TESTIMONY
Before the
Subcommittee on Economic Development, Public Buildings, ad Emergency Management
Hearing:
Building a 21st Century Infrastructure for America: Economic Development Stakeholders' Perspectives
Wednesday, September 13, 2017

Testimony of Brett Doney, CEcD, President & CEO, Great Falls Montana Development Authority, Great Falls, Montana, on behalf of the International Economic Development Council, Washington, DC

On behalf of the International Economic Development Council, our Board of Directors and over 5,000 members, thank you Chairman Barletta and Ranking Member Johnson for inviting me here today to share our perspective on this critically important issue. Before delivering my prepared remarks this morning, I would like to submit for the record our full testimony, which includes a report written by the Economic Development Research Partnership of the International Economic Development Council titled ' Critical Condition: Infrastructure for Economic Development.

The International Economic Development Council (IEDC) is a non-profit, non-partisan membership organization serving economic developers. IEDC is the largest organization of its kind. Economic developers promote economic well-being and quality of life for their communities, by creating, retaining and expanding jobs that facilitate growth, enhance wealth and provide a stable tax base. From public to private, rural to urban, and local to international, IEDC's members are engaged in the full range of economic development activities. Given the breadth of economic development work, our members are employed in a wide variety of settings including local, state, provincial and federal governments, public private partnerships, chambers of commerce, universities and a variety of other institutions. When we succeed, our members create high-quality jobs, develop vibrant communities, and improve the quality of life in their regions.

Economic developers and the communities we serve rely on infrastructure to support the pursuit of a high-quality of life for all citizens. Infrastructure investments of the past contributed greatly to the economic vitality of our Nation and are the bedrock of a robust middle-class within our society. Projects like the Erie Canal, the Hoover Dam, and the Interstate Highway System brought with them revolutionary changes to the economic futures of the lives and regions they touched. Indeed, there is little question of the importance of infrastructure to the economic health of a community or the well-being of those who dwell within it; what remains the question challenging all of us: how do we tackle such a complex issue?

The complexity lies within the inherent diversity of our topic. Infrastructure includes, from the perspective of an economic developer, passenger transportation, freight, energy, sanitation and communications. Taken together, we refer to them commonly as 'infrastructure' but when looked at individually, we see unique challenges to each with regard to construction, maintenance, funding, regulation and oversight. While it can be said that a number of federal agencies participate in the planning, funding, maintenance and expansion of infrastructure, we contend that these agencies work collaboratively, and are not duplicative, each with a unique set of expertise and capabilities that serve equally unique infrastructure challenges, community sizes and economic conditions.

Economic developers across the country have long relied on the Economic Development Administration (EDA) for technical and financial resources when working to create jobs in their community. Created on August 26, 1965, when President Lyndon Johnson signed into law the

Public Works and Economic Development Act, EDA was created to help urban centers and rural towns not just recover but come back stronger from economic decline. President Johnson said:

“But still for some of our fellow Americans, the gates are still closed. These folks live in the fishing villages and the old textile towns of New England; they live in the railroad centers of Pennsylvania where the coal trains no longer run; they live in the small areas of Arkansas and Oklahoma and east Texas; they live in the mountain towns of Utah and Idaho, in the timber settlements of the Far West. For them the laws of economic change have been rather harsh and unyielding.”

The conditions that necessitated the creation of EDA and the regional development agencies overseen by this committee, unfortunately, continue to exist today. EDA’s current framework – including the Public Works and Economic Adjustment Assistance programs – have provided the agency with many options to contribute to local and regional infrastructure well-being. EDA can provide assistance to communities in order to construct items as diverse as rail spurs, access roads, and sewer lines. EDA funding can also be used in brick-and-mortar projects to construct or renovate new spaces. These assistance programs have varying degrees of match requirements and are granted to communities who successfully show how the award fits with their Comprehensive Economic Development Strategy, known as a CEDS.

And while economic conditions will likely always necessitate mechanisms such as EDA, ARC, DRA and Denali, I’d like to highlight a few success stories related to EDA that illustrate why I and others in my profession have come to rely on these agencies for resources and expertise.

Workforce development has risen to the top or near the top of a long list of topics economic developers must consider when working to support job growth in their communities. We hear time and time again that employers cannot find the talent they need to sustain or grow their businesses. Workforce development relates to infrastructure in more ways than the jobs created in order to build or maintain a highway, and highlights one of the most effective ways EDA helps local economies: through their ability to contribute funding toward brick-and-mortar projects.

The oil extraction industry has made significant technological changes over the past several years that requires a workforce with advanced welding skills well beyond what was once considered adequate by the industry. Additionally, Canadian regulations demand that companies exporting components into Canada be certified to Canadian Welding Bureau standards. The College of Great Falls MSU collaborated with the State of Montana Board of Regents, the Governor's Office, the Great Falls Development Authority, private sector companies, and Canadian authorities to identify the workforce needs in terms of skills and certification requirements. The need for welders and fitters is at least 200 new positions, annually.

With EDA's financial assistance of $1,489,255, Great Falls College-Montana State University renovated an existing building to develop a trans-border Industrial Trades Training Center on its campus to help fill the workforce needs of industries involved in the Canadian oil sands extraction and the Bakken Oil Fields in North Dakota and eastern Montana. The renovated training center trains welders for certification in both American and Canadian welding standards. As a result of this training and dual certification, the Canadian company, ADF International, committed to employing 120 welders, fitters, engineers, and other specialized trade workers.

ADF employment has topped 210 in Great Falls, Montana and is headed toward 340. Kids in high school just a few years ago used dual enrollment at the college to earn welding certification.

They just completed some of the most complicated steel structures for the new Atlanta Falcon stadium and are now working on the Salt Lake Airport expansion. Two local steel fabrication companies, Loenbro and Anderson Steel, have also expanded, creating hundreds of jobs and growing our tax base. EDA'a investment in the college and a $200,000 economic adjustment grant to my organization has been pivotal in leveraging over $60 million in private investment. And in helping the Great Falls Montana MSA to grow manufacturing employment by an annual average of 5.4% over the last 5 years, more than five times the national average.

EDA infrastructure investments have also supported manufacturing in rural communities. Pasta Montana received a $1,750,000 EDA loan in 1996 that was last piece of financing to build a $20 million plant. The investment was leveraged to support an adjoining General Mills flour mill, which ultimately invested in a $12 million expansion to create capacity to serve the pasta plant. The city was brought into the project and creatively made available a site directly across a ravine from the land-locked General Mills plant so flour could be pumped by pipe directly into the pasta plant. The plant recently celebrated it's 20th anniversary by adding a new production line, increasing capacity by over 28%. Over $300 million worth of local grown wheat has been purchased by the plant, truly emphasizing the regional, cross industry impact of this investment

As this committee moves forward with the important work of setting a course for infrastructure policy in our Nation, IEDC encourages you to look to EDA as a resource capable of making targeted investments using local input that can leverage state and private sector resources to achieve meaningful and lasting economic impacts. While examples of EDA successes can be seen in communities in every state, EDA is by no means perfect. We respectfully submit the following ideas to improve EDA for your consideration:

Revolving Loan Fund Defederalization

The Great Falls Development Authority is a public/private economic development partnership that serves the 13-county Great Falls Montana trade area in north central Montana. Since 1995, we have operated an EDA Revolving Loan Fund that has helped finance dozens of businesses in our region, filling the gaps that conventional lenders are not able to finance. Our EDA RLF was funded by EDA grants awarded in 1995 and 2000 of $1.5 million and $750,000, respectively. With local match and retained earnings, our EDA RLF now totals $4,487,188.

Our EDA RLF has performed very well. It has been instrumental as a critical tool in our economic development efforts. To date, we have closed 48 loans in our EDA RLF totaling $17,687,071 that have leveraged additional investment of $86,395,552 for a total investment in our region of $104,082,623. Our loans have averaged 17% of projects, filling the gap between what conventional lenders can finance and available equity. These loans have enabled businesses to create 2,796 jobs, an average of $6,326 of EDA RLF loan per job. Our cumulative loan write-off since 1995 has totaled 1.7%, a record most banks would be envious of.

We currently have 12 active EDA RLF loans, none of which are delinquent. Our EDA RLF loan deployment ration is 115%. We have pre-committed loan funds to a business in anticipation of receiving a loan balloon payoff this month. For the last few years, we have struggled to acquire sufficient loan capital to meet the opportunities in our region.

To fill this need, we have won loan capital from numerous local, state and federal sources, including USDA Intermediary Relending Program (IRP), EPA Brownfield, HUD Community Development Block Grant (CDBG) through the City of Great Falls, Cascade County and the

Montana Department of Commerce, State Small Business Credit Initiative (SSBCI) through the State of Montana, Community Development Financial Institution (CDFI), state MicroBusiness funds from the Montana Department of Commerce, state loan funds from the Montana Board of Investments, local tax increment financing funds from the City of Great Falls, and a 4-bank line of credit from local bank partners. We have sold loan participations to other CDFI's, our local NeighborWorks Great Falls, and the Montana Board of Investments. We created an affiliate organization, High Plains Financial, to become an SBA 504 lender to be able to fill financing gaps using that tool. We aggressively partner with banks in our region and beyond to try to convince them to increase the percentage of deals they finance to minimize the gaps we must fill. We created an Angel Network to connect entrepreneurs with local sources of equity. And, we have partnered whenever possible with other economic development lenders, CDFI's, state and federal agencies, and the Community Reinvestment Fund to try to insure that our local businesses get the capital they need to start, grow and prosper.

Despite all of these efforts, our biggest challenge is the need for more loan capital. It is difficult for a small EDO/CDFI in one of the nation's smallest metro areas, in one of our smallest states (by population) to access loan capital funds from national banks and foundations, but we are mounting a concerted effort in this regard. We are using our unencumbered loan capital equity to leverage long-term low interest loans form these sources, loans often called Equity Equivalent (EQ2) or program-related-investments (PRI). Equity in rural America is very hard to come by. We have one two financial assistance awards from the CDFI Fund that we can use to leverage loan capital loans from banks and foundations. Indeed, the CDFI Fund encourages and expects CDFI's to do so to leverage the taxpayer funds awarded.

If we could do the same with our EDA loan fund, which now totals $4,487,188, we believe we could quickly leverage the funds 1:1 and over time grow the leverage to 3:1 or even higher. Imagine what we could do to increase our regional economic development impact by leveraging $4.5 million into $18 million!

It is worth noting that RLF resources are permitted to be used for public infrastructure, in addition to traditional business lending purposes. Defederalization of the RLF program at EDA could potentially unlock hundreds of millions in existing funding that can be leveraged with state, local and private sector funding to fund locally-driven infrastructure projects.

Integrator Role

In recent years, EDA has taken concrete steps to work in collaboration with other federal agencies and programs operating in the economic development space. The Office of Management and Budget identified EDA as the lead federal agency on economic development integration. Accordingly, the Division of Economic Development Integration (EDI) was created in 2016 and EDA began to connect with economic development initiatives throughout the federal government, including the Department of Labor, Department of Agriculture and the Small Business Administration, to name a few. Today, EDI includes a director working here in Washington and integrator staff person in each of the 6 regional offices throughout the country.

There can be no reasonable argument against greater collaboration among agencies and programs touching on economic development. As an economic developer, I can tell you that a great deal of my job is collaborating with local, regional, state and federal stake holders. The very nature of economic development – a profession that touches on access to capital for small business, foreign direct investment attraction & export promotion, infrastructure, manufacturing, workforce development, and so much more – demands a comprehensive approach to job creation. Simply put: we must work with everyone to achieve successful outcomes of jobs created and economies strengthened.

The EDI role at EDA makes a great deal of sense because it is a step in the right direction of coordination amidst the vastness of the federal government. Yes, there are components of likely every federal department that touch on economic development at one point or another. However, this is not necessarily cause for concern related to duplication and wasteful spending. Just as each of the many facets of an economic developer's job is seemingly unique, we seek to convene these resources and drive them toward common outcomes that support economic vitality, so too must the federal government. The EDI role further strengthens EDA's role as the 'economic developer' of the federal government. It is right, therefore, that EDA work to 'convene' and coordinate the economic development efforts of other federal agencies and programs.

IEDC encourages this committee to explore options to further strengthen EDA's role as the lead economic development agency of the federal government. EDA, which requires reauthorization, should be given additional authorities to encourage collaboration of efforts across agencies and programs, streamline regulations wherever possible, and provide greater opportunities leverage financial investments. We believe the EDI provides an excellent step in this direction and should be included in future reauthorizations of the agency.

It has been suggested, in explanation for calling for the elimination of the Economic Development Administration, that the Department of Transportation could fulfill EDA's role in infrastructure. To suggest this is to clearly demonstrate a lack of understanding of the type of infrastructure EDA supports. The most straight-forward description would be to consider it as ‘last 100 yards’ infrastructure. These are the sewer lines and rail spurs running into industrial parks and manufacturing plants that DOT money does not cover. These are the renovations of existing buildings that take the idea of a business incubator in a small town to a reality. These are the expansion of broadband capacity that allows a rust-belt city to move into the 21st century. These, to put it a different way, are the targeted, locally-driven, strategically planned investments in infrastructure that EDA makes that no other federal agency does. We encourage this committee to look to the strengths of EDA and the regional development agencies – their institutional knowledge of local economic needs and abilities – and invest in them.

Worth noting is that in his remarks that day in 1965, President Johnson also applauded the fact that Congress had cut taxes by “$19 billion in 19 months” and yet still there remained work to be done to help communities build stronger, more resilient and more inclusive economies. What he spoke of then remains true today: that in order to truly engage in economic development, we must do more than cut taxes and that the mechanisms such as EDA, the Delta Regional Authority, the Appalachian Regional Commission, and the Denali Commission are essential tools that can be marshaled by economic developers through the guidance and leadership of the members of this committee.

We thank you for your support of these agencies and your attention to the urgent infrastructure crisis facing our Nation.