



**Official Written Testimony for programs under the Economic Development Administration (EDA)
for Fiscal Year 2014**

**Submitted To
Subcommittee on Commerce, Justice, Science and Related Agencies
Committee on Appropriations
United States House of Representatives
Washington, DC**

**Submitted By
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Chairman Wolf, Ranking Member Fattah and members of the Subcommittee, thank you for the opportunity to testify today about the importance of including \$257.5 million in funding for the U.S. Economic Development Administration (EDA) for Fiscal Year 2014.

My name is Joe McKinney and I am the Executive Director of the National Association of Development Organizations (NADO). I plan to discuss three core issues today:

1. What makes EDA unique among the federal portfolio of economic development programs
2. The impact EDA grants have on rural communities and small metropolitan regions and
3. The importance of EDA maintaining its focus on planning and infrastructure grants

My professional background includes more than two decades in local and regional economic development. I have served as a County Manager in several small and rural communities as well as the Executive Director of the Land-of-Sky Regional Council in Asheville, North Carolina. In that capacity, I worked extensively with EDA and experienced firsthand the benefits that rural communities receive from EDA's planning and infrastructure grants.

I very much appreciate the opportunity to speak to you today about the important function that EDA grants serve across rural America, especially in distressed communities. As the overall U.S. economy has struggled to recover from the Great Recession, areas served by NADO members have often felt a more acute impact, as rural communities lose a higher percentage of jobs if a primary employer goes out of business. In these communities, the loss of a relatively small number of jobs can have a devastating effect.

I am well aware of the budgetary and financial constraints faced by this Subcommittee. The needs of all the agencies covered by your FY 2014 bill have important roles to play and all are

faced with ongoing budgetary pressure. Absent a “Grand Bargain” that comprehensively addresses tax and entitlement reform, I fear that the domestic discretionary account will bear the brunt of debt reduction.

Yet with the resources available, I believe EDA can demonstrate real results with the funds Congress has made available and the agency can demonstrate the benefit of returning to the FY 2012 funding level. I want to take a few minutes of your time today to discuss the impacts that would be felt in rural communities if the subcommittee provides \$257.5 million in FY 2014.

First, I would like to start by discussing what makes the U.S. Economic Development Administration (EDA) unique among the portfolio of federal economic development programs. The flexibility, partnership structure and accountability of EDA’s programs are exceptional within the federal system.

As the Subcommittee knows, EDA is the only federal agency with the sole mission of fostering economic growth and creating high quality jobs in the United States through strategic planning and investments. It is clear that EDA offers the best platform for accelerating economic growth in rural America.

Through its network of regional and local partners, EDA helps distressed communities and regions identify and address their needs, challenges and assets. EDA matching funds serve as a catalyst for change, whether through feasibility studies at the front-end of business development projects, financing that completes larger funding packages or for basic infrastructure that private industry expects local communities to provide.

Grants funded by EDA help rural communities and small cities prepare for the jobs of the future. Planning grants are used to ensure a community has the necessary resources to attract new industries and the infrastructure grants ensure that new businesses have the public services needed to locate and expand.

Second, I want to highlight the real impacts EDA grants have on rural communities and small metropolitan areas.

The economic benefit of EDA grants is easy to demonstrate. According to an independent analysis conducted by Grant Thornton and ASR Analytics in 2008, EDA’s public works program has a significant impact on employment levels in communities where EDA investments are made. The researchers found that EDA generates “between 2.2 and 5.0 jobs per \$10,000 in incremental EDA funding, at a cost per job of between \$2,001 and \$4,611.” These findings mirror an exhaustive national study of EDA’s public works and economic adjustment assistance programs by Rutgers University and a consortium of researchers in 1998 which found that

EDA's job creation and private sector leveraging ratios are highly cost effective and rank at the very top of any public economic development agency.

It is critically important to understand that the relatively small grants given by EDA to rural communities have a disproportionately large impact. A planning grant for \$60,000 can help a rural county or small town examine the needs of their community and determine what assets are needed to produce economic growth. Again, a relatively small infrastructure grant up to \$1 million to build a new road or extend water and sewer services to a new industrial park have impacts far greater than the same dollar amount would have in an urban area. Let me share just a few examples from NADO members.

In Missouri, EDA played an instrumental partnership role with an Economic Development District (EDD) and numerous other entities in assisting a small aluminum smelter, Bodine Aluminum, pursue new business opportunities. The company needed a new location to place a spin-off business that would utilize a new vacuum aluminum smelting technique. In leveraging EDA's public works assistance with other public sector resources and significant private sector investment, the new business was established in Troy, Missouri. Since then, the company has become part of Toyota North America and manufactures engine components for Toyota assembly plants across the country. Through limited seed capital by EDA, the company has created 850 local well-paying jobs in this small town and now offers multiple opportunities for additional spin offs and development.

Great Falls, Montana, a small city of approximately 55,000, has had numerous successes with EDA grants. A revolving loan fund (RLF) with seed capital from EDA has been used to attract numerous businesses to northern Montana. National Electronic Warranty renovated a historic building in downtown Great Falls and created 685 new jobs. AvMax used RLF funds to overhaul an airline facility, which currently employs 109 people. Centene built a Medicaid claims center that employs 278 people and Pasta Montana built a food processing center that employs 75 people.

In just one community of 55,000, an RLF funded by EDA has helped businesses create nearly 1,150 jobs. In a small city, the addition of over 1,000 jobs breathes new life into the economy, expands the tax base and makes the location primed for further economic expansion.

These types of successes are produced on a daily basis by EDDs across the country. While I understand that challenging economic times have placed strain on your Subcommittee's allocation for several years, I want to stress the benefits from increasing EDA's budget to the FY 2012 level. An increase of \$36 million for programmatic grants would provide for approximately 600 planning grants, based on an average grant of \$60,000. It would provide 36 additional large public works projects of \$1 million each. It can provide an additional 360

economic adjustment grants at an average of \$100,000 to help communities that have seen industries close or relocate overseas prepare the ground for the businesses of the future.

I do not want to diminish the importance of others who have testified before you today about the benefits of certain agencies or programs. I simply list these facts to demonstrate that the FY 2012 funding level for EDA would have an enormous impact across hundreds of small and rural communities.

Third, I want to share with you the critical importance of ensuring that EDA's resources are focused on the programs used most often and most effectively by EDDs across the country.

The Economic Development Administration was founded with the purpose of providing resources for rural communities to plan for and build the infrastructure necessary to promote economic growth. As such, the EDDs that have partnered with EDA over the past 40 years primarily benefit from planning and infrastructure grants. These grants are tailored for EDDs based on the characteristics of the regions they serve.

As I stated earlier, the primary purpose in the creation of EDA was to provide the resources to help leverage private investment in distressed communities. While it is important to examine new opportunities for investment, it is essential that EDA remain committed to the core mission of partnering with local and regional governments to provide the basic infrastructure to build communities.

Larger metropolitan areas across the nation often have greater access to other funding opportunities that foster economic development in urban areas. Rural regions, however, must rely on assistance from EDA to help provide the building blocks that spur community development and economic growth. Our organization remains committed to ensuring that EDA grants remain competitive and accessible to all rural regions without regard to population and unattainable match requirements. Funding opportunities should never be placed out of the reach of communities that most desperately need EDA assistance.

In conclusion, EDA grants serve a critically important role in the lives of rural Americans. Economic Development Districts, which often serve counties and towns with only one or two full-time staff, use the relatively small planning grants to study the infrastructure and public services that will be needed to maintain a thriving community. Without EDA grants, these localities simply wouldn't be able to afford to provide these basic public services. Without this important funding, industries that are currently located in rural communities may choose to relocate to regions with better infrastructure, and the towns they once supported with jobs and tax revenue will decline and evaporate.

I know you have taken an active role in providing incentives for U.S. manufacturers that have transferred operations overseas to bring those jobs back to our shores and that your FY 2013 bill included \$5 million for the Commerce Department to study what incentives would be most effective. I think the EDDs that use EDA grants are best suited for these manufacturers. In many cases they already have a workforce with the necessary skills or the ability to retrain for a new skill set. The cost of living and doing business in rural communities and small cities make them more attractive than larger urban areas, while maintaining access to the national transportation system or roads, rail, air and water. These communities will produce high quality and affordable goods and reinvigorate manufacturing opportunities in America.

The request I make today on behalf of NADO members is for you to fund EDA at the FY 2012 level of \$257.5 million, an increase of \$36 million from the current funding level proposed in the Continuing Resolution. I will never suggest to you and the members of the subcommittee that this is a small amount of money. These days, every federal dollar is precious. Instead, my goal today has been to show that these additional funds for EDA will have a substantial impact on hundreds of small and rural communities across the nation.

Rep. John Duncan recently told NADO members that rural communities “ask for less and appreciate more” the resources they receive from Washington. A rural county or EDD is skilled at taking relatively small grants and producing real impacts for the areas they represent. If EDA provides an infrastructure grant that allows an employer to bring 100 jobs into a town of a few thousand, it quite possibly could keep that town from disappearing.

I firmly believe that if EDA continues its historic focus on economic planning and public works infrastructure grants, rural communities and small cities will be able to leverage these grants and ensure that today’s generation of new workers do not have to relocate to find a good job. They are the natural place for U.S. companies to relocate manufacturing operations and would play an important role in accelerating economic growth throughout the country.

NADO members look forward to working with you in the future. I would be pleased to answer any questions.