$9.0	\$5.4	\$3.8	\$29.1	\$8.9	\$8.5	
NH	\$0.1	\$33.3	\$11.1	\$0.4	\$65.0	\$10.9	\$6.5
NJ	\$6.8	\$4.1	\$0.3	\$2.3	\$9.5	\$15.2	\$18.7
NY	\$4.4	\$10.5	\$9.9	\$10.8	\$65.2	\$15.8	\$30.0
PA	\$0.0	\$2.8	\$7.3	\$40.3	\$17.6	\$19.8	\$22.0
PR	\$0.5	\$0.2	\$3.4	\$1.5	\$6.4	\$328.4	\$18.9
RI	\$14.9	\$27.0	\$4.1	\$3.0	\$21.0		
VA	\$1.9	\$1.1	\$19.3	\$5.6	\$41.8	\$30.9	
VI		\$4.0		\$3.3			
VT	\$27.0	\$4.0	\$10.4	\$2.5	\$2.7	\$0.6	
WV	\$0.0	\$1.4	\$12.8	\$1.4	\$16.7	\$7.3	\$28.6

EDA Revolving Loan Fund Investments, FY 1998 to date, sorted by FY and State

FY	Project No.	Applicant Name	Project Short Descrip	EDA \$	Total Proj \$	ST	Project Location	Urb/Rur
1998	07390306203	Alaska, State of	Recap RLF	\$600,000	\$800,000	AK	Juneau -AK	Rural
	043904333	N Central AL CoG	Revolving Loan Fund	\$375,000	\$500,000	AL	Decatur -AL	Rural
	081959000	W Central AR PDD	RLF Recap Tornado	\$500,000	\$500,000	AR	Multi -AR	Rural
	081959001	Central AR PDD	RLF Recap Tornado	\$500,000	\$500,000	AR	Multi -AR	Rural
	073903789	Piped Microbusiness	Microenterprise RLF	\$300,000	\$400,000	AZ	Tucson -AZ	Urban
	071903830	Los Angeles, County of	Office of Small Business	\$240,000	\$334,250	CA	Monterey Park -CA	Urban
	074903793	Ebcrc/Alameda County	RLF	\$900,000	\$1,200,000	CA	Oakland -CA	Urban
	074903857	Gateway Cities COG	Defense Adjustment Prgrm	\$1,000,000	\$1,334,000	CA	Paramount -CA	Urban
	041959014	Northern KY ADD	RLF: Flood of 1997	\$500,000	\$500,000	KY	Boone County, KY	Rural
	041959015	Barren River ADD	RLF: Infrastructure	\$360,000	\$400,000	KY	Bowling Green, KY	Rural
	041959016	Green River Add	Estab RLF Infrastructure	\$360,000	\$400,000	KY	Daviess County, KY	Rural
	041959019	Buffalo Trace Add	RLF Infrastructure	\$360,000	\$400,000	KY	Maysville, KY	Rural
	08590291201	South Central PDC	Supplement	\$568,000	\$568,000	LA	Thibodaux -LA	Rural
	061902937	Region Nine Dev Comm	Implementation Grant/RLF	\$470,000	\$635,667	MN	District Wide	Rural
	053903112	SE Missouri RP & EDC	Recap LTED RLF	\$300,000	\$400,000	MO	Perryville, MO	Rural
	05190313480	Butte LDC	Recap Grant/loan, RLF	\$2,000,000	\$2,000,000	MT	Butte-Silver Bow, MT	Rural
	05390259101	Lewis & Clark RDC	Recap LTED RLF	\$250,000	\$333,334	ND	Bismarck, ND	Rural
	053903031	Tri-County Reg Dev Cncl	LTED RLF	\$200,000	\$266,667	ND	Williston, ND	Rural
	01390280801	South Jersey EDD	Revolving Loan Fund	\$200,000	\$266,667	NJ	Vineland -NJ	Rural
	01390291301	L Champlain/L George RPB	Revolving Loan Fund	\$225,000	\$325,000	NY	Lake George -NY	Rural
	073903859	Affi Tribes NW Indians	Establish RLF	\$300,000	\$400,000	OR	Portland -OR	Rural
	014903698	Letterkenny Ind Dev Auth	Construction/RLF Recap	\$2,800,000	\$3,734,000	PA	Chambersburg -PA	Rural
	051902877	Northeast COG	Recap of RLF	\$337,500	\$450,000	SD	Aberdeen, SD	Rural
	051903151	Black Hills Cmty Dev Inc	Estabish RLF	\$376,825	\$502,435	SD	Sturgis, SD	Rural
	05390246901	Southeastern Utah EDD	Recap LTED RLF	\$150,000	\$200,000	UT	Price, UT	Rural
	01390280501	Mount Rogers PDC	Recapitalize RLF	\$300,000	\$400,000	VA	Marion -VA	Rural

Date: 5/12/04

EDA Revolving Loan Fund Investments, FY 1998 to date, sorted by FY and State

FY	Project No.	Applicant Name	Project Short Descrip	EDA \$	Total Proj \$ ST	Project Location	Urb/Rur
1998	013903803	Cumberland Plateau PDC	Capitalize RLF	\$500,000	\$667,000	VA Lebanon	Rural
	073903788	WA Assn Minority Entrepr	Establish RLF	\$300,000	\$400,000	WA Yakima	Urban
	063902910	Racine County EDC	Revolving Loan Fund	\$600,000	\$800,000	WI Racine, WI	Urban
Subtotals for FY = 1998 29 projects: 15 initial, 14 recap				\$15,872,325	\$19,618,020		
1999	077956001	Alaska, State of	Western Alaska RLF	\$3,000,000	\$4,000,000	AK Juneau	Rural
	047904464	Birmingham Reg Ping Comi	Revolving Loan Fund	\$182,000	\$303,333	AL Birmingham, AL	Urban
	047904474	Top of Alabama CoG	Revolving Loan Fund	\$125,000	\$250,000	AL Huntsville, AL	Urban
	07790352901	American Samoa, Govt of	Recap RLF	\$300,000	\$600,000	AS Pago Pago	Rural
	07390298502	Tri-County EDC	Recap RLF	\$375,000	\$500,000	CA Chico	Urban
	07390277003	Southeast Idaho CoG	Recap RLF	\$225,000	\$300,000	ID Pocatello	Rural
	06390255801	Greater Wabash RPC	Recap Revolv Loan Fund	\$300,000	\$325,000	IL Albion	Rural
	06390270402	South Central IL RPDC	Recap RLF	\$300,000	\$400,000	IL Salem	Rural
	067902990	Indiana 15 RPC	Revolving Loan Fund	\$185,500	\$265,000	IN Crawford county	Rural
	017903924	Southeastern EDC	RLF	\$215,000	\$307,000	MA Brockton	Urban
	047904417	Upper Coastal Plain CoG	Revolving Loan Fund	\$350,000	\$500,000	NC Nash County, NC	Rural
	051903197	Northeast Nebraska EDD	RLF Recap	\$600,000	\$800,000	NE Norfolk, NE	Rural
	083903210	Northern OK Dev Auth	RLF for District	\$350,000	\$467,000	OK Multi	Urban
	083903211	Eastern OK Dev Dist	Create RLF	\$350,000	\$467,000	OK Muskogee	Urban
	01790249303	Northwest PA RP&DC	Recapitalize RLF	\$277,500	\$555,000	PA Oil City	Rural
	014903885	Letterkenny Ind Dev Auth	Infrastructure, RLF	\$2,408,000	\$4,816,000	PA Chambersburg	-PA Rural
	0139031110	Econ Dev Bank For PR	RLF - Hurricane Georges	\$1,000,000	\$1,335,000	PR Multi	Rural
	081903200	Concho Valley EDD	New RLF	\$300,000	\$411,185	TX San Angelo	Urban
	064902985	Door County EDC	Implementation Grant/DOD	\$1,430,000	\$2,383,334	WI Sturgeon Bay	Rural
Subtotals for FY = 1999 19 projects: 10 initial, 9 recap				\$12,273,000	\$18,984,852		
2000	077904917	FAME	RLF for S. Central LA	\$550,000	\$1,100,000	CA Los Angeles	Urban

Date: 5/12/04

EDA Revolving Loan Fund Investments, FY 1998 to date, sorted by FY and State

FY	Project No.	Applicant Name	Project Short Descrip	EDA \$	Total Proj \$ ST	Project Location	Urb/Rur
2000	077904918	Inland Valley Dev Corp	Pomona Valley RLF	\$450,000	\$900,000	Pomona	Urban
	067904442	Southeastern IL RPDC	Recap existing RLF	\$170,415	\$243,450	IL Multi Counties	Rural
	057903353	Boonslick Regional PC	Establish RLF	\$300,000	\$600,000	MO Warrenton, MO	Rural
	057903435	Lake of the Ozarks CLG	Capitalize RLF	\$348,000	\$696,000	MO Camdenton, MO	Rural
	057903378	Bear Paw Dev Corp	Establish RLF	\$125,000	\$208,333	MT Joliet MT	Rural
	057903383	Bear Paw Dev Corp	Recapitalize RLF	\$303,238	\$628,238	MT Havre, MT	Rural
	054903319	Great Falls Devel Auth	RLF recapitalization	\$750,000	\$1,500,000	MT Great Falls, MT	Urban
	017907394	Brooklyn Econ Dev Corp	Revolving Loan Fund	\$450,000	\$650,000	NY Kings	Urban
	087903285	Oklahoma City City of	Revolving Loan Fund	\$500,000	\$566,000	OK Multi	Urban
	01790737602	S Alleghenies P&DC	Recapitalize RLF	\$504,000	\$840,000	PA Multi City	Rural
	Subtotals for FY = 2000 11 projects: 7 initial; 4 recap				\$4,450,653	\$7,922,021	
2001	047904890	AL Tombigbee Reg Comm	RLF Recapitalization	\$583,000	\$833,000	AL Multi City	Rural
	047904925	S AL Reg Ping Comm	RLF Recapitalization	\$250,000	\$500,000	AL Mobile	Urban
	074905046	Long Beach, City of	Long Beach RLF	\$1,000,000	\$2,000,000	CA Long Beach	Urban
	057903661	San Luis Valley DRG	RLF Recapitalization	\$494,290	\$823,817	CO Alamosa CO	Rural
	057903546	Region 6 Planning Comm	Establish RLF	\$150,000	\$300,000	IA Marshalltown IA	Rural
	067904583	Shorebank Enterprises	RLF Recapitalization	\$787,500	\$1,575,000	IL Chicago	Urban
	067955001	Upper MN Valley RDC	Revolving Loan Fund	\$300,000	\$375,000	MN Chippewa & Yellow Med	Rural
	057903641	Missoula Area EDC	Recap RLF	\$600,000	\$1,000,000	MT Missoula	Rural
	047955020	Eastern Carolina Council	Revolving Loan Fund	\$500,000	\$625,000	NC Multi City	Rural
	077905117	Rural Nevada Dev. Corp.	TA & RLF	\$500,000	\$1,000,000	NV Ely	Rural
	014907454	Seneca County IDA	Site Improvements & RLF	\$1,000,000	\$1,670,000	NY Romulus	Rural
	077905051	Southern Oregon Regni ED	Revolving Loan Fund	\$315,633	\$515,633	OR Medford	Urban
	057903547	Black Hills Cmty Dev Inc	Recap RLF	\$300,000	\$500,000	SD Lawrence Cnty SD	Rural
	067904541	Racine County EDC	RLF Recapitalization	\$466,000	\$666,000	WI Racine	Urban

EDA Revolving Loan Fund Investments, FY 1998 to date, sorted by FY and State

FY	Project No.	Applicant Name	Project Short Descrip	EDA \$	Total Proj \$	ST	Project Location	Urb/Rur
Subtotals for FY = 2001		14 projects:	6 initial; 8 recap	\$7,246,423	\$12,383,450			
2002	077905269	San Diego, City of	Revolving Loan Fund	\$1,500,000	\$3,000,000	CA	San Diego	Urban
	077905182	South Central Oregon EDD	Drought relief RLF	\$500,000	\$1,000,000	OR	Klamath Falls	Rural
	077905293	Mid Columbia EDD	Revolving Loan Fund	\$320,000	\$400,000	WA	Goldendale	Rural
Subtotals for FY = 2002		3 projects:	2 initial; 1 recap	\$2,320,000	\$4,400,000			
2003	077905424	EBCRC	RLF Recap and Admin	\$700,000	\$1,400,000	CA	Alameda	Urban
Subtotals for FY = 2003		1 projects:	0 initial; 1 recap	\$700,000	\$1,400,000			
2004	077905477	PPEP Microbusiness	Revolving Loan Fund	\$500,000	\$625,000	AZ	Tucson	Urban
Subtotals for FY = 2004		1 projects:	1 initial; 0 recap	\$500,000	\$625,000			
Report Totals:		78 projects:	41 initial; 37 recap	\$43,362,401	\$65,333,343			

EDA Investments that Advance Faith-Based Social Entrepreneurship and Redevelopment Strategies  
 FY 2002 to date and over \$1M in EDA Funding

Date: 5/12/04

FY	Project No	Appropriation	ST	Appl Short Name	Project Location	Project Short Descrip	EDA \$	Total Proj \$
2002	070105226	Public Works	CA	E-Business Dev Inc	Garden Grove	Small Business Incubator	\$2,475,000	\$4,950,000
2003	070105239	Public Works	CA	TCU	Riverside	Energy Bldg	\$2,000,000	\$4,000,000
2003	040105307	Public Works	FL	Goodwill Industries FL	Miami, FL	Plant & Campus Expansion	\$2,500,000	\$5,000,000
2003	060104801	Public Works	IN	Anderson Redev Comm	Anderson	Const. Bus Dev Center	\$1,603,000	\$4,210,000
2003	050103933	Public Works	MO	Danforth Science Center	St. Louis	Construct Building	\$2,000,000	\$7,600,000
2003	040105322	Public Works	NC	INC Wesleyan College	Rocky Mount	Ed. Bldg./Tech Trng Cent	\$1,315,000	\$2,630,000
2003	010107777	Public Works	NJ	NCC	Newark	Construct Training Facil	\$1,600,000	\$5,500,000
2004	070105463	Public Works	CA	FAME	Los Angeles	Bldg Mixed-Use	\$2,000,000	\$5,886,500
2004	040105342	Public Works	KY	St. Catharine College	Elizabethtown	Health Science Building	\$1,500,000	\$7,200,000
2004	010107974	Public Works	MA	MLKJ-BEC	Worcester	Business Empowerment Ctr	\$1,200,500	\$1,715,500
Totals:							\$18,193,500	\$48,692,000

10 investments

RESPONSES BY DAVID SAMPSON TO ADDITIONAL QUESTIONS FROM SENATOR THOMAS

*Question 1.* What are your thoughts on including Census tract data to calculate the eligibility for projects?

Response. EDA currently allows applicants to submit requests for EDA investment based on Census tract data. EDA allows Census tract data to identify pockets of poverty for eligibility within jurisdictions that otherwise do not meet the distress thresholds for eligibility. Of course, there must be a pocket identified with one or more census tracts, and the proposed EDA investment must be directly and specifically linked to benefiting the residents of the pocket of poverty. Often this is the most accurate data available to local communities.

The Bureau of Land Management has recently funded a program to provide economic profiles to western communities free of charge by using Census and other data. This data can be found at *www.sonoran.org* under the link Economic Profile System link.

*Question 2.* Do you know how many districts, nationwide, within the EDA are in a similar situation? It seems unusual that we would create this program and go through the process of creating these districts and treat them differently.

Response. Of a total of 358 recognized economic development districts, 320 were funded with partnership planning funds in FY03, leaving 38 EDD's without an annual funding commitment from EDA. 36 of 38 districts are not receiving funding from EDA in any form for their planning activities. There are also three pending designations that are not able to be funded under this year's budget. However, many districts receive assistance out of other Economic Development Assistance Program funding such as short-term planning grants or technical assistance funding, in order to develop a Comprehensive Economic Development Strategy application to make a region eligible for additional EDA investment.

For example, in FY03, EDA received \$23,844,000 for its planning program. EDA provided for 392 investments with this funding in this manner:

Partnership planning—districts .....	\$17,328,345 (283 investments)
Partnership planning—Indian .....	\$2,728,778 (56 investments)
Partnership planning—eligible areas .....	\$230,000 (4 investments)
Short term planning—substate .....	\$2,026,548 (30 investments—9 of these were to EDDs for total of \$579,343)
Short term planning—urban .....	\$883,658 (12 investments—1 of these was to an EDD for \$35,000)
Short term planning—state .....	\$749,445 (7 investments)

Fourteen EDD grants for Kentucky and thirty-four EDD grants for the Austin region are not accounted for within the above funding breakdown. The 14 EDDs in Kentucky receive their funding through a statewide grant that is then parceled out to the 14 districts and the Austin regional office funds districts in 3 year intervals.

Some counties within economic development districts (EDDs) move in and out of the distress designation as economic conditions change. (This is the case with Wyoming, where economic shifts have recently moved several EDDs out of eligibility. Wyoming currently has only three counties that are distressed based upon Census data—Goshen, Big Horn and Lincoln. In addition, Laramie, for example, meets distress criteria as a city.)

*Question 3.* What is the cost for getting all of the districts funded?

Response. A funded district averages \$56,000 in annual grant funds from EDA. EDA would need an additional \$2,128,000 in partnership planning funds in order to fund all unfunded districts (38) at this \$56,000 level.

*Question 4.* Can you tell me about how the EDA recently moved to reduce the rate of \$10,000 per job created to \$5,000 per job with a \$22 to \$1 capital requirement?

Response. The \$5,000 per job measurement is an overall average goal set for all the EDA regions and only applies to infrastructure and revolving loan funds grants. It is not a requirement that all specific EDA investments must meet. The \$5,000 per job measurement was recently added to the internal EDA balanced scorecard that consists of 35 separate measurements to score the performance of the regional offices. It is a cumulative measure that accounts for an entire fiscal year of activity. As with the 22:1 ratio, EDA regularly discusses the \$5,000 per job measurement as a factor for evaluating investment proposals. Since demand for EDA support typi-



cally exceeds the funding allocated to a region, these job and investment factors can be important determinants assessing the relative merits of proposals under consideration. These factors are not the sole determinants but are part of five EDA investment priorities against which all proposals are evaluated.

---

RESPONSES BY DAVID SAMPSON TO ADDITIONAL QUESTIONS FROM SENATOR BAUCUS

Question 1. As you know, I have been concerned for some time about the effect of the ongoing reorganization at EDA on the management structure of the Trade Adjustment Assistance for Firms program. This program works well with a very small central staff in Washington, supplemented by the activities of the regional Trade Adjustment Assistance Centers. To my mind, the management structure of the TAA for Firms program is not broken and it doesn't need to be fixed.

In the past, you have told me that the overall reorganization is motivated by a desire to: (1) reduce layers of government; and (2) bring EDA programs closer to their intended beneficiaries. Unlike other EDA programs operated out of the Washington office, TAA for Firms already has close ties to its intended beneficiaries through the TAACs. Making petitioners work through both the TAAC and the EDA Regional office, with continued policy control from Washington, seems to add a layer of government. And it certainly appears to require a much larger EDA staff in seven different locations instead of one.

Please explain how moving the TAA for Firms program to EDA Regional offices improves program management, reduces layers of government, and brings resources closer to their beneficiaries.

Please also provide in writing EDA's plans for staffing TAA for Firms in the regional offices and details of the timing and content for training regional staff in the operation of this program. Will the current staff administering TAA for Firms be retained, and if so in what capacities and locations? Will regional staff be fully trained before Washington staff are released or reassigned?

Response. While the Trade Adjustment Assistance (TAA) for Firms program can work better—and as stewards of taxpayer resources we should continually be looking to improve the efficiency and effectiveness of public programs. For example, during my tenure, we have identified numerous deficiencies in the management of this program, for example: TAA Centers have sought approval for firms that do not meet certification guidelines or have other irregularities that has led EDA to embark on a complete review and update of policies, procedures and regulations to ensure compliance with all applicable statutes. We anticipate this process to be completed later this year.

One of the challenges the program has faced is the lack of resources to provide sufficient oversight of the program. Currently, EDA has three staff dedicated to the TAA for Firms programs, the senior most of these three also handles issues related to EDA's University Center and Economic Development District programs. This does not provide the capacity to enable sufficient oversight for the program. The location of these personnel in Washington, DC, is also a hindrance to adequate oversight.

The President's Management Agenda calls for moving program delivery closer to the people that the government programs are designed to serve. EDA's current reorganization began in the Clinton Administration and moved all of EDA's primary programs to our six regional offices. I would note that contrary to your question, there is only a very small national research and similarly small national technical research program operated out of the Washington office. EDA's continuing reorganization, which began in 1998, simply brings Headquarters structure and staffing in line with its reduced role as per the 1998 EDA reauthorization and decentralizes the one remaining mainline program that is still administered out of the Washington office, the Trade Adjustment Assistance for Firms program. One of the primary advantages, of course, of EDA's proposed decentralization is that EDA can incorporate TAA for Firms into the operations of the regional offices, reaching more potential firms and presenting to communities a more complete portfolio of programs to spur economic growth.

I would also note that EDA's proposed decentralization would not, as you state, require "petitioners work through both the TAA Centers and the EDA Regional office". As it is now, petitioners have no contact with EDA Headquarters. It is the TAA Centers that deal with Headquarters—and would deal with the Regional Office under the reorganization. There is no additional layer of management, just an administrative change of where the TAA Centers receive approval, and the movement of decisionmaking authority to the regional level, closer to the people the program serves.

As you correctly note, the service delivery of the TAA for Firms program occurs through the network of TAA Centers across the nation—these are the entities, funded by EDA, that work directly with eligible firms and serve as liaison with EDA. EDA has no intention of changing this service delivery model.

EDA regional offices will incorporate TAA for Firms-related functions (primarily petition certification, adjustment proposal approval and annual grant processing) into their workload. With an average of only two or three TAA Centers per EDA regional office, the impact on EDA regional staffing is minimal.

You also raised the critical issue of training and the timing of the transfer of TAA for Firms responsibilities to our regional offices. We agree this is a critical issue and we are addressing it in a methodical and serious manner. The training for the regional personnel cannot be completed until EDA completes its regulatory update and develops new guidance, which will be geared toward EDA and TAA Center staff alike. The current guidance was issued in the early 1990's in draft form, was never finalized and is outdated. Once the regulations have been updated, guidance developed and reviewed, we will embark on a systematic training program for regional staff. After the training is complete, we will phase in the transition of the duties from Headquarters to the regional offices over a period of time, keeping redundant capability in Headquarters for a reasonable period of time. We anticipate this entire process will not be completed until the end of this calendar year. We will include TAA Center staff in our plans—especially when it comes to training our regional staff and we will not transition the responsibilities until all the pieces are in place, even if it means delaying the transition.

EDA remains in close communication with the TAA Centers. Senior EDA staff will be meeting with Center directors in June and again in September to keep them apprised.

---

RESPONSES BY DAVID SAMPSON TO ADDITIONAL QUESTIONS FROM  
SENATOR MURKOWSKI

*Question 1.* You have been in office a few years now, and have had an opportunity to look at how well EDA's grants have worked in many different areas. What examples can you provide of the best result in terms of economic development?

Response. The best grants are ones that bring local government and business together to create higher-skill, higher-wage jobs and spur private sector investment. When a community expresses interest in EDA funding with a united front of community support and private business need, results are invariably positive. This does not necessarily mean coming to EDA with a "bird in hand" prospective business, rather it is a clear line of communication between local elected leaders and the business leaders on the forward looking, market-based decisions on what is needed to move the regional economy forward.

There are two recent examples that illustrate the important role EDA can play in supporting economic development efforts include. Recently EDA announced a \$1,800,000 investment in Kettering University in Flint, Michigan to construct a Fuel Cell Systems and Powertrain Integration Center. This investment will help develop create a business incubator to create both individual business applications of this critically important energy need and a trained workforce. This investment will help create 704 new jobs and attract \$158,000,000 in private sector financing. This project ties in all aspects of the community: business, local and state leaders, universities, and high technology sectors. It highlights how EDA is on the leading edge of new forms of economic development.

The second is a recent \$2,000,000 investment in the town of Hayneville, Alabama. This town is Lowdes County which was the birthplace of the civil rights movement but has had tremendous economic distress. It is one of the 100 poorest counties in the Nation. EDA was able to recently invest in basic infrastructure to support the town's first industrial park. This town has already attracted a tier one supplier of the new Hyundai plant. The 200 higher-skill, higher-wage jobs created will significantly raise the standard of living for this community.

*Question 2.* Are there any grants you regret having made? If so, how do you plan to avoid similar cases in the future?

Response. This is an interesting question. Rather than singling out a grantee perhaps I should mention a line of grant making that I believe EDA should not be involved in absent compelling job creation figures. Specifically, there are often requests for EDA assistance to make "downtown pretty again." When EDA's budget was more robust it was able to participate in street beautification and other efforts more closely related to 'community' development. However, the realities of our smaller budget and more competitive grant process dictate that EDA concentrate on

projects that have a direct impact on the creation or retention of higher-skill, higher-wage jobs.

*Question 3.* I understand EDA's results have led to a good rating for effectiveness from OMB. What factors do you feel influenced OMB's opinion? Have these resulted from changes to the agency during your tenure?

Response. OMB has recognized the focus this Administration has placed on improved management efficiencies and effectiveness. The efforts EDA has undertaken during the past 3 years, resulting in significantly improved business management and grant performance has been duly noted by OMB in the form of their good rating of EDA's management and effectiveness. This has also led to the President's request—for a second year—for increased funding for EDA. In fiscal year 2000, EDA commissioned a workforce analysis conducted by Booz-Allen and Hamilton and applied its findings by re-evaluating its workforce, mission, and overall strategy. As a result of the study, EDA successfully undertook a major headquarters restructuring effort that reduced staff and streamlined operations without any involuntary separations.

EDA adopted investment criteria that clarify the kind of projects EDA will fund in order to achieve its mission and goals and focused on utilizing limited resources on projects that have regional impact and support competitiveness. EDA has adopted a balanced scorecard framework that integrates management and performance objectives into its strategy and EDA uses these performance measures to monitor progress. The balanced scorecard is an innovative management tool that EDA has successfully adapted to be one of the first public agencies to use in the government sector. The EDA has adopted this leading edge tool to help manage its work and drive improved performance for the taxpayer and grant recipients.

EDA's increased performance is so remarkable that Dr. Robert S. Kaplan of Harvard Business School and Dr. David P. Norton of Balanced Scorecard Collaborative, inventors of the Balanced Scorecard, included a case study on it in their latest book as a best practice for the private sector as well as other government agencies.

The application of these efforts has resulted in a consistent level of funding to rural and urban areas (approximately  $\frac{2}{3}$  rural and  $\frac{1}{3}$  urban), and significantly increased levels of private sector investment and job creation without disadvantaging otherwise worthwhile projects with limited private investment or minimal job creation.

EDA also undertook a variety of other program improvements. EDA reviewed its Government and Performance Results Act (GPRA) performance measures. Certain processes were eliminated and replaced with outcome-oriented measures. Verification and validation procedures were implemented to ensure the accuracy and validity of all data reported. EDA has also incorporated performance as an element of the funding formula for Trade Adjustment Centers and is piloting a program to competitively award University Center grants on a 3-year cycle.

*Question 4.* EDA has been active in attempts to convert closed military bases to productive civilian uses. We are likely to face a new round of base closings in the relatively near future. Is EDA ready for that and what resources are needed to effectively redevelop these bases?

Response. EDA has learned a great deal from the last base closing round and is prepared to apply these lessons in a positive manner for affected communities for any future base closings.

Sections 202 and 209 of EDA's legislation provide expansive legislative authority to EDA to rapidly and effectively address the economic impact of a military base closing. This legislative language is broad by design to allow EDA to accommodate the wide range of economic development challenges posed by base closings.

EDA has a very close working relationship with the Office of Economic Assistance (OEA) at the Department of Defense and expects smooth and efficient execution of any projects it undertakes in partnership with OEA. With the existing EDA grant processing and monitoring system, EDA's operational infrastructure is fully scaleable to accommodate an increased appropriation to fund a new round of base closings just as EDA has increased the scale of its operations to fund economic recovery from natural disasters or industries affected by environmental regulations.

Although Congress is currently debating the future of base closing, EDA stands ready to assist and will be developing a FY06 budget to accommodate a potential BRAC. EDA will welcome your assistance in making sure EDA has the necessary resources to get the job done correctly.

The EDA success with the reuse of Fitzsimmons Army Hospital is a great success story. EDA has invested \$15 million supporting the economic reuse of the former Fitzsimmons Army Medical Center. EDA has awarded grants to the University of Colorado, the Fitzsimmons Redevelopment Authority and the city of Aurora to assist

with the redevelopment of the 577-acre site into a new campus for the University of Colorado Health Sciences Center and the Colorado BioScience Park in Aurora. The Bioscience Park is the major commercial component of the Fitzsimmons Redevelopment Plan and will contain research-oriented bioscience and biotechnology companies seeking a planned business park, in close proximity to an academic medical campus. The park will be the first of its kind, west of the Mississippi. Total EDA investments have amounted over \$15 million. Private investment is expected to be \$1.2 billion and job creation is estimated at 12,000.

Moreover, EDA was so impressed with the work done at Fitzsimmons that it has hired Robert Olson as the EDA Denver Regional Director (a career SES position). Olson led the highly successful redevelopment of the Fitzsimmons Army Hospital in Colorado and will be a tremendous asset to EDA during the next BRAC round. Bob Olson's in-house expertise will be invaluable as EDA prepares to address issues surrounding making closed military bases more attractive to private industry.

*Question 5.* I am somewhat concerned about the possibility that funding may be decreased for the Northwest Trade Adjustment Assistance Center, which provides services to a number of Alaskan entities. It is my understanding that requests for assistance already far outweigh available funds even without a change. What are you doing to address this issue?

Response. President Bush's proposed a 25 percent increase in funding for FY04 for Trade Adjustment Assistance (TAA). The Congress, however, provided a 16 percent increase. While less than the President's request, this increase will enable the TAA Centers which administer this program, to address the serious backlog of projects. Upon our arrival at EDA, we discovered that the allocation between the 12 Trade Adjustment Assistance Centers was not based on any objective, consistent formula. Rather, the distribution among the TAA Centers was modified yearly in an ad hoc manner. In 2003, EDA worked closely with the 12 TAA Centers to remedy this situation and jointly developed a standard funding methodology. All TAA Centers, including the Northwest Trade Adjustment Assistance Center participated in the process. Developing a funding methodology is a difficult process, and this proved to be no exception. However, EDA was very pleased to achieve an exceptionally high level of consensus among the TAA Centers with the new methodology. We believe that the increased funding and refinement of its allocation will greatly help the administrative feasibility of this program.

*Question 6.* EDA is very focused on regional economic development these days. While I understand the strong desire to redevelop depressed industrial areas, there is also a great deal of need in more rural areas. What steps are you taking to ensure your approach is balanced?

Response. The data shows that EDA has and continues to be a strong supporter of investment in rural America. EDA staff takes great care to ensure a proper balance of rural and urban projects. Over the last 5 years, EDA has, on average, invested 66 percent of its annual infrastructure appropriations in projects in rural communities. Additionally, EDA has significant outreach to rural communities through regional summits and forums to expand EDA's technical assistance and reach communities that may have had very little exposure to EDA in the past. EDA has also funded a major study with Harvard Business School professor Michael Porter to address the issue of competitiveness in rural U.S. regions and will use nearly 65 percent of its National Technical Assistance and Research budget to fund additional cutting-edge studies on rural economic development in 2004.

Economies are not hermetically sealed in artificial political boundaries. The dominant reality of economic development today is that all communities, cities, towns and counties alike, must think regionally and pool their resources to build a strong economic platform for growth. By pooling their resources regionally, communities can attract the private sector investment necessary to spur job creation, because it is the private sector that creates jobs and spurs economic growth.

*Question 7.* I understand you have strong feelings about technology development as a driver for economic development. What is EDA's role in this area?

Response. EDA's mission statement is "to lead the Federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy." It is clear that innovation and investment create high-wage jobs and improve our standard of living. Innovation is the key to prosperity. As a result, government must reinforce, rather than obstruct, the process of bringing innovations to the marketplace. That is why EDA and the Administration continues to fund investments, initiatives, and research that furthers innovative activity, such as unique capabilities of national labs and universities, including establishing cooperative research programs for the benefit of small

and medium-sized businesses. In addition, the Bush administration is promoting manufacturing technology transfer to ensure that the benefits of R&D are diffused broadly throughout the manufacturing sector, particularly to small and medium enterprises.

The private sector and the Bush administration recognize the need for continuing investment in research and development (R&D) of new products to remain ahead of the competition. The U.S. leads the world in innovation. Investments in technology create new industries and careers in U.S. firms that introduce products, create jobs, and spur economic growth. America's competitive edge flows directly from innovation and rising productivity. Job creation is increasingly dependent on innovation. The U.S. private sector spends \$193 billion on R&D, while the Federal Government is investing more than ever in research by spending a record \$126 billion this year and a proposed \$132 billion in fiscal year 2005, a 42 percent increase of 2001. Today's labs are generating the industries of tomorrow.

One of EDA's key objectives is to enable communities to increase their standard of living, thus becoming more prosperous. Technology-led economic development has successfully shown that it raises a community's standard of living by creating higher-skilled, higher-wage jobs. Communities prosper and grow and are successful when they innovate, and innovation is often tied to technology. Although innovation and technology development are not mutually exclusive, technology is an area of competitive advantage for communities and the country when it is pursued, developed, and meets a market need. It is important to note, however, that EDA's support for technology-led economic development does not limit EDA to new and emerging industries. Established, core industries must continue to adopt new technologies and look for innovative solutions in order to remain competitive. EDA has a strong commitment to working with those regions that are working to upgrade their core industries in order to enhance their competitiveness.

*Question 8.* We have talked before about the need to find a way to support small-scale projects in remote rural areas as a way of generating business activity and stimulating employment appropriate to the circumstances in those areas. Are you taking specific steps to encourage such programs equally to the more traditional, large-scale bricks and mortar projects?

Response. First of all I believe that bureaucracy should not get in the way of good economic development projects. For that reason, I believe the Special Impact Areas legislative language has been included in the Administration bill and the bill passed by the House. This language will allow EDA, in unique circumstances to waive the necessity for a Comprehensive Economic Development Strategy (CEDS) under compelling circumstances such as those faced by the extremely rural communities you represent. This CEDS requirement can, in some instances, significantly delay EDA funding for a given project in a small community—even when it is generally accepted by all parties as being the critical project for that local community. I urge the Senate to approve this limited authority to get EDA dollars to support good small projects in small Native American Communities. This language will allow EDA to create more small scale projects in hard to reach communities.

---

STATEMENT OF GARY GORSHING, EXECUTIVE DIRECTOR, SOUTH WESTERN OKLAHOMA DEVELOPMENT AUTHORITY AND PRESIDENT, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

#### EXECUTIVE SUMMARY

The Economic Development Administration (EDA) is a vital Federal resource for distressed areas striving to improve their local economies through private sector job growth. This applies to localities struggling to overcome both long-term economic challenges and sudden and severe hardships caused by manufacturing plant closings, military base closures, natural disasters, declines in core industries and other related events.

The Economic Development District planning program is a proven and essential resource for our nation's distressed communities, particularly in small metropolitan and rural America. As stated in a 2002 program evaluation by Wayne State University, the national network of 320 planning and development districts has built a notable record of facilitating a comprehensive strategic planning process that "provides the critical backbone for economic development planning at the local level."

The EDA public works program provides valuable financial assistance to build, rebuild or expand the basic public infrastructure needed to develop new businesses or retain existing companies. The average EDA public works investment is typically leveraged ten to one by the private sector, according to an in-depth study by Rutgers

University. Long-term jobs have been created and retained historically at an average cost of \$3,058 per job, among the lowest ratios in government.

The EDA Revolving Loan Fund (RLF) program is a powerful and essential economic development tool for addressing the credit gaps that exist in distressed communities, particularly in underserved rural areas. By using limited public funds to leverage private capital, locally managed RLFs are providing business capital to thousands of new and existing companies that have difficulty securing conventional financing.

Thank you, Mr. Chairman and members of the committee, for the opportunity to testify today on issues related to the reauthorization of the Economic Development Administration (EDA).

My name is Gary Gorshing. I am the Executive Director of the South Western Oklahoma Development Authority (SWODA), headquartered in Burns Flat, and I also currently serve as the President of the National Association of Development Organizations (NADO).

In my testimony, Mr. Chairman, I plan to discuss the unique role EDA plays within the portfolio of Federal economic development programs. I will highlight the impact of EDA investments at the local level and demonstrate the overwhelming value of the planning, public works, revolving loan fund and economic adjustment assistance programs. While NADO strongly supports the compromise bill (H.R. 2535) adopted by the US House of Representatives in October 2003, I will also offer some modest suggestions to improve and clarify the legislation from the regional and local perspective.

#### ABOUT NADO AND SWODA

The National Association of Development Organizations (NADO) provides training, information and representation for regional development organizations serving the 82 million residents of small metropolitan and rural America. The association, founded in 1967 as a national public interest group, is a leading advocate for a regional approach to community and economic development. NADO is part of the intergovernmental partnership among Federal, state, regional and local officials. The association is also a member of the Coalition for Economic Development, a consortium of national organizations working to advance the goals and mission of the Economic Development Administration. The coalition includes representatives of regional councils of government, city and county officials, economic development councils, EDA university centers and community-based nonprofits.

NADO members-known locally as councils of government, economic development districts, local development districts, planning and development districts and regional planning commissions—provide administrative, professional and technical assistance to over 2,000 counties and 15,000 small cities and towns. These organizations administer and deliver a variety of Federal and state programs. Based on local needs, programs may include aging, census, community and economic development, emergency management planning, homeland security, housing, small business development finance, transportation and work force development. A policy board of local elected officials, business leaders and citizen representatives typically governs each regional organization. Associate members of NADO include state and local agencies, educational and nonprofit organizations, businesses and individuals.

The South Western Oklahoma Development Authority (SWODA) serves eight counties, 46 cities and towns, and ten conservation districts within the region. In addition to providing planning and technical assistance to local communities, SWODA delivers aging services as an Area Agency on Aging; administers four loan programs including USDA Intermediary Relending Program (IRP), SBA 7A loan Guaranty Program, SBA 504 loan program and a SWODA revolving loan fund; manages the 3,000-acre Clinton-Sherman Industrial Airpark, a former defense facility; administers local Workforce Investment Act programs; and assists local communities with EDA, USDA and HUD Community Development Block Grant proposals, capital improvement planning, rural fire defense initiatives, solid waste projects, historic preservation efforts and other community development initiatives.

We believe, Mr. Chairman, there are four major reasons for the committee to support a multiyear reauthorization of the Economic Development Administration (EDA).

1. EDA has a unique and clearly defined role within the broad portfolio of Federal economic development programs.

2. The EDA planning program for multi-county economic development districts is a proven, costeffective and essential resource for the nation's distressed communities, particularly in small metropolitan and rural regions.

3. The EDA public works program is a flexible and vital resource for helping distressed communities develop the most fundamental building block for economic development—public infrastructure.

4. The EDA Revolving Loan Fund (RLF) program is a powerful and indispensable economic development tool for addressing the credit gaps that exist in many distressed communities, especially in underserved small metropolitan and rural areas.

First, Mr. Chairman, the Economic Development Administration (EDA) has a unique and clearly defined role within the broad portfolio of Federal economic development programs. As the only Federal Agency focused solely on private sector job growth and sustainability, EDA is a vital resource for distressed communities striving to improve their local economies. Whether it is through infrastructure grants, strategic planning assistance, business development capital or technical assistance, EDA investments are designed to promote economic opportunities in impoverished communities. Most importantly, EDA investments are typically the seed funds or gap financing that make locally identified projects a reality in the nation's poorer areas.

Over the years, the Agency has developed a strong record in assisting communities who are struggling to overcome both long-term economic challenges and sudden and severe hardships. Through its full range of program tools, the Agency has been uniquely positioned to help areas recover from military base closures, manufacturing plant closings and job losses, natural disasters and declines in natural resource-based industries like coal, fisheries and timber.

The Agency has also developed important partnerships at the state, regional and local levels. These relationships with regional development organizations, local governments, Tribal governments, universities and others are an essential part of carrying out the Agency's traditional "bottom-up" philosophy. As reinforced in various academic studies and evaluations, EDA investments are among the most efficient and cost-effective in government because they originate from a local planning process, require a substantial financial match from local grantees and focus on private sector job creation.

At a time when Congress must make difficult choices on Agency budgets, EDA is an Agency that merits the full support and commitment of the committee. Therefore, we respectfully urge the committee to develop and approve a multi-year reauthorization bill that maintains the Agency's current mission and program focus of helping bring economic opportunities to all of the nation's distressed communities, with a special emphasis on small metropolitan and rural America.

Second, Mr. Chairman, the economic development district-planning program is a proven, cost-effective and essential resource for our nation's distressed communities, particularly in small metropolitan and rural regions. As reported in a 2002 program evaluation by Wayne State University, the national network of 320 economic development districts has developed an impressive record of facilitating a comprehensive strategic planning process that "provides the critical backbone for economic development planning at the local level."

By leveraging modest EDA planning funds with local dollars, these multi-county development districts provide vital professional, administrative and technical assistance to local government officials, business leaders, nonprofits and communities. This is particularly true in small metropolitan and rural regions where local governments often lack professional staff capacity. According to a 2001 study by the National Association of Counties, over 60 percent of metropolitan counties have full-time economic development staff, compared to only 34 percent of rural counties. Furthermore, nearly 85 percent of the nation's 39,000 units of local government serve populations below 5,000 and almost 30 percent have no professional staff. As a result, most of the nation's smaller communities rely heavily on EDA-funded planning and development districts for professional and technical support.

As part of the Comprehensive Economic Development Strategies (CEDS) process, districts bring local elected officials, business leaders and community representatives together to prepare and implement strategies aimed at helping a multi-county region become or remain full participants in the nation's economic mainstream. Whether a region is currently enjoying economic stability or coping with long-term challenges such as declines in traditional industries, it must prepare for tomorrow or risk falling behind in today's competitive global and high-tech marketplace.

Districts are now engaged in comprehensive planning and implementation that reflects the dramatically changing national and global economy. Today's regional plans may encompass strategies for using technology as an economic development tool, building local work force capacity in distressed areas and enabling communities to diversify economies. In addition to the planning functions, districts spend a significant amount of time and staff resources helping local communities administer and package public and private sector financing for projects, navigate the reams of

bureaucratic red-tape, and collect and analyze the data needed to make informed and educated decisions.

With advanced technologies, such as Geographic Information Systems (GIS) and Global Positioning Systems (GPS), many districts are now providing state-of-the-art assistance to local constituents. While the possibilities for GIS are almost endless, activities range from mapping areas with failing septic systems in order to identify areas where alternative treatment systems are needed, to simulating the land use and environmental impact of business locations in a specific area, to marketing and showcasing business parks over the Internet. As noted in the 1998 House committee report on EDA reauthorization, EDA should be encouraged to further enhance GIS-related activities of the districts.

The Southeast Tennessee Development District offers a good example of the power of comprehensive planning. McMinn County, located in the southeast corner of the state, was facing overcrowded jails, an overflowing landfill and growing debt. Over a 10-year period, the district facilitated a strategic planning process with county leaders to address these pressing needs. After implementing ideas developed during the planning process, the county is now debt-free and follows a pay-as-you-go policy. As a result, the county is now in a better position to pursue new economic opportunities, such as the expansion of NuMarkets, a consignment seller for e-Bay that plans to expand from 21 workers today to at least 300 in the next 2 years.

The planning districts in Oklahoma, including SWODA, are using GIS and GPS technologies to develop capital improvement plans for local governments, a process that requires inventorying of all public assets. By cataloging and mapping every road, bridge, water line, public building and other assets, the districts can create visuals and data for local elected officials and business leaders who are developing economic development strategies. The information can also be used for transportation planning, zoning decisions, land use management, disaster mitigation planning and an endless list of other activities. Without the expertise and capacity of the districts, most local jurisdictions would never have the economies of scale, resources or skills required to engage in this important visioning activity.

In Missouri, the Boonslick Regional Planning Commission leveraged EDA planning resources to lead an effort to craft a Comprehensive Economic Development Strategy for its region in the late 1990's. The planning process resulted in several new ambitious goals for the Agency and the region to pursue. Four of the top goals involved establishing affordable housing opportunities for working families, securing resources for infrastructure improvements, enhancing services for special populations within the region, and creating a financing tool to help local banks support business growth and job creation. Since the creation of the CEDS, significant progress has been made toward achieving these four goals.

The Boonslick Regional Planning Commission has worked with local communities and developers to improve affordable housing opportunities. Thirty-six new homes have been built for families working in the region. These homes are 1,200 square feet and were sold for less than \$80,000. Down payment assistance was provided to help homebuyers secure conventional financing. Additionally, the region has completed renovations on more than 60 housing units, improving the housing quality for working families in rural communities.

To assist special populations, the planning district helped with an innovative project that provides public transportation services in Lincoln County. The system, known as The Linc, provides public transportation Monday through Friday for any resident of Lincoln County. Since its inception in 2002 The Linc has provided more than 12,000 trips. Fifty-four percent of these trips are for employment. Individuals that could not work because of transportation limitations are now able to hold full-time positions because of the availability of public transportation.

The Boonslick RPC has been working diligently to secure financing to assist communities improve and expand their infrastructure to support economic growth in the region. Since the CEDS was completed, more than \$30 million has been invested in local infrastructure projects. The organization also created a new revolving loan fund (RLF) to assist local banks finance business startup and expansion. The district leveraged \$200,000 in local money with \$300,000 from EDA and \$100,000 from the State of Missouri. Since the fund was created 2 years ago, the RLF has loaned \$580,000, helped create or retain 170 new jobs, and leveraged private investments of more than \$3.5 million.

The Northeast Oregon Economic Development District has also worked to diversify the economy of its rural region. The group established Enterprise Facilitation to increase community capacity by promoting local entrepreneurship and assisting individual startups, business improvement and expansion planning. The program draws on the expertise of a volunteer local board and facilitator to help each entrepreneur build a support team with the strengths to cover business development



areas, such as marketing and financial management. The program has served 264 entrepreneurs, 15 startups and 11 business expansions with job creation. The organization has leveraged public and private sector funds, including EDA, to maintain the initiative.

In central Pennsylvania, SEDA-COG established a resource center that helps organize partnerships for community success, achieve local development objectives and shape community identity through town planning and urban design. The project is the culmination of a regional effort to strengthen bonds between Lewistown and the surrounding municipalities. By placing downtown development in the context of a regional community, this initiative breaks new ground for small town conservation and economic development. It has stimulated a constructive dialog, spawned new regional connections and improved intergovernmental cooperation. In addition, non-profit capacity has been enhanced, private capital has been committed and leveraged, and businesses have benefited from the resulting downtown-based services and training opportunities.

These examples offer only a small sample of the impact and achievements of the nation's 320 EDA designated economic development districts. These locally—controlled organizations have consistently demonstrated the indispensable value of EDA planning grants. Although the average \$54,000 grant for each district is small by Washington standards, it means a world of difference to the thousands of rural counties and small towns served by the program. Unfortunately, the true purchasing power of the district planning money has been eroded over the past 30 years to less than 15 cents on the dollar. In addition, the limited pool of resources has been stretched in recent years as the Agency tries to assist designated-but-unfunded districts across the country.

As mentioned above, the comprehensive evaluation conducted by Wayne State University's Center for Urban Studies in 2002 found that districts are both effective and essential to local development. The summary of the report frames the work of the districts best by stating, "economic development districts have been effective instruments promoting cooperation, coordinating needs assessments, and through the CEDS [Comprehensive Economic Development Strategies] process, generating the kind of regional planning needed to effectively promote positive economic change."

To further enhance the performance of economic development districts, NADO specifically urges the committee to increase financial resources for the national network of 320 economic development districts. While the districts have stretched and leveraged their modest resources for years, nearly 30 years of inflation costs and new program demands make a modest funding increase a top priority.

NADO urges the committee to maintain and strengthen the leadership and coordinating role of the economic development districts in the crafting of regional and local Comprehensive Economic Development Strategies. This includes retaining the revised planning performance bonus incentive established in the House bill (H.R. 2535). This modest bonus of 5 percent for public works and economic adjustment projects is an important incentive at the local level to promote and facilitate regional cooperation of local communities. While it is often easy to preach and talk about regional cooperation, the reality is frequently more difficult to achieve.

In addition, the association and its members remain concerned that there is a misunderstanding of the value and role of the planning program at the regional and local levels. Historically, EDA planning grants have been used to help regions develop comprehensive development strategies, which is an important and critical mission. But their more important outcome is the professional and technical capacity developed at the local level within the economic development districts. Without the flexibility and expertise of the districts, most local communities would severely lack the ability to pursue new economic opportunities, have the skills to package complex development deals and navigate the burdensome and intricate reams of Federal and state paperwork. Therefore, we ask the committee to ensure that the district-planning program will remain a vibrant and flexible resource for local areas.

Third, Mr. Chairman, the EDA public works program is an essential, flexible and cost-effective partner for helping distressed communities develop the most basic economic building block—public infrastructure.

Year after year, local elected officials and economic development professionals in rural and small town America identify infrastructure development as their primary concern for economic development. While there are other Federal programs, such as the HUD Community Development Block Grant program, USDA rural development and the EPA clean water and drinking water funds, the EDA public works program is the only program focused solely on projects tied to private sector job growth and sustainability. It is also different because it is a cost-sharing grant program targeted directly at distressed local communities, unlike many of the other Federal programs

that either are administered by the states or only offer loans and loan guarantees to communities already financially strapped.

The value and success of the EDA public works program has been validated repeatedly over the years. Traditionally, the average EDA infrastructure investment has been leveraged ten to one by the private sector, according to an in-depth study by Rutgers University. More importantly, EDA projects help distressed communities create quality long-term jobs at an average cost of \$3,058 per job, which is among the lowest and most efficient in government. The Rutgers report underscores that the near perfect on-time completion of EDA public works projects is the direct result of the planning phase that precedes the project selection.

Throughout its history, EDA has also been recognized as a national leader and innovator in the economic development field. Many cutting-edge practices have emerged from the public works program, such as business incubator buildings, smart technology parks, eco-industrial parks, and the redevelopment of brownfields. Without the financial and technical support of EDA and its local partners, most distressed communities in small metropolitan and rural America would never have the opportunity to implement these essential infrastructure-related projects.

In my home region in Oklahoma, EDA has made several valuable investments. In 1992, for example, the city of Clinton received assistance from EDA to help meet an overwhelming need for expanded sewer treatment. Without this assistance, it is most certain that BAR-S Company, a major local employer, would have been forced to close its plant in Clinton. This would have resulted in the loss of approximately 400 quality jobs in our very rural region.

In Tennessee, EDA invested \$1.5 million in public works money to partially finance water system improvements at the North Etowah Industrial Park. The project allowed a brake manufacturer for the automotive and truck industry to commence production operations of its second state-of-the-art facility in 2001. The EDA project also helped locate a second automotive supplier in a spec building within the industrial park.

Since the completion of the EDA financed infrastructure improvements, the city of Etowah has realized an 18 percent increase in its local tax base. Moreover, given the quality of the companies and the higher-than-average wages (\$12 per hour or better) the per capita income increased from \$16,924 to \$20,395. Recently, the two businesses have announced expansion plans due to upcoming regulatory changes in the automotive industry. The changes are expected to generate an additional 250 jobs coupled with a \$115 million private sector investment.

EDA invested nearly \$3 million in infrastructure improvements to sustain a major local industry in Montana. A local company constructed a \$550 million plant in Silver Bow, just west of Butte. The company converts metallurgical-grade silicon into silane gas and polycrystalline silicon products including rods and chunks. These products are sold to other companies that use the material to produce single crystal wafers, which are later sold and used by companies, such as, Motorola, Micron, and Intel to make semiconductor devices such as memory chips and microprocessors. Currently, 220 people are employed at the plant and an additional 60 jobs will be created in this small city. The average annual salary of the workers is \$55,000.

In Florida, EDA is playing an instrumental role in helping the Town of Altha develop the basic infrastructure needed to support and sustain existing businesses. EDA contributed about \$320,000 of the total project cost of \$823,000 to construct a new water line, upgrade an existing water line and install a new well and pump. As a result of the project, Oglesby Plants International, Inc. is committed to creating 15 new jobs and retaining 125 existing jobs.

EDA has also helped the city of Palatka in Florida, a traditionally distressed community, build the basic infrastructure needed to retain and attract light industrial and manufacturing firms. The project involved making improvements to an industrial park, including the installation of water and sewer lines, a lift station and fire suppression infrastructure. Among the immediate impacts, Sykes Enterprises, Inc. will create 423 new jobs and make a private sector investment of \$14 million when they establish operations in the industrial park. Overall, the project will help the city provide employment opportunities to unemployed and underemployed workers who are seeking higher wage jobs.

As part of the EDA reauthorization package, we strongly encourage the committee to maintain fair and flexible eligibility criteria for public works grants. This includes retaining the Agency's long-standing policy of helping the nation's most impoverished communities, with a special emphasis on small metropolitan and rural communities. We strongly disagree with any "one-size-fits-all" approach that directs EDA investments to only one type of industry or project, to any one type of community or to any one type of economic development philosophy. Over the years, the success of EDA has been rooted in its "bottom-up" approach. The EDA public works

program is a proven program that serves as a key catalyst for economic development in distressed areas. Without it, impoverished communities would struggle to develop and sustain the infrastructure and facilities needed to develop new businesses and retain existing companies.

My fourth and final point, Mr. Chairman, is that the EDA Revolving Loan Fund (RLF) program is a successful and powerful economic development tool for addressing the credit gaps that exist in many distressed communities, particularly in underserved rural areas. By using limited public funds to leverage private capital, locally managed RLFs are providing business capital to thousands of new and existing companies that have difficulty securing conventional financing.

Capitalized with an EDA grant, RLFs are managed by public and private non-profit organizations (including economic development districts) and are designed to further local economic development goals by lending their initial capital and then re-lending funds as payments are made on the initial loans. Loans are typically used for fixed assets or working capital needs. Organizations are also required to demonstrate how the RLF fits their local needs, as defined in a comprehensive economic development strategy.

The participation of RLF funds in a business deal usually encourages once-reluctant banks to also lend, since loan funds normally agree to let banks recoup their losses first from the business' collateral in the event of default. By providing such gap financing, loan funds have been instrumental in the growth of companies that otherwise would not have received funding.

The approximately 600 RLFs capitalized by EDA play a particularly critical role in the economic development of distressed rural areas, where alternatives to conventional financing are limited. In inner cities, community development corporations (CDCs) and municipal agencies often manage loan funds. In rural areas, where there are few CDCs and limited municipal capacity, RLFs managed by regional development organizations are often the only source of alternative financing for entrepreneurs and existing businesses. A January 2002 NADO survey of regional development organizations with loan funds found that half are the sole lender in all or part of their multi-county service area, underscoring the important role played by public entities and RLFs in creating private sector jobs in rural America. (For more details, see the NADO Research Foundation report, "EDA RLFs Make a Difference.")

In a rural region of Missouri, the Meramec Regional Planning Commission has helped provide business capital to a local company that has grown into a worldwide supplier of specialty chemicals, materials, and equipment to micro-electronics and opto-electronics manufacturers. In 1995, the Meramec RPC supported the company's expansion by making a working capital loan of \$150,000, which in turn leveraged \$1.3 million in private sector funds. Sixteen jobs paying an average of \$23 per hour, much higher than the regional average of \$14, were created in the small town of 16,000. Since 1992, the Meramec RPC has made 37 loans that have created and saved 758 jobs.

As noted earlier, the Boonslick RPC also established an RLF in 2002 based on recommendations made during the region's strategic planning process. The most challenging project the RLF has been involved in, according to the organization's executive director, is the construction and financing of a local food market, the Loutre Market. The market was the only grocery store serving the southwest portion of the region. It was wiped out after floods in 1993 and 1995, and the owners closed the business. This meant that the southern portion of the county was left without any grocery.

The community worked for years to attract a new store or owner. A potential owner was finally located and the community worked with all possible agencies to make the project work. They included local financing, Small Business Administration financing and community funds to try and finance the project. In the end, the group needed \$150,000 to complete the \$2 million deal. The Boonslick RPC provided the gap financing that made this project a reality. While this project example lacks the glamour of many high-priced, large-scale deals, it was a vital endeavor for this rural region. Without a local food market, it would be extremely difficult to retain existing businesses let alone attract new employers.

The decline of southwest Oregon's wood products and fishing sectors has contributed to the region's unemployment rate of more than 8 percent in recent years. To combat this trend, the CCD Business Development Corporation—which serves Coos, Curry and Douglas Counties—has used its loan fund to create and retain over 3,200 jobs in an array of sectors. One of its borrowers is FCC Commercial Furniture in Roseburg, now one of the nation's leading manufacturers of restaurant furniture.

The company relocated from California in 1993 and occupied a vacant building formerly owned by a defunct log loader manufacturing company. CCD coordinated

a loan deal that included a \$115,000 RLF loan to finance equipment and \$395,000 from the organization's other loan programs and a bank to finance other relocation costs. They hired all local workers and currently have about 110 employees.

The Genesee-Finger Lakes Regional Planning Commission, based in Rochester, has used its RLF to support high-wage, high-skills jobs in various sectors, including the region's struggling printing industry. The organization's RLF has helped finance the purchasing of software and high-end computers for high-quality printing. The RLF has also made loans to growing businesses for working capital. In the past decade, the fund has made a total of 44 loans to 42 businesses and has created or saved 920 jobs in this transitioning region.

Despite the effectiveness of locally managed RLFs, the EDA program could be dramatically improved by implementing several no-cost or low-cost recommendations:

- EDA should recapitalize and expand the lending capacity of existing RLFs that have established a successful track record and demonstrated demand.
- A new technical assistance program should be added to complement the loan fund program to better safeguard the investments made by RLFs. The Agency should allow a limited amount of RLF grant funds to be used for professional development training and continued education of RLF managers.
- The EDA RLF program should emulate other Federal loan programs and defederalize RLF moneys once they have been loaned out and repaid one time. Defederalization will reduce paperwork and regulatory burdens, while still requiring local accountability. It would also lessen the oversight responsibilities of EDA, which are currently perpetual for the Agency.
- The Agency should lower or eliminate the requirement that 75 percent of funds be loaned out at any one time. This mandate is particularly burdensome during slow economic times and in rural and remote regions. At a minimum, the Agency should have the flexibility to deal with hardship cases. By mandating the 75 percent requirement, the Agency runs the real risk of forcing local RLF policy committees and managers to make investments in unsound and the riskiest of deals.

#### CONCLUSION

In closing, Mr. Chairman, I want to reinforce NADO's support for a multi-year reauthorization bill that maintains EDA's current mission and program focus of helping bring economic opportunities to our nation's impoverished communities, particularly small town and rural America. Through its existing programs—including the planning, public works and economic adjustment programs—the Agency serves as a vital resource for localities striving to improve their economies through private sector job growth. The Agency should retain the flexibility to help all of the nation's distressed areas, whether they are struggling to overcome long-term economic challenges or sudden and severe hardships. EDA is an Agency that merits the full support the committee.

I also want to state that NADO remains supportive of the Agency's brownfields redevelopment efforts. In March 2002, NADO member Mary Lou Bentley of the Western Nevada Development District presented the association's positions on the issue. The association's leadership also sent a letter to Ranking Member Jim Jeffords and Senator Carl Levin in general support of the Brownfield Site Redevelopment Assistance. In the current Congress, the bill is S. 645.

Most importantly, we strongly support retaining a leadership and coordinating role for EDA-designated economic development districts both in the development of regional and local Comprehensive Economic Development Strategies and the implementation and pursuit of new economic opportunities at the local level. In the end, economic development is inherently a locally driven process that requires regional coordination, collaboration and partnerships. The established network of economic development districts has proven over time to be an effective, cost-efficient and professional group that should be further strengthened and maintained.

Thank you again, Mr. Chairman and members of the committee, for the opportunity to testify today on the views of NADO and its membership. I would welcome any questions.

---

STATEMENT OF JAMES J. SAUDADE, DEPUTY COMMISSIONER, DEPARTMENT OF  
HOUSING AND COMMUNITY AFFAIRS, STATE OF VERMONT

Good morning Mr. Chairman and members of the Committee, and thank you very much for the honor and opportunity to provide testimony to you today regarding the reauthorization of the Economic Development Administration (EDA).

My name is James J. Saudade, and I am the Deputy Commissioner for the Vermont Department of Housing and Community Affairs, Agency of Commerce and Community Development.

This morning I would like to tell you how important the assistance available through EDA is to a small, rural state like Vermont. I will share with you some of our experience with the EDA in Vermont, and offer some suggestions for making EDA even more effective in rural parts of our country.

As I am sure my Senator, Jim Jeffords, reminds folks around here once in awhile, Vermont is a small state that is facing substantial economic challenges. The median income for a family of four in Vermont grew only about \$500 from 1989 to 1998, our poverty level during that period actually increased from 8.1 percent to 9.6 percent, and our share of poverty level jobs increased in the 1990's to fully 25.5 percent of all jobs. While unemployment for much of the state remains below the national average, Vermont hosts regions of high unemployment such as our Northeast Kingdom and substantial underemployment is pervasive throughout Vermont. These are serious conditions that impair our economic health.

To address these disturbing trends, we have undertaken economic development planning and projects to stimulate new business, train workers, and grow the businesses we have. In this effort we have enlisted the assistance of EDA as our partners to help underwrite the cost of new infrastructure, capitalize revolving loan funds, and build small business facilities. In fact Mr. Chairman, as we are meeting here this morning, the ribbon is being cut on a new business center in St. Johnsbury, Vermont. A business center that offers new hope for quality jobs in our most economically distressed region. This center, which is largely underwritten with EDA funds, resides in an industrial park that was originally established and expanded with EDA assistance.

Although my personal experience with the EDA has been over many years, most recently I was very involved with a new, EDA assisted, business incubator in Randolph, Vermont. This incubator will open in a few months and is in partnership with Vermont Technical College. It will offer businesses a supportive environment to become established and grow. These businesses will derive research and expertise from the resources of the college and, in turn, provide students and faculty with a laboratory for fostering technological achievements. And most importantly, this new incubator will provide jobs in a community that had been devastated by a series of fires and has suffered several recent plant closures. Already, several businesses are lined up to occupy the incubator, including a very promising business working with new, light emitting diode technology and a software developer.

Both the Randolph and St. Johnsbury projects were planned and executed in accordance with regional Comprehensive Economic Development Strategies (CEDs). These CEDs are a requirement for participation in EDA activities and are a planning feature which I, and the Agency I represent today, strongly endorse. The process to complete these plans is arduous, time consuming, and not without cost, but their value for smart development is indispensable. These plans provide a sobering view of the current regional economy, a retrospective evaluation of previous development, an inventory of available resources, and most importantly, a solid plan for action. The process draws in the interests of planners, businesses, community interest groups, and government and ensures that broad representation is a feature of the planning process. While EDA has always provided helpful materials to regions in support of these plans, I would like to commend EDA on its much-improved web site that now provides a wealth of information, resources, and contacts.

As previously stated, the Vermont Agency of Commerce and Community Development endorses the development planning required by EDA. In fact, we now look to those plans, where they exist in Vermont, to make investment decisions regarding the deployment of state resources. When a project comes to the state for assistance from a region where a comprehensive plan was completed, we ask where that project is in the regional plan, how does it help fulfill the goals of the plan, and what strategic opportunities identified in the plan are captured by this project? In order to make this policy effective statewide, we have recently issued 2005 work plans to regional agencies making the completion of regional economic development plans a top priority where they currently do not exist.

The array of assistance products provided by EDA has helped to address many of Vermont's economic development requirements and, without them, there would be no alternative. The public works assistance has been vital in underwriting infrastructure improvements. The Economic Development District program has helped the Northeast Kingdom to plan projects in this very rural and distressed region of Vermont. And the Revolving Loan Program has provided credit enhancement and gap financing to hundreds of Vermont's small businesses. But as effective as these products have been to our work to regain economic vitality, we look forward to im-

plementing the elements of our regional economic plans not yet accomplished and to fulfilling the promise of the regional plans not yet completed.

This week, perhaps as I speak, adjustments to our state's limited liability program for brownfields reclamation are being considered in our state legislature. I believe the improvements under consideration will result in a watershed of new interest in our existing brownfields sites. With over 2,000 known brownfields in Vermont, we will need the help of the EPA and EDA to help us remediate and reuse these areas. Returning these sites to productivity is crucial to our need for jobs, critical to the stability of our town and village centers, and protective of our yet unspoiled landscapes.

Vermont is a rural state and its character is very different than urbanized areas of the country. As such, we sometimes find ourselves working within constructs of the Federal Government that do not work as well as they might in more populated states. This is true with EDA. We would recommend that EDA allow some discretion in the design and implementation of its programs to absorb inherent differences that exist across the country, and particularly in small states. For example, EDA and other agencies look to counties as important representations of regional boundaries. In many states where county governments conduct a wide range of governmental functions this makes sense. However, in Vermont, although counties exist as representations on maps and for judicial and law enforcement purposes, there are no "county governments." EDA would be better served by a more flexible, working definition of regional boundaries.

Similarly, small states cannot begin to garner the resources that larger states are able to assemble in support of economic development activities. Again, flexibility in the goals of EDA programs would allow for more realistic and scaled expectations for smaller states. For instance, EDA would like to achieve leveraging ratios of 22:1 of "other funds" to EDA dollars. This level of leveraging, though laudable, is simply unattainable in Vermont and threatens to make EDA an anachronism in our state.

Rural states also have a more difficult time fielding committees such as those required in developing economic plans. It is difficult to find enough people who are able to commit the time and energy to serve on required boards and, in Vermont, it is impossible to supply the diversity that might be attainable in other states. EDA has with great difficulty, accepted some variation on its model for public participation but, while we understand the need to be accountable to all of our constituents, additional flexibility is warranted.

Also characteristic of very rural states is the lack of professional staff for small communities and the logistical obstacles to attending meetings, accessing program representatives, and maintaining good contacts. The EDA relies heavily on regional representatives. These EDR's as they are known are responsible for large geographic areas that prohibit frequent visits and limit accessibility. This dependence on very few individuals to provide both technical expertise and firewall review of new proposals for a huge area does not do justice to the otherwise well thought out EDA system of resource deployment.

We would also appreciate an improved EDA application process that did not place project viability in the hands of one person initially, and also allowed for the capture of time sensitive and unusual, but creative projects. The existing application process is multi-tiered, and cumbersome. The process tends to delay if not defeat projects that either require quick action, or offer new and innovative approaches to traditional problems. We recommend a "special review" process for applicants that can demonstrate a need for an extraordinary procedure. We might also suggest a closer partnership with EDA field representatives to state, community development departments. In Vermont, as is the case in most states, development department staff have become proficient in the review and administration of CDBG small cities projects and may offer EDA some assistance in extending field capacity and offering support to EDA field staff.

In conclusion, we enthusiastically recommend reauthorization of EDA. While we would recommend flexibility and discretion in applying program standards to small states, EDA's major program features are sound, its products are invaluable, and Vermont's economic distress would become further exacerbated without EDA support. EDA has and is providing resources that we could not otherwise replace, and we look to a re-authorized and invigorated EDA to help shape Vermont's economic future.

## STATEMENT OF R. CHARLES GATSON, VICE PRESIDENT AND CHIEF OPERATING OFFICER, SWOPE COMMUNITY BUILDERS

Chairman Inhofe, Senator Jeffords and Members of the Committee, thank you for inviting me to testify in front of your committee on the Economic Development Administration reauthorization bill. I want to particularly recognize Senator Bond who has been a friend and a champion of our efforts to improve the lives of thousands of folks living in Kansas City, Missouri.

I am currently the Vice President/Chief Operating Officer of Swope Community Builders, a position I have held for the past 13 years. Swope Community Builders is one of the nation's 3,600 community based development organizations represented by the National Congress for Community Economic Development.

We are a nonprofit community development corporation with a \$7.5 million annual budget. On December 31, 1991 our total assets were approximately \$60,000. On December 31, 2003 our total assets exceeded \$61.4 million. We have completed in excess of \$120 million in development projects—single and multi-family housing, as well as commercial and institutional—over the past 10 years. Every dollar the Federal Government invests in our work leverages another \$7. We manage more than \$100 million dollars of investment. We have over \$100 million of new investments in our development pipeline.

In 1991, when I came to work at Swope Community Builders, many in our was troubled with high poverty and unemployment rates, low housing values coupled with many vacant and abandoned buildings. Many in our community did not have adequate health care coverage or access to retail shopping. Community residents were not engaged in planning activities nor were they beneficiaries from higher economic growth.

As I stated earlier, Swope Community Builders has completed in excess of \$120 million in redevelopment projects during its 14 years of existence. One of our most important projects, the H&R Block Technology Center, was completed in December 1999. This project, a corporate technology center built using cutting edge construction, cabling and computer technology, relocated 150 employees earning an average of \$45,000 per year from suburban Kansas to Kansas City's urban core and created 400 full time equivalent jobs with starting salaries of \$15.00 per hour. The total annual payroll at the H&R Block technology center exceeds \$20 million. The building generates annual real estate taxes of approximately \$225,000 which, coupled with economic activity taxes, generates enough income from a Tax Increment Finance District to debt serve a \$2 million tax exempt bond issue that has been used to spur other job creating redevelopment projects. Across the country, the computer needs of over 8,000 of H&R Block's franchisees are serviced by this Center. This project did more than provide jobs to area residents; it provided hope to the residents, spurred further development and provided proof to other corporations and investors that urban Kansas City locations are safe and can be the sites of sound investments.

The FirstGuard Office Building, a 72,000 square foot technologically advanced office building completed in 2002, is home to the FirstGuard HMO, Mazuma Credit Union, the Dalmark Corporation, the Housing and Economic Development Financial Corporation and Swope Community Builders. This \$14 million facility is geared toward companies with a need for fast computer links, advanced telephone systems and video capabilities and a trained labor force. This building is home to over 300 employees.

Swope Community Builders is in the development phase of the New Village at Technology Center, a 480,000 square foot office/warehouse project, accompanied by 50,000 square feet in companion retail/service space and 175 units of work force and market rate housing. The New Village at Technology Center will be designed to attract office/warehouse tenants whose businesses are based upon the uses of new technologies, who have similar needs as the tenants in the H&R Block Technology Center and the FirstGuard Office Building and who need easy access to rail and surface transportation. This center will employ over 1,200 people at average wages of \$19.50 per hour which translates into an annual payroll of \$48.6 million. It is expected that a large percentage of the jobs created will be filled by residents from Kansas City's 3d Council District, statistically its most economically distressed location, located due east of the Central Industrial District. This project will have a lasting effect on at least 1,200 families while providing another example to the investment community that community development corporations are excellent partners who understand how to make deals work in urban core America.

The revitalization of our community and the H&R Block project would not have been possible without substantial federally funded and supported investments. Again I want to recognize Senator Bond's efforts in securing millions of Federal dollars for these initiatives. We regularly make great use of HUD funds through

HOME and the Community Development Block Grant, Health and Human Services through the Office of Community Services, the Department of Justice through COPS and the Neighborhood Initiative and Economic Development Initiative programs. We have also utilized local governmental funding techniques such as Tax Increment Financing, Special Taxing Districts, Property Tax Abatement (home ownership projects) and the city of Kansas City's Capital Improvements programs. All these funding mechanisms, coupled with private capital from conventional loans and equity investments, are crucial to bringing more technology based projects and investments to urban core locations where sites are available and easily trained labor forces are available.

One Agency missing from that list is the Economic Development Administration. Despite our best efforts, Swope Community Builders has never received any funding from the Economic Development Administration. Indeed, none of the 14 Community Development Corporations in Kansas City has received substantial funding from the Economic Development Administration in the past 16 years.

The experience in Kansas City is not an isolated case. Our membership association, the National Congress for Community Economic Development (NCCED), surveyed some of the leading Community Development Corporations in the Nation in 2002 to learn of their experiences. Outside of the Western region, which includes California and Washington, no Community Development Corporation could report access to Economic Development Administration investments.

To his credit, Assistant Secretary David Sampson has taken this lack of access of community based organizations to Economic Development Administration seriously. Dr. Sampson told NCCED members at our Policy Summit in March that, "I have a great appreciation of what you do in local communities every single day." Dr. Sampson has a personal commitment to community based organizations, including those that are faith-based because he knows Community Development Corporation's create conditions so our communities have a growing standard of living. Over the past 3 years, Dr. Sampson has made community based organizations and faith-based organizations a funding priority of the Economic Development Administration. Dr. Sampson clearly stated that the Economic Development Administration should not discriminate against faith based or community groups in funding decisions. Economic Development Administration headquarters is looking at regional offices to see if they are working with new groups, expanding the deal flow, and expanding the group of partner agencies. "We do not want to work with the same groups all the time", he said. "It is our goal that no geographic sector or community is left behind in the economy geographically or demographically", he added. The Economic Development Administration has added a community based partnership category to its annual Awards for Excellence.

However, the intention has not translated into reality due to a combination of inadequate appropriations for the Economic Development Administration and an institutional culture that is closed to community-based nonprofits like mine.

In the previous Economic Development Administration reauthorization, Congress expressly made community based organizations an eligible group for Economic Development Administration investments and relaxed the requirements that any project have approval from the development department of the participating jurisdiction.

Making nonprofits eligible for poverty alleviation resources is a typical Federal strategy including programs like the Temporary Assistance to Needy Families, Workforce Investment Act, and the Economic Development Administration. However, in most of these programs, eligibility does not translate into partnerships that build on the abilities of nonprofits.

While I support the reauthorization of the Economic Development Administration, I hope that the Agency and Congress will more aggressively seek opportunities to enable nonprofit community based organizations to better utilize Economic Development Administration funds. Some opportunities include providing a set-aside investment pool specifically for community development corporations that is available through competitive applications to headquarters.

Swope Community Builders is preparing a pre application as described in the Catalog of Federal Domestic Assistance, Grants for Public Works and Economic Development Facilities, for \$2.5 million to assist in the predevelopment stage of the New Village at Technology Center. One of the selection criteria states that the project must "involve innovative partnerships and private investment leveraging". Swope Community Builders' projects are always based upon partnerships with local, state and Federal partners, local and regional banks, national intermediaries, philanthropic foundations and, most importantly, local residents. While I am sure this criterion is utilized, I would like to see some type of application scoring system that would give higher priority to community development corporations that leveraged



relationships as well dollars. Economic Development Administration assistance will, allied with the type of financing tools that we have utilized on our completed projects, be crucial to the speedy and efficient development of this most important project.

It is my personal belief that the future of urban core neighborhoods is closely tied to job creation and economic development that are tied directly to new and emerging technologies from biomedicine to information dissemination and management to light industry and manufacturing. The Economic Development Administration can and must act as a catalyst, providing dollars that can be leveraged seven (7) times by those who have the commitment to urban core communities and the experience to produce job creating development projects.

Thank you for the opportunity to testify on how community development corporations are building strong vibrant communities with the Federal Government as our investment ally. We look forward to being able to add the Economic Development Administration's programs to our arsenal as we continue to attack the problems that plague some parts of our nation's urban cores. I personally look forward to a continued working relationship with Senator Bond, a true champion of urban revitalization.

---

STATEMENT OF PHILLIP A. SINGERMAN, PH.D., EXECUTIVE DIRECTOR, MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION, ON BEHALF OF THE INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

Mr. Chairman, distinguished members of the Committee, I am truly honored to be invited to testify before you on the Reauthorization of the Public Works and Economic Development Act of 1965. My name is Phillip Singerman, Executive Director of the Maryland Technology Development Corporation (TEDCO) and member of the International Economic Development Council Board of Directors. I believe I have a special perspective to bring to your deliberations: from 1995 to 1999 I served as Assistant Secretary of Commerce for Economic Development, and in that capacity was responsible for the Economic Development Administration (EDA) when Congress reauthorized EDA in 1998—the first time the Agency had been reauthorized in nearly 20 years. That was a milestone achievement of the Congress, carried out in a bipartisan fashion, and I want to congratulate you for that visionary action.

I also want to commend Assistant Secretary David Sampson for his leadership of the Agency and for helping push for an innovative bill to reauthorize EDA for the next 5 years. He and members of his staff have made a special effort to reach out my colleagues in the local economic development community and myself. I want to thank him for these personal and professional courtesies.

Since 1999 I have directed a public instrumentality in the State of Maryland, established by the General Assembly to create and sustain businesses through the development, transfer, and deployment of innovative technology. In Maryland EDA has played a crucial role in distressed urban areas such as Baltimore, rural communities on the Eastern Shore of the Chesapeake Bay, and depressed Appalachian counties of Western Maryland. EDA has taken a leadership role in helping underserved areas connect to high-speed internet service, and in aiding small companies through the development and support of business incubation.

I am also here today as a representative of the International Economic Development Council. IEDC is the leading association serving economic development professionals and those in allied fields. IEDC's more than 4,000 members are committed to building local and regional economies worldwide. The key to IEDC's reputation and steady growth is its access to a large and diverse pool of professionals and the quality of the council's staff. For more than 30 years, IEDC and its predecessor organizations have been producing quality services that help find solutions to the complex and varied issues of economic development. For the past year, IEDC has been working with EDA and Congress to help contribute to the reauthorization of the EDA On behalf of the thousands of economic development professionals that I represent today, I thank you for this opportunity to voice our support for this critical Agency.

I have carefully reviewed both the House passed legislation (H.R. 2535) and the Senate introduced Administration bill (S 1134), and have attached a set of policy recommendations provided by IEDC. In my testimony I want to highlight the following points:

- The importance of prompt passage of EDA reauthorization
- The importance of providing adequate funding authorization levels

- The importance of allowing more efficient management of EDA's Revolving Loan Fund Projects, specifically, removing Federal restrictions on these projects after 20 years.

EDA: HELPING TO ENSURE THE FUTURE OF AMERICAN MANUFACTURING

EDA is generally viewed in Washington as an anti-poverty program, alleviating low income, under-employment, and unemployment. Having worked and studied this general issue for my entire professional career—nearly 30 years—I have come to the conclusion that EDA is perhaps more importantly a capacity building program, which increases the productivity of the Nation. It does this by making investments that leverage under-utilized economic resources—human capital, financial capital, and real estate—that are reflected in unemployment, inadequate business financing, and low valued land. It does this by redeveloping physical infrastructure that is threatened by abandonment due to such things as military base closures and changes in international flows of capital. And it does this by broadening the participation of minorities and women in the work force.

Over the past 3 years, American manufacturing jobs have dramatically declined. The cause of this decline can be traced to decisions made by domestic manufacturers to relocate plants and factories in foreign countries offering a more lenient production environment and lower wage work force. In light of these global changes, the Administration is actively seeking ways to address the critical loss of U.S. manufacturing jobs. Some of this attention is focused appropriately on job training, and some will seek to support emerging industries, including high-tech manufacturing. IEDC supports and encourages all of these steps, and believes the EDA, as the lead Federal Agency working with economic development districts and related state and local government agencies, should play a major role in these efforts to address the decline in the American manufacturing industry.

The EDA provides a number of demonstrated tools that can be used to secure manufacturing employment by creating new opportunities for job creation, technology advancement, skills and job training and infrastructure development. The EDA works directly in the communities that are most devastated by the loss of major manufacturers. The EDA's Economic Adjustment grants provide the much-needed support for communities dealing with the "sudden and severe" distress caused by layoffs, downsizing and plant closings. This spring the Congress will be reviewing the Administration's budgetary requests for fiscal year 2005, and this summer, agencies will be submitting their requests to the Administration for fiscal year 2006 funding.

I can assure this committee that in the normal give and take of the budgetary process, an Agency that is not reauthorized will suffer in the process; for those who care about the ability of EDA to provide critically needed support to our most distressed communities and populations, delay is not an option.

Quick reauthorization of EDA will also be important for communities that suffer the closure—or significant downsizing—of a local military base during the 2005 Base Realignment and Closure (BRAC) round. During the previous four base closure rounds, the Agency provided almost \$650 million in grants to 106 communities for economic planning and redevelopment assistance. Up to approximately 100 installations could be closed through the 2005 round. EDA grants help communities achieve productive civilian reuse of closed military bases and rapid economic development through technical and financial assistance.

Although I believe there are one or two areas in which the House bill could be improved, I respectfully urge the committee to promptly consider passage of legislation that reauthorizes the EDA.

PROVIDING THE APPROPRIATE AUTHORIZATION LEVELS (SECTION 701)

The House passed legislation proposes an authorization level of \$2.25 billion for EDA programs for 5 years: \$400 million for fiscal year 2004, and an additional \$25 million each year from fiscal year 2005-fiscal year 2008. The Administration requested \$321 million for fiscal year 2005 and such sums as necessary in the remaining years. The House bill provides authorization levels for the EDA that will allow Congress to respond to unanticipated economic difficulties.

The House passed version is a significant improvement over the current level of the budget in a number of major ways.

First, the legislation provides Congress with the authorization flexibility it needs to address unanticipated economic difficulties, such as those occasioned by international trade competition and homeland security. This is comparable to the flexibility previously utilized by the Congress to respond to natural disasters and defense conversion/base closures.

During the latter part of my tenure we were faced with economic crises in the steel and textile industry, yet the lack of sufficient authorization levels prevented an appropriate addition to EDA's funding to address these severe and sudden problems. The result was that funding to address these issues was taken away from other communities that were suffering long-term economic deterioration, creating a conflict among equally needy regions. This new language does not eliminate the ultimate responsibility of Congress to make judgments about budget priorities, but it does remove an artificial constraint to your appropriate level of flexibility.

Second, IEDC and those in the economic development profession who rely on EDA funding, are concerned about the steady decline in funding for EDA programs, and particularly the disproportionate cuts imposed by the fiscal year 2004 Omnibus Appropriations Act. The fiscal year 2004 appropriation of \$288 million is 15 percent below the authorized level and 30 percent below the House recommended authorization level of \$400 million. Based on EDA performance data, a \$43 million investment could result in an additional \$129–430 million in private sector investment and the potential for 22,000 jobs. The House approved authorization levels give the economic development community options for addressing future funding needs for projects and initiatives the spur investment and help create jobs.

#### REVOLVING LOAN FUND (RLF) PROGRAM MODIFICATIONS (SECTION 207)

EDA's revolving loan fund program (RLF) is a very important component of a local communities' overall economic development activity. In 2002 the Center for Urban Policy Research, Rutgers University, released three reports totaling nearly 950 pages on EDA's RLF program (Burchell, et al.) The study's authors concluded that (1) an RLF is one of the most effective tools available to economic development agencies, (2) RLF loans enable businesses to prosper that would not have prospered under convention lending guidelines, and (3) the RLF program was supported by effective regional economic planning and good program planning. I recall that during my tenure the RLF program was particularly helpful in communities affected by base closure and natural disasters; by contrast emergency loan programs administered by the SBA are limited in the time during which they are available and not part of an overall local recovery strategy.

The House passed legislation does modify several regulations concerning the revolving loan fund (RLF) program of the EDA. The bill allows for more flexibility and options in delivering this important program. The House bill specifically gives EDA broad authority to issues new rules and regulations to ensure the "proper operation and financial integrity" of Revolving Loan Funds (RLF). The bill also adds new language allowing EDA to permit grantees that are operating more than one RLF to consolidate funds at the request of the local grantee. EDA is also given the authority to transfer assets of RLF to 3d party for purpose of liquidation and adds new provision allowing EDA to authorize RLF operators to securitize or sell loans to secondary market.

One major provision was, however, left out of the House passed version that was included in the Administration's proposed legislation. As proposed in the Administrations legislation and included in S. 1134, modifications of section 209 to release the Federal interest in a revolving loan fund grant is a long overdue correction to the law, which currently creates an unnecessary—and frankly—unmanageable administrative burden on EDA and local communities. This will remove a significant reporting requirement from local communities and monitoring responsibility from EDA.

This is really a very modest step and other agencies—such as USDA—"defederalize" local loan programs once the funds have been fully recycled (loaned out and then repaid). However, EDA's revolving loan fund program is structured as a grant to a local community, and therefore a more stringent standard than in a loan program is appropriate. The requirement of 20 years of successful performance ensures that only well run programs will be able to qualify for this step, and the requirement of a reimbursement to the Federal treasury—not to EDA—ensures that the Agency will have no financial incentive to defederalize non-qualifying programs. Please understand that this process can only be undertaken pursuant to formal regulations promulgated by the Secretary of Commerce, and that the Department's Inspector General will undoubtedly also be monitoring this process carefully.

One final comment: we tried to defederalize RLFs 6 years ago but did not pursue it in the face of opposition by EDA's friends in the Congress. The argument put forward at that time was that through defederalization, Davis-Bacon protection would be weakened. At that time we did not have the data necessary to analyze that issue: however, the Burchell report on RLFs previously cited clearly demonstrates that these loans are not used in construction or public works but for working capital to

small businesses for startup, retention or expansion purposes, and thus Davis-Bacon does not apply.

CONCLUSION: ENDURING IMPORTANCE OF EDA

In these times of economic recovery, it is imperative that the EDA continue its stated mission to “help our partners across the Nation (states, regions and communities) create wealth and minimize poverty by promoting a favorable business environment to attract private capital investment and higher-skill/higher-wage jobs through world-class capacity building, planning, infrastructure, research grants and other strategic initiatives.” By quickly and decisively acting on this important reauthorization, the Congress can send a lucid and convincing message that EDA and its programs, that help create jobs and stabilize distressed economies, are a high priority of the Federal Government.

RESPONSES BY PHILLIP SINGERMAN TO ADDITIONAL QUESTIONS FROM  
SENATOR JEFFORDS

*Question 1.* You have always been a supporter of the comprehensive economic development strategy; do you think that this process is still relevant in this technology lead new economy environment?

Response. Over the past 8 years, Rutgers University Center for Urban Policy Research conducted a series of comprehensive studies of EDA’s programs, and found that local planning was critical in the success of EDA’s programs, such as public works. My personal experience as EDA Administrator is that when communities had not engaged in a comprehensive planning process, but received funding (e.g., post flood disaster, base closures), the programs were not as well managed. EDA’s planning programs are terribly under-funded - communities are receiving the same level of funding that they received nearly forty years ago. EDA should devote a minimum of \$50 million annually for planning, technical assistance, and research, and any community- and State - that wishes to engaged in a comprehensive planning process, should receive funding (although wealthier communities would be required to provide a higher cost share).

*Question 2.* The House EDA reauthorization bill creates a new five percent planning performance award, but only for projects located in economic development districts. What is your opinion of this award and the overall incentive structure put forward in the House bill?

Response. Communities should be encouraged to work with their local EDA-designated planning region; in this way local planning will be taken seriously. Accordingly, I support all incentives which encourage closer relationships and greater attention to comprehensive, inclusive planning.

REAUTHORIZATION OF THE ECONOMIC DEVELOPMENT ADMINISTRATION POLICY  
RECOMMENDATIONS

PROVIDED BY THE INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL (IEDC)

EDA programs direct vital resources for infrastructure development, local capacity building, and business development to alleviate conditions of unemployment and underemployment in economically distressed areas and regions across the U.S. The Federal law to authorize programs and funding for the Economic Development Administration (EDA), The Economic Development Administration Reform Act of 1998 (P.L. 105-393), expired on September 31, 2003. Renewal of our national commitment to the economic development priorities supported by this small, but highly effective Federal agency should be made a legislative priority for Congress in 2004.

The House of Representatives reauthorization proposal, H.R. 2535, was approved on October 21, 2003, laying out a 5-year plan to continue EDA’s mission with some modifications designed to improve performance and increase flexibility and funding levels. The Senate introduced S. 1134 reflects the Administration’s proposal. No additional hearings or legislation action occurred in 2003. Pending reauthorization, EDA continues to operate under the authority of the 1998 Act.

[“This legislation was developed through an intense process of hearings and mark-ups. It was an open process that allowed for the input of all Members and groups with an interest in the legislation. This process has resulted in legislation that has broad bipartisan support, the support of the administration, and the support of such important partners as the National Association of Development Organizations, International Economic Development Council, National League of Cities, National

Association of Counties, and the United States Conference of Mayors.” Stated Chairman LaTourette in his opening House floor remarks for EDA reauthorization.]

In these times of economic recovery, it is imperative that the EDA continue its stated mission to “help our partners across the Nation (states, regions and communities) create wealth and minimize poverty by promoting a favorable business environment to attract private capital investment and higher-skill/higher-wage jobs through world-class capacity building, planning, infrastructure, research grants and other strategic initiatives.” By quickly and decisively acting on this important reauthorization, the Congress can send a lucid and convincing message that EDA and its’ programs, that help create jobs and stabilize distressed economies, are a high priority of the Federal Government.

IEDC, as the nations’ largest organization representing economic development professionals, urges the Congress to complete the EDA reauthorization this year. IEDC supports passage of a comprehensive bill that will maximize funding, performance and accountability in EDA programs. This action will send a strong message to economic development agencies and their private sector partners that Congress is committed to the EDA mission of providing vital seed money to high performing regional and local economic development projects.

The IEDC has prepared some policy guidelines for consideration in the formulation of an EDA reauthorization bill in the Senate. IEDC is committed to working with the Congressional leadership to pass legislation widely supported by industry and economic development practitioners committed to national priorities of job creation and economic growth.

#### EDA IMPORTANCE

- The EDA is the only agency within the Federal Government that works solely to promote private sector job growth with programs and activities that directly relate to economic development.

- EDA maintains effective interagency partnerships with other Federal agencies, including the Departments of Defense, Labor, Energy, Agriculture, HUD, the EPA, ARC and FEMA/DHS, to promote economic development in distressed areas.

- EDA has a strong regional operation working side-by-side with state and local economic development agencies to plan, prioritize and implement economic development projects emphasizing the creation of jobs and sustainable, comprehensive economic growth.

- EDA’s record of performance under the Government Performance Review process is one of best among Federal programs and agencies. EDA was also heralded recently in a study released by Rutgers University to evaluate the public works program at EDA. Rutgers rated EDA’s work exemplary. They found a 100 percent return on investment for all projects (public and private) supported by EDA funding. For every \$1 million of Federal money spent, another \$1 million was leveraged in Federal, state, or local investment dollars. The study found, on average, this level of investment also produced 325 direct permanent jobs in the impacted community. EDA reporting shows an even more optimistic outcome. Looking at data collected on investments since 1965, EDA shows public works investments have generated \$10 million in private sector dollars and \$10 million in the local tax base for every \$1 million spent by EDA.

- Quick reauthorization of EDA will also be important for communities that suffer the closure—or significant downsizing—of a local military base during the 2005 Base Realignment and Closure (BRAC) round. During the previous four base closure rounds, the agency provided almost \$650 million in grants to 106 communities for economic planning and redevelopment assistance. Up to approximately 100 installations could be closed through the 2005 round. EDA grants help communities achieve productive civilian reuse of closed military bases and rapid economic development through technical and financial assistance.

The mission of EDA is to address severe and persistent conditions of unemployment and underemployment in severely distressed communities, many struggling to recover from the loss of a major employer or other economic dislocation. Through infrastructure grants, strategic planning assistance, business development capital and technical assistance, EDA provides a level of investment that acts as a catalyst for economic development that would typically not progress if not for the EDA funds to close financing gaps and spur capital investment. Moreover, EDA requirements for state and regional collaboration in planning and implementation of economic development strategies works to build capacity and partnerships that are sustainable and innovative.

- IEDC urges the Senate to draft EDA reauthorization legislation that builds upon the existing successes and structure of the Administration,

- Increases and commits to higher funding levels and performance standards, and
- Encourages partnerships at the local level across numerous stakeholders and service providers.

#### EDA: HELPING TO ENSURE THE FUTURE OF AMERICAN MANUFACTURING

EDA is also an important capacity building program, which increases the productivity of the nation. It does this by making investments that leverage under-utilized economic resources—human capital, financial capital, and real estate—that are reflected in unemployment, inadequate business financing, and low valued land. It does this by redeveloping physical infrastructure that is threatened by abandonment due to such things as military base closures and changes in international flows of capital. And it does this by broadening the participation of minorities and women in the work force.

Over the past 3 years, American manufacturing jobs have dramatically declined. The cause of this decline can be traced to decisions made by domestic manufacturers to relocate plants and factories in foreign countries offering a more lenient production environment and lower wage work force. In light of these global changes, the Administration is actively seeking ways to address the critical loss of U.S. manufacturing jobs. Some of this attention is focused appropriately on job training, and some will seek to support emerging industries, including high-tech manufacturing. IEDC supports and encourages all of these steps, and believes the EDA, as the lead Federal agency working with economic development districts and related state and local government agencies, should play a major role in these efforts to address the decline in the American manufacturing industry.

The EDA provides a number of demonstrated tools that can be used to secure manufacturing employment by creating new opportunities for job creation, technology advancement, skills and job training and infrastructure development. The EDA works directly in the communities that are most devastated by the loss of major manufacturers. The EDA's Economic Adjustment grants provide the much-needed support for communities dealing with the "sudden and severe" distress caused by layoffs, downsizing and plant closings. We urge the Senate to support the need to focus on manufacturing jobs, and to consider a new program or title in the EDA reauthorization that will invest new dollars in this seriously impacted sector of the economy.

This spring the Congress will be reviewing the Administration's budgetary requests for fiscal year 2005, and this summer, agencies will be submitting their requests to the Administration for fiscal year 2006 funding. During the normal give and take of the budgetary process, an agency that is not reauthorized will suffer in the process; for those who care about the ability of EDA to provide critically needed support to our most distressed communities and populations, delay is not an option.

#### LEGISLATIVE OVERVIEW & POLICY STATEMENTS

As a general statement of support, the IEDC membership endorses the position taken by the House legislation, H.R. 2535, almost entirely. IEDC's support is consistent with our industry and association colleagues, including The National Association of Development Organizations, the National League of Cities, the U.S. Conference of Mayors and the National Association of Counties. The following summary of key issues for the reauthorization highlights provisions in H.R. 2535 supported by IEDC members and offers some recommendations for additional provisions or modifications for consideration in a final package.

##### Support H.R. 2535:

*New Performance Incentive Award.*—Support incentive award under the Public Works and Economic Adjustment Program(s) of up to 10 percent of the original grant amount. The award could be used to fund up to 100 percent of any other EDA-eligible project or activity, or to meet the non-Federal match requirement for another project funded by EDA or another Federal agency. The flexibility of use on this award sends a strong signal of the high premium EDA will place on high standards of performance. The award will allow EDA and local grantees to leverage even greater success from innovative challenges in struggling communities to invest in new job creation and economic growth projects. The award program will provide a strong incentive for grantees to complete projects on or ahead of schedule.

*New District Bonus Award.*—Support replacing the existing 10 percent district bonus award with a tiered system that includes the original 10 percent bonus award, as well as the potential for an additional 5 percent planning bonus award to a project grantee who are part of an economic development district. The bonus will be available only to grantees who are active participants in an economic devel-

opment district and for projects that are in accordance with the comprehensive economic development strategy of the district. The bonus award provides added incentive for cooperation and comprehensiveness in EDA project funding.

*Ensuring Planning Coordination.*—Support requirement that state and local governments and economic development districts continue to develop EDA-funded state plans in a cooperative manner, “to the maximum extent practicable.” Currently, states are required to certify that the state plan is consistent with local governments and economic development district plans. H.R. 2535 amends the law to require states, before receiving EDA planning funds, to outline the extent to which they will consider local and district plans. [The Administration proposes to eliminate the requirement that states work with local districts. S.1134 would only require states to take regional economic development strategies “into consideration” when creating new plans.] It is critical to the success of economic development efforts that all affected parties remain involved in the process of attracting new investment and spurring job growth.

*Matching Requirements.*—Support replacing the current 75–25 Federal-local matching requirement with a flexible system that allows EDA to adjust the Federal share of infrastructure and economic development projects based on the specific circumstances of the grantee. As a general rule, the Federal share is capped at 80 percent, with exceptions made for Indian tribes, local governments, planning districts and other groups who have exhausted their financial capacity. The Federal share for planning grants is set at 65 percent with the potential for an 80–20 cost split. The Administration request is reflected in the House approved language. EDA funding has contributed to thousands of successful projects and is often the catalyst for moving a project forward. EDA should be allowed to utilize its extensive experience in project planning and investment to adjust the Federal share for grant projects to address special needs.

*Cost Underrun Provisions.*—Support changes that allow local grantees to use excess funds from EDA-funded projects, known as cost underruns, to increase the Federal share of the project costs. This would, in affect, lower the local match of the project, as well as provide more flexibility at the local level. EDA would also be allowed to recapture and reprogram excess funds where the grantee is not undertaking a new project and cannot otherwise use the funds. Current law requires excess funds to be returned to the general fund. Project grantees should be rewarded for completing projects under budget and should be given the flexibility to reduce local matching funds, and/or reinvest excess funds from cost underruns. This provides more options and increased levels of funding for EDA supported activities.

*Special Impact Areas.*—The House bill allows the EDA to waive the CEDS requirement for certain project grantees. This provision is intended for remote areas and requires that the EDA provide congressional committees with a justification for any waiver. This provision is a modified version of the Administration’s proposal for special impact areas.

*Authorization of Appropriations.*—Current Law authorized \$1.71 billion over 5 years: \$335 million for FY2001–2003, \$368 million in FY2000 and \$398 million in FY99. H.R. 2535, as approved in the House, authorizes \$2.25 billion for EDA programs for 5 years: \$400 million for FY2004, and an additional \$25 million each year for FY2005–FY2008. The Administration requested \$321 million for FY2005 and such sums as necessary in the remaining years.

IEDC is concerned about the steady decline in funding for EDA programs, and particularly the disproportionate cuts imposed by the FY2004 Omnibus Appropriations Act. The FY2004 appropriation of \$288 million is 15 percent below the authorized level and 30 percent below the House recommended authorization level of \$400 million. Based on EDA performance data, a \$43 million investment could result in an additional \$129–430 million in private sector investment and the potential for 22,000 jobs.

IEDC strongly urges Congress to fund EDA programs in the budget and appropriations process at fully authorized levels, especially the public works program and planning grants. EDA has one of highest performance ratings of any Federal agency program. The Public Works program provides valuable infrastructure development leverage for encouraging new investment and business growth. Economic planning allows communities to weather short-term economic challenges and implement long-term economic recovery. This is particularly important during times of recession, industry decline and worker displacement events.

#### POLICY AND PROGRAM RECOMMENDATIONS

In general, IEDC supports the House passed version for EDA reauthorization. The following are ideas that would help strengthen and improve upon the H.R. 2535.

These recommendations are based on the needs that IEDC has recognized in the field of economic development. These recommendations would dramatically impact local economic development efforts and help to improve the services, programs and benefits furnished by the Economic Development Administration.

*Recommendation #1: Authorize EDA to implement new regulations to deFederalize certain revolving loan funds.*

H.R. 2535 is consistent with the Administration proposal by expanding EDA authority to revise regulations for the Revolving Loan Fund (RLF) program, as appropriate. H.R. 2535 specifically modifies RLF provisions, including a clarification that only local grantees may request an amendment or consolidation of RLF agreements.

The RLF Program could be dramatically improved by:

1. Allowing EDA to recapitalize and expand the lending capacity of existing RLFs that have established a successful track record and demonstrated demand.
2. Implementing a new technical assistance program to complement the RLF program that will better safeguard investments made by the RLF, including authority to allow RLF grant funds to be used for professional development for RLF managers.
3. Allow EDA to deFederalize RLF moneys once they have been loaned out and repaid one time. This is consistent with other Federal loan programs, will reduce paperwork and regulatory burden while continuing to require local accountability.

The EDA RLF program is one of the most successful and powerful economic development tools for addressing the credit gaps that exist in many distressed communities, particularly in underserved rural areas. By using limited public funds to leverage private capital, locally managed RLFs have provided business capital to thousands of new and existing companies that have difficulty securing conventional financing.

Capitalized with an EDA grant, RLFs are managed by public and private non-profit organizations (including economic development districts) designed to further local economic development goals by lending their initial capital and then reloaning funds as payments are made on the initial loans. Loans are typically used for fixed assets or working capital needs. Organizations are also required to demonstrate how the RLF fits their local needs, as defined in a comprehensive economic development strategy.

The participation of RLF funds in a business deal usually encourages once-reluctant banks to also lend, since loan funds normally agree to let banks recoup their losses first from the business' collateral in the event of default. By providing such gap financing, loan funds have been instrumental in the growth of companies that otherwise would not have received funding.

*Recommendation #2: Broaden the scope and authority of current Brownfield funding legislation by amending the 2003 Small Business Liability Relief and Brownfield Revitalization Act.*

H.R. 2535 provides language that specifically allows nonprofit organizations to be eligible for brownfield redevelopment projects. This additional provision will expand both the EDA and nonprofit sector's ability to redevelop these sites. IEDC supports these provisions and urges the Senate to include such language in their version of EDA reauthorization.

However, other barriers need to be removed which prevent communities from tapping into Federal resources for brownfield redevelopment. IEDC recommends that the Senate include language in the EDA reauthorization legislation that amends the 2003 Small Business Liability Relief and Brownfield Revitalization Act.

The amendment would remove the prohibition against the use of EPA grant funds for clean up and redevelopment of sites acquired prior to the law's January 11, 2002 enactment. This amendment should also include language to eliminate the prohibition on using EPA grant funds for reasonable administrative costs to carry out brownfield projects. These prohibitions limit the range and scope of Federal brownfield redevelopment efforts and changing these rules would qualify numerous sites across the country for Federal funding to spur redevelopment and revitalization. Ultimately leading to increased investment in local project and the creation of new jobs.

While this technical change does not apply directly to the EDA reauthorization measure, it is an important technical problem facing brownfield redevelopment. EDA is committed to the practice of redeveloping brownfields and these technical changes would open up the range of projects that may apply for funding from both the EPA and EDA.



*Recommendation #3: Stipulate that the newly created Brightfields Program under H.R. 2535 is subject to specific appropriations over and above current funding levels for existing EDA programs.*

IEDC in general does not support special categories of funding such as this new program because they tend to reduce the overall portion available for all EDA activities rather than adding to the total appropriations level. However, in case of the newly proposed Brightfield Program, IEDC feels that this problem can be remedied by authorizing a new program under the EDA that is funded at up to \$5 million annually from fiscal year 2004 through 2008, subject to appropriations, and under the additional stipulation that no funds may be transferred from the EDA program budget allocation for this new program unless Congress has appropriated the full amount authorized for EDA programs under the Act. If appropriated at fully authorized levels, EDA may set aside up to \$5 million into the budget for these purposes. If less than fully authorized levels are appropriated, brightfields projects can compete for funding under existing EDA program authority.

*Recommendation #4: Strengthen language to reinforce the partnership between business and industry sectors and Workforce Development planning and implementation.*

Under local and economic development district plans. The Administration had provided language that supports the coordination of economic development plans with the Department of Labor's work force investment plans. The House bill reinforces that plans developed with EDA funding need to be "consistent and coordinated with any existing comprehensive economic development strategy for the area."

Workforce development is becoming a critical factor in economic development considerations. The U.S. Department of Labor has appropriately concluded that "businesses in high-growth industries face increased difficulty in finding workers with the skills they need as a result of globalization, the aging of America's work force, and the fact that technology and innovation are continuously changing the nature of work. As a result, job training community colleges will be increasingly critical providers for workers needing to retool, refine, and broaden their skills." IEDC supports the goal of DOL that partnerships among industry and the public work force system, including community colleges and universities, will be a critical economic development tool in every labor market.

IEDC supports the inclusion of work force development activities as a factor in developing plans and urges the Senate to support strong language that directly links work force and economic development efforts, and seeks a formal partnership between EDA and DOL in pursuing these objectives.

#### ABOUT IEDC

The International Economic Development Council (IEDC) is the leading association serving economic development professionals and those in allied fields. IEDC's more than 4,000 members are committed to building local and regional economies worldwide. The key to IEDC's reputation and steady growth is its access to a large and diverse pool of professionals and the quality of the council's staff. For more than 30 years, IEDC and its predecessor organizations have been producing quality services that help find solutions to the complex and varied issues of economic development.

To support these endeavors, IEDC cultivates an ever-increasing wealth of resources that includes:

- An active Advisory Services & Research department that fulfills private and government contracts,
- A history of designing successful conferences and events for membership and Federal agencies such as Economic Development Administration,
- An extensive in-house library and an information clearinghouse that incorporates member and staff expertise,
- Leading-edge case-study-oriented publications,
- Timely and expert legislative tracking services, and
- Management, design and operation of industry's leading professional development program.

IEDC is the one source, one voice and one force in economic development.

IEDC is pleased to offer expertise and assistance to the U.S. Senate Environment and Public Works Committee over the coming months in designing legislation that reauthorizes the Economic Development Administration. Contact Toby Rittner, Director of Legislative Affairs; at 202-942-9489 or via email at [trittner@iedconline.org](mailto:trittner@iedconline.org) for more information on how IEDC can be of assistance.

STATEMENT OF THE NATIONAL ASSOCIATION OF REGIONAL COUNCILS<sup>1</sup> AND NATIONAL ASSOCIATION OF COUNTIES

Chairman Inhofe, Ranking Member Jeffords, distinguished members of the panel, the National Association of Regional Councils (NARC) and the National Association of Counties (NACo) are pleased to present testimony for the record regarding reauthorization of the Economic Development Administration.

Since its inception in 1965, the Economic Development Administration (EDA) has been a major factor in supporting economic development efforts in distressed cities and counties throughout the country. It is one of the few agencies that supports strategic planning efforts that allow cities and counties to develop a road map for economic recovery over a broad, multi jurisdictional area. Working through their designated Economic Development Districts, local communities have participated in their own recovery plans through development of a Certified Economic Development Strategy (CEDS). The CEDS process is a bottoms-up approach to economic development.

This approach has helped thousands of distressed areas build infrastructure that attracts business development.

EDA is an important component of local, regional economic development. EDA's role is to address longer-term economic problems that affect the national economy and cyclical national patterns of need or distress, such as defense economic adjustment, post disaster economic recovery, resource or industry based downturns (coal, plant closures, timber, textiles, fisheries, etc.). EDA is equipped with a strong portfolio of program tools that can be readily engaged to accomplish their mission—planning and technical assistance, public works, research and national technical assistance, trade adjustment assistance, and economic adjustment.

EDA remains as the only program with a specifically established national network solely focused on the economic revitalization of localities and regions experiencing longer-term or unanticipated distress. It is the only agency with a clear legislative mandate to address national cyclical economic needs in America's communities.

NARC and NACo, along with several other organizations, were actively involved with the Administration and the House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management in working out agreements on the House-passed version of EDA reauthorization, H.R. 2535.

We support the contents of that bill. A new and potentially innovative provision will allow up to a 10 percent bonus to the grant recipient that meets or exceeds all the objectives outlined in the original grant proposal. However, the proposal is untried and gives some concern about how requirements will be structured and how management of provision will be accomplished.

For example, a grantee that is seeking funding to develop infrastructure for a promised business or industry location can receive the bonus provided all objectives as outlined in the original grant proposal are met or exceeded. Objectives in a grant proposal are based on what a company has said it will invest financially in the project, and on how many jobs the company says it will create or retain. There are instances in which a company has decided at the eleventh hour to invest less money for a variety of reasons and therefore hire fewer people. Local governments should not be held responsible for such business decisions that can be based on a variety of reasons. We believe there is a way to address this potential problem.

We urge the committee to allow up to 5 years for a grant recipient to receive its bonus and to recognize the investment and growth potential as outlined in its origi-

<sup>1</sup>The National Association of Regional Councils is a public interest group formed in 1965 by the National Association of Counties and the National League of Cities to address the growing interest in regional cooperation among local governments. The association became an independent organization in 1967, serving the interests of all regional councils (councils of government, planning commissions, development districts, metropolitan planning organizations and rural transportation planning organizations) throughout the United States in both metropolitan and rural areas. Twenty of its 24 board members are elected officials representing counties and cities. NACo and NLC still appoint a representative each to the NARC board. NARC is active in supporting regionalism and the utilization of the network of regional councils across the United States to address issues involving transportation, economic development, housing, work force development, senior citizens programs and numerous environmental issues including water quality and quantity and air quality.

With headquarters on Capitol Hill, NACo is the only national organization that represents county governments. More than 2,000 counties, representing 85 percent of the nation's population, are members of NACo. The association acts as a liaison with other levels of government, works to improve public understanding of counties, serves as a national advocate for counties and provides them with resources to help them find innovative methods to meet the challenges they face.

nal application. Any time during the 5-years, a community that reaches its stated goals could receive its bonus and use it as non-Federal share for another EDA grant or for an economic-development related grant from any other Federal Agency.

#### PLANNING AS AN ECONOMIC DEVELOPMENT TOOL

The Economic Development Administration has always recognized the value of regional planning. The CEDS is a document that is developed by local elected officials, private citizens and business organizations as a blueprint for economic growth. Planning funds, however, have been static. Economic development districts are receiving the same \$52,000 per year that they received 25 years ago. In today's economy, that \$52,000 has the purchasing power of about \$13,000 or 75 percent less than in 1970. Obviously this makes it extremely difficult for a district to maintain the skilled work force needed to develop economic strategies.

We urge the committee to support a substantial increase in planning funds from the current \$24 million that will allow districts to receive additional planning funds and provide funding for new district that have been unsuccessful in receiving EDA designation. For example, several areas in Vermont are interested in securing designation as an economic development district because of economic conditions. However, the scarcity of planning funds has made this nearly impossible.

Another provision in the House legislation would allow flexibility in the planning fund match requirements. There are years in which a district and its local government members are restricted in their abilities to meet the 50/50 match. We support provisions in the House bill that would allow a 65 federal/35 local match, allowing districts and their local government members the flexibility to add more to planning funds when they have such funding available and less during times of local budget crunches.

NARC and NACo also supports an expanded timeframe for the CEDS. As one small, rural Vermont region indicated, no other Federal program that the region deals with requires review and update as frequently as EDA. This is a particularly onerous burden on small and rural regional organizations with limited staff and resources, particularly given the current strain on planning funds.

Our organizations support an extended timeframe for reporting on CEDS of at least 3 years and possibly as long as 5 years. This will reduce paperwork, thereby relieving staff burden and the additional costs of annual updates. We do not believe this expanded timeframe would in any way impact the quality of information EDA receives. We are aware that EDA has been experimenting with the expanded timeframe in at least one of its regions.

#### STATE PLANNING

The House passed reauthorization of EDA allows state planning that may or may not take into consideration locally and regionally developed economic recovery strategies. The argument in support of this provision is that it would be too expensive for states to evaluate these local and regional plans and incorporate them into a state-wide strategy.

We believe that it is important for states to consider at least regionally developed plans that have been signed off on by local governments. This would greatly reduce the number of plans that must be reviewed and it would provide locals with input into state-wide planning. In Oklahoma, for example, 10 of the 12 regional councils are designated economic development districts. A review of 10 regional plans that have been adopted by local governments, citizens and the business community should not constitute an onerous burden for states.

Currently, few states utilize EDA planning funds. The new provision may well encourage more states to participate. Since planning funds are already inadequate, adding state planning funds to the mix could reduce the amount of funding that designated economic development districts receive and could prevent the establishment of new districts. Our organizations have no objections to state planning utilizing EDA money as long as additional funding resources are available.

#### REVOLVING LOAN FUNDS

We support EDA's efforts to maintain proper operation and integrity of revolving loan funds. However, we would urge EDA to address in any new regulations the concerns of current revolving loan fund operators regarding requirements on percentage of funds that must be loaned out at all times and the maximum amount of a loan.

The idea of a revolving loan fund is to keep a high percentage "on the streets" to benefit local business and industry owners. We support this concept, but during economic slowdowns, loan fund operators have difficulty finding new businesses that

are a good financial risk or existing businesses that are interested in expanding. New regulations should consider the cyclical nature of economic development.

New regulations should also allow a higher percentage of a revolving loan fund to be loaned out to a particularly good business prospect. It is not necessarily the quantity of loans that should be considered, but rather the quality and impact of loans that are made. We support the provision in the House legislation that would allow the Secretary to consolidate different revolving loan funds at the request of the grantee.

#### CONCLUSION

The Economic Development Administration has proved itself as an effective Federal program that addresses bottom-up economic development strategies. It deserves the full support of Congress through reauthorization and through an increase in authorized funding levels.

We feel it is imperative that EDA not be allowed to languish as an unauthorized agency. Our organizations are prepared to work with members of the committee to support legislation that can pass Congress this year.

UNION COUNTY BOARD OF COMMISSIONERS,  
*La Grande, OR, February 20, 2004.*

Senators Gordon SMITH and Ron WYDEN,  
Representatives Greg WALDEN, David WU, Peter DEFazio, Darlene HOOLEY and  
Earl BLUMENAUER,  
*Washington, DC.*

Oregon Congressional Delegation:

We are writing to express deep concern regarding the new 2004 rule from the Economic Development regarding the 22:1 match for economic projects. Union County enjoys a wonderful working relationship with our federal partners regarding our economic efforts. As a very rural area, we have had to work double time to recover our once prosperous region. We consider Anne Berblinger, our EDA representative, a great ally, as she has always been there as a champion in our efforts to steer our economic ship away from the rocks. We see this new rule to be a considerable barrier to our partnership. We find that increasingly we no longer have the resources or capacity to be a player.

As the attached document will show, the residents of Union County have seen a 20 percent drop in their comparative wages over the past two decades. This dissolution of our economic base has been due, in most part, to federal regulations impacting our once thriving natural resources industry.

To have the federal government be the architects of our collapse and then impose rules to recovery that will virtually guarantee our inability to participate seems another federal government blow to rural America.

We ask your help in correcting this imbalance.

Sincerely,

JOHN LAMOREAU,  
*Board Chairman.*  
COLLEEN MACLEOD,  
*Commissioner.*  
STEVE MCCLURE,  
*Commissioner.*

#### STATE OF OREGON, EMPLOYMENT DEPARTMENT, LABOR MARKET INFORMATION

##### A BRIEF COMPARISON OF EARNINGS TRENDS SINCE 1979

As a general rule, rural areas of Oregon have consistently lagged the statewide and national averages in earnings and income. While it may be widely acknowledged that such a difference exists, perhaps the most troubling aspect of rural Oregon's experience over the past 20-25 years is that this gap in earnings has widened significantly over time.

This brief analysis compares average annual earnings per job between Union County, Oregon, and the United States, using Oregon Employment Department and U.S. Bureau of Labor Statistics data.

As of 1979, average pay per job was:

- \$13,155 in the United States
- \$13,198 in Oregon

- \$11,922 in Union County
- As of 2002 (the latest available annual data), average pay per job was:
- \$36,764 in the United States
- \$33,685 in Oregon
- \$26,033 in Union County

Therefore, since 1979, average earnings per job have increased 179 percent nationally, 155 percent statewide, and only 118 percent in Union County.

Put another way, average earnings per job in Union County have shifted from being 91 percent of the national average in 1979 to only 71 percent by 2002.

EDA Match.doc: February 20, 2004

Oregon Employment Department: Yohannan

