



**WRITTEN STATEMENT FOR THE RECORD**

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AND BOARD MEMBER OF THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS**

**BEFORE THE**

**U.S. HOUSE OF REPRESENTATIVES**

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**

**SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY  
MANAGEMENT**

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Thank you, Chairman Barletta, Ranking Member Johnson, and members of the subcommittee for the opportunity to testify this morning on infrastructure and the U.S. Economic Development Administration's (EDA) role in aiding rural and distressed communities.

My name is Justin Hembree. I am the Executive Director of the Land of Sky Regional Council, a regional public entity dedicated to economic and community development and headquartered in Asheville, North Carolina. I am also a board member of the National Association of Development Organizations (NADO). My professional background includes 16 years of city, county, and regional government management.

The **National Association of Development Organizations (NADO)** is a member-based association of more than 350 regional development organizations throughout the country. NADO provides advocacy, education, research, and training to members including the 386 EDA funded and designated Economic Development Districts (EDDs). NADO members – referred to as councils of governments, local

development districts, planning and development districts, regional councils and regional planning commissions – were established to provide support to local governments, communities, and economies through regional collaboration, comprehensive planning, and program implementation.

Regional development organizations administer many programs and services essential to economic and community development. The locally-driven set of programs vary depending on region and state, but include transportation planning, infrastructure, housing, aging, emergency management, Geographic Information System (GIS) management, small business financing, and workforce development. Regional development organizations are governed by a board of local elected officials and local stakeholders representing business, education, and public interests which set objectives for the organization.

The **Land of Sky Regional Council (LOS)** is a regional development entity dedicated to assisting local governments through technical assistance and program administration in four Western North Carolina counties (Buncombe, Henderson, Madison, and Transylvania). The organization is a regional planning and development agency designated as an Economic Development District by the U.S. Economic Development Administration and a Local Development District (LDD) designated by the Appalachian Regional Commission (ARC). While serving in a technical assistance capacity for local governments, LOS oversees the regional Workforce Investment Board (WIB) as designated by the U.S. Department of Labor (DOL), serves as the regional public transit provider, implements services for seniors as the regional Area Agency on Aging (AAA) in coordination with the U.S. Department of Health and Human Services (HHS), and manages volunteer services provided through the Senior Community Services Program (SCSP).

On behalf of NADO's membership, Mr. Chairman, I would like to thank you and the members of the subcommittee for your support of infrastructure development throughout the country. NADO appreciates the opportunity to address EDA's role in an upcoming infrastructure proposal, especially for small and underserved communities.

The U.S. Economic Development Administration serves a unique role as the sole federal agency dedicated to economic development. As such, EDA offers the expertise and structure to advance local and regional infrastructure planning and economic development. The agency is dedicated to assisting distressed communities with an emphasis on supporting rural areas. EDA implements various programs

and services addressing specific and often complex local needs. As a facilitator of activities between federal agencies, EDA is a conduit for interagency economic development initiatives. Much of EDA's investment is driven by its network of Economic Development Districts which work with communities to prioritize local and regional priorities for economic development. Overall, EDA's efforts lead to significant job creation and investment in local and regional economies.

EDA was created by the Public Works and Economic Development Act of 1965. Throughout its 52-year history, investments have helped create and retain jobs and impart lasting benefits for communities across the country. Investments in the last ten years led to the creation of 468,378 jobs and the leveraging of \$55 billion in private investment. In fiscal year (FY) 2016, EDA's targeted funding served 649 projects in all 50 states as well as Guam and Puerto Rico. Through these investments, 34,043 jobs were created and retained leveraging \$4.8 billion in private investment.

Infrastructure development makes up a significant piece of EDA's investment portfolio. Over the years, the agency has made targeted investments in projects aimed at strengthening physical connections to move products and services to the marketplace. In many cases, EDA contributes to specific, community-driven needs by funding non-traditional infrastructure projects including telecommunications and broadband. A good example of EDA's contribution to infrastructure development is its investment of \$15 million into two flood control systems in Bloomsburg, Pennsylvania. During Tropical Storm Lee in 2011, Bloomsburg businesses were impacted by flood waters. This project reinforces flood prevention and reduces risk of future weather-related disasters for area businesses, especially in the agriculture and automotive industries. Construction of the flood control systems saved 895 jobs and EDA's funding leveraged \$10 million in private investment.

Another project example is EDA's funding of rail improvements at an industrial site in Corning, Arkansas. EDA's contribution of \$1.2 million assisted in creating 942 jobs while leveraging \$192 million of private investment for the small, rural community in the northeast part of the state. The project also reinforces infrastructure against potential disaster in the future.

Planning also contributes significantly to EDA's investments. By working with stakeholders at the local and regional level, EDA staff determine how federal resources can be best utilized for maximum impact.

Data collection and application through shared planning between local and federal agencies leads to better results in project development. A measured approach also helps to ensure accountability and protects federal resources from mismanagement.

Assistance to communities in dire economic condition remains a top priority for EDA. Business development fails to keep pace in many places, especially rural communities. In response, EDA identifies ways to assist those struggling to stay competitive. EDA applies the latest data available to assess those areas with the greatest needs and contributes resources to facilitating infrastructure, entrepreneurship, and business expansion. While other federal entities such as the U.S. Department of Agriculture assist communities with utility and infrastructure development, EDA is unique among federal agencies in that it prioritizes the long-term economic impact of a project when committing resources. In FY2016, EDA invested 50.5% of its funds in areas of high distress leading to \$2.6 billion in private investment.

EDA helps to create jobs and grow business through a host of programs and services. My testimony will highlight three: Partnership Planning, Public Works and Economic Adjustment Assistance, and Revolving Loan Fund Programs:

- The Partnership Planning Program provides resources to local stakeholders in setting priorities and addressing needs around economic development. EDA funds planning processes within designated regions, engaging stakeholders on topics such as transportation, housing, and workforce development. Government, business, and citizens are represented within the process as participants identify challenges, strengths, and opportunities impacting economic growth. In recognizing current conditions, action steps are then developed to take account of assets and mobilize existing and potential resources. The process brings together stakeholders who would otherwise not meet, collaborating to advance ideas for regional economic development. As a result, a report - the Comprehensive Economic Development Strategy (CEDS) - is developed documenting information on the state of the region and planned actions moving forward. The CEDS is updated on a five-year basis and serves as a guide for investment.

- An example of the CEDS in action is the planning process led by the SEDA – Council of Governments (SEDA-COG). SEDA-COG is an Economic Development District headquartered in Lewisburg, Pennsylvania and serving the counties of Centre, Clinton, Columbia, Juniata, Lycoming, Mifflin, Montour, Northumberland, Perry, Snyder, and Union. The CEDS process brings together public and private stakeholders to examine issues impacting economic development and growth including land use, transportation, and workforce. The CEDS Committee along with SEDA-COG staff analyze areas of the local economy through development of a SWOT (Strength, Weaknesses, Opportunities, Challenges) analysis. In turn, objectives are decided upon to address obstacles and foster opportunities for expanding the regional economy. In the recent 2015 CEDS update, the committee determined that support of Central Region PREP Program’s Service Provider Network and SEDA-COG Region Keystone Opportunity Zone were critical to business development and expansion. The CEDS process produced several regional goals including protecting existing jobs, promoting renewable and non-renewable energy, attracting foreign investment, and upgrading infrastructure with an emphasis on broadband.
- CEDS has expanded beyond regions to assess conditions and determine priorities statewide as well. For instance, regional councils of government (COGs) in North Carolina came together to form the NC Tomorrow initiative supported by EDA and the U.S. Department of Housing and Urban Development (HUD). In the first phase, stakeholders from the state’s regions created a Uniform Process for North Carolina to develop the NC Statewide Strategy for Comprehensive Community and Economic Development. The second phase merged regional CEDS documents into a statewide economic development plan. An update of the plan was recently completed and COGs are implementing action steps as resources and partners become available.

- The Public Works and Economic Adjustment Program invests funding into lacking or non-existent facilities to assist business development and job creation. EDA receives proposals from a wide range of communities looking to advance various industry sectors and considers several factors in funding projects including leveraging of public and private investment. The agency also relies on local and state government partners to provide feedback on project benefits. Many projects funded under this program are infrastructure-based including road, water and wastewater, and broadband development.
  - The City of Asheville was awarded an EDA Public Works grant to develop a former Brownfields site accommodating the location of a brewery and tasting room for New Belgium Brewing. EDA's investment of \$1.1 million provided key transportation and waterline upgrades. Initially, a 2011 EPA grant funded Phase I and II of a Brownfields assessment on the property. Overall, EDA, along with state (\$300,000) and local (\$1.1 million) funding, leveraged \$175 million from New Belgium Brewing, creating 151 jobs over six years.
  
- The Revolving Loan Fund (RLF) Program directs capital to assist small business with startup and expansion costs. Responding to the need to help America's small business connect to adequate financing, the RLF Program provides necessary capital. This program is often a last resort for entrepreneurs and small business owners whom have been turned down by other lending services. Although heightened risk is involved, small businesses excel under this program leading to company growth and job creation. EDA administers the RLF Program in partnership with regional economic development organizations which provide loan oversight and management. The regional entities review applications and provide recommendations during the loan process.
  - The Northeast Pennsylvania Alliance (NEPA Alliance) responds to the capital needs of small business through local administration of an RLF. Here are two examples highlighting successes in the loan program and how diverse sources of federal funding can be combined to strengthen investments:

- In late 2014, NEPA Alliance provided \$140,000 in financing to the Susquehanna Brewing Company. The loan assisted the company in purchasing new equipment and in turn, creating jobs. NEPA Alliance applied EDA and USDA-Rural Development (USDA-RD) funding in offering the loan package.
- NEPA also assisted Hawk Mountain Labs address operational needs through a \$195,000 loan. The loan allowed the company to obtain new equipment for field and laboratory testing in the coal and natural gas markets. Jobs creation was realized through the loan package which was also made possible through EDA and USDA-RD.

The RLF Program does face structural challenges that if remedied could increase its effectiveness and flexibility. EDA's initial RLF grant and any income and interest derived from it are considered federal property in perpetuity. As a result, RLF operators are required to comply with extensive reporting and audit requirements even for funds capitalized in the 1970s. Ownership of EDA RLFs should be fully transferred to the local intermediary seven years after final disbursement of the grant if certain requirements are met. This would significantly reduce the oversight and management burdens on EDA and local RLF fund operators, while still ensuring local accountability is maintained. A June 2015 U.S. Department of Commerce Office of Inspector General (OIG) report found that with the significant effort it takes to adequately monitor a large portfolio of long-standing RLFs, EDA's limited staff time and tools do not allow for proper oversight. The OIG report cited de-federalization of RLFs as an opportunity to simplify management of the program.

EDA also serves a vital role as an integrator of federal programs. EDA's objectives often align and intersect with the mission areas of other federal agencies. Interagency collaboration can help to achieve shared goals. One example is the Appalachian Regional Commission (ARC) which advances economic growth through investments in infrastructure, small business, and workforce development in the 13-state Appalachian Region. Between 2011 and 2016, the decline in coal production led to a loss of 33,500 jobs. To spur job growth, EDA and ARC partnered together on the POWER (Partnerships for Opportunity and Workforce and Economic Revitalization) Initiative and funded economic development projects in

250 eligible coal-impacted counties. As of June 2017, ARC has awarded \$92 million in coordination with EDA. These investments have helped to create and retain 8,600 jobs and leveraged an additional \$206 million for the region while preparing workers and students for jobs in technology, manufacturing, entrepreneurship, and agriculture. To expand upon this success and explore further partnership opportunities, EDA recently entered Memorandums of Understanding (MOUs) with key federal agencies engaged in economic and community development: the U.S. Department of Housing and Urban Development (HUD), the U.S. Environmental Protection Agency (EPA), and the U.S. Department of Agriculture (USDA). Given the areas of overlap in the missions of each agency, the MOUs allow for a distinct and specialized partnership to promote economic development opportunities. Energy and resources applied in a collaborative manner strengthen the federal government's response to helping communities succeed in attracting and sustaining business.

Economic Development Districts aid EDA's goals in determining how and where to apply agency resources. EDDs exist as regional non-profit organizations engaged in economic and community development issues. Districts are directed by a board of local government officials and citizens which set organizational priorities and actions. By connecting with EDA on specific local and regional priorities, a "bottom-up" approach is established where stakeholders can inform EDA on connecting federal resources to promoting business and job creation opportunities.

EDA is a strong partner in helping to meet economic development needs throughout the nation, but especially for small and rural communities. Job creation and retention maintains a top priority for EDA. The agency dedicates staff and resources to learn from and respond to economic conditions in underperforming areas. Rural communities are particularly vulnerable to changing tides of the market and globalization. In turn, EDA has applied considerable attention and devoted funding through its established processes to assist in new and expanding business and create and retain jobs in these areas. In FY2016, EDA applied 44.5% of its infrastructure and RLF funds into rural areas. As a result, EDA funding helped to leverage \$3 billion.

As Congress considers a new infrastructure bill, EDA remains a viable and compatible entity to facilitate job creation and business development opportunities. The agency maintains programs and services aiding infrastructure development and economic competitiveness in underperforming communities.



EDA's programs operate with considerable input from local and regional stakeholders allowing for better decision-making and targeted application of federal resources into on-the-ground priorities. Recent steps to partner across federal government enhances EDA's assistance through increased expertise and coordination of resources.

In closing, EDA is prepared to lead economic development initiatives as it pertains to national infrastructure improvements.