



*Testimony by*

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## **INTRODUCTION**

Chairman Cartwright, Ranking Member Aderholt, and members of the Subcommittee, it is a pleasure to appear before you today to testify on behalf of the Department of Commerce's Economic Development Administration (EDA). EDA welcomes this hearing as an opportunity to discuss our role in the coronavirus (COVID-19) recovery efforts through EDA's implementation of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. EDA's efforts provide relief to and promote long-term recovery efforts in communities hard hit by the pandemic.

Restoring economic prosperity to all parts of the nation is an important priority of the Administration. EDA, through its mission to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy, strongly supports this priority. EDA's grant investments: 1) increase

global economic competitiveness; 2) help communities become economically resilient and agile; and 3) improve quality of life in all communities.

Over the last four years, EDA's budget authority has grown substantially. In 2017, EDA had an annual appropriation of \$276 million. In 2018 and 2019, through two disaster recovery supplementals, EDA's budget authority grew to \$901.5 million and \$904 million respectively. In 2020, Congress provided the agency a historic influx of \$1.5 billion under the CARES Act, in addition to \$333 million in annual appropriations. Less than one year later, EDA has received an additional \$3 billion in funding under the American Rescue Plan (ARP) Act of 2021.

With each supplemental, EDA is further entrusted to take on a greater and more prominent role in supporting communities recovering from sudden economic disruption and dislocation. EDA investments generate or retain jobs, attract new industry and private-sector investment, encourage business expansion, and serve as a backstop to sudden and severe economic dislocations to local economies. We are aware of our important role in ensuring the funds entrusted to us are invested in an equitable, fair and impactful manner and that we are reaching the communities most in need of our assistance.

### **CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT**

EDA's FY 2020 appropriations included \$1.5 billion in supplemental funding from the CARES Act (P.L. 116-136) to respond to economic injury due to COVID-19. EDA's role in these recovery efforts is to facilitate delivery of federal economic development assistance to communities for long-term economic recovery planning, reconstruction, redevelopment and resiliency.

Because of the unusual and compelling urgency of the economic dislocations caused by the coronavirus pandemic, EDA determined that the public interest would be best served by using a portion of its supplemental CARES Act funding to expeditiously make awards to existing high-performing EDA grant recipients with unique capacities to respond rapidly to the situation. EDA made awards of up to \$400,000 to its network of Economic Development Districts, up to \$300,000 for University Centers, and up to \$150,000 to Tribal Planning Organizations. The awards fund the cost of economic recovery coordination and technical assistance activities to support recovery from the pandemic within the geographic area served by these organizations. These investments also helped develop a pipeline of infrastructure and workforce projects that EDA funded using remaining CARES Act funds and will use to source projects for upcoming ARP Act competitions.

In light of the immediate capital needs of small businesses unable to secure traditional financing, EDA also expeditiously infused additional capital into its revolving loan fund (RLF) program using CARES Act funds. Under this program, EDA makes grants to eligible recipients to capitalize and operate RLFs to make loans to small businesses that cannot otherwise obtain traditional bank financing, including sole-proprietorships and small manufacturing companies.

Depending on the RLF, loans may be made for many purposes, including expansion or renovation of facilities, equipment acquisition, and working capital. As loans are repaid, the principal and interest are returned to the RLF and made available for relending. In this way, EDA-funded RLFs have become an important part of their communities' economic development infrastructure. High-performing RLF grantees were invited to apply for an award to provide additional RLF capital for lending as well as funding for increased administrative costs associated with making these loans at zero interest or granting forbearances on existing loans.

RLF awards were made at a 100 percent grant rate which resulted in approximately \$585 million in capital deployed across 297 RLFs. EDA also launched the new Scaling Pandemic Resilience Through Innovation and Technology (SPRINT) Challenge under the CARES Act. The SPRINT Challenge is a \$29 million national competition under which EDA sought projects that will enable organizations across the country to address the economic, health, and safety risks caused by the coronavirus pandemic through entrepreneurship and innovation. The projects represented a range of activities. Two such examples are noted below:

- University of California (Los Angeles, CA) Los Angeles' LA-R2C Accelerator, which aims to scale innovative bioscience technologies that foster COVID-19 prevention, diagnosis, treatment, and health equity; and
- Lean Rocket Lab (Jackson, MI) is launching the Manu-Tech Virtual Incubator COVID Response Unit that will 1) support manufacturing oriented small companies and startups with COVID response products and technologies; 2) help local manufacturers recover by connecting them to new business from these product developers; and 3) introduce Industry 4.0 technologies that will build operational resilience to prepare for future economic shocks.

Our CARES Act investments are supporting a variety of critical economic development strategies that are helping communities recover and set a course for future prosperity and, today, I am pleased to note that EDA has awarded more than \$1 billion in CARES Act grants and met this important and significant milestone in less than one year from the enactment of the CARES Act. EDA's work continues and, as of April 9, 2021, EDA has obligated \$1.049 billion of the \$1.5 billion in supplemental CARES Act funding through 991 awards to communities across the country. EDA is also actively evaluating 354 applications and expects that those that are selected for funding will exhaust 100 percent of EDA's CARES Act supplemental appropriation.

I am proud of the fortitude shown by our grantee partners in responding to this crisis and am inspired by the dedication that EDA's incredible staff has shown in meeting the challenge of quickly and responsibly awarding this critical funding. Below are representative examples of EDA's concerted effort in support of economic recovery from the coronavirus pandemic under the CARES Act:

- Alaska Travel Industry Association

The tourism industry is essential to the Alaska economy and needs assistance to reinvent and restart after experiencing dramatic economic injury from the COVID-19 pandemic. In March 2021, EDA awarded a \$2,282,262 CARES Act grant to the Alaska Travel Industry Association to support the development and execution of a statewide destination marketing plan for Alaska to help save the tourism industry. Once implemented, the project will support efforts to promote Alaska tourism through the creation of education programs targeted to the region's businesses, organizations, and communities on adapting operations to provide a safe and healthy experience for visitors. The project will create thousands of jobs throughout the state and generate important tax revenue for state and local governments.

- BioSTL

For more than thirty years, the St. Louis metropolitan area has experienced slow economic and population growth – stagnating the regional economy. The impact of the coronavirus pandemic on St. Louis' economy has been drastic and swift. With the current health and economic disaster, triggered by the COVID-19 pandemic, the St. Louis metropolitan area needs, now more than ever, to align its strengths in bioscience toward further economic recovery and resiliency, not only for the local area, but also as a model for pandemic-related health and economic resiliency for the nation. In December 2020, EDA awarded a \$2,964,120 CARES Act grant to BioSTL to support the development of the Center for National Pandemic Resiliency in Biosciences, a laboratory for generating and testing pandemic response and resiliency innovations and modeling how such innovation can improve health and economic outcomes across the United States. The project will build capacity for future pandemic response and recovery while creating new economic opportunity, diversifying the economy, advancing health and economic equity, and building resiliency in the St. Louis region and across the nation.

- New Mexico Department of Information Technology

The importance of broadband to the life of New Mexicans has never been more apparent. Even before the COVID-19 pandemic, broadband internet access had become foundational to economic activity, political and civic engagement, education, healthcare, and delivery of public services. Given the crisis, the critical necessity of broadband has only grown. In October 2020,

EDA awarded a \$1,500,000 CARES Act grant to the New Mexico Department of Information Technology to provide technical assistance for broadband development to local, tribal, and other government entities across New Mexico. The project will support access to telework capabilities, education services, healthcare, and businesses at a crucial time by increasing broadband infrastructure and services, which will support the creation of construction jobs, close the student access gap, and increase resiliency to help the region recover from the economic effects of COVID-19.

- Economic Development Council of Northeastern Pennsylvania (dba The NEPA Alliance)

Due to the widespread economic effects of the COVID-19 pandemic, there is an urgent need for small business lending to provide for working capital, entrepreneurial start-up costs, and other costs businesses may incur in responding to the pandemic. In August 2020, EDA awarded a \$2,178,000 CARES Act grant to the Economic Development Council of Northeastern Pennsylvania (dba The NEPA Alliance) to capitalize and administer an RLF to make loans to coronavirus-impacted small businesses in Pennsylvania. Nai's Tea, Coffee, and Collectibles was one such business, and it received a \$25,000 EDA COVID-19 assistance loan from the NEPA Alliance to assist the business with working capital needs during the pandemic. Nai's is a locally and independently owned tea and coffee shop in Tannersville that began operations in 2016. The \$25,000 relief loan allowed the company to retain their sole employee and keep their doors open as they recover from the pandemic. Another recipient, ProJan Custom Flooring, a family-owned and operated business since 1979, received a \$50,000 EDA COVID-19 Assistance loan from NEPA Alliance to meet liquidity needs as they look to grow coming out of the pandemic. ProJan's retail showroom flooring is in Tyler Hill, PA, and the business serves several counties throughout Northeast Pennsylvania. The NEPA Alliance's loan allowed ProJan to retain three jobs and subsequently improve their monthly cash flow as they prepare to bring on new employees in the coming months as business picks up again.

- Central Shenandoah Planning District Commission (CSPDC)

To help respond to the unusual and compelling urgency of the COVID-19 pandemic, in August 2020, EDA awarded a \$400,000 CARES Act grant to the Central Shenandoah Planning District Commission (CSPDC), an EDA-funded Economic Development District (EDD) in Virginia, to develop an economic recovery and resilience plan for the local governments of Augusta, Bath, Highland, Rockbridge, and Rockingham counties and the cities of Buena Vista, Harrisonburg, Lexington, Staunton and Waynesboro, as well as the 11 towns within the Central Shenandoah region. The project focused on pandemic recovery and resiliency by providing funding for regional disaster economic recovery coordinators for a two-year period to serve the communities and local governments across the geographic region within the EDD; providing technical assistance and capacity building for member organizations, local businesses, and other local stakeholders impacted by coronavirus; and conducting organizational capacity support for coronavirus response.

- The Pennsylvania State University Technical Assistance Program (PennTAP)

In July 2020, EDA awarded a \$300,000 CARES Act grant to the Pennsylvania State University Technical Assistance Program (PennTAP) to strategically plan and execute outreach strategies and forge relationships with small to mid-sized businesses across the state. In just eight months since receiving the grant, PennTAP is on track to help businesses achieve their energy efficiency, financial, and innovation goals for 2021 and beyond. For example, PennTAP has been working with a food manufacturing business in Jefferson County to improve its operational efficiency and reduce facility energy consumption. PennTAP connected the business to the Penn State College of Engineering Learning Factory senior capstone projects. During the Fall 2020 semester, students worked with the business to redesign the facility layout, specify new equipment needs, and identify an ERP system. Additionally, PennTAP conducted an energy assessment at this business's facility and identified energy efficiency recommendations which could save them over \$1,300 annually. By implementing these energy saving measures, the business will free up cash flow to continue to grow.

- City of North Richland Hills

The 1.3-mile stretch of Iron Horse Boulevard is the primary roadway for three essential businesses that have become critical during the COVID-19 pandemic in Tarrant County, Texas. In March 2021, EDA awarded a \$4,220,000 CARES Act grant to the City of North Richland Hills to support the reconstruction of Iron Horse Boulevard, a major collector road that provides access to these industrial employers. This project will help retain essential employers including a major manufacturer of medical and PPE equipment, an aerospace manufacturer, and a food processing facility. According to the applicant, this project is expected to create 200 jobs, save 832 jobs and allow businesses to quickly respond to future disruptions.

- North Central Regional Planning Commission

Due to the COVID-19 pandemic, Kansas's nearly 500 manufacturers have experienced decreased market demand, supply chain disruption, and increased workforce instability. In August 2020, EDA awarded a \$400,000 CARES Act grant to the North Central Regional Planning Commission (NCRPC), an EDA-funded EDD. As a result, the NCRPC has contracted with Kansas State University's Technology Development Institute to provide technical assistance to area manufacturers and entrepreneurs with no-cost expert advising in areas such as market research, product innovation, product promotion, and opportunities to implement technological innovation to help rebound from challenges caused or exacerbated by COVID-19. NCRPC has also begun surveying small businesses and non-profits to determine which training topics would be relevant to their stakeholders and will be hiring appropriate contractors to provide online and on-site trainings in Spring of 2021 to revitalize small businesses and foster resiliency in the event of future disasters. Additionally, NCRPC hired a disaster recovery coordinator to stay on top of the ever-changing state requirements, funding opportunities, and serve as a point of contact for businesses and other stakeholders to find the latest information and services available during the recovery from the pandemic.

## **AMERICAN RESCUE PLAN (ARP) ACT**

On March 11, President Joseph Biden signed the American Rescue Plan (ARP) (P.L. 117-2) into law. This historic and sweeping legislation provides additional relief to address the continued impact of the COVID-19 pandemic on the economy, public health, State and local governments, individuals, and businesses. The ARP allocates supplemental funding of \$3 billion to EDA to assist communities nationwide in advancing their coronavirus recovery and resiliency strategies. Though EDA is still finalizing its implementation plan for this funding, the execution will focus on: (1) bringing back the American workforce and industries that have been hardest hit, such as travel and tourism and manufacturing, through programs that support economic growth and diversification, creating talent pipelines to address industry needs, and fostering higher-skill, higher-wage job opportunities for all; (2) capitalizing on American ingenuity to build regions of the future by focusing on innovation-led economic development, including planning, infrastructure, workforce development, and business financing; and (3) pursuing a comprehensive approach to advancing equity by focusing on populations and underserved communities that have been denied a full opportunity to participate in aspects of economic prosperity. EDA looks forward to further briefing the Subcommittee as its implementation plans solidify.

## **CONCLUSION**

Chairman Cartwright, Ranking Member Aderholt, and Members of the Subcommittee, thank you for the opportunity to address EDA's efforts to assist communities in responding to

the economic injury caused by the coronavirus pandemic. I am proud of the agency's critical role in supporting communities recovering from the economic devastation wrought by the pandemic. I look forward to answering any questions you may have.