

Oral Remarks of Ken Jones NADO First Vice President

Thank you, Chairman Shuster and members of the subcommittee, for the opportunity to testify this afternoon.

My name is Ken Jones. I am the Executive Director of the Lower Rio Grande Valley Development Council, headquartered in McAllen, Texas. I also currently serve as the First Vice President of the National Association of Development Organizations. My professional background includes 30 years in regional and local economic development.

In my oral remarks, Mr. Chairman, I would like to summarize the four main points outlined in my full written statement.

First, the current portfolio of 35 federal community and economic development programs offers vital resources for our nation's distressed regions. While we agree with the Administration that every federal program should be, and must be, reviewed on a continual basis, we feel the primary weakness in the current system is a lack of financial resources.

At a time when nearly every American business and community is confronting intense competition from emerging and developing nations, we should be expanding federal investments in infrastructure and other community and economic development projects. Instead, we are facing nearly \$2 billion in federal cuts and the elimination of 18 valuable and proven programs, most notably the Economic Development Administration and HUD's Community Development Block Grant program.

More importantly, the proposed cut is actually greater than \$2 billion, as a minimum of \$18 billion in matching and leveraging investments by the private sector and other entities will potentially be lost each year.

Second, Mr. Chairman, the Economic Development Administration and its local partners have a proven and documented record of exceptional performance and accountability. This is evident in the fact that Congress has passed – with the leadership of this committee and the overwhelming bipartisan support of both chambers – two multi-year reauthorization bills for the agency since 1998. These bills were signed by President Clinton and President Bush. In addition, EDA was recently inducted into the prestigious Balanced Scorecard Hall of Fame, joining only three other federal agencies.

As outlined in the President's 2006 budget, EDA was ranked as the highest performing agency within the portfolio of 35 federal community and economic development programs. This is high praise from the Office of Management and Budget.

Most importantly, the value of EDA planning, economic adjustment and infrastructure investments have been positively experienced in hundreds of urban, small metropolitan and rural communities across the nation. In the past year alone, the agency has helped retain and create

more than 100,000 private sector jobs and leverage more than \$10 billion in additional investments. This is an incredible record for an agency with a modest annual budget of nearly \$300 million.

My third main point, Mr. Chairman, is that inadequate public infrastructure remains the most significant road block to local economic development. This committee understands this point, as it constantly strives to secure additional investments in our nation's roads, bridges, water infrastructure and airports.

When it comes to community and economic development, EDA is an instrumental and effective partner for local communities, especially small town and rural America.

While it is true the private sector creates jobs, it is equally true that the private sector relies, expects and demands that public entities – such as state and local governments – provide and maintain essential public services and infrastructure.

Without the industrial parks, business incubators, access roads, rail spurs, water and sewer facilities and job-skills training facilities built with EDA assistance, most of our nation's distressed communities would be ill-equipped to sustain, let alone attract, private sector industries.

In my written statement, I outline numerous “real world” examples about the impact of EDA and its infrastructure investments. The same can be said for programs such as HUD's community development block grant program. In my home state of Texas, we use the CDBG small cities money mostly for water and waste water projects.

According to the Texas Water Development Board, my state has 3,433 cities and unincorporated areas with inadequate water and wastewater facilities for residents and businesses. This means they have either no public water systems or systems that fail to meet federal and state standards. The cost to help these communities exceeds \$5 billion.

Finally, Mr. Chairman, the members of NADO adamantly oppose the elimination of the EDA planning program for economic development districts. This modestly funded, yet highly effective, program serves as the lifeline for the nation's underserved and distressed regions.

With only \$18 million in matching funds each year, EDA and the federal government are helping these important organizations that, as concluded by a recent Wayne State University study, “provide the critical backbone for economic development planning at the regional level.”

The planning districts use the EDA planning grants for more than just developing strategic plans. More importantly, we have built the professional expertise and organizational capacity to bring key public and private stakeholders together within our region. We are involved in our regions progress from the planning and design phase right through to the actual implementation of specific projects. Without our assistance and leadership, the vast majority of our distressed and rural communities would never have the capacity to pursue important projects.

I must also note that the Administration is now mentioning the concept of multi-year strategic growth plans. If the EDA district planning program was eliminated, our local communities would never have the capacity to craft, coordinate and implement professional strategic plans.

The concept of hiring high priced consultants to develop our local plans and strategies is not very appealing, especially since they have no or very limited ties to the region or community. And, more importantly, they rarely have any emotional or personal interests in advancing the economic and social progress of the local communities.

In closing, Mr. Chairman and members of the subcommittee, I want to reinforce our strong support for the current portfolio of federal community and economic development programs, especially the Economic Development Administration, HUD's Community Development Block Grant program and the USDA's rural development mission area.

We are deeply concerned about the potential loss of nearly \$2 billion in federal grant assistance each year for distressed communities. We are also anxious to learn more about the details of the Administration's plan since the current proposal is only a brief outline.

Finally, we are most troubled by the proposed elimination of the EDA planning program for economic development districts. Without this essential program, our nation's distressed and rural communities will be faced with severe burdens and obstacles in their pursuit of economic growth and prosperity.

Thank you again and I would welcome any questions.