Testimony by

John R. Fernandez
Assistant Secretary of Commerce
Economic Development Administration
Department of Commerce
1401 Constitution Avenue, N.W.
Washington, D.C. 20230
202-482-5081

before the

United States House of Representatives Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings, and Emergency Management

February 25, 2010

Introduction

Chairwoman Norton, Ranking Member Diaz-Balart, and members of the Subcommittee, thank you for this opportunity to testify on behalf of the Economic Development Administration (EDA).

When I got the call from Secretary Locke to lead this agency, I was excited—not just by the chance to serve, but by the chance to serve in this way. I knew that President Obama and Secretary Locke were determined to renew American innovation and redefine economic development. As a former mayor, I have seen first-hand that development does more than improve bottom lines: it changes lives.

The EDA was an important partner with me and my community in Bloomington, Indiana when we faced the closing of a major consumer electronics company. EDA helped make it possible for us to collaborate with public and private sector partners to develop our strategy and implement it.

And now, as the leader of EDA, I am proud of the agency's reputation of fostering sustainable economic growth, cultivating job creation and encouraging innovative solutions that improve local and regional economic development outcomes. EDA's success is due in no small part to its focus on job creation and its flexibility of programs.

EDA's Focus

EDA focuses on economic development by providing unique planning and investment programs to help communities succeed in our global economy.

EDA works directly with local economic development officials through a bottom-up approach that both supports and relies upon a well-established network of local and regional economic development professionals. This collaborative approach results in grant investments that are well-defined, timely, and linked to a longer term sustainable economic development strategy. Linking EDA's investments to a community's strategic economic development plan enables the federal government to better leverage public and private sector investments.

Under President Obama, what Washington has begun to do is to facilitate collaboration, providing a framework for that discussion among all the stakeholders, to turn every region's vision into a new economic reality.

These innovative regions are not confined to any one part of the country. You can find them all over the map. We see this approach as the key to successful and sustainable economic growth in the 21st century by linking large and small, and urban and rural communities.

EDA's Flexibility

EDA advances regional approaches through both its planning program and its funding priorities for implementation grants. EDA's flexible program portfolio and organizational structure allows the agency to customize federal assistance in ways that offer the most effective investment to help communities succeed in our global economy.

Rather than a one-size-fits-all approach, EDA can fund customized solutions developed by our local partners ranging from traditional infrastructure investments, revolving loan funds, planning grants and other resources. By quickly responding to the often changing economic needs of the communities with which we work, EDA is able to help speed the transition to a more entrepreneurial, innovation driven society.

For example, EDA provided a $2 million Economic Adjustment Assistance investment to Renton, Washington to mitigate the economic impact of the loss of Airbus manufacturing jobs due to corporate restructuring. The investment supported the redevelopment of a 46-acre mixed-use commercial site for businesses focused on commercial services, high technology and life sciences which have helped to diversify the regional economy. The grantee estimates this helped create 2,500 jobs.

EDA also invested $925,000 to the Institute for Advanced Learning and Research (IALR) in Danville, Virginia to support the establishment and operation of a Technology Commercialization Team for Southside Virginia. The Team works to connect IALR research programs with entrepreneurs, small businesses, capital sources, and business assistance programs to promote the commercialization of technology for the start-up and

growth of high-tech, global businesses in the region. EDA's assistance to IALR has aided in the start-up or expansion of 30 companies through successful technology commercialization, which is promoting greater economic diversification for the region.

EDA Moving Forward

EDA is an integral part of the Administration's efforts to implement a new national innovation policy. A few months ago, the White House announced a blueprint for this new agenda, and the importance of long-term growth strategies and collaboration are at its core, providing a framework for discussion among all stakeholders. This collaboration will help regions assess their competitive strengths, design a strategy to bring together the technology, the human capital, and the financial capital it will take to compete, and to provide seed money for turning a region's unique strategy into reality.

That approach has already been reflected in the President's decision to direct a substantial amount of Recovery Act funding toward green and blue jobs, next-generation infrastructure, and education. Investment in these areas is putting people to work today—and just as importantly, it will create a virtuous cycle of investment, innovation, and job creation for tomorrow.

While many people perceive innovation and entrepreneurship to be the property of urban centers and focused on cutting edge new technologies, EDA is proving that this is not the entire story. Our projects reach every region and every segment of the population, from those with GEDs to those with PhDs. In the Great Plains, communities are adding

thousands of jobs thanks to the new wind power industry. I just returned from a visit to Duluth, Minnesota, where community colleges are partnering with the region's growing aircraft manufacturing industry. In Blacksburg, Virginia, the local science park is attracting an average of twenty new companies a year to a distressed Appalachian region.

In addition to these current programs, EDA is evaluating several proposals that have been generated internally and that come to us from our stakeholders. These include:

- Broadening permitted uses of public works funds; ;
- Enhancing EDA's tools and resources to provide economic development policy leadership; and
- Expanding access to capital through EDA's Revolving Loan Fund program.

The EDA is uniquely positioned to, and does, provide national economic development policy leadership at this critical time in our country's history. As I have traveled around the country, I repeatedly hear concerns about access to capital. EDA's Revolving Loan Program has been an essential financing tool in many communities, ensuring many small and medium size businesses' ability to successfully grow. As an example, EDA funded Worldwide Technologies, Inc. (WWT), a business incubator that provides technology products, services, and supply chain solutions to customers around the globe. WWT has grown from a small startup to a world-class organization approaching $3 billion in revenue and over 1,000 highly trained employees. WWT continues to achieve consistent financial growth and provide our partners with uncommon strength and stability. Today,

we know that early stage capital for new companies has become increasingly difficult to secure. We believe that EDA's Revolving Loan Program has the capacity to help address this critical challenge.

Infrastructure remains a critical part of regional innovation strategies. In particular, incubators, proof of concept centers, and science and research parks are part of this 21st Century infrastructure. EDA has invested in numerous incubators and provided support for research parks. Moving forward, we are considering options for strengthen EDA's capacity to accelerate such investments.

EDA Reauthorization

EDA's reauthorization presents a unique opportunity to modernize and improve the agency to meet the challenges of the new economy. This summer, EDA will celebrate the 45th anniversary of enactment of the Public Works and Economic Development Act of 1965. Throughout its existence, EDA has partnered with America's distressed communities to combat long-term economic decline and respond to the "sudden and severe" economic dislocations caused by the loss of a major employer or natural disaster. The Department of Commerce and the EDA are looking forward to working with the Administration and the Congress to ensure passage of reauthorization legislation this year.

Conclusion

We are extremely proud of the role that EDA has played for the past 45 years in creating strong and sustained economic growth in regions across America. However, as the world changes and our global economy grows more complex, EDA must reinvigorate itself to rise to these new challenges. Reauthorization presents a window of opportunity to allow EDA to align its priorities and program structures to improve the competitiveness of American communities. The enormous challenges we face today require a deliberate effort to ensure that EDA works even more effectively to help American communities compete in the global marketplace. As the President points out, we need to do more than get America back on its feet. The goal of EDA is not only to usher in a new expansion, but to make sure it is more enduring, rewarding, and broad-based. EDA stands ready to play its role in achieving that goal. Chairwoman Norton, Ranking Member Diaz-Balart, and members of the subcommittee, thank you for inviting me to testify on EDA Reauthorization. I look forward to answering any questions you may have.