



WRITTEN STATEMENT FOR THE RECORD

LEANNE MAZER, EXECUTIVE DIRECTOR
TRI-COUNTY COUNCIL FOR WESTERN MARYLAND

AND

PRESIDENT OF THE
NATIONAL ASSOCIATION OF
DEVELOPMENT ORGANIZATIONS

BEFORE THE
HOUSE APPROPRIATIONS SUBCOMMITTEE ON
COMMERCE, JUSTICE, SCIENCE AND RELATED
AGENCIES

WASHINGTON, DC
APRIL 2, 2008

Thank you, Chairman Mollohan, Ranking Member Frelinghuysen and members of the subcommittee, for the opportunity to testify today concerning the FY2009 budget for the Economic Development Administration (EDA) within the U.S. Department of Commerce.

I will focus my statement on the pressing need to restore EDA's program budget closer to the FY2000-2001 levels of more than \$400 million, especially for the public works account. As the only federal agency focused exclusively on private sector job growth in distressed areas, EDA serves as an essential partner and funding resource for local communities striving to address the fundamental building blocks needed to compete in today's highly competitive global economy.

My name is Leanne Mazer. I am the Executive Director of the Tri-County Council for Western Maryland, headquartered in Cumberland. I also currently serve as President of the National Association of Development Organizations (NADO). My background includes nearly two decades in regional and local economic development, including seven years in my current position.

The **National Association of Development Organizations (NADO)** provides advocacy, education, research and training for the national network of 520 regional development organizations, including the 340 multi-county Economic Development Districts (EDDs) designated and funded by EDA.

The **Tri-County Council for Western Maryland** is a regional economic development agency serving Allegany, Garrett and Washington counties. The organization serves as a regional planning and development organization under the guidelines of both the Appalachian Regional Commission (ARC) and EDA. In addition to our professional and technical assistance programs for local governments, businesses and non-profit entities, our organization operates several small business development loan funds, serves as the state data center affiliate for Western Maryland and offers Geographic Information System (GIS) services for our local communities and partners.

On behalf of NADO's members across the nation, Mr. Chairman, I would like to thank you and the members of the subcommittee for your steadfast support of EDA and its local partners over the years. We understand the difficult task of addressing the diverse portfolio of worthy agency and program needs covered by this subcommittee. Therefore, we are even more appreciative of the subcommittee's efforts to increase EDA funding last year.

The members of NADO strongly support restoring EDA's budget closer to the historic levels of FY2000-2001, especially for the public works account, as part of the FY2009 Commerce appropriations bill. At a time when millions of hard working Americans and countless communities are struggling to adjust to the rapidly evolving global economy and downward shifts in our marketplace, our nation must reinvest in the fundamental building blocks necessary for our nation to remain competitive.

We believe, Mr. Chairman, there are three core reasons why Congress should support increased investments in EDA programs in the upcoming fiscal year. First, EDA has the program tools and funding flexibility needed to support regional and local economic development efforts in a timely, efficient and cost-effective manner. This is especially important during these uncertain and turbulent economic times. *The primary challenges facing the agency and its local partners are not statutory, programmatic or operational restrictions, but simply budgetary.*

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If enacted, the administration's FY2009 program request of only \$100 million will have a devastating impact on our local communities' ability to pursue new job creation and economic development initiatives. Even at the current funding level of \$279.9 million, EDA's six regional offices and field staff are already inundated with funding requests for high-quality and much needed projects that the agency cannot fund.

In recent months, NADO conducted a brief informal survey of its members to determine the backlog of potential "ready to go" EDA public works projects. We found there are more than 115 projects, valued at close to \$400 million in public investment, already in the agency's funding queue but waiting for final clearance and funding before they can be processed and started. Just this small sample of projects is estimated to attract more than \$7.2 billion in new private sector investments and result in the retention and creation of more than 47,000 jobs.

These pending projects cover essential community assets for economic development, such as water and sewer systems for technology, industrial and business parks, intermodal transportation facilities, job training facilities, business incubators, broadband networks and development finance loan funds for entrepreneurs and businesses. They span across the nation in states such as Alabama, California, Iowa, Kentucky, New Jersey, Pennsylvania, Rhode Island, Texas and West Virginia.

Mr. Chairman, you are most likely aware of the Polymer Alliance Zone (PAZ) project in West Virginia. In the mid-1990s, PAZ was established in your state's Mid-Ohio Valley as a collaboration between public and private sector leaders, as well as educational and labor sectors, to enhance the area's existing polymer industry. PAZ is seeking and waiting on \$625,000 in EDA assistance, which will be matched 50 percent with local dollars and leveraged with another \$13 million in private investment, to build the public infrastructure needed to support the 300,000 square foot Polymer Technology Park. This industrial development park, which will house two companies involved in the demanufacturing of electronic products, is expected to generate 117 jobs in this distressed region.

Similarly, local leaders in Essex County, New Jersey are awaiting final word on a \$1.5 million EDA application to support more than \$20 million in private funding for the construction of a mixed-used technology building as part of the University Heights Science Park. This project is part of a unique collaborative venture between Newark's higher education institutions, the City of Newark and private industry that is designed to harness university science and technology research as a force for urban and regional economic and community development.

Upon completion, the University Heights Science Park will include one million square feet of technology laboratories and offices, 75,000 square feet of technology incubator space, up to 20,000 square feet of ancillary support retail, an 800-student technology high school, two blocks of new and rehabilitated housing and a day care center. This mixed-use science and technology park is expected to generate over 6,000 permanent jobs in this highly distressed area.

By investing in projects like the Polymer Alliance Zone and the University Heights Science Park, EDA has amassed an inspiring record over the years in assisting regions and local communities struggling to overcome both long-term economic poverty and sudden and severe hardships. According to EDA's testimony before this subcommittee last month, EDA investments in FY2007 alone are expected "to

create 52,124 jobs at an average cost of \$4,000 per job” and “every dollar in taxpayer money attracts \$26 in private capital investment.”

These impressive results are among the reasons EDA, even with a very modest budget by federal standards, has repeatedly earned high performance rankings from the Office of Management and Budget, independent university evaluations and local economic developers. Yet, the agency is still facing a 53 percent funding cut from the current fiscal year (and nearly 70 percent below the FY2001 level of \$439.87 million) and the virtual elimination of its effective and proven public works program.

Using EDA’s job creation and leveraging ratio figures, the proposed cut of \$147 million could potentially result in the loss or delay of \$3.82 billion in new private sector investments and the loss of more than 36,000 jobs in distressed areas. In theory, EDA could potentially help leverage and attract more than \$11 billion in private investments and spur the creation or retention of more than 109,000 quality jobs if Congress restored its program budget to its FY2001 level, based on the agency’s performance in recent fiscal years.

The numbers above provide a stark reminder of how vital and influential EDA’s resources are in stimulating job growth in distressed communities and that even a relatively minor change in funding can make the difference in generating thousands of jobs and attracting hundreds of millions of dollars in new private investment. This is because EDA funds serve as an important catalyst for change, whether it is a feasibility study at the front-end of a project, gap financing that completes a larger funding package or the basic infrastructure that private industry expects local communities to provide.

Second, Mr. Chairman, EDA has the local networks necessary, especially through the system of economic development districts, to identify, prioritize and invest in high-quality projects aimed at generating and retaining private sector jobs in areas suffering from chronic distress as well as more sudden and severe economic dislocations.

Since EDA projects must arise through a comprehensive regional strategy process and be matched by local funds, they have proven to be highly successful. As stated previously, this results in EDA projects being completed on time, leveraging an impressive ratio of private sector investment and creating new jobs at minimal tax-payer expense.

As demonstrated in a thorough program evaluation by the Center for Urban Studies at Wayne State University, the national network of 340 multi-county EDDs are effective at developing and coordinating local plans, implementing specific projects and initiatives, and providing professional expertise and capacity to distressed and underserved communities.

The Wayne State study concludes that EDDs have used the nearly \$27 million in annual EDA planning funds to establish an impressive record of facilitating and leading a regional strategic planning process that “provides the critical backbone for economic development planning at the regional level.... EDD activities are both effective and essential to local development.” The report further states that “EDDs very effectively use the EDA funding they receive. They have a strong ability to use that funding to leverage funding from other sources to pursue development activities.”

In my region, we have tapped into EDA funds for a number of successful projects in recent years. EDA invested \$1 million as part of a \$7 million infrastructure expansion effort to support a new American Woodmark facility. This project has helped generate 120 new jobs at the plant, with the potential of an additional 380 quality jobs in the next few years.

With tourism as a major part of our region's economy, EDA also invested \$2 million as part of a \$7.5 million infrastructure project to support a new adventure sports center. The focal point of the project is a state-of-the-art, stand-alone whitewater course and amphitheater. When the project is finished, it will also include a mountain-top village consisting of a hotel, performing arts center and a major subdivision of 450 homes. This is a vital "quality of place" project that is needed to attract additional business sector development and knowledge-economy workers to our rural region.

As outlined above, a key to our EDD's success is the critical support from EDA, both the planning and project dollars that help us work with our local partners to implement our regional strategy. We can have the best regional planning initiatives in the world, but our communities must still have access to matching funds for project implementation. The bottom line remains that declining resources for EDA's core programs—especially public works—translates into fewer jobs created and fewer private sector dollars invested in our nation's distressed and underserved communities.

Third , Mr. Chairman, inadequate public infrastructure remains among the most significant road blocks to economic development in small town and rural America. Without new EDA resources, our local governments will fall further behind in dealing with aging public infrastructure, meeting the intensifying demands of business and industry, and overcoming the recent cost spikes in construction materials and project costs.

It is also essential to point out that EDA and its local government partners are investing in the public infrastructure and facilities that are not only needed to support the private sector, but also required by businesses and industries to operate and succeed. Without public services such as water and sewer, access roads, rail spurs or industrial parks, private industry will locate or relocate to places with these amenities, whether somewhere else in the United States or, even more frequently, abroad.

As reported by the American Society of Civil Engineers (ASCE), the nation's infrastructure remains in serious need of improvements and increased public investment. Improvement costs alone in the next several years are calculated in the trillions. Our ability to sustain the nation's infrastructure is directly linked to the United States' ability to maintain and grow a world-class economy.

In inflation-adjusted dollar terms, according to the Congressional Budget Office, annual public spending on infrastructure has steadily risen from \$105 billion in 1956 to just over \$312 billion in 2004. Of this total amount, the federal government spends approximately \$75 billion a year on infrastructure investments, with EDA playing a targeted role in linking job creation and infrastructure improvements.

Although federal spending has averaged an annual rate increase of 1.7 percent in dollar terms, as a share of total non-defense federal expenditures the federal contribution has declined. Between 1956 and 1966, *Building America's Futures* reports, infrastructure spending was approximately ten percent of non-defense discretionary spending, peaking at 11.2 percent in 1960. Since that time, this figure has steadily declined. Over the last twenty years, federal spending on infrastructure averaged 3.5 to four percent.

America is falling dangerously behind our global competitors in the level of investments made in critical infrastructure, as cited recently in *The Economist*. For example, China is spending nine percent of its annual Gross Domestic Product (GDP) on infrastructure investments—many times above what America currently spends (0.57 percent) as a portion of our total economy. China has built nearly 52,000 kilometers of new roads in its rural areas since the 1990s. They are now planning to construct over 300,000 kilometers of new roads by 2010, 97 new airports by 2020 and, this year alone, add 66 gigawatts of electric capacity, which is more than the United Kingdom uses annually.

China is not the only country investing heavily in its infrastructure to gain a competitive advantage in the world market place. Countries in the European Union are redoubling their efforts, and India is expected to expend five percent of its GDP on infrastructure improvements, including the development of an end-to-end national transportation network. Together, the countries of Sub-Saharan Africa are spending an average of 4.7 percent of the continent's total GDP annually on infrastructure investments.

At a time when nearly every American business and community is confronting intense competition from emerging and less developed nations, the federal government should be expanding, not cutting, resources and investments for critical public works and infrastructure systems. EDA is the only federal agency with the mission of linking strategic planning and infrastructure investment with regional economic development initiatives to ensure communities grow sustainable jobs. It is also an agency that invests at the grassroots level, yet helps local communities improve connections to the national and global economies.

Throughout its history, EDA has been recognized as a national leader and innovator in the economic development field. Many cutting-edge practices have emerged from the agency's public works and economic adjustment assistance programs, such as business incubator buildings, smart technology parks, eco-industrial parks and the redevelopment of brownfields. Without the financial and technical support of EDA and its local partners, the most distressed communities in small metropolitan and rural America would never have the opportunity to implement these innovative projects.

Finally, Mr. Chairman, the members of NADO want to express our concern with the comments of a senior EDA official before the subcommittee last month. The agency's leadership contends that if the public works program "fell off the face of the earth tomorrow but all the money went into Economic Adjustment, EDA could still do everything we do today." Perhaps the statement may be technically true. In the context of the administration's budget, however, public works is identified as the lowest priority at only \$7 million. Public works is too important to be left up to the agency's own discretion. It should remain clearly stated as a high-priority program by Congress as part of the Commerce-Justice-Science spending bill. This is the only way that Congress can ensure that its intent is faithfully executed.

EDA's current portfolio of public works, economic adjustment, technical assistance and research and evaluation programs each fulfill an individual and specific need and exist so that communities may apply for assistance tailored to unique needs. Each program function is provided with a dedicated funding stream that is developed with the consent and review of Congress and each is designed to fulfill distinct needs and purposes. *Again, the primary challenges facing the agency and its local partners are not statutory, programmatic or operational restrictions, but simply budgetary. The agency needs more resources to help our local communities pursue new economic development opportunities.*

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Thank you again, Mr. Chairman, Ranking Member Frelinghuysen and members of the subcommittee for the opportunity to appear today. The members and leadership of NADO look forward to working with you and the administration to ensure EDA continues to fulfill its critical mission of stimulating private sector job creation in distressed and underserved areas. I welcome any questions.