

BUILDING PROSPERITY: EDA'S ROLE IN ECONOMIC DEVELOPMENT AND RECOVERY

(116-11)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND
EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

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Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

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APRIL 4, 2019

SUMMARY OF SUBJECT MATTER

TO: Members, Committee on Transportation and Infrastructure
FROM: Staff, Subcommittee on Economic Development, Public Buildings, and
Emergency Management
RE: Subcommittee Hearing on “Building Prosperity: EDA’s Role in Eco-
nomic Development and Recovery”

The Subcommittee on Economic Development, Public Buildings, and Emergency Management will meet on Tuesday, April 9, 2019, at 2:00 p.m., in room 2253 of the Rayburn House Office Building to hold a hearing titled, “Building Prosperity: EDA’s Role in Economic Development and Recovery.”

The purpose of the hearing is to hear from stakeholders on the importance of re-authorizing the Economic Development Administration (EDA), its programs and activities supporting economic growth in distressed communities, and the role EDA plays in disaster recovery. The Subcommittee will hear testimony from the Economic Development Administration, New River Valley (VA) Regional Commission, Gunnison County (CO) Commission, the Brookings Institution, and Invest Puerto Rico.

I. INTRODUCTION

The Subcommittee has jurisdiction over economic development issues and federal agencies created to promote economic development in communities suffering economic distress. Specifically, the Subcommittee has jurisdiction over EDA (an agency within the Department of Commerce). A Senate-confirmed Assistant Secretary for Economic Development heads the EDA. The United States Senate confirmed Dr. John Fleming, a former Member of Congress from Louisiana’s 4th congressional district, to that position on March 7, 2019.

In its Fiscal Year (FY) 2020 budget request, the Administration proposed to eliminate almost all funding for the EDA as part of a 6-year agency closure plan. In each of the past three budgets, the Administration has proposed elimination of the EDA, although Congress has continued to provide appropriations to fund EDA programs.

	FY19 enacted	FY20 proposed
EDA programs	\$304 million	\$30 million

II. OVERVIEW OF THE PROGRAMS

The EDA was established in 1965 upon enactment of the Public Works and Economic Development Act (P.L. 89–136) to alleviate conditions of substantial and persistent unemployment in economically distressed areas. The current mission of EDA is “to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.” In particular, EDA programs are intended to help local communities attract private sector investment to maximize job creation primarily by leveraging non-Federal investments. For example, EDA’s public works program often provides the remaining infrastructure funding needed for a local community to attract a manufacturing facility to its area. As a result, EDA’s grants are used in conjunction with private and local dollars to generate economic growth and create jobs. In fact,

EDA requires substantial local match—oftentimes 50% or greater—for most grant recipients.

The EDA provides grants for projects through a variety of programs, including planning, technical assistance, public works, economic adjustment, trade adjustment assistance, and research and evaluation. Projects funded by EDA are generally located in areas exhibiting economic distress. In addition, all public works and economic adjustment projects must be consistent with an EDA-approved Comprehensive Economic Development Strategy (CEDS).

Between FY2012 and FY2017, EDA invested nearly \$1.6 billion in 4,058 projects. Of that total, 789 projects, totaling \$975.4 million, are expected to create and/or retain 277,163 jobs and attract over \$39 billion in private investment.¹ Historically, about two-thirds of EDA funding has been awarded to rural areas and one-third to urban areas.

EDA administers its programs through six regional offices located in Atlanta, Austin, Chicago, Denver, Philadelphia, and Seattle. The Atlantic Territories of Puerto Rico and the U.S. Virgin Islands are administered through the Philadelphia Regional Office. The Pacific Territories of American Samoa, Guam, Marshall Islands, Micronesia, Republic of Palau, and the Northern Mariana Islands are administered through the Seattle Regional Office. A map of EDA regional offices is included as Appendix 1.

1. KEY GRANT PROGRAMS

Planning grants: Planning grants support the design and implementation of effective economic development policies and plans by local organizations.

Public works: Public works grants provide for infrastructure projects that foster the establishment or expansion of industrial and commercial businesses in communities experiencing high unemployment, underemployment, low per-capita income, or out-migration.

Economic Adjustment: Economic adjustment investments provide various types of assistance, including planning, technical assistance, revolving loan funds and infrastructure development, to help communities experiencing either a gradual erosion of or a sudden dislocation of local industry caused by natural disasters, international trade competition, or major plant closings.

Trade Adjustment: Trade adjustment assistance provides technical assistance, through a national network of 12 Trade Adjustment Assistance Centers, to certify U.S. manufacturing firms and industries economically injured as the result of international trade competition.

Disaster Recovery: When funded for this purpose, EDA facilitates delivery of Federal economic development assistance to local governments for long-term community economic recovery planning, reconstruction, redevelopment and resiliency after a disaster.

2. EDA AUTHORIZATION HISTORY

The first authorization of EDA in 1965 expired in 1970. From 1970 through 1980, EDA continued to operate without an authorization, although Congress provided funding, including \$6 billion for public works projects in 1976 and 1977. In 1980, EDA's programs were reauthorized; however, that authorization expired in 1982, and until 1998, EDA continued without an authorization.

The Economic Development Administration and Appalachian Regional Development Reform Act of 1998 (P.L. 105–393) reauthorized EDA for a period of five years, and authorized funding levels that progressively declined from an initial amount of \$398 million for fiscal year FY1999 to \$335 million in FY2003. Additionally, this reauthorization put into place a number of management and administrative reforms, including efforts to target the most distressed areas. The Economic Development Administration Reauthorization Act of 2004 (P.L. 108–373) reauthorized EDA for a period of five years, through FY 2008. Since that time, Congress has not reauthorized the EDA.

3. STUDIES OF EDA PROGRAMS

In 2008, EDA contracted with Grant Thornton to study the costs and economic impact of EDA's construction investments. This study was similar in content to a study conducted by Rutgers University in 1997. The Grant Thornton study surveyed over 40 Federal programs and concluded that EDA investments in rural areas have a *significant impact on employment levels, generating between 2.2 and 5.0 jobs per \$10,000 in EDA funding*, at a cost per job of between \$2,001 and \$4,611. The study

¹ EDA Performance Measurement and Program Evaluation, Website, Accessed April 1, 2019, <https://www.eda.gov/performance/>.

further concluded that EDA's investment in business incubators was worthwhile and generated significant impacts in communities where the investment was made.²

4. EDA DISASTER RESPONSE

The Bipartisan Budget Act of 2018 (P.L. 115–123) appropriated \$600 million in funding to the EDA for additional Economic Adjustment Assistance Program activities. These resources are designated for disaster relief and recovery following Hurricanes Harvey, Irma, and Maria, as well as wildfires and other calendar year 2017 disasters. Eligible entities impacted by a federal-declared disaster occurring in calendar year 2017 can apply for funding under a Notice of Funding Opportunity issued on April 10, 2018.³

Funding was distributed across the six regional offices based on a multi-factor calculation including impact and distress. To date, \$153.6 million of the \$587 million made available has been obligated with more awards to be announced in the near future. EDA has also reserved two percent of appropriated resources to cover salaries and expenses related to program administration and oversight.

Region	FY 18 Disaster Funding Allocation
Atlanta Regional Office	\$147,362,000
Austin Regional Office	\$129,119,000
Chicago Regional Office	\$8,005,000
Denver Regional Office	\$17,435,000
Philadelphia Regional Office	\$191,269,000
Seattle Regional Office	\$93,810,000

WITNESS LIST

PANEL I

- The Honorable (Dr.) John Fleming, Assistant Secretary of Commerce for Economic Development, U.S. Department of Commerce

PANEL II

- Mr. Kevin Byrd, Executive Director, New River Valley Regional Commission, On Behalf of the National Association of Development Organizations
- The Honorable John Messner, Vice-Chairperson, District 1 Commissioner, Gunnison County, Colorado Board of Commissioners, On Behalf of the National Association of Counties
- Mr. Mark Muro, Policy Director and Senior Fellow, Brookings Institution
- Mr. Rodrick T. Miller, Chief Executive Officer, Invest Puerto Rico, On Behalf of the International Economic Development Council

² Arena, P., Adams, J.A., Noyes, K., Rhody, S. & Noonan, M. (2008). Construction Grants Program Impact Assessment Report: Volume 1 Report on Investigation and Results. Grant Thornton research report with ASR Analytics

³ EDA-2018-Disaster: FY 2018 EDA Disaster Supplemental, Website, Accessed April 1, 2019, <https://www.grants.gov/web/grants/view-opportunity.html?oppId=302953>.

APPENDIX 1: EDA REGIONAL OFFICES



Source: Economic Development Administration

BUILDING PROSPERITY: EDA'S ROLE IN ECONOMIC DEVELOPMENT AND RECOVERY

TUESDAY, APRIL 9, 2019

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 3:19 p.m., in room 2253, Rayburn House Office Building, Hon. Dina Titus (Chairwoman of the subcommittee) presiding.

Ms. TITUS. The subcommittee will come to order.

First, let me thank you for your patience. I know we were supposed to have started about an hour ago, and voting and other things came in the way. So thank you for bearing with us and waiting because we really do want to hear your testimony.

I will start with an opening statement, and then we will recognize the ranking member, and then the chairman of the full committee is with us here today.

The hearing today is entitled "Building Prosperity: EDA's Role in Economic Development and Recovery." I want to extend a warm welcome to our ranking member, even though he was a little late, Mr. Meadows, and the new members of the subcommittee. I am very optimistic about working with Ranking Member Meadows and Members on both sides of the aisle on the many issues that we have before this subcommittee.

Additionally, I want to acknowledge Dr. John Fleming, Assistant Secretary of Commerce for Economic Development.

Dr. Fleming, congratulations on your recent confirmation, and welcome to the EDA [Economic Development Administration] and back to the House. I am glad to have you on board. We are looking forward to working with you.

Today's hearing will take a closer look into kind of a little known and underrecognized and appreciated Federal agency that delivers one of the greatest returns on investment to the American taxpayer, and that is the Economic Development Administration. Our witnesses today are going to highlight some local examples of how EDA's grant programs have facilitated large-scale economic revitalization and transition in communities that have been in distress. Further, we will explore EDA's important role in disaster recovery and look ahead to how EDA can respond to emerging technological changes in our country's workforce.

Created in 1965 by the Public Works and Economic Development Act, EDA has for the last 54 years been the only Federal agency

specifically dedicated to local and regional economic development. It serves as a clearinghouse for economic development in the Federal Government and plays a critical role in coordinating Federal economic development programs.

With a wide variety of grant programs, including planning, public works, trade assistance, economic adjustment and innovation, EDA provides needed funding to economically distressed communities to strengthen their local business environment, ensure job creation, and fuel sustainable economic growth.

In both its application process and the annual reports to Congress, EDA prioritizes job retention and creation, as well as private-sector leveraging, to ensure the greatest return on investment to the American taxpayer.

Despite a comparatively small, \$300 million annual budget, EDA has helped create and retain more than 275,000 private-sector jobs and attracted more than \$39 billion in private investment in the last 6 years alone. I want to repeat that. A \$300 million investment has resulted in \$39 billion from the private sector.

These grants, which are awarded only to communities facing significant economic distress, are a lifeline, and they oftentimes are the only source of economic development funding that is available. EDA grants provide additional capacity, technical and strategic expertise, and targeted infrastructure investments that are guaranteed to preserve or attract new jobs.

EDA has been front and center in responding to massive economic changes brought on by industry failure, trade competition, and persistent unemployment.

With funds specifically dedicated to help coal communities, for example, transition their economies, EDA has helped to bring new hope to communities devastated by the loss of mines that has provided generations of residents with stable and well-paying jobs that are no longer there.

Through its Trade Adjustment Assistance for Firms program, EDA works with U.S. manufacturing, production, and service firms to help modernize work practices or business models to stay competitive in global markets.

Public works grants help communities make targeted infrastructure investments like sewer or water access, rail spurs, and roadways to prepare sites for new industry or expanded industry operations.

In addition to its foundational economic development mission, EDA also plays an integral role in helping communities recover from disasters. Fires, floods, hurricanes, and winter storms are enormously disruptive events that continue to have an impact well after the storm has passed and the debris has been cleared.

Congress, realizing the EDA's record of success in spurring revitalization and economic recovery, has routinely provided sizeable appropriations to EDA for disaster recovery. Most recently, Congress appropriated \$600 million in disaster recovery funding in the 2018 disaster supplemental to respond to Hurricanes Harvey, Irma, and Maria, as well as for wildfires and other disasters in 2017.

These resources provide some of the only critical economic development disaster funding that is available. After the first responders have left, EDA is still there.

So if you look at their website, you can see countless stories about EDA's success. Every disaster is different, but they are there to bring prosperity and recovery to communities hardest hit. Their disaster role is central to their new mission that is continually being challenged.

I hope after today's hearing you will all agree with me in seeing the vitality and importance of the EDA, as it promotes our country's efforts to have prosperity.

I intend to advance an EDA reauthorization bill, and I hope that you will help me in doing that in a way that will make the program work even better. So I look forward to the discussion.

And I would now recognize the ranking member, Mr. Meadows. [Ms. Titus's prepared statement follows:]

Prepared Statement of Hon. Dina Titus, a Representative in Congress from the State of Nevada, and Chair, Subcommittee on Economic Development, Public Buildings, and Emergency Management

Good afternoon. I want to welcome everyone to the first hearing of the Economic Development, Public Buildings, and Emergency Management Subcommittee in the 116th Congress. This hearing is entitled: "Building Prosperity: EDA's Role in Economic Development and Recovery".

I want to recognize the ranking member, Mark Meadows, and the welcome all the new members of the subcommittee. I look forward to working with Ranking Member Meadows and members on both sides of the aisle on the many issues we have before this subcommittee.

Additionally, I want to welcome back Dr. John Fleming, Assistant Secretary of Commerce for Economic Development. Dr. Fleming served in this body and I want to congratulate you on your recent confirmation and welcome to the EDA.

Today's hearing will take a closer look at a federal agency that delivers one of the greatest returns on investment to the American taxpayer: the Economic Development Administration.

Our witnesses today will highlight some local examples of how EDA's grant programs have facilitated large-scale economic revitalization and transition in communities that have been in distress. Further, we will explore EDA's important role in disaster recovery and look ahead to how EDA can respond to emerging changes in our country's workforce.

Created in 1965 by the Public Works and Economic Development Act, the EDA has, for the last 54 years, been the only federal agency specifically dedicated to local and regional economic development.

The EDA serves as a clearinghouse for economic development in the federal government and plays a critical role in coordinating federal economic development programs.

With a wide variety of grant programs including planning, public works, trade assistance, economic adjustment, and innovation, EDA provides needed funding to economically distressed communities to strengthen their local business environment, ensure job creation, and fuel sustainable economic growth.

In both its application process and annual reports to Congress, EDA prioritizes job retention and creation as well as private sector leveraging to ensure the greatest return on investment to the American taxpayer.

Despite a comparatively small \$300 million annual budget, EDA has helped create or retain more than 275,000 private sector jobs and attract more than \$39 billion in private investment in the past six years alone.

These grants, which are awarded only to communities facing significant economic distress, are a lifeline and oftentimes the only source of economic development funding available. EDA grants provide additional capacity, technical and strategic expertise, and targeted infrastructure investments that are guaranteed to preserve or attract new jobs.

EDA has been front and center in responding to massive economic changes brought on by industry failure, trade competition, and persistent unemployment.

Through its trade adjustment assistance for firms program, EDA works with U.S. manufacturing, production, and service firms to help modernize work practices or business models to stay competitive in global markets.

Public Works grants help communities make targeted infrastructure investments like sewer or water access, rail spurs, and roadways to prepare sites for new industry or expanded industry operations.

In addition to its foundational economic development mission, EDA plays an integral role in helping communities recover from disasters. Fires, floods, hurricanes, and winter storms are enormously disruptive events that continue to have an impact well after the storm has passed and debris has been cleared.

Congress, realizing the EDA's record of success in spurring revitalization and economic recovery, has routinely provided sizable appropriations to EDA for disaster recovery. Most recently, Congress appropriated \$600 million in disaster recovery funding in the 2018 Disaster Supplemental to respond to Hurricanes Harvey, Irma, and Maria as well as wildfires and other federally declared disasters in 2017.

These resources provide some of the only economic development focused disaster assistance and are crucial to helping communities return to normal after a major event.

After the first responders have left, EDA stays on the ground to help put together the pieces of an economy fractured by natural or other disasters. It helps create economic development plans, provides revolving loans, and fortifies infrastructure to ensure that companies wiped out by disaster return to their communities and are resilient to future disaster events.

Each disaster is different and the needs following disasters are equally diverse. Fortunately, EDA funds are flexible enough within their mission driven purpose to apply to the unique circumstances each community has faced.

Whether it is protecting a manufacturing facility from flooding, creating a small business development center in a fire-ravaged town, or rebuilding a boat manufacturer following a tornado, EDA grants have brought prosperity and recovery to communities hardest hit by natural disasters.

The disaster recovery role, while funded through sporadic appropriations, is just as central to the EDA's mission as its continually-appropriated programs.

I hope that after today's hearing, you will join me in seeing the vitality and importance of the Economic Development Administration in our country's efforts to promote prosperity.

Despite its sterling record of accomplishment, the EDA has been operating for the last eleven years on expired authorization. Even worse, this Administration has proposed in each of its last three budgets to eliminate the EDA altogether.

Congress' failure to reauthorize the EDA means we have missed the opportunity to strengthen programs, increase funding to better meet needs, and expand EDA's mission to respond to a changing economy.

This Congress, I intend to advance an EDA reauthorization that will provide certainty to the communities we are elected to serve that the federal government will remain a committed partner in the pursuit of economic growth.

I look forward to furthering that discussion in today's hearing and learning from our witnesses. I now recognize the ranking member, Mr. Meadows, for an opening statement.

Mr. MEADOWS. Thank you, Madam Chair, and congratulations on this new position. And I want to just start out by saying thank you for being very inclusive in not only our agenda as we have laid it out, but it has been so refreshing to work with you and your staff in a way that I would love to say is my expertise, but it is actually my staff director's expertise. But as we work together, I look forward to advancing this.

And since you mentioned it, in terms of a reauthorization, I know sometimes Presidential budgets set out a particular direction, and yet Congress certainly has its own agenda. And so in doing that, we are not trying to put you between what may be in the President's budget and where we are in Congress.

But I would agree with the chairwoman that we do need to look at reauthorization with reforms and how we can make sure that the American taxpayers' dollars actually get and do the best that we can. And so we look forward to working with you in a bipartisan manner and advancing that.

I would like to welcome my good friend, Dr. Fleming. It is interesting, on this particular subject, I have probably learned more about it from him than I knew, and the passion that he had, not just in serving in this capacity, but really the passion for communities that can best utilize the assistance of this particular program.

So, welcome. Having been sworn in just a month ago, I know some things—well, there are two ways things happen in Washington, DC—slow and never. And so for you, it was just slow. And we are glad that you are here, and certainly look forward to working with you and this committee as we look to examine the role of the EDA in the Federal economic development programs.

Today there are dozens of economic development programs scattered throughout the Federal Government. And for me, one of the things I would love to do—and I am sure that the chairman of the full committee would agree—as we start to consolidate and reform, let's make sure that we are most effective with that. And this is one of those programs where I think that we can put really the greatest emphasis on the target and how we actually help communities, both urban and rural communities, with Federal assistance.

So as we look to examine that, I look forward to hearing your testimony, not just from this panel, but from the second panel. But ensuring that Federal funds are strategically targeted—and I want to stress strategically targeted—and effectively used is not just critical for the taxpayers, but for those distressed communities as well.

One of the big frustrations that we have found is that when Chair Titus and I find that bipartisan sweet spot where we vote for something and actually appropriate it, and then to have those Federal dollars sit there and not be deployed, or not to be deployed effectively, it is just extremely frustrating.

And so, as we look at that, I think that we can do a whole lot. Just left the House floor where I was talking with someone from the other side of the aisle on other areas that we can streamline and work with the chairwoman on that particular issue as well.

So as we look at this in conducting proper oversight, we are going to count on you to help us with that oversight and making sure that we are effective with those programs.

Also, what I would love to see is a matrix, where we can look at that matrix and say, we are being effective here, here is how we know. You don't know whether you are getting an "A" unless you have something to measure it by.

And so as we work together to set that up, I am hopeful that we can have, really, a dashboard that gives you the way to say, all right, here is how we know we are doing a good job. What it does is that becomes our ability to actually share it with this administration and future administrations as we work to try to show how we are helping communities.

And the chairwoman actually mentioned about the role in disaster recovery, but it is not just there. EDA serves as a coordinating agency on behalf of the Department of Commerce for FEMA's economic recovery support function. And when you are doing that, what we need is one set of questions that actually coordinate where you don't have communities having to fill out questionnaires and answer different questions.

We have had two hurricanes that have hit the eastern part of our State, and the big frustration I have had is I will get calls from local city council people that have filled out paperwork, only to find out that they have got to fill it out again and again and again. And I know the chairwoman has worked with us in advancing legislation already that hopefully will start to streamline that.

As was mentioned last year, the EDA received \$600 million in supplemental funding for the 2017 disasters, and while there is often a focus, rightfully so, on ensuring disaster survivors can rebuild their homes and communities, a critical part of recovery is also bringing back those jobs and making sure that the communities have those jobs and the infrastructure there. Because sometimes manufacturing and other businesses, once a disaster hits, they just leave, instead of coming back to the very community where they long served a vibrant part of those communities.

So the effective management of those funds and coordination is really what I look forward to. I look forward to hearing from our witnesses.

And I yield back the balance of my time.

[Mr. Meadows's prepared statement follows:]

Prepared Statement of Hon. Mark Meadows, a Representative in Congress from the State of North Carolina, and Ranking Member, Subcommittee on Economic Development, Public Buildings, and Emergency Management

Today is our first subcommittee hearing this Congress. I look forward to working with the chairwoman on critical issues within our subcommittee and continuing the tradition of this subcommittee's ability to work in a bipartisan fashion.

I also want to thank my good friend and former colleague Dr. Fleming and the other witnesses here with us today. Dr. Fleming was sworn in as Assistant Secretary of Commerce for Economic Development just last month. I look forward to working with him as we examine the role of the EDA and federal economic development programs.

Today, there are dozens of economic development programs scattered across the federal government. It is important as we examine EDA's role to also evaluate any overlaps and ensure there is coordination, accountability, and transparency.

Ensuring that federal funds are strategically targeted and effectively used is critical not just for the federal taxpayer but for the distressed communities for which these programs were created. As we conduct oversight and consider potential legislation, we should look at what reforms may be needed to improve and streamline these programs. And, we should identify the best metrics to evaluate the effectiveness of these programs.

EDA also has a role in disaster recovery. EDA serves as the Coordinating Agency on behalf of the Department of Commerce for FEMA's Economic Recovery Support Function. In that function, EDA not only has the responsibility to manage its own activities and funds, but to ensure coordination with other departments and agencies with related programs.

Last year, EDA received \$600 million in supplemental funding to help in the economic recovery from the 2017 disasters. While there is often focus—and rightfully so—on ensuring disaster survivors can rebuild their homes and communities—a critical part of recovery is bringing back jobs and businesses. Effective management of these funds and coordination across agencies is critical to helping communities recover from disasters.

I look forward to hearing from our witnesses today on these and other issues.

Ms. TITUS. Well, thank you, and thank the ranking member.

And we would now like to recognize Mr. DeFazio, who is the chair of the Transportation and Infrastructure Committee.

Mr. DEFAZIO. Madam Chair [handing Congresswoman Titus a box].

Ms. TITUS. Oh, thank you. How nice. It is not even my birthday. Wow.

Mr. DEFAZIO. This would be her first official—this is the first time the subcommittee's met with you as chair?

Ms. TITUS. Yes, it is.

Mr. DEFAZIO. It is. OK. That is what I thought. It is a little commemorative gavel.

Ms. TITUS. How nice. Well, thank you, Mr. Chairman.

Mr. DEFAZIO. Yes. I mean, this one is more effective, but yeah.

Ms. TITUS. This is great. Thank you.

Mr. DEFAZIO. I am pleased to be here to support the EDA. You know, there are certainly many programs of the Federal Government that impact or try to incent economic development from the private sector. But EDA is the only Government agency focused solely on economic development.

And they have a key role. We have already heard about—Representative Meadows talks about disasters. There are other—foreign competition, communities devastated in that way, factory closures, military base closings, natural resource depletion, prolonged unemployment, natural disaster.

It is really a critical agency. And I will use one example because I like to localize things. There is a city called Coos Bay in my district. It has been, because of cutbacks in the logging industry and the loss of paper mills to China, just north of town, and some other things, it has been economically devastated.

And we will have a curtailed fishing season this year because of problems originating in California. We are just far enough north that we get restricted on certain kinds of fish when they have problems down there.

So it is a community that wants to do better, wants to keep their kids home, but most kids end up moving somewhere else after they graduate school, because there is not a lot of opportunity.

And in one particular area there is a looming, as there is in many places in America, but even worse there, a looming crisis in healthcare. We have a great community college, and they have a very small nursing program. And people will apply 4 years in a row to try and get in the program—who are totally qualified—because the program is so limited by local circumstances.

So back in 2013 they began a very ambitious program to build a new health technology center and dramatically increase the size of the nursing program, something that they need, something my State needs, something the country needs. And they, in a depressed area, raised an impressive amount of money, but they are coming up a little short. And it was a lot of questions about, OK, how can we get more money, how can we move forward? And they got a \$3 million EDA grant, and the project is going forward.

So that is just one very concrete example of the benefits of this program leveraging charitable donations in a depressed community to make a very needed investment and create jobs.

Generally, EDA creates around three to four jobs per \$10,000 in funding. That is a pretty darn good investment and better than a lot of other ways that we spend money, I will tell you. So I look

forward to the reauthorization process and working with the chair and the ranking member.

With that, I yield back the balance of my time.
[Mr. DeFazio's prepared statement follows:]

Prepared Statement of Hon. Peter A. DeFazio, a Representative in Congress from the State of Oregon, and Chair, Committee on Transportation and Infrastructure

Thank you Chairwoman Titus. This is the first time in several years that this committee has met to look specifically at the Economic Development Administration (EDA), and I believe it is long overdue. EDA is the only agency in the federal government focused exclusively on economic development, but it is often unheralded for the important work that it does.

Operating in communities devastated by foreign competition, factory closure, military base closure, natural resource depletion, prolonged unemployment, or natural disaster, the EDA is truly an economic lifeline. This is particularly true for the city of Coos Bay in my district.

The loss of the logging industry on federal forestland and declining fishery stocks have plagued large swaths of my southwestern Oregon district. Once thriving towns are struggling to hold on, and young people who can get out are leaving their childhood homes. Aging populations with few options are stuck in place, largely isolated from the urban centers in the northern Willamette Valley.

Consequently, an emerging crisis on the southern Oregon coast is a nursing and doctor shortage. Nearly one in three health care workers in Coos and adjoining Curry counties are over the age of 55, and there are limited training programs in the area.

Southwest Oregon Community College in Coos Bay has a nursing program, but its growth and modernization has been limited by antiquated and undersized facilities lacking modern lab space and room to grow.

In 2013, the college began fundraising and planning for a new science and health technology center that will allow it to increase its enrollment by nearly 50% immediately and eventually nearly triple the program size over time.

The college spent several years fundraising and received more private donations than anyone expected possible in such a small and economically distressed community. However, despite their best efforts, the college still did not have enough funding to build its new health and technology center. Just as administrators were preparing to give up, the EDA awarded the college a \$3 million grant to get the project over the finish line.

The EDA grant provided the absolute last dollars needed to fund the project that had been fundraising for six years. Without this funding, the college was unsure if or how the project would move forward and the residents of Coos County would suffer the consequences.

This story is exemplary of the work that EDA does. They come into communities that are barely hanging on and provide a lifeline to help turn the local economy around. EDA provides hope where there has otherwise been little cause for optimism. Much of EDA's work occurs in rural areas. In fact, historically, about two-thirds of EDA funding has been awarded to rural areas.

For this reason, I find it perplexing that the Trump Administration proposed in each of its last three budgets to eliminate the EDA. It is unfathomable to me that the President would want to eliminate the only federal agency that is specifically focused on local and regional economic development. Moreover, EDA grants and loans produce a great return on investment. EDA investments generate between 2.2 and 5 jobs per \$10,000 in funding.

Cutting the EDA is counterproductive and disproportionately hurts private sector job growth and small, rural communities. Instead, we should be working to reauthorize and provide more funding for the agency.

That is why I look forward to working with Chair Titus and my colleagues across the aisle on a comprehensive reauthorization of the EDA.

I thank our witnesses for taking time out of their busy schedules to appear before our committee to discuss this often over looked, but promising agency. I yield back the balance of my time.

Ms. TITUS. Thank you very much, Mr. Chairman. Thank you for your comments, and thank you very much for the gavel.

At this time, I would like to welcome our first witness for this panel, the Honorable Dr. John Fleming, who is Assistant Secretary of Commerce for Economic Development.

We want to thank you for being here today. We look forward to hearing from you.

Without objection, our witness' full statement will be included in the record.

Since your written testimony has been made a part of the record, the subcommittee requests that you limit your oral testimony to 5 minutes, and we look forward to hearing from you. You may proceed.

TESTIMONY OF HON. JOHN C. FLEMING, M.D., ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, ECONOMIC DEVELOPMENT ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Dr. FLEMING. Well, thank you, Madam Chairwoman, and thank you so much for inviting me here today, and certainly the ranking member, my good friend, Mark Meadows, and Chairman DeFazio.

And, in fact, it is good to be here with my current friends, but my former colleagues. And as I was telling someone a little earlier, it is very nostalgic. I spent my last 2 years here in this very building, and many fond memories of those days. And so it is just great to be able to be back here once again.

Chairwoman Titus, Ranking Member Meadows, and members of the subcommittee, it is a pleasure and a privilege to appear before you today to testify on behalf of the Economic Development Administration, which is in the Department of Commerce. EDA welcomes this hearing as an opportunity to discuss the role of the Department and the Federal Government in supporting economic development in economically distressed areas of this country.

President Trump has made restoring economic prosperity to all parts of this great Nation a priority, and under his direction, we have seen manufacturing jobs return and employment increase to levels not seen in decades.

A strong economy is critical to helping communities hit by natural disasters get back on their feet, and the President's policies on trade, tax reform, and regulatory streamlining are helpful and are helping to ensure that the economic outlook continues to improve.

As I embrace the role of Assistant Secretary, I am proud of the agency's reputation of fostering sustainable economic growth, cultivating job creation, and encouraging innovative solutions that improve local and regional economic development outcomes.

EDA facilitates long-term growth strategies for communities and businesses through collaboration, providing a framework for discussion among all stakeholders. This collaboration helps regions assess their competitive strengths, design a strategy to bring together the technology, the human capital, and the financial capital it will take to compete and provide seed money for turning a region's unique strategy into reality.

EDA's role in disaster recovery is to facilitate the timely and effective delivery of Federal economic development, assistance to support long-term community economic recovery planning, and project implementation, redevelopment, and resiliency.

In fiscal year 2018, EDA made \$587 million available to eligible grantees, communities where a Presidential declaration was issued due to natural disasters in 2017.

One of the administration's key areas of focus that EDA helps support are Opportunity Zones, which were created as part of the Tax Cuts and Jobs Act. Opportunity Zones are a powerful vehicle for bringing economic growth and development creation to the American communities that need them the most.

Recognizing the importance of this powerful new economic development tool, EDA was quick to act and made it as easy as possible for applicants within qualified Opportunity Zones to apply for EDA funding.

As a result, EDA has already seen communities across the country utilize the eligibility category when applying for EDA grants. Since fiscal year 2018, EDA invested close to \$7.3 million in 16 projects in Opportunity Zones to help communities and regions build the capacity for economic development.

One of EDA's key investment priorities under this administration is projects that support the planning and implementation of infrastructure for skills training and related facilities that address the hiring needs of the business community, particularly in the manufacturing sector. This focus leads to investments in job training facilities and innovation centers in areas experiencing rapid economic transition in their economies, such as coal-impacted communities.

Finally, I want to highlight EDA's Regional Innovation Strategies program. This program helps build regional capacity to translate ideas and inventions into products, services, and companies, as well as jobs, through increased access to capital and entrepreneurial support, ultimately increasing a region's economic competitiveness.

To date, RIS has awarded \$78 million in Federal funds and attracted an additional \$89 million in local matching funds across 180 projects in 5 grant competitions.

Members of the subcommittee, thank you for the opportunity to address EDA's efforts to enhance the global competitiveness of America's regions. I look forward to answering any questions you may have today.

[Dr. Fleming's prepared statement follows:]

Prepared Statement of Hon. John C. Fleming, M.D., Assistant Secretary of Commerce for Economic Development, Economic Development Administration, U.S. Department of Commerce

Chairwoman Titus, Ranking Member Meadows, and members of the Subcommittee, it is a pleasure and a privilege to appear before you today to testify on behalf of the Economic Development Administration (EDA) in the Department of Commerce. EDA welcomes this hearing as an opportunity to discuss the role of the Department and the Federal Government in supporting economic development in economically distressed areas of this country.

President Trump has made restoring economic prosperity to all parts of this great Nation a priority, and under his direction we have seen manufacturing jobs return and employment increase to levels not seen in decades. A strong economy is critical to helping communities hit by natural disasters get back on their feet, and the President's policies on trade, tax reform, and regulatory streamlining are helping to ensure that economic outlook continues to improve. However, even with a strong economy the Federal budget is not unlimited, and every administration is faced with difficult decisions about how to address the numerous spending demands presented

each year. To present a responsible budget that addresses the highest priorities, the President has recommended the elimination of numerous programs and a reduction in funding for others. As you all know, one of the programs recommended for elimination is the EDA, and I am confident that the Administration can continue to provide necessary Federal support for communities through other federal agencies and in conjunction with State agencies.

However, EDA is presently operating under funding provided by Congress for the remainder of this fiscal year. As I embrace the role of Assistant Secretary, I am proud of the agency's reputation of fostering sustainable economic growth, cultivating job creation and encouraging innovative solutions that improve local and regional economic development outcomes. My focus as Assistant Secretary will be the continued fostering of economic growth by supporting job creation efforts, harnessing innovation and increasing capital investments in economically distressed areas, and preparing the agency to wind down operations and transition of its authorities within the Department of Commerce when the President's budget is approved.

EDA'S RESPONSE TO TRENDS AND PRIORITIES

EDA has been an integral part of the Administration's efforts to implement a new national innovation policy. We facilitate long-term growth strategies for communities and businesses through collaboration, providing a framework for discussion among all stakeholders. This collaboration will help regions assess their competitive strengths, design a strategy to bring together the technology, the human capital, and the financial capital it will take to compete, and to provide seed money for turning a region's unique strategy into reality. To highlight this work, the following program areas are our focus:

Disaster Recovery

EDA's role in disaster recovery is to facilitate the timely and effective delivery of Federal economic development assistance to support long-term community economic recovery planning and project implementation, redevelopment and resiliency. EDA coordinates regional disaster recovery efforts in partnership with an extensive network of 391 Economic Development Districts (EDDs), 52 Tribal Partnership Planning organizations, University Centers, institutions of higher education and other partners in designated impact areas. In FY 2018, EDA made \$587 million available to eligible grantees in communities where a Presidential declaration of a major disaster was issued under the Stafford Act as a result of Hurricanes Harvey, Irma, and Maria, wildfires and other natural disasters in 2017. Towards that end, EDA has awarded over 71 grants totaling \$162.8 million to communities across the country that have been impacted by natural disasters. EDA continues to expeditiously evaluate proposals of qualifying communities.

Building off its key integration role, EDA, on behalf of the Department, also plays a crucial role as the designated Coordinating Agency of the Economic Recovery Support Function (ERSF) under the Federal Government's Natural Disaster Recovery Framework. In this capacity, EDA provides leadership and coordination for primary and support agencies, all of which share a role in the provision of grants, loans, training and other forms of assistance to support economic recovery efforts in disaster-impacted communities and regions.

Opportunity Zones

One of the Administration's key areas of focus that EDA helps support are Opportunity Zones, which were created as part of the Tax Cuts and Jobs Act. The Opportunity Zone incentive is designed to support new and small businesses, the development of blighted properties, investment in key local infrastructure projects, financing for facility construction or refurbishment, and a number of other activities. Opportunity Zones are a powerful vehicle for bringing economic growth and job creation to the American communities that need them the most. Secretary of the Treasury Steven T. Mnuchin has stated that it is anticipated that \$100 billion in private capital will be dedicated towards creating jobs and economic development in Opportunity Zones.

Recognizing the importance of this powerful new economic development tool, EDA was quick to act and made it as easy as possible for applicants within qualified Opportunity Zones to apply for EDA funding. As a result, EDA has already seen communities across the country utilize this eligibility category when applying for EDA grants. EDA's grants serve a critical function in Opportunity Zones, ensuring that communities have plans in place to direct investments strategically and facilitating the conditions that lead to economic success by building the basic infrastructure (e.g., sewer, water, road, broadband) that must be present before a company locates

new jobs in the community. Since FY 2018, EDA invested close to \$7.3 million in 16 projects in Opportunity Zones to help communities and regions build the capacity for economic development. These included \$794,420 in three projects that, according to recipient estimates, are expected to create 400 jobs and attract \$19.6 million in private investment.

Advanced Manufacturing and Workforce Development

One of EDA's key investment priorities under this Administration is projects that support the planning and implementation of infrastructure for skills-training and related facilities that address the hiring needs of the business community—particularly in the manufacturing sector. This focus leads to investments in job-training facilities and innovations centers, particularly in areas experiencing rapid economic transition in their economies, such as coal-impacted communities. EDA also is focusing attention on emerging areas such as space commerce by building the basic infrastructure and skills-base that these industries need to thrive.

Regional Innovation Strategies

Finally, understanding that innovation is the backbone of our economy and that all citizens should be empowered to pursue the dream of entrepreneurship and be enabled to carve their own paths to prosperity, I want to end by mentioning EDA's Regional Innovation Strategies (RIS) program. This program allows EDA to award funds to a broad range of communities and entities to develop and strengthen high-growth, innovation-based regional economies. The program helps build regional capacity to translate ideas and inventions into products, services, companies, and jobs, through increased access to capital and entrepreneurial support, ultimately increasing regions' economic competitiveness. To date, RIS has awarded \$78 million in Federal funds and attracted an additional \$89 million in local matching funds across 180 projects in five grant competitions. As of March 2018, RIS projects have created or retained more than 8,200 jobs and attracted more than \$1 billion in follow-on startup capital.

CONCLUSION

Members of the Subcommittee, thank you for the opportunity to address EDA's efforts to enhance the global competitiveness of America's regions. I am proud of the agency's long history and its critical role in supporting communities needing to make long-term investments following natural disasters. I look forward to answering any questions you may have.

Ms. TITUS. Well, thank you, Mr. Secretary.

We will now move to questions from the Members. Each Member will be recognized for 5 minutes to ask the Secretary questions, and I will begin by recognizing myself.

We might as well just get right to it, Dr. Fleming. In your previous service as a Member of Congress, you voted to eliminate the EDA. Furthermore, the President, though, as you mentioned, is encouraging development, he has proposed eliminating the agency in his 2020 budget.

I wonder if your opinion about the agency has changed, why has it changed, and what assurances can you give us that you really are making this a priority.

Dr. FLEMING. Madam Chairwoman, thank you for that question. You are not the first to ask that question, by the way.

Ms. TITUS. I can imagine.

Dr. FLEMING. Certainly, in my confirmation hearings, I got that question as well.

I actually voted twice against the EDA, not because I had certainly anything against EDA, but I was sent by my constituents to Washington to cut spending, with a concern about a deficit, which, as you know, still has not come under control.

I do support the President's priorities, I support his budget, and that does include the elimination of EDA.

Having said that, however, I have become a huge supporter in terms of the work done and accomplished, a fan, in fact, of the many good things that EDA has done since 1965 and what it continues to do in terms of being, I think it has already been said today, the only agency that is committed to local economic development.

And what is really so effective about it is the return on investment, the fact that for every Federal dollar spent, we get \$15 of private investment in turn.

So for that reason, as I say, I have become very enthusiastic. And in answer to your question, I am fully committed to supporting all the work and the mission of EDA as long as it remains in existence.

Ms. TITUS. Have you shared that with the President?

Dr. FLEMING. Madam Chairwoman, I have not had a conversation with the President on this or anything else, but I do appreciate the suggestion.

Ms. TITUS. Thank you.

I also want to ask you about Opportunity Zones. You said in the testimony that EDA has made it as easy as possible for applicants with qualified Opportunity Zones to apply for EDA funding, this is a big part of the tax bill. You describe it as an eligibility category. Well, can you tell us under what authority the EDA has to include this as an eligibility category?

Dr. FLEMING. Sure.

Ms. TITUS. It is not that they would be excluded, but I want to make sure they are not getting special treatment, because in the statute, as originally written, Opportunity Zones are not considered part of eligibility.

Dr. FLEMING. Yes, that is correct, Madam Chairwoman.

First of all, we have basically three areas that we are able to consider eligible. One is areas of significant or substantial economic distress, communities that are in that category.

The other is where unemployment is quite high. And we have our own internal criteria for that, which we can get into at some point if you like.

But then there is a third, is a special category, which would include, for instance, Tribal communities that may be under severe distress, and certainly disaster recovery, which has already been mentioned, \$600 million.

But we have been able to include Opportunity Zones, over, I think, 8,700 of them now that have been declared, as also eligible. Now, that does not mean that that is the lone criteria, because in some cases it may not be competitive with the distress in other areas. However, a census tract that is identified as a qualified Opportunity Zone is eligible for application for economic assistance.

Ms. TITUS. I think that is fine. I think they should be eligible. But I don't think they should be their own category and have preferential treatment, because if you look at some of those zones—I know in Nevada, some meet the need criteria, others don't.

Dr. FLEMING. Right. If I could, I would like to point out that the advantage of this is that because of the tax-favored treatment of that capital, the ability to go from a 15-to-1 return on investment can actually go much higher, many times higher, a force multiplier

effect, because remember that Opportunity Zones bring in, by way of delay and deference of capital gains tax, will bring in private investors' private capital, which will make what we do multiply many times over.

But as you point out, just because a census tract is an Opportunity Zone does not mean that it automatically gets funding through the EDA.

Ms. TITUS. Thank you.

I want to come back to some staffing questions, but my time is up, and I will do that later.

We would now turn to the Ranking Member Meadows, but he has allowed Mrs. Miller to ask questions next.

Mrs. MILLER. Thank you, Dr. Fleming, for being here today.

In 2017, the Economic Development Administration awarded over \$11 million in funding in West Virginia. Given the closure of so many mines since 2009, promoting access to new opportunities for my constituents is key.

Funding from public-private partnerships is crucial to fostering a market within my State. The EDA is one of the economic development agencies that provides oversight and service.

I would like to focus on how we can improve economic programs across Government. How can we focus on fine-tuning these critical programs to remove redundancies and best promote best practices?

Dr. FLEMING. Yes. Well, thank you for that question, Congresswoman.

The coal communities across 15 States have been hit very hard, as you say. For the last 2 fiscal years, we have been appropriated \$30 million per year to provide assistance, job training assistance, to companies and communities to retool towards some other type of business concerns that may develop there. And we are committed to supporting our coal communities, which are in transition, as you point out, and certainly need assistance wherever possible.

Mrs. MILLER. Again, I was wondering about programs, how we can improve them so that we aren't redundant, so that we can use our money wisely.

Dr. FLEMING. Oh, I am sorry. So your question really has to do more with redundancy, overlapping, and that concern.

Mrs. MILLER. Yes.

Dr. FLEMING. There has been a concern about that. The GAO looked into that, issued a report in 2012, and there was not duplication, but some overlap.

And so the OMB actually gave authority to EDA to create the EDI, which is Economic Development Integration, which is now a part of our agency. And not only do we have members on board within our office here in DC, but we have one in each district that serves in that office as well.

That person has the responsibility to integrate, to make sure there isn't overlapping and duplication, and they are in contact with our sister agencies outside of our department, which is HUD and USDA and others. So that has been improved.

However, I will also note for you that in the President's 21st-century reorganization plan, it is recommended that we should consider something else that would be under the Department of Commerce, which would be the Bureau of Economic Growth, which

would actually continue the grant responsibilities that we have today, but pull other grantors from other agencies, such again as HUD, USDA, and so forth.

So we have already been identified as the integrator for these services, but we also see the potential that we could actually achieve more economies of scale, if you will, where we could do more with what we have in place, perhaps with a slight step up in staffing and so forth, to accommodate many more grant activities, if Congress chooses to do that.

And then I would add to that, remember that, apart from our 300-or-so million dollars per year that we are appropriated, in 2018 we had a disaster supplemental of \$600 million, and we have 2 percent of that which is dedicated towards salaries and expenses. We are able to scale up to that very easily and accommodate that pipeline even though that is essentially doubling the amount of grants that we normally have.

So our capacity to develop into this Bureau of Economic Growth, if that is what is chosen by the administration or Congress, is really we are quite well positioned. We have the backbone, the back office, and the expertise that can do this very quickly and very easily.

Mrs. MILLER. Great. In your opinion, what are some of the ways in which we can promote resources and information for small communities? How can Congress help facilitate that coordination? Sort of that question was led by your past statement.

Dr. FLEMING. Right. Well, that is a good point. I must admit that when I came to Congress 10 years ago, I knew virtually nothing about the EDA. Perhaps I should have known more when I came, but there are so many different parts of Government, as we learn when we are sworn in.

But we actually have a big presence out there across the country and in the Territories. We have six district offices. And then we have, like, almost 400 district offices underneath that. So we are spread out, we are very much public facing in our activities.

And certainly we could do more, Congresswoman, to get the word out, but we are also very connected with the private sector that is involved in economic development as well. The chambers of commerce, I am already interacting with them. I have already traveled across the country, just in the 3 weeks I have been in the office. So there is a lot going on out there among the business folk, but a lot of times we in political office are not as aware.

But certainly we are dedicated to doing more, and we will work with you in the future to give you all the information necessary.

Mrs. MILLER. Thank you.

Ms. TITUS. Our next questions will come from Ms. Mucarsel-Powell.

Ms. MUCARSEL-POWELL. Thank you, Madam Chair.

And thank you, Dr. Fleming.

I am a new freshman Member in Congress, representing Florida's 26th District, and we have been a recipient of some significant funding from the EDA. Just last fall, we received a \$32 million grant that provides the Florida Department of Economic Opportunity, intended to boost the State's revolving loan fund program to help with recovery of Hurricane Irma. So I am very concerned

by this administration's decision to terminate the EDA, which is the only agency that provides funding, grants, for business innovation, for disaster relief recovery, for economic development in some of these areas.

And you mentioned in your opening statement that you are very concerned about the deficit and that you support the President's budget. But as you recall, in the last Congress, we last Congress approved a tax bill that added more than \$1.5 trillion to the deficit.

So I am a little confused. And maybe, as a young Member of Congress, you can explain to me how that fits into the overall goal of reducing the deficit, the tax bill, but then cutting an agency that provides such needed funding in some of the rural areas, some in my district, but across the country—Flint, Michigan—some of the coal-affected communities, manufacturing communities, where the President said that he wanted to invest and help these workers.

I am concerned. I am confused. If you can just talk a little bit about that.

Dr. FLEMING. Sure, I would be happy to.

Congresswoman, budgets are about priorities, and this administration has a different set of priorities than the last one, which had a different set than the one before.

A big priority, which I totally agree with, is the need for security, whether it is military security or border security. I was here during the Budget Control Act of 2011, which ended up gutting our military. My Air Force base, Barksdale Air Force Base in Louisiana, found that 50 percent of the crews were not ready and not nuclear certified for B-52s. So these are all things that are having to be addressed.

And, look, I don't have all the answers to those questions. All I can say to you is that certainly tough decisions are having to be made.

There is no question about it, EDA does fantastic work, and I will be 110 percent committed to its success, efficacy, and efficiency while I am leading it and while it is funded. But, ultimately, the funding is really the purse strings, is really here in Congress. So I don't really have a say anymore. That is now your job. As a freshman, welcome to the job. And I know it is a tough one.

Ms. MUCARSEL-POWELL. It is.

Dr. FLEMING. Because I had to go through it as well. And I am sure that you will do well at that.

Ms. MUCARSEL-POWELL. Thank you so much.

Just another question. If the EDA were to be closed and terminated, you did say that you are confident that the administration can continue to provide necessary Federal support for communities through other Federal agencies and in conjunction with State agencies.

So eliminating a \$304 million per year agency is no small task. How can you ensure that the services will continue without having the Economic Development Administration? And who will be coordinating these efforts?

Dr. FLEMING. Congresswoman, the details I don't have, but here is what I can tell you. The drawdown would take 6 years, or that is the plan under the budget. It would require scaling down the personnel over time. So it wouldn't, per se, end everything imme-

diately. It would have to scale down over time. Much of the work would have to remain under the Department of Commerce and would be disbursed under the Secretary himself or herself, whoever is in at that time going forward.

So there are contingencies for that, but I don't have details, because, again, until such time as the appropriations end, it is impossible to execute on that. But there are provisions made on that.

And, again, I would circle back to you another approach which has been suggested by this administration in the reorganization plan, would be to actually create a new agency, the Bureau of Economic Growth, that would actually take what is done here and incorporate similar items, grant-producing economic development items, from other sister agencies and departments, such as HUD and USDA and others, so that it could consolidate and actually be more cost-effective.

So that is another approach, but that is not really in the budget. That is only in the reorganization plan.

Ms. MUCARSEL-POWELL. Thank you, Dr. Fleming. I welcome more conversations with you in the future about this. Thank you.

Dr. FLEMING. Absolutely.

Ms. TITUS. Thank you.

Now, we will go to Mr. Palmer.

Mr. PALMER. Thank you, Madam Chair.

Dr. Fleming, it is good to see you. You actually look younger. I mean, do you recommend getting out of Congress?

Dr. FLEMING. No comment, no comment.

Mr. PALMER. You don't have to answer that. I will leave it at that.

Dr. FLEMING. But, let me congratulate you on your work, Congressman Palmer.

And Gary is a good friend of mine, a policy director.

So congratulations on that, and enjoyed working with you many years on many tough issues.

Mr. PALMER. Well, thank you.

I do want to ask some questions. There are probably 80 other programs that do things similar to what EDA does. And I realize that you have a different perspective, having worked there, and I am not making a judgment on the work that EDA does. But one of my colleagues made a statement that the tax cuts that we passed added \$1 trillion to the deficit. Actually, it was less than that. I think maybe meant the debt.

But the real issue is not tax cuts, is it? I mean, we are trying to put more money in people's pockets so they can make a decision on how they spend it, rather than give it to the Federal Government. Shouldn't we be reducing Federal spending and letting people keep more of their money?

Dr. FLEMING. Yes, sir, I certainly agree with that, with this caveat. One thing that, again, I have come to appreciate about EDA is that this is not a straight unmatched grant program. The grant is made to a local community, which is matched usually at least 50-50, 1 to 1. And then that draws in private capital.

And so we get, for every Federal dollar, we get \$15 of private investment in return. That doesn't count local community match.

And what is exciting about all of this is, to your point, keeping more dollars in your pocket.

The Opportunity Zone, which really is a Jack Kemp, I believe, idea, something he promoted decades ago, has now finally come to fruition. And so it gives you the opportunity to not necessarily keep the money in your pocket, but to put it in an account that you are going to see grow, and that is with some reduction in the taxation of the capital gain from that account.

And so what we want to do is to be a coordinating agency so that we work with our private partners, public-private partnership, to make sure that not only do we build jobs, grow jobs, and goods and services, but we improve blighted communities.

So in my view, as a conservative, as you are, that is much better than just spending, laying Federal dollars down without any match and without any private capital.

Mr. PALMER. My colleague, Miss González-Colón, is all teed up to ask questions. I am going to get a little ahead of her here on this.

My concern is you have got all these agencies, doing all this at the community level, and I can't dispute the investment from the private sector and certainly from local government as well, but when you have situations like you have got in Puerto Rico and you have got in Florida and Georgia and south Alabama with storms, there needs to be some issues addressed here and what you use this money for in terms of resiliency for storm mitigation.

Some of my colleagues are rightly concerned over climate change, and I share some of their concerns in that respect, that whatever we are investing in, we need to take that into account.

The thing that bothers me, Dr. Fleming, about this is that we have got all these agencies running all these programs, they are spending all this money in administrative costs, when I think we need to be thinking about the fiscal future of the country, as well as other issues related to climate change and whatever else they want to talk about.

And I understand the President is trying to eliminate the funding for the EDA. It seems to me it makes sense to look at a way to consolidate these agencies and not have to spend as much money and get more bang for the buck. Do you want to comment on that?

Dr. FLEMING. Yes, thank you.

Again, just speaking from the 3, 4 weeks I have been on service and what I see, and the capacity and the expertise and the professionalism of the people that actually do this work—and I have been out in the field already, I visited with those who are actually in the local areas—the capacity and the ability to do this and to scale up, so for, perhaps, a marginal increase in Federal dollars for salaries and expense we can accommodate a lot more than what we do.

And so that is where this idea of Bureau of Economic Growth, which is not part of the budget, but it is a part of the reorganization plan, may be something of interest to you, because that is where you get more bang for the buck.

Mr. PALMER. I would be interested in that.

I see we have a new chair.

Ms. MUCARSEL-POWELL [presiding]. I got a promotion.

Mr. PALMER. You got a promotion?

Ms. MUCARSEL-POWELL. Very quickly.

Mr. PALMER. Did they give you a gavel?

Mr. MEADOWS. Yeah, she did.

Ms. MUCARSEL-POWELL. I will use it while I am here. So the gentleman is out of time.

Mr. PALMER. I thank the gentlelady.

Ms. MUCARSEL-POWELL. I now recognize Delegate Holmes Norton from DC.

Ms. NORTON. Thank you very much, Madam Chair.

And I appreciate your testimony, Mr. Fleming.

I note that your budget is \$304 million, and for next year it is proposed to be \$30 million. Apparently, this is part of a shutdown of the agency.

Now, you have testified that there is a 15-to-1 return for the taxpayers on what your agency does. With that kind of return, one wonders whether you can tell this committee that there will be in place an institution of some kind that will continue to render the service and will get that kind of return, or will there just be nothing left in its place?

Dr. FLEMING. Well, I would like to thank you, Congresswoman, for that question. That is a very good question, and I think it is important, relevant to the Washington, DC, area, for instance. I will note that the Secretary, who is also very excited about Opportunity Zones, was asking me just the last week, he wanted to know about the Opportunity Zones in the District of Columbia. He is very interested in that, and I think there are great opportunities there.

But if the elimination occurs—and as I said, it would have to be a gradual reduction over a 6-year period—the work would have to be farmed out, if you will, to other agencies within Commerce. I don't know what they would be. It would be under the Secretary's direction. As I say, I don't have details on how that would work.

Ms. NORTON. Mr. Fleming, let me ask you this. Would you provide for the chairman of this committee the information I am requesting?

If they are going to phase it and distribute it—they have got an agency now, they are cutting budgets, that gives us 15 to 1 on the return. Have you had an increase in your budget over the past couple years?

Dr. FLEMING. Apart from the supplemental, basically no—

Ms. NORTON. So even without an increase, you are still getting—

Dr. FLEMING. Right. Sure.

Ms. NORTON. I don't know how I could name another agency that shows that kind of return.

So we would like you to provide—the administration to provide through you—an analysis of whether or not that kind of return is going to be built into whoever gets your function. And we would like to see an outline of how these, the functions—very small agency you have—will be distributed and some analysis that it will be as efficient as this very small agency has been. So I am saying that for the record and for, I am sure, the chairman.

This is a period of—I just came from a hearing on climate change. It is very frightening. We are not talking about something

to come. We are talking about something that is being felt, especially in some Members' districts.

How does the EDA help communities plan for those kinds of disruptions? They are very much greater than, let us say, even 10 years ago or even last year. Are you in on the planning process, so before somebody gets hit, for example, in the panhandle, EDA, as small as it is, has been able to be helpful?

Dr. FLEMING. That is a great question, Congresswoman, and here is what we do. We focus in on weather events rather than climate. So as we improve and renew, we mitigate for resiliency.

Ms. NORTON. Can you do that ahead of time?

Dr. FLEMING. Well, sometimes we do, but more often than not, because there are more dollars involved and it is more of a crisis—let's say that a water system is flooded. Then when there are dollars used to replace that water system, it is rebuilt perhaps at a higher level or away from—so that with the next storm, it is not going to be affected.

Perhaps power lines or telephone lines that may be taken down with a storm, we push towards putting them underground, so that with the next disaster, that doesn't happen.

But I can't say, per se, and perhaps—

Ms. NORTON. Of course that may be a little more costly.

Dr. FLEMING. Oh, absolutely, no question. But then you always have to apply that to over time, some places get hit three or four times over a decade.

Ms. NORTON. So the cost-benefit would probably be worth it.

Dr. FLEMING. Exactly. Yes.

Ms. NORTON. Thank you very much, Madam Chair.

Ms. TITUS [presiding]. Thank you.

We will now go to Miss González-Colón.

Miss GONZÁLEZ-COLÓN. Thank you. Thank you, Madam Chair.

First of all I want to say thank you, Mr. Fleming—and I don't know what is happening with the sound here, but—

Dr. FLEMING. Welcome to Congress.

Miss GONZÁLEZ-COLÓN. I want to say thank you to Secretary Ross as well. I mean—

Mr. MEADOWS. Let's have you move over to Mrs. Miller's seat.

Miss GONZÁLEZ-COLÓN. Don't count my minutes. I did learn that in the State house. I was speaker of the house for a little bit.

Ms. TITUS. Reset the clock, like in a basketball game.

Miss GONZÁLEZ-COLÓN. Thank you.

Secretary Ross, every time we got hit by the hurricane we received his call and he was eager to—

Dr. FLEMING. I can hear you, if you want to—

Miss GONZÁLEZ-COLÓN. OK, yeah, but the recording is the situation.

He was eager to ask us about the different programs about EDA on the island. And in the case of Puerto Rico, \$19 million are being allocated.

And many people may not understand many of those programs, but CDBG funds are for many of those infrastructure for the Government. But the private areas, universities in the case of Puerto Rico, for research facilities, creative industries, incubators, creating

jobs directly, in the case of Aeronautical and Aerospace Institute, public works.

In the case of the island, 40 percent of our economy is just manufacturing industries. Pharmaceuticals. So that means that we do need to have a lot of research, scientific areas.

So having the different kind of industries, like the Puerto Rico Manufacturing Extension, the Foundation for Puerto Rico, a lot of NGOs, the Puerto Rico Chamber of Commerce, retailers, the Puerto Rico Trade and Export Company, among many others—I am not going to list all of them—were instrumental to receive the backup in this award of EDA. So I want to say that, because they were kind of first responders.

Dr. FLEMING. Yeah.

Miss GONZÁLEZ-COLÓN. And sometimes a lot of Federal agencies still have not disbursed the Federal funds, but that is not the case with the Department of Commerce, and that is not the case with your agencies. And I want to say that. So having said that—I don't know what happened with the microphone.

Mr. MEADOWS. Can we get some EDA money for new microphones?

Miss GONZÁLEZ-COLÓN. So having said that, I do know that making the tracking of the data is important. Making the accountability is critical to ensuring that all those Federal programs are efficient and effective, and I do support that. So how can we track all those programs, all those funds that are allocated for all those grants for, for example, universities, and creating those incentives for incubators, research, those technical assistance, and at the same time creating the jobs and seeing the whole picture in areas of disaster?

You were talking a few minutes ago about Opportunity Zones, and I am very proud to manage that in the case of Puerto Rico more than 94 percent of the island is an Opportunity Zone. Actually, I am trying to get that extended to the whole island. That should be a great opportunity. Combine that with the HOPE zones, which will provide another opportunity to combine different kind of programs, to allow Territories, in our case, that were hit to try to recover faster.

So I do believe in the agency and combining those kind of programs. So tell us how we can provide more assistance, or how can we put that data tracking, the accountability, in order to make those kind of programs react or be more effective.

Dr. FLEMING. Yes. Great question, Congresswoman.

First of all, let me say that Puerto Rico has really had two major disasters. One was the economic disaster, followed by, I guess, two hurricanes, right? One followed after the other, destroying as much as 80 percent of the island.

We have currently obligated \$19.9 million to nine projects, and I am sure there are going to be more, but we have got a lot—

Miss GONZÁLEZ-COLÓN. I am very happy to hear that.

Dr. FLEMING. OK, good. So Puerto Rico needs help, and we are happy to do it.

Your other question seemed to surround around the metrics, about measurement. I am a physician. I come from working in retail as far as business creation and business ownership. To me,

when it comes to that, continuous quality improvement and other things, I think it is important to be data-driven.

And EDA is already very data-driven. For instance, you heard me say that our return on investment, Federal dollars to private dollars, is 15 to 1, \$15 private to \$1 Federal. That is a look back over 10 to 11 years. We earmark that 3, 6, and 9 years, and we follow that. So that is very important to us. We don't make this up. It is not based on projections. We also measure the cost of it per job, sustainable job, \$13,500 per job.

So all of this is important to us. But we think there needs to be even more data collection. There need to be more things that we can do. So we are in the process of looking at that process in order to do just that.

The taxpayers deserve to know the performance of the agencies that provide assistance, how can we do better with less, how can we streamline what we do, because we want as much money on target benefitting the people as possible, not paying salaries. Not that our employees don't deserve good salaries, they do, but we want to make sure not a cent of the taxpayer money is wasted in that.

Miss GONZÁLEZ-COLÓN. Thank you. I yield back.

Ms. TITUS. I think the more they know, the more they will be impressed, so I am glad you are doing that.

Dr. FLEMING. Well, thank you, Madam Chairwoman. And also we may need to do a better job of being transparent about it, being sure it is on the website. It is to some extent now. We are going to do more work on that.

Ms. TITUS. Thank you.

Mr. Johnson.

Mr. JOHNSON. Thank you, Madam Chair. Thank you, Madam Chair and Ranking Member Meadows, for hosting this hearing today.

And thank you, Assistant Secretary Fleming, for lending your time and testimony to this discussion.

The Economic Development Administration is key to reviving communities under economic stress and creating durable regional economies throughout the United States and I am particularly concerned about President Trump's attempt to curb funding for the EDA.

It is true that the administration has called for reduced funding to the Economic Development Administration in its 2020 budget request. Is that correct?

Dr. FLEMING. That is correct.

Mr. JOHNSON. And despite EDA's success at helping American workers transition between careers, the Trump administration has called for draconian cuts to the EDA. I find this unsettling, because it is the security of our economy and job system that makes our country the land of the American Dream.

How does a robust EDA help the American economy to flourish?

Dr. FLEMING. Well, thank you for that question. And you may recall we served together on the House Armed Services Committee for years and enjoyed spending all night passing the NDAA each year.

Mr. JOHNSON. Yeah, we are coming back up on that time of year again.

Dr. FLEMING. Pretty soon. I can imagine. That is all right, I will be in bed asleep while you are awake.

Mr. JOHNSON. I transitioned to T&I from HASC.

Dr. FLEMING. Oh, did you?

Mr. JOHNSON. And I miss it. Maybe I will pick it up as a third committee at some point. But I don't miss those late nights.

Dr. FLEMING. Yes, indeed.

Well, I mean, I, in my personal opinion, in my observation, in the measurements that we make here, there is no question that what we do at EDA helps the American people. It helps enterprise. It helps commerce.

And again, what appeals to me is the fact that most of the dollars spent are by the local community and private individuals. That is really exciting to me, coming from a conservative, business-oriented background.

But having said that, tough decisions have to be made. As I said before, each President has his or her own priorities in their budget, and certainly I support our President in his priorities.

But to the extent that it is funded, and of course Congress controls the funding primarily to all agencies, we will be efficacious and efficient in spending every dime that is allowed.

Mr. JOHNSON. Thank you. Well, it was once upon a time that Congress did have authority over our appropriations process, but it is being—it is under severe threat right now. But do you believe that the EDA should be fully funded?

Dr. FLEMING. Well, Congressman, again, I do support the President's budget, and I certainly bend to the will of Congress, whatever Congress decides in association with the President. I mean, ultimately even though the appropriations come from Congress, the President has to sign it for it to go into law. So if you appropriate the money, and the President agrees and signs to it, again, we will continue our operations efficaciously and efficiently utilizing the taxpayers' money for their good.

Mr. JOHNSON. And there is no line item veto that exists at this point, so if we did plus up EDA, well, I would not expect that there would be an insistence that that appropriation not go through.

Mr. Fleming, as fossil fuels become more expensive, innovators in our country are looking for new ways to power American transportation and technology. According to Forbes, more than half a million jobs around the world were created in the renewable energy sector in 2017. And as these new alternative fuel sources are incorporated into our infrastructure, the EDA will serve a vital role to help workers transition in our flourishing economy. Are you aware that renewable energy is creating jobs 12 times faster than the rest of the economy?

Dr. FLEMING. Congressman, to be honest with with you, that is not really in my wheelhouse. I haven't studied that. I pretty much rely on the experts, and I can't claim any real expertise in that area frankly.

Mr. JOHNSON. But you do agree that it would be important that Americans are skilled in renewable energy jobs to keep up with the sector's growth in the rest of the world?

Dr. FLEMING. Well, I think it is a good thing that we have jobs available for Americans. As you know, unemployability levels are at historic lows today, not least of which is because of the deregulation and the reduction in taxes that have so much stimulated the economy.

And I come from an area where natural gas has been very successful, so whatever types of energy we use, we want it to be the cleanest and the most cost effective possible, and we are always happy when it creates jobs.

Mr. JOHNSON. Well, you are a true gentleman and a scholar, and I have enjoyed our discourse today.

Dr. FLEMING. Yeah. Thank you.

Mr. JOHNSON. And I long for the time when we can have this kind of discourse with all members of the administration as opposed to obfuscation and evasion and outright sometimes deception and lies. But thank you for your testimony today.

Dr. FLEMING. Thank you, sir.

Mr. JOHNSON. And with that, I yield back.

Ms. TITUS. Thank you, Mr. Johnson.

Before I yield to the ranking member, I just want to point out there have been a number of comments about the what if scenario about reorganizing or dissolving or spreading out the programs among other agencies. Know that there is no real appetite from this chair to move in that direction. We are much more interested in reauthorizing, improving, strengthening, and if anything, bringing some of those other grant programs under this umbrella. So just to be sure that we are clear there. Now I recognize the ranking member.

Mr. MEADOWS. Thank you, Madam Chair.

And so Dr. Fleming, let me kind of pick up where she just left off. I spoke to Ms. Norton as she was leaving, and I know she asked you to get to this committee how you would actually go through devolving and actually closing down, and I asked her if it was all right with her, and I would assume with the chairman as well, if it is all right with her if we go the other way.

Here is what I would like to ask you to do. Instead of coming up with plan on how you won't exist, would you be willing to work with this committee and come up with a plan how to reform, expand, and consolidate some of those other programs? And I think that would be real helpful as we look at that if you are OK with that Madam Chair?

Ms. TITUS. That is exactly the point I was trying to make.

Dr. FLEMING. I would be very happy to. We would welcome that. As you know, our staff across the board, 200 of them, career staff who are very dedicated to the work that we do, they get up every morning looking for ways to do a better job, so we would be happy to work with you on that.

Mr. MEADOWS. Well, I know that they don't know this, but I know that you have been bragging about them behind their backs, you know, just how unbelievably professional. And I didn't realize how disperse they were across the country. I mean, there was—and this is my fourth term, and you would have thought that I would have picked up on that just in the air, but thank you for pointing

that out. Here is what I would ask, then. If you could work with your team to do that.

The second part of it is I can't imagine any scenario where you do not get at least the same level of funding that you have gotten, you know. Unless things are going to take a huge U-turn, you and I both know that the chances—while I applaud the fact that you are saying you are supportive of the President's budget and his initiative, I also know that the chances of their being no appropriations or a reduction are slim to none, you know.

Candidly, I think if we look at that, and hopefully that is good news to the employees that work for you, and I am not asking you to comment on that. But as we look at this, here is what would be extremely helpful to me is I mentioned it in my opening remarks, a matrix on how we are successful. For me, I want to measure, and if I can measure and Chairwoman Titus can measure, then all of a sudden we can take that, regardless of who is in the White House and say here is why it is successful. Not just in generic terms in terms of a reform, but if you can help us come up with a matrix on how you are successful, are you willing to do that and get that to the committee?

Dr. FLEMING. Yes, sir. Not only are we willing, but we are capable, and again, we have a lot of data to show. Again, we are data-driven, so we don't want to talk in blue sky. We want to talk about what we are capable of doing as proof by history. So we would be, you know, excited to work with you on that.

Mr. MEADOWS. One of the other areas I would ask you to look at, if you would, for us, is with regards to USDA which is obviously a different agency. When you think of economic development, all of a sudden what happens, it gets very gray when it gets to our congressional districts. I am in a rural part of North Carolina, as you know, but it can be an EDA grant, or it can be a USDA grant or a USDA loan.

And, candidly, I get more calls about this particular project, and it could be a WRDA project. It could be—there are just so many different, and yet in the minds of local county commissioners and city officials, they see it as economic development. I mean, pure and simple.

So if you can identify those areas that perhaps are not under the purview of the Commerce Department and how we could potentially identify those, that gets a much—it is much more difficult legislatively than just a reauthorization, but we would love to work with OMB to see how we can do that and streamline that so that it is a one-size-fits-all.

I mean, when the Congresswoman was talking about the fact that she didn't have a problem with Commerce in terms of the distribution of money when all I have heard are about problems in Puerto Rico, I mean, you get an A. The rest get an F. And so what I want to do is take the good practices that you and a lot of your colleagues right behind you are having. If you can help us do that as well, are you willing to do that with this committee?

Dr. FLEMING. Yes.

Mr. MEADOWS. Yes.

Dr. FLEMING. Very much so.

Mr. MEADOWS. All right. With that, I yield back.

Ms. TITUS. Thank you.

As you put together that data, would you include in there some of the staffing issues because I know you have only granted out about a quarter of the amount of money that was appropriated for disasters, and I think part of that may be because of lack of staffing, so that would be important information for us to have. I know some of the other agencies have special hiring authorities. EDA doesn't, but maybe as we reauthorize, that would be something to look at.

Dr. FLEMING. I would be happy to work with you on that.

Ms. TITUS. Thank you.

Are there any other questions for this witness from the Members? If not, well, we thank you very much, Dr. Fleming, for being here, and we look forward to working you to save and improve this agency, not dissolve it.

Dr. FLEMING. Thank you very, very much, Chairwoman Titus, and Ranking Member Meadows. And again, I miss you guys. I wish I could be back on the floor voting with you, but I am having a lot of fun here at EDA as well.

Mr. MEADOWS. You were about to say you are having a better time.

Dr. FLEMING. You know me too well, Mark.

Ms. TITUS. I won't tell Mr. Johnson that. Thank you.

We will ask for the second panel to please join us at the table. Thank you very much.

Welcome to the subcommittee hearing. We would like to introduce the members of our second panel. Mr. Kevin Byrd, executive director for the New River Valley Regional Commission who is here on behalf of the National Association of Development Organizations. Welcome.

The Honorable John Messner who is vice chairperson, District 1 commissioner, Gunnison County, Colorado, Board of Commissioners. Our commissioner is here on behalf of NACo, National Association of Counties.

Mr. Mark Muro, policy director and senior fellow at Brookings, and Mr. Rodrick Miller, chief executive officer, Invest Puerto Rico, on behalf of the International Economic Development Council. Thank you all very much. We look forward to hearing from you.

Without objection, our witnesses' full statements will be included in the record. And as with the previous panel, since your written testimony is part of the record, we would ask that you limit your oral testimony to just 5 minutes and kind of sum up for us.

Before we hear from you all, I would like to recognize the gentlelady from Puerto Rico, Miss González-Colón, to further introduce Mr. Miller.

Miss GONZÁLEZ-COLÓN. Thank you, Madam Chair, and I will say that I don't mind if the microphone gets bad because I just get upgraded here.

I want to just extend—thank you for extending me the honor of introducing Mr. Rodrick Miller. He is the chief executive officer of Invest Puerto Rico. He is charged with carrying out a nonprofit mission to attract new businesses and investment capital to the island. This is basically a new job he just got after Act 13–2017 provided in Puerto Rico to have Invest Puerto Rico which is a non-

profit organization created to promote Puerto Rico as a competitive investment jurisdiction and to attract new businesses and capital investment to the island.

Mr. Miller has recently joined this team after working as the president and CEO of the Detroit Economic Growth Corporation. He has also worked for the New Orleans Business Alliance for Economic Development, the Baton Rouge Area Chamber, the Greater Phoenix Economic Council, and was the economic development administrator of the city of Glendale, California.

During his career, Mr. Miller has played a leading role in a diversity of projects ranging from the attraction of Microsoft regional headquarters to Detroit, helping structure transaction leading to significant real estate development such as the Outlets at the Riverwalk in New Orleans, and Coyotes Stadium in Phoenix, Arizona. I want to thank him for such an important task and I look forward to hearing his vision for Puerto Rico.

And thank you for coming for the committee, and Madam Chair, for allowing me to introduce him.

Ms. TITUS. Well, thank you for that introduction.

Mr. Miller, first Katrina, now Puerto Rico. You are just a storm follower; is that what you are? Thank you for being here.

Mr. MEADOWS. He may be the causal effect of that.

Ms. TITUS. We will start with you, Mr. Byrd. Thank you.

TESTIMONY OF KEVIN BYRD, EXECUTIVE DIRECTOR, NEW RIVER VALLEY REGIONAL COMMISSION, ON BEHALF OF THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS; HON. JOHN MESSNER, VICE CHAIRPERSON, DISTRICT 1 COMMISSIONER, GUNNISON COUNTY, COLORADO, BOARD OF COMMISSIONERS, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES; MARK MURO, POLICY DIRECTOR AND SENIOR FELLOW, BROOKINGS INSTITUTION; AND RODRICK T. MILLER, CHIEF EXECUTIVE OFFICER, INVEST PUERTO RICO, ON BEHALF OF THE INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

Mr. BYRD. Good afternoon, Madam Chairwoman Titus, and Ranking Member Meadows and members of the committee. I really appreciate the opportunity to join you today and testify on behalf of the importance of the Economic Development Administration in my community, my region, and our Nation.

My name is Kevin Byrd. I am the executive director of the New River Valley Regional Commission. We are based in Radford, Virginia. We are a governmental agency that is dedicated to facilitating economic and community development and regional collaboration.

My professional experience includes more than 15 years in community development and over 9 years in my current role. I also serve on the board for the National Association of Development Organizations known as NADO. NADO is an association that represents hundreds of other regional development organizations like mine across the country. These organizations serve as catalysts for regional economic development, public-private partnerships, and strategic initiatives designed to fulfill locally identified priorities.

Today I will address four key issues pertaining to the Economic Development Administration. First, I will explain the significance of EDA to my community and my region. Second, I will highlight the significance of EDA's national impact. Third, I will reiterate the importance of EDA's planning grants to economically distressed regions. And finally, I will underscore the importance of reauthorizing EDA and recommend opportunities for reforms and enhancements of EDA.

So I will begin by highlighting the significance of EDA to my community and my region. My organization is comprised of 13 local governments and 3 institutions of higher education. We act as a convener across all sectors in four counties and the city in southwest Virginia.

EDA investments have had a tremendous impact on my region as they supported many successful government economic development projects, including one that I will highlight for you today. That is Virginia Tech Corporate Research Center.

EDA made one of the first investments in the Virginia Tech Corporate Research Center which specializes in technology transfer from university research. EDA invested \$600,000 in the late 1980s and also invested \$2 million in 2009 to support a second phase of development. Today the Corporate Research Center is comprised of more than 180 high-tech firms and research centers and employs more than 3,000 people.

In my role as first vice president of NADO's board, I work with the executive directors of similar organizations, across the country, who have regions that have benefitted immensely from job growth brought about by EDA investments.

This brings me to my second core topic I would like to highlight for you today, the significance of EDA's national impact on economic growth. Between fiscal year 2012 and fiscal year 2017, EDA has invested over \$1.6 billion in 4,058 projects to help communities and regions build capacity for economic development. In return for this investment, it is anticipated 277,163 jobs will be created or retained, and more than \$39 billion in private investment will be attracted, according to recipient estimates. EDA's portfolio of programs allow communities to apply for assistance as a tailored fit to meet their unique needs.

I also want to emphasize that EDA is the only Federal agency with the sole mission of helping to create high-quality jobs in the United States. EDA already has in place an Economic Development Integration team that works across the Federal Government to align and strengthen programs.

Another important component of EDA, the partnership planning grants awarded to economic development districts. These grants serve as essential building blocks. They are the backbone of successful projects that guide local, State, and Federal investments which directly lead to job creation and retention.

EDA and its network of regional offices, integrators, and economic development districts across the country are well positioned to help communities navigate and take advantage of the opportunities in this program.

Finally, I will ask you to take advantage of some opportunities for reforms and enhancements of EDA. I also encourage you to in-

crease EDA's annual authorized funding level. I urge you to support a modernization of EDA's role and encourage you to elevate EDA as the key Federal partner helping economically distressed and rural communities keep pace with the technological advancement, automation, and economic shifts that occur as a result.

EDA has been a key partner in helping communities develop comprehensive economic development strategies that facilitate a process of assessing distressed regions' changing economic drivers and helping them refocus their efforts on promising investments.

I also want to highlight the importance of the loan services EDA offers for small businesses through the revolving loan fund program. The reporting requirements associated with it are particularly burdensome. Currently, RLF awards stay in Federal control in perpetuity. RLFs should be fully transferred to the local intermediary within a specified number of years after final disbursement of a grant, 7 years is our suggested duration. This is standard protocol by which other Federal agencies operate their RLF programs. I encourage the committee to support efforts to reform EDA's RLF in this manner.

So in closing, EDA has a record of success and is an essential partner. Therefore, I encourage you to support reauthorization and continued funding for the agency. Thank you again for the opportunity to address you today, and I look forward to answering your questions.

[Mr. Byrd's prepared statement follows:]

Prepared Statement of Kevin Byrd, Executive Director, New River Valley Regional Commission, on behalf of the National Association of Development Organizations

Chairwoman Titus, Ranking Member Meadows, and members of the subcommittee, thank you for the opportunity to testify today on the importance of the Economic Development Administration (EDA) to my community, my region, and our nation.

My name is Kevin Byrd, and I am the executive director of the New River Valley Regional Commission in Radford, Virginia. We are a public government entity dedicated to facilitating economic and community development and regional collaboration. My professional experience includes more than 15 years in community development, including 9 years in my current position.

I also serve as a board member of the National Association of Development Organizations, known as NADO. NADO is an association that represents hundreds of other Regional Development Organizations like mine across the country. These organizations serve as catalysts for regional economic development, urban and rural planning, public-private partnerships, and strategic initiatives designed to fulfill locally-identified priorities. They also collectively assist thousands of cities and counties across the country with economic development, workforce training, transportation planning, public infrastructure, affordable housing, disaster prevention, public health, and other community services.

Today, I will address four core issues pertaining to the Economic Development Administration:

1. First, I will explain *the significance of EDA to my community and my region.*
2. Second, I will highlight *the significance of EDA's national impact* on regional development, job creation, and economic growth and competitiveness in communities across the country.
3. Third, I will reiterate *the importance of EDA's planning grants to economically-distressed regions;* and,
4. Finally, I will underscore the importance of *reauthorizing the EDA*, and I will recommend *opportunities for reforms and enhancement* of the EDA that could be accomplished via reauthorization.

I will begin by highlighting the significance of EDA to my community and my region. My organization, the New River Valley Regional Commission, is comprised of 13 local governments and three institutions of higher education. My organization acts as a convener of local and state elected officials, economic development practitioners, business leaders, non-profit organizations, educators, and other stakeholders within a defined region that includes four counties and the city of Radford, Virginia. We serve the region by providing needed services and technical assistance, such as strategic planning, project development and implementation, and access to capital. We also help deploy needed federal, state, and local funds into the region, and we help to ensure compliance, accountability, and the timely implementation of projects.

EDA investments have had a tremendous impact on my region, as they have supported many successful economic development projects, including two that I will highlight today: the Virginia Tech Corporate Research Center, and the New River Valley Commerce Park.

- EDA made one of the first investments into the Virginia Tech Corporate Research Center which specializes in technology transfer from University research. EDA invested \$600,000 in the late 1980's, and also invested \$2 million in 2009 to support a second phase of development. Today, the Virginia Tech Corporate Research Center is comprised of more than 180 private high-technology companies and research centers and employs more than 3,000 people. There are 35 buildings currently in the park, with room for an additional 16 buildings.
- Additionally, the New River Valley Commerce Park is a 1,000+ acre, publicly-owned industrial site located in Pulaski County, Virginia just 30 minutes from Virginia Tech. A \$3 million investment from EDA, along with local matching dollars from eleven local governments helped provide a water line, pump station upgrades, and other infrastructure ultimately allowing one million gallons of water per day to be delivered to the site. The first tenant of the New River Valley Commerce Park is Red Sun Farms, the largest producer of organic tomatoes on the east coast. Today, Red Sun Farms employs more than 100 employees at an average wage of \$13.36 per hour, with a nearly \$23 million capital investment to date at the Commerce Park location. Currently, three new international prospects are considering the site.

EDA's success stories extend far beyond my region. In my role as First Vice President on NADO's board, I work with the executive directors of similar organizations across the country whose regions have also benefitted immensely from job growth and community development brought about by EDA investments. Particularly in economically distressed areas of the country, EDA investments are essential.

This brings me to the second core topic I'd like to highlight for you today: the significance of EDA's national impact on regional development, job creation, and economic growth and competitiveness in communities across the country.

Between FY 2012 and FY 2017, EDA invested over \$1.6 billion in 4,058 projects to help communities and regions build capacity for economic development. In return for this investment, it is anticipated that 277,163 jobs will be created or retained, and more than \$39 billion in private investment will be attracted, according to recipient estimates.

EDA's portfolio of public works, economic adjustment, strategy development, business finance, technical assistance, and research and evaluation programs allow communities to apply for assistance tailored to fit their unique needs. EDA has developed a strong record in assisting communities struggling to overcome both long-term economic challenges (such as persistent poverty) as well as sudden severe economic adversities (such as plant closures and industry loss). Through its full range of program tools, the agency is positioned to help areas recover from economic downturns, industry and military base closures and realignments, natural disasters, and declines in resource-based industries like coal, fisheries, and timber.

I also want to emphasize that EDA is the only federal agency with the sole mission of helping create high-quality jobs in the United States. And EDA investments are successful in fostering collaborations with the business leaders, and public-private partnerships with industry stakeholders. For these reasons, EDA is uniquely suited to be the lead federal agency driving economic development. EDA has in place the policy, program, and partnership framework necessary to drive federal economic development efforts forward in a strategic, coordinated, and efficient manner. Furthermore, EDA already has in place an "Economic Development Integration" (EDI) team that works across the federal government to align and strengthen programs, and to reduce duplication of federal programs and planning processes. EDA's integration team also helps to break through bureaucratic red tape and make the most of taxpayer money. EDA's integration team is yet another example of how

EDA is already serving to lead economic development efforts across the federal government. I encourage this committee to support efforts to continue to elevate EDA as the lead agency coordinating all economic development efforts at the federal level.

Another important component of EDA's investment at the local and regional levels is the Partnership Planning grants given to economic development districts. These grants serve as essential building blocks that are the backbone of successful investment projects, which ultimately lead to job creation and retention in our communities. The products of the planning process also serve as guiding documents for local and state investment. EDA's network of hundreds Economic Development Districts (EDDs) across the country have decades of experience in implementing strategic economic development planning. Furthermore, EDA and its network of regional offices, integrators, and EDDs across the country are well-positioned to help communities navigate and take advantage of the Opportunity Zones program, along with other new economic development resources, investments, and opportunities as they become available.

Finally, for all these reasons, I stand before you today to encourage you to reauthorize the EDA. In doing so, I ask that you to take advantage of some *opportunities for reforms and enhancement* of the EDA's programs and impact that could be accomplished via EDA reauthorization.

EDA was originally created by the Public Works and Economic Development Act of 1965. EDA continues to operate from year-to-year through the annual congressional appropriations process, but its last authorization lapsed in 2008. I stand before you today to encourage the committee to support a reauthorization of EDA that would further EDA's role as a key driver of long-term economic development and growth in communities across the country. I also encourage you to support *an increase in EDA's annual authorized funding level.*

In tandem with a reauthorization of EDA, I also urge you to support a *modernization of EDA's role* in helping to bring economically distressed communities into the 21st century. I encourage you to *elevate EDA as the key federal partner* helping economically distressed and rural communities keep pace with technological advancement, automation, and the economic shifts that occur as a result. Although we all know that technological innovation helps move our nation forward and creates economic prosperity, we also know that these trends are leaving some parts of the country behind and are having a negative impact on many rural and economically distressed communities. EDA has been a key partner in helping these communities develop Comprehensive Economic Development Strategies (CEDs) that facilitate a process of assessing distressed regions' changing economic drivers and helping them refocus their efforts on investing in industries and workforce training efforts that help expand learning pathways and upskill workers to compete in the national economy.

I also want to highlight the importance of the loan services EDA offers for small businesses. EDA's Revolving Loan Fund (RLF) program supports small businesses and entrepreneurs by providing gap financing at or below market rates. The RLF program is particularly beneficial to businesses that might not otherwise be able to borrow capital.

While the EDA RLF program is important and highly beneficial to communities across the country, the reporting requirements associated with it are particularly burdensome. Currently, EDA RLF awards stay in federal control in perpetuity. As a result, recipients are required to comply with extensive federal reporting and audit requirements indefinitely, even if those funds were first capitalized decades earlier. In order to remedy this issue, ownership of EDA RLFs should be fully transferred to the local intermediary within a specified number of years after final disbursement of the grant (seven years is the suggested duration). This is a standard protocol by which other federal agencies' RLF programs operate. I encourage the committee to support efforts to *reform EDA's RLF* in this manner.

As Congress considers proposals to rebuild our nation's infrastructure, support economically distressed and rural communities, facilitate disaster recovery, and invest in drivers of economic growth, EDA remains a strong resource to assist in these endeavors. EDA has a strong record of success and has been an essential partner, and I encourage you to *support reauthorization and continued funding for the agency.*

Thank you again for the opportunity to address the subcommittee today, and I look forward to answering your questions.

Ms. TITUS. Thank you very much, Mr. Byrd.
Mr. Messner.

Mr. MESSNER. Chairwoman Titus, Ranking Member Meadows, distinguished members of the subcommittee, thank you for the invitation to testify today on EDA's role in economic development and recovery.

My name is John Messner, and I am a commissioner from Gunnison County, Colorado. Today I am also representing the National Association of Counties, or NACo, which represents all of the Nation's 3,069 counties.

Counties play a major role in financing, administering, and coordinating Federal workforce and economic development programs. This includes EDA, a key pillar of the Federal, State, and local partnership. EDA programs and grants are a catalyst to spur recovery and innovation in communities throughout the country, and they are uniquely tailored to meet local and regional needs and conditions.

The bottom line is that EDA is a program that works on the ground. It is essential to helping communities transition from one economy to the next and helps to broaden local economic development efforts. It is successful because it gives us, the local communities, the tools and knowledge to help ourselves.

Counties strongly believe the program should continue to be authorized and continuously funded. I have seen firsthand the difference the EDA can make in mitigating the economic downturn and in supporting efforts to create a stable and diversified county in Gunnison County. We simply did not have the resources to pursue such a transformational initiative without the assistance of the EDA.

As a bit of a background, Gunnison County is a rural county with a population of just 16,000 residents on the western slope of the Rockies. The county encompasses 3,200 square miles, and 78 percent of the county is considered public lands. We have long relied on a few key industries for our economic stability including coal mining, oil and gas production, and outdoor recreation.

Unfortunately, both Gunnison and Delta Counties have recently faced a significant negative impact due to coal mine closures. Ten years ago, there were 4 operating coal mines in Gunnison and Delta Counties, employing over 2,000 workers. Now there is just 1 left which employs only 250 workers.

Our communities, economies, and residents have struggled as these closures have limited job opportunities in the region. Gunnison County has worked to respond to these economic changes and diversify our economy, and without assistance provided by the EDA, we would still be facing intense economic difficulties. EDA's engagement, financing, and support have been critical to our economic revitalization following the coal mining industry downturn.

In September of 2016, EDA awarded a \$650,000 grant to Gunnison and Delta Counties to create a collaborative multiagency innovation center and laboratory called the Innovation, Creativity, and Entrepreneurship Lab or ICE Lab for short. In addition to the EDA funding, the project leveraged other State and local funding opportunities and partnered with Western Colorado University.

The ICE Lab serves as a coworking space, a business incubator, and a business accelerator for local businesses. Most importantly, it has allowed entrepreneurs a place to access capital, resources,

and other startups, incentivizing them to stay and grow in Gunnison County rather than moving elsewhere. This includes retaining recent graduates of Western Colorado University.

The ICE Lab has contributed to the significant success of many businesses, several of which have expanded in just 2 years. Most importantly, these businesses operate in an extremely diverse set of industries from construction to manufacturing to food and beverage industries. These businesses have created new jobs and diversified our economy and filled a gap, providing job opportunities for those who lost them due to changes in the energy industry.

As I said earlier, without EDA's assistance, these changes and the ICE Lab would not have been possible. EDA and the ICE Lab have been the catalyst for this economic revival. Moving forward through partnerships with the Outdoor Industry Association and with other private nonprofit State and local partners, our county will remain a catalyst for industry and economic growth.

Chairwoman Titus, Ranking Member Meadows, thank you for having me here today. Counties across the country urge your continued support for the Economic Development Administration which helps us build prosperity from the ground up at the local, regional, and national levels. Thank you again for the opportunity to testify today on behalf of NACo. We look forward to partnering with Congress moving forward. I would be happy to answer any questions. Thank you.

[Mr. Messner's prepared statement follows:]

Prepared Statement of Hon. John Messner, Vice Chairperson, District 1 Commissioner, Gunnison County, Colorado, Board of Commissioners, on behalf of the National Association of Counties

Chairwoman Titus, Ranking Member Meadows and distinguished members of the subcommittee, thank you for the opportunity to testify on "Building Prosperity: EDA's Role in Economic Development and Recovery." The U.S. Department of Commerce Economic Development Administration (EDA) and its programs are vital for economic recovery, expansion and job creation to counties across the country, facilitating economic and job growth at both the local and regional levels.

My name is John Messner and I am a commissioner from Gunnison County, Colorado. I am in my third year as county commissioner and prior to that had been a member of the Gunnison County Planning Commission for six years during a period of both economic uncertainty and great opportunity. I also serve on the National Association of Counties (NACo) Environment, Energy and Land Use Policy Steering Committee, and I am glad to be representing NACo here today.

ABOUT AMERICA'S COUNTIES

Counties are highly diverse, not only in my state of Colorado, but across the nation, and vary immensely in natural resources, social and political systems, cultural, economic and structural circumstances, and public health and environmental responsibilities. Counties range in size from 26 square miles to 87,860 square miles and have populations varying from just under 100 residents to close to ten million people. As we like to say, if you've seen one county, you've seen one county.

Meanwhile, our responsibilities are often mandated by both the states and federal government. In many states, we are responsible for public health, child welfare, consumer protection, economic development, employment and workforce training, emergency management, land use planning, zoning and environmental protection.

A key component of these responsibilities is local and regional economic and workforce development. Every day, we are tackling challenges such as unemployment and underemployment and we develop local economic growth strategies. In fact, according to a 2014 NACo workforce survey, 84 percent of counties have formed workforce training partnerships with local chambers of commerce, cities, state governments or regional economic development organizations. The same survey showed

that more than 90 percent of counties participate in economic development activities, including workforce development, business recruitment and retention, regional marketing, small business support and infrastructure investments.

Counties also play a major role in financing, administering and coordinating federal workforce and economic development programs. This includes EDA, a key pillar of the federal, state and local partnership.

ABOUT GUNNISON COUNTY, COLO.

Gunnison County is a rural county with a population of just over 16,000 residents in the southwest part of Colorado, about 200 miles from Denver. The county encompasses 3,200 square miles—it is one of the largest in the state—and 78 percent of the county is considered public lands. The county has long relied on a few key industries for economic stability, including coal mining, oil and gas production, outdoor recreation, tourism and timber development. The county also has a ski resort and a university, Western Colorado University, which is an integral part of our workforce development initiatives.

ECONOMIC DOWNTURN IN GUNNISON COUNTY, COLO.

Both Gunnison County and our neighboring county, Delta County, were heavily reliant on the coal mining industry and have faced significant negative economic impacts due to coal mine closures. In fact, the region has lost 75 percent of the mining jobs in the area in just the past few years. Ten years ago, there were four operating coal mines in the North Fork region of Gunnison and Delta Counties, which employed over 2,000 workers. Now, there is just one operating coal mine left, and even it has significantly reduced operations and workforce opportunities to the point where it is only employing approximately 250 individuals. We estimate that over the last ten years our two counties have lost over 1,700 well-paying jobs, significantly impacting the families and the communities in which these workers lived. The closures of these mines occurred for several reasons, but primarily it was due to the competition with natural gas production which in current markets has been used as a less expensive resource for electricity generation.

These closures have also negatively impacted tax revenues, which in turn impact the county's ability to advance an economic development strategy for the region. Following the closures, many of the residents struggled to find new job opportunities matching their career skills.

We worked to respond to these economic changes by developing a more diversified economy. The county needed a stable and high-wage alternative to the mining industry that had previously dominated the area. However, we faced resource constraints at both the county and regional level. Without the assistance provided by EDA, Gunnison County would still be facing intense economic difficulties.

EDA GRANT PROJECT IN GUNNISON COUNTY, COLO.

EDA's engagement, financing and support have been integral to our economic revitalization following the coal mining industry downturn. Realizing the need to diversify and stabilize our economy in order to ensure resiliency moving forward, the county engaged a process called the One Valley Prosperity Project, with the goal to identify strategies and funding mechanisms to engage in economic gardening and build upon the entrepreneurial spirit we knew was inherent in our community. In September 2016, EDA awarded a \$650,000 grant to Gunnison County and City to create a collaborative, multi-agency innovation center and laboratory, called "The ICELab" (Innovation, Creativity, Entrepreneurship Lab), on the campus of Western Colorado University.

Through the ICELab, local businesses and entrepreneurs would have a space to collaborate, compete for funding and have access to a work space, allowing local businesses to grow and create new jobs in the region. The ICELab was specifically funded through EDA's Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative. POWER is a coordinated effort, involving multiple federal agencies, with the goal of aligning federal economic and workforce development programs with local resources to assist communities negatively impacted by changes in the coal industry and power sectors.

Additional partners were brought on to leverage the grant provided by the EDA, including the state of Colorado, Western Colorado University, both Gunnison and Delta Counties, the City of Gunnison and the Gunnison/Crested Butte Tourism Association.

The ICELab operates as a three-prong initiative by providing:

- A *coworking space*, which provides opportunities for people with different skills and expertise to work together in a shared space

- A *business incubator*, where different entrepreneurs and businesses can rent space and receive business coaching and resources, bringing together people with entrepreneurial ideas in a collaborative environment, and
- An *accelerator program*, where four to six organizations compete for a grant to participate in a twelve-week intensive training program for businesses that want to take their ideas to the next level and build their profile.

Businesses within the ICELab are in all stages of development. Many are up and running and starting expansion after more than two years with the ICELab, growing their local economic footprint and adding new jobs in the process. Additionally, many entrepreneurs are generating business venture ideas, which have enticed young adults and college students to stay in the region following their graduation. Western Colorado University also plays an integral role in providing workforce development and education opportunities by coordinating with organizations throughout the region to bolster small business growth.

In just two years, the ICELab has already generated several entrepreneurial success stories, helping boost new companies and expand existing businesses in a variety of sectors. The lab helped grow a local company developing hardware equipment for the fire-fighting industry and furthered the development of an invention that automates irrigation water pipelines on farms. The ICELab's success also extends to the food and beverage industry, as a hand-crafted coffee business headquartered in Gunnison County significantly expanded its regional reach by engaging with the lab's services and opportunities.

Another outgrowth of the business incubator is the development of a second incubator in the region, in partnership with the Outdoor Industry Association and AIM Media, focused specifically on outdoor recreation. This has both enhanced entrepreneurial interests in the region and spurred different businesses to consider locating branches or headquarters in the region. In fact, through the EDA grant, Gunnison County and the broader region have now developed a robust pipeline of business start-ups and private sector investments by fostering collaborative innovation projects.

We simply did not have the resources to pursue this type of transformational initiative and economic development without the assistance of EDA. EDA investments in our region, coupled with local and state funds, launched a robust economic recovery and job expansion in our community.

EDA PROGRAMS BENEFIT COUNTIES ACROSS THE COUNTRY

Since 1965, EDA has worked with local and regional stakeholders to address the fundamental building blocks for economic growth: infrastructure investment, business development, loans and financing, regional innovation strategies and public-private partnerships.

Counties strongly support EDA because the program focuses investments in the nation's most distressed areas, especially those suffering sudden or severe economic downturns. EDA's grants are particularly critical for rural areas, where resources for economic development can be scarce. Grants are awarded on a competitive basis, based on regional comprehensive economic development strategies (CEDs), and are developed and prioritized by local communities. This helps ensure that projects have significant local support and are part of a broader regional plan, rather than isolated, uncoordinated local projects. Through local and regional partnerships, counties and EDA are well-positioned to collaborate to address economic challenges impacting communities.

One major use of EDA grants for counties is for water and infrastructure projects. In one instance, McDowell County, West Virginia received an EDA award of \$1.75 million to the McDowell County Public Service District to support the replacement of antiquated water systems installed in the early 1900s. Prior to the EDA grant, water access and quality had been a major concern for the county of 27,000 people, and the new project will benefit residents, several commercial businesses and government offices in the area that currently rely on an inadequate and unsafe water supply. The system replacement will serve as the catalyst for development and economic diversification in a region also severely impacted by the decline in the coal industry by supporting job retention, creating new employment opportunities and attracting private investments to the area. The county estimates that these investments will help create 99 jobs, save 65 additional jobs and leverage \$1 million in private investment.

EDA also has a long history of successfully supporting disaster recovery and resiliency efforts by facilitating the timely and effective delivery of federal economic development assistance to recovery planning, redevelopment and resiliency. EDA is uniquely positioned to coordinate regional disaster recovery efforts in partnership

with its extensive network of Economic Development Districts (EDDs), university centers, institutions of higher education and other partners in designated impact areas.

For example, following Hurricane Irma in 2017, EDA awarded \$80,000 in 2018 Disaster Supplemental funds to Hendry County, Florida to fund the Hendry County Community Fiber Optic broadband study, which will eventually provide fiber optic broadband infrastructure across the county. Results of this study will provide essential information to support the region's effort in building a broadband system, which will help to both diversify the Hendry County economy and increase its resiliency against future natural disasters. This resiliency also helps ensure businesses remain in the county and continue to grow throughout the region.

IN CONCLUSION

EDA is proven to be an effective program for counties, communities and regions to aid in economic development and job creation. EDA programs and grants are a catalyst to spur recovery and innovation in communities, and they are uniquely tailored to meet local and regional needs and conditions. I have seen firsthand the difference EDA can make in mitigating economic downturns and in supporting our efforts to create a stable and diversified economy in Gunnison County.

EDA is a program that works on the ground, is essential to helping communities transition from one economy to the next and helps to broaden local economic development efforts. It is successful because it gives us, the local communities, the tools and knowledge to help ourselves, and counties strongly believe the program should continue to be reauthorized and continuously funded.

Chairwoman Titus and Ranking Member Meadows—thank you for having me here today. We appreciate your attention to this vital program, and I urge your continued support for the Economic Development Administration which helps build prosperity from the ground up at the local, regional and national levels.

Thank you again for the opportunity to testify today on behalf of America's 3,069 counties. I would be happy to answer any questions.

RESOURCES

- <https://www.eda.gov/annual-reports/fy2016/states/co.htm>
- <http://crestedbuttenews.com/2019/03/icelab-accelerator-goes-national/>
- <https://icelab.co/>

Ms. TITUS. Thank you, Mr. Messner.

Mr. Muro.

Mr. MURO. Chair Titus, Ranking Member Meadows, members of the committee, thanks so much for having me here to testify today on the continuing importance of the EDA and especially on an important new possible role that it needs to shoulder.

As it stands, the agency plays an essential role in supporting economic adjustment as we have heard today and resilience at local places large and small, urban and rural, amid constantly changing conditions. For that reason, it not only merits reauthorization but its budget needs to be increased, I would say, and yet, while the Commerce Department's EDA remains invaluable in its current mission, it is my view that the agency's reach and responsibilities also need to grow in response to a new issue, the opportunities and challenges for people and places associated with the spread of powerful new technologies, especially automation and increasing artificial intelligence.

That is why I want to argue that in reauthorizing the agency, policymakers should also broaden the EDA's mission and budget to include a concern about the impact of automation on local communities. The need for EDA attention to automation and AI follows from the breadth of these technologies' reach combined with their uneven impact which stem from the tendency to amplify the productivity of skilled work and substitute, that is, do away with, rote or routine work. These uneven effects across work and tasks also

lead to uneven effects across places, and in many ways, share a lot in common with foreign competition, factory shutdowns, and corporate restructuring, other threats to communities that are part of the EDA's recognized mission.

How this is playing out specifically in places is something we have looked at at Brookings with a recent research report called "Automation and Artificial Intelligence: How Machines are Affecting People and Places." It shows we look both backwards and forwards in our research. What do we find? We have overall found that the future shouldn't be cataclysmic in aggregate. Only about one-quarter of people's jobs may be threatened and face high exposure. However, that is 36 million jobs that could be jeopardized. And meanwhile, there is a lot of dislocation associated with this, and that dislocation will frequently be in the kinds of places that EDA currently serves.

Specifically, our work looks at the geography of where these impacts will hit hard, and we see special impacts in heartland States, smaller cities and towns, and in rural America. We find specifically that the automation exposure tasks reaches or achieves 50 percent of all the work in no less than 43 of the Nation's metropolitan areas in some 560 rural counties. Please check out my written testimony for maps and statistical detail on this including data cut to your own district so you can take a look at how this is playing out there.

The upshot is that while technology will surely benefit the Nation in aggregate and in its best educated urban centers, its disparate local effects will likely hit home in disruptive, locally varied ways that may disrupt labor markets, could depress hiring, and necessitate arduous community transitions in our smaller communities.

So how should you as members of this committee think about this? A few things come to mind. To begin with, the EDA should be reauthorized, and it should be significantly expanded, so making that major commitment is critical.

But a few other things. I recommend that the reauthorization explicitly name automation as an economic disruption eligible for EDA economic adjusted assistance.

A few other things. Reaffirm the EDA's commitment to regional full employment, especially to facilitate worker adjustment in hard-hit communities. Require the CEDS [Comprehensive Economic Development Strategy] plans. Incorporate analysis of emerging technologies' impacts on local people, firms, and economy. This is an important thing for communities to be thinking about looking forward. Empower EDA to launch or participate in an interagency program to help communities implement these kinds of strategies, and even expand the scope of the Trade Adjustment Assistance for Firms program to help companies adapt.

Chair Titus, Ranking Member Meadows, EDA has steadily evolved over the years to respond to a steady series of unfolding national concerns. Now automation inroads are hitting home with special force among many of the EDA's historic partners in heartland America.

Likewise, many of the agency's existing tools are highly relevant for helping such communities. Given that, the upcoming reauthor-

ization holds out a great opportunity for Congress to help America's people and places contend with a very tricky issue that is a great challenge for regions. Thank you so much for having me.

[Mr. Muro's prepared statement follows:]

**Prepared Statement of Mark Muro, Policy Director and Senior Fellow,
Brookings Institution**

PROMOTING RESILIENCE: HOW THE ECONOMIC DEVELOPMENT ADMINISTRATION CAN
HELP COMMUNITIES MAKE THE BEST OF AUTOMATION

Chairman DeFazio, Ranking Member Graves, and Members of the Committee:

Thank you for inviting me to testify today on the continuing importance of the Economic Development Administration (EDA) and, especially, on an important new role that it needs to shoulder.

As it stands, the agency plays an essential role supporting economic adjustment and resilience in local places large and small, urban and rural, and amidst constantly changing conditions. And yet, while the Commerce Department's EDA remains invaluable in its current mission, it is my view that the agency's reach and responsibilities need to now grow to encompass the opportunities and challenges for people and places associated with the spread of powerful new technologies—particularly, automation and, increasingly, artificial intelligence.

While local economic disruption is what the agency addresses, it is not now formally tasked to support communities being affected by technology-based disruption, which is now being recognized as one of the most significant sources of current and future community distress.

Along these lines, my testimony—based on new research from my group at Brookings—initially affirms the importance of the EDA before turning to the new issue of automation. At that point, my narrative focuses on:

- The nature and spread of automation
- The particular geographical stamp of its impacts
- The relevance of a modernized EDA in mitigating some of the most troublesome local side-effects of these technologies.

Overall, I argue that in reauthorizing the agency, policymakers should broaden the EDA's mission to include a concern about the impact of automation on local communities. More specifically, I suggest that the reauthorization explicitly name automation as an economic disruption eligible for economic adjustment assistance.

The remainder of this testimony elaborates on these conclusions and related points. I also am attaching our recent comprehensive study of recent and near-future automation trends and needed responses, as well as data on the significant levels of projected automation-related task disruption expected in committee members' districts.

INTRODUCTION

Even as it is currently charged and operating the EDA has a compelling mission that is only getting more important—and that merits reauthorization.

As the only federal government agency focused exclusively on regional economic development, the agency plays a critical role in fostering economic resilience in communities in an era of disruption.

In this respect, the EDA has for 54 years endeavored to help local communities alleviate conditions of economic distress by providing public works investment, planning grants, technical assistance, adjustment aid, and other supports.¹

As such, the agency—while constantly under-funded and facing uncertainty about its future—has been on the front lines of deploying a flexible set of tools to respond to an intensifying proliferation of economic challenges in communities, including foreign competition, factory shutdowns, corporate restructuring, base closures, natural resource depletion, changes in energy markets, and natural disasters.

In this way, the EDA has become the nation's principal government resource for supporting community adjustment in an era of dislocation.

Yet there is now evidence that the amount of distress that confronts the EDA is growing—and changing. The recent Great Recession was the most dire and prolonged economic crisis for smaller cities, towns, and rural areas since the Depres-

¹ Ernest Boyd, "Economic Development Administration: A Review of Elements of Its Statutory History." (Washington: Congressional Research Service, 2011).

sion. And the number and scale of weather-induced natural disasters appear to be increasing, with catastrophic implications for regions.²

And beyond that, a significant body of research literature—including my own at Brookings—suggests that emerging digital technologies, including various forms of automation and artificial intelligence (AI), have introduced a new type of disruption into the nation’s economic geography.³

Most evident to date have been machine-driven dynamics that amplify the ability of skilled workers to add value, substitute for rote work, and inject winner-take-most—or “superstar”—dynamics into markets.⁴ These trends have brought about growth surges in big, techy cities with the “right” skills and industries (think of New York, Washington, and the Bay Area) that have been accompanied by drift elsewhere. As a result, rising superstar places are now pulling away from the rest of America, leaving many smaller or rural communities with the “wrong” industries and skills in distress.

Central to these dynamics, including the problems of the “places left behind,” are the disruptive impacts of automation, which boosted star places but hit smaller, less-educated Heartland communities hard.

All of which suggests the need to add another item to the list of local economic dislocations that the EDA addresses: the fact that automation and AI, for all of their positive benefits for some, are injecting quantifiable negative impacts into many other, often-smaller, local communities. Pushing back against this challenge needs to become a new, explicit priority of the EDA as it continues to evolve with the economy and American communities.

THE AUTOMATION CHALLENGE

The need for EDA attention to automation and AI follows from the breadth of the technologies’ reach combined with their uneven impacts, which in turn stem from their tendency to *amplify* the productivity of skilled work and “substitute” for rote or “routine” work.⁵ These uneven effects across tasks, occupations, workers, and industries have hit home in disparate ways across communities in very much the same way as have such recognized EDA concerns as foreign competition, factory shutdowns, or corporate restructuring.

How is this playing out specifically, in places? Brookings’ recent research and policy report “Automation and Artificial Intelligence: How Machines Are Affecting People and Places” shows how with both a “backward-looking” analysis of national occupational trends in the “IT” era of automation from 1980 to now and a “forward-looking” analysis of the coming “AI” phase of automation.⁶

Informed by data and procedures derived from those of MIT economist David Autor, our backward-looking research suggests that while the first era of digital automation from 1980 until now did not bring mass unemployment (in fact 54 million new jobs were created) it did bring traumatic dislocation as well as wider job gains.

Most notably, the period brought a painful “hollowing out” of the labor market, which resulted from reduced demand for “mid-skill,” “routine,” or repetitive work given machine substitution for such tasks.

²See Brian C. Thiede and Shannon M. Monnat, “The Great Recession and America’s Geography of Unemployment,” *Demographic Research*, 2016; USGCRP, *Climate Science Special Report: Fourth National Climate Assessment, Volume I*, (Washington, DC: U.S. Global Change Research Program, 2017).

³Mark Muro, “Countering the Geographical Impacts of Automation: Computers, AI, and Place Disparities.” (Washington, DC: February 14, 2019). See also Mark Muro, Rob Maxim, and Jacob Whiton, “Automation and Artificial Intelligence: How Machines are Affecting People and Places.” (Washington, DC: Brookings Institution, 2019); Clara Hendrickson, Mark Muro, and William Galston: “Counter the Geography of Discontent: Strategies for Left-Behind Places.” (Washington, DC: Brookings Institution, 2018); and Paul Beaudry, Mark Doms, and Ethan Lewis, “The IT Revolution at the City Level: Testing a Model of Endogenous Biased Technology Adoption,” NBER Working Paper No. 12521.

⁴See Enrico Moretti, *The New Geography of Jobs*, (New York, NY: Houghton Mifflin Harcourt, 2013) as well as Richard Florida, *The New Urban Crisis*, (New York, NY: Basic Books, 2017). See also Mark Muro, Jacob Whiton, and Sifan Liu, “Online giants must accept responsibility for impacts on the physical world,” *The Avenue*, January 8, 2018; Clara Hendrickson, Mark Muro, and Bill Galston, “Mitigating the geography of discontent,” *LSE Business Review*, December 10, 2018; David H. Autor, Frank Levy, and Richard J. Murnane, “The Skill Content of Recent Technological Change: An Empirical Exploration,” *The Quarterly Journal of Economics*, 2003; James Manyika, Sree Ramaswamy, Jacques Bughin, Jonathan Woetzel, Michael Birshan, and Zubin Naggal, “‘Superstars’: The Dynamics of Firms, Sectors, and Cities Leading the Global Economy.” McKinsey Global Institute Discussion Paper, October, 2018; Sherwin Rosen, “The Economics of Superstars,” *The American Economic Review*, 1981.

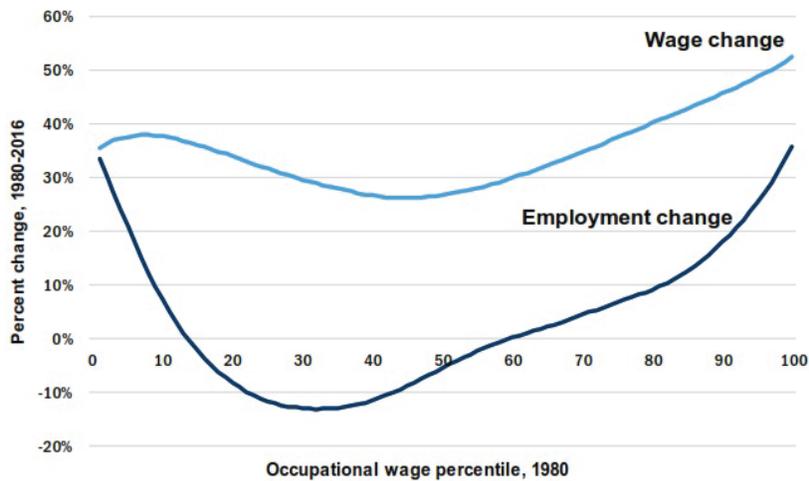
⁵Muro, Maxim, and Whiton, “Automation and Artificial Intelligence.”

⁶Ibid.

As the chart below suggests, in fact, it is very clear that the rapid adoption of automation throughout the economy caused both employment growth and wage progress to slump or cease in the middle of the skill distribution for middle-wage occupations like production and clerical workers. Only at the high and low ends of the skill distribution did employment and wages grow. Our research confirms, then, that the expansion of IT-powered automation in the decades after 1980 helped disrupt millions of “routine” middle-skill jobs, forcing large shifts of workers into low-wage service employment as robots and computers substituted for factory and clerical work even as it supported gains at the top and bottom.

Wage and employment growth has been slowest in middle-wage jobs

United States, 1980-2016

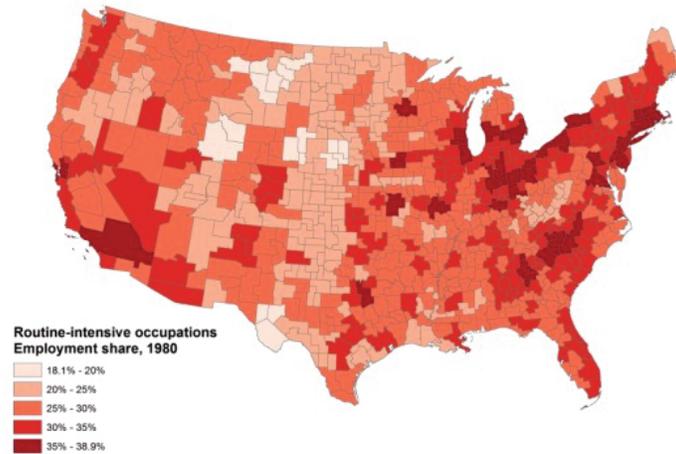


Note: Figures have been smoothed using a LOWESS regression

Source: Brookings analysis of Autor (2015), US Census Bureau, IPUMS

Nor were these effects evenly dispersed across the country. By mapping the local incidence of “routine” or repetitive work in 1980 we are able to depict the geography of automation disruption as it played out over the last four decades.

Routine share of employment by commuting zone, 1980



Source: Brookings analysis of Autor and Dom (2013)

The map is clear. Whereas routine work was spread widely throughout the country at the onset of the automation era, it was not spread evenly.

And so what has followed in the last 35 years has also been uneven. With widespread adoption of industrial robots and the personal computer (PC) came a traumatic, locally variable disruption of middle-wage employment combined with a massive shift of middle-skilled, often non-college-educated workers into lower-wage service activities. Notably, manufacturing and office administration-oriented regions—areas of the *Midwest, Northeast, South, and West Coast* with the highest concentrations of routine employment—were also the places that saw the largest shift to low-wage service employment in the information age.

In sum, the first era of digital automation has not been spatially neutral. The places with the largest exposure to routine work—such as *Detroit* with its auto factories or *New York* with its millions of clerical workers—saw some of the greatest increases of lower-skill service employment in the IT era. Their relatively large routine, middle-skill workforces came under special pressure from automation. Conversely, metro areas with lower shares of routine employment—like *Raleigh*, North Carolina, with its universities and hospitals—saw less dramatic labor market transitions.

But that's the initial IT era of automation. Now the IT era is transforming into an AI era pervaded by more powerful digital technologies such as machine learning and other forms of artificial intelligence.⁷ Which raises the question: What will the next phase of the interplay between automation and employment look like?

To shed some light on this, my group worked further with economist Ian Hathaway—a Brookings non-resident senior fellow—to analyze future trends in the AI phase of automation using estimates provided by the McKinsey Global Institute of occupational susceptibility to automation over the next few decades. (For more on our method see our paper).⁸

Once again, we linked national information on automation's projected impact on task types and occupations to information on the occupational mix of local geographies to assess potential employment outcomes in states and metropolitan areas.

What did we find? Looking at data that incorporates projections of AI's influence, the picture of future impact on occupation—and, in turn, on geography—appears a bit different from that of the earlier period.

To be sure, the overall effects of automation we anticipate look set to again be wrenching but not cataclysmic in aggregate. That only 25 percent of U.S. employ-

⁷See, for example, Darrell West and John Allen, "How Artificial Intelligence is Transforming the World." (Washington: Brookings Institution, 2018) and Chris Meserole, "What Is Machine Learning?" (Washington: Brookings Institution, 2018).

⁸Muro, Maxim, and Whiton, "Automation and Artificial Intelligence."

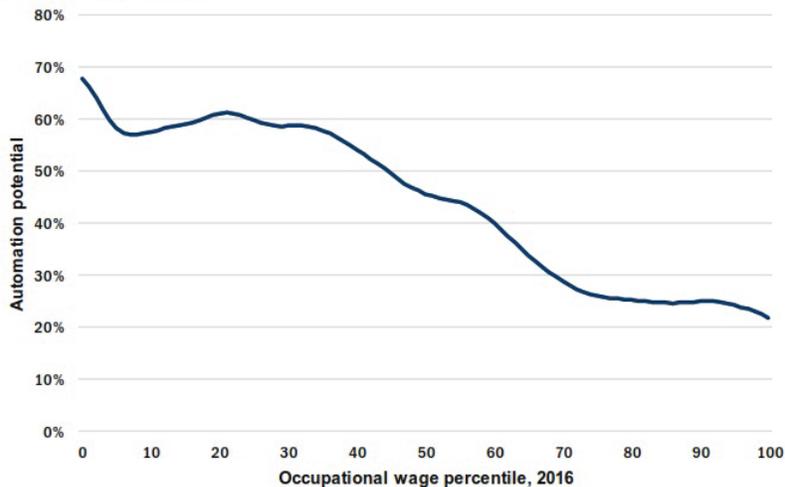
ment will face “high” exposure to automation (with 70 percent of current tasks at risk of substitution in the next few decades) seems manageable in aggregate. Likewise, it is reassuring that only about 6 percent of workers with a bachelor’s degree face high automation threats in the coming decades. All of which leaves aside the likely creation of many new jobs supported by new productivity.

However, even the 25 percent total job disruption figure amounts to 36 million jobs that will incur significant upheaval in the coming years. Furthermore, our calculations suggest that significant occupational and geographical variation lies beneath the relatively manageable aggregate figures.

At the national level, a curve describing occupations’ current automation potential (with exposure rising up the vertical axis) has a distinct new look, in that it reports the highest exposure for roles with the lowest wages (those to the left on the horizontal axis) with reduced automation exposure the more wages rise (to the right of the figure):

The lowest wage jobs are the most exposed to automation

United States, 2016



Note: Figures have been smoothed using a LOWESS regression

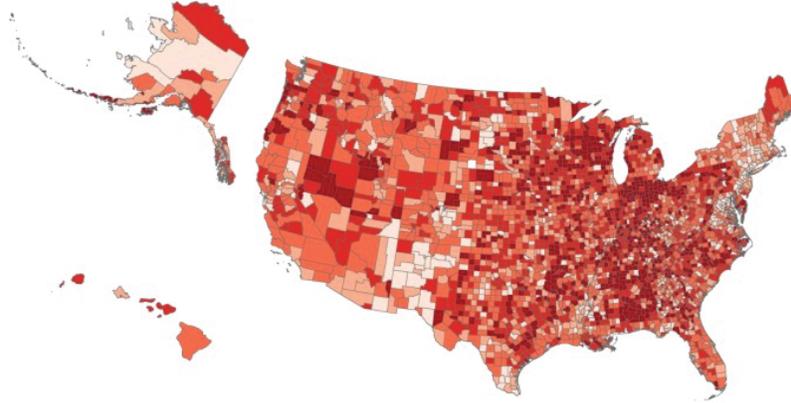
Source: Brookings analysis of BLS, Census, EMSI, and McKinsey

This curve looks different from the earlier one plotting wage and employment growth against wage levels so as to suggest automation pressure. Whereas before routine task content below the 20th wage percentile was low, here the highest potential for future automation of current tasks is concentrated among the lowest-wage earners. This reflects in part a dramatically increased projected inroads of automation into the service sector thanks to coming AI applications for food-service operations and office administration. Task-level automation potential, meanwhile, falls steadily as average wages rise. Higher earners generally continue to face low automation threats based on current task content—though that could change as AI begins to put pressure on some higher-wage “non-routine” jobs.

Turning now to the geography of these trends, we see again that while automation risk will be felt everywhere, its inroads in the AI era will continue to be felt differently across place (though now, the pattern is a little different given the broad new vulnerability of lower-end services).

Along these lines, the data for automation exposure in the AI era show that automation impacts will be most disruptive in *Heartland states, counties, and cities*. Many of these are the same regions hit hardest by IT-era changes but now the impacts will extend into lower-skill service occupations.

Average automation potential by county, 2016



Automation potential 2016

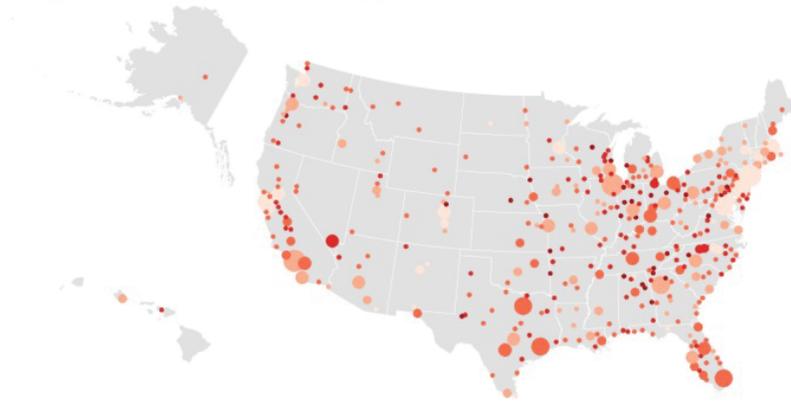


Source: Brookings analysis of BLS, Census, EMSI, Moody's, and McKinsey data

Along these lines, less-educated Heartland states and counties specialized in manufacturing and low-end service industries could be especially hard-hit by automation in the AI era, whereas well-educated states and counties along the *Boston-Washington corridor* and on the *West Coast* appear less exposed.

In parallel fashion, smaller, less-educated communities will struggle relatively more with AI-phase automation, while larger, better-educated cities will experience less disruption and be more resilient. Here's how that looks:

Average automation potential by metropolitan area, 2016



Automation potential 2016



Source: Brookings analysis of BLS, Census, EMSI, Moody's, and McKinsey data

According to the map, more than 50 percent of all workers' current employment-weighted tasks are potentially automatable in small metropolitan areas like *Kokomo, Indiana* and *Hickory, North Carolina*. In fact, the automation exposure of work

tasks reaches or exceeds 50 percent in no less than 43 of the nation's 382 metropolitan areas and in some 562 out of 1,974 rural counties. By contrast, the shares of vulnerable work in highly educated, highly digital metros like *San Jose, California* and the *District of Columbia* are just 40 percent and 39 percent, respectively. Overall, these variations owe heavily to variations in local skill and education levels. Higher education levels can serve as a stay against AI-phase automation while lower, more “routine” skills are more vulnerable to machine substitution.

In sum, the spread of AI-era automation—like the earlier IT phase—appears likely to have significant and varied local impacts on exactly the kind of communities that the EDA serves. While the technology will surely benefit the nation in aggregate and in its best-educated urban centers, its disparate local effects will likely hit home in disruptive, locally varied ways that roil local labor markets, depress hiring, or necessitate arduous community transitions. These likely local effects need to be recognized and addressed—and the EDA is better positioned than any other federal agency to take them on.

PROMOTING RESILIENCE: HOW THE ECONOMIC DEVELOPMENT ADMINISTRATION CAN HELP COMMUNITIES MAKE THE BEST OF AUTOMATION

Without a doubt the full needed federal response to automation and AI is significant and multi-dimensional—far beyond the purview and capacity of even a robustly modernized and expanded EDA.

For that reason, our recent report provides more than 20 pages of policy recommendations covering five major strategies aimed at multiple federal agencies as well as state and local government, business, educators, and the civic sector. These recommendations call on government to work with the private sector to *embrace growth and technology* so as to maintain or increase hiring and capitalize on the power of automation to foster productivity and create new work.

Five policy strategies for adjusting to automation

FIVE POLICY STRATEGIES FOR ADJUSTING TO AUTOMATION	
Embrace growth and technology	<ul style="list-style-type: none"> Run a full-employment economy, both nationally and regionally Embrace transformative technology to power growth
Promote a constant learning mindset	<ul style="list-style-type: none"> Invest in reskilling incumbent workers Expand accelerated learning and certifications Make skill development more financially accessible Align and expand traditional education Foster uniquely human qualities
Facilitate smoother adjustment	<ul style="list-style-type: none"> Create a Universal Adjustment Benefit to support all displaced workers Maximize hiring through a subsidized employment program
Reduce hardships for workers who are struggling	<ul style="list-style-type: none"> Reform and expand income supports for workers in low-paying jobs Reduce financial volatility for workers in low-wage jobs
Mitigate harsh local impacts	<ul style="list-style-type: none"> Future-proof vulnerable regional economies Expand support for community adjustment

Source: Metropolitan Policy Program at Brookings

In addition, Brookings' agenda challenges all parties to invest more thought and effort into ensuring that the labor market works better for all people. To that end,

all actors need to *promote a constant learning mindset, facilitate smoother transitions, reduce hardships for individuals whose jobs are being restructured, and help communities that are being heavily impacted.*

In this regard, it is both the first and the last challenges—of helping places make the most of emerging technologies while mitigating harsh local impacts—that calls upon this committee to articulate an important new responsibility for EDA.

As I have implied, any comprehensive strategy for making sure automation and AI work for people and places will need to help places absorb automation for their economic good while specifically addressing the hardships of local communities that are especially disrupted. In keeping with that, an overarching new commitment for the EDA is in order, as are several more particular strategies.

To begin with, the scale of the new needs highlighted here recommends not just that the EDA be reauthorized but that it be significant expanded. Along those lines our research suggests that that the reauthorization should:

- *Make a major, comprehensive investment in the EDA to raise the agency's authorized funding level significantly so as to increase its ability to support communities' efforts to build strong economies.* This testimony has noted that more communities have more to lose in an increasingly “winner-take-most” economy. Given that, this is clearly the time to double down on the nation’s investment in the EDA and to raise the agencies authorized funding level. That the agency’s 1978 funding level exceeded \$3.5 million (equivalent to about \$14 billion in today’s dollars) argues for significant multiplication of the agency’s current \$300 million authorization.

In addition, our research suggests that Congress should broaden the EDA’s mission to include a concern about the impact of automation on local communities. Specifically, I recommend that the reauthorization:

- *Explicitly name automation as an economic disruption eligible for EDA economic adjustment assistance.* Notwithstanding perennial concerns about the agency’s broad targeting, the committee should specifically and prominently call out automation-related dislocation as an important source of community economic distress that qualifies for EDA assistance. Automation is already arguably as significant a challenge for local communities as such accepted shocks as factory shutdowns, foreign competition, and the loss of manufacturing jobs. Not to acknowledge such dynamics seems arbitrary. What’s more, the current silence implicitly limits and tilts the EDA’s responses. Without an explicit naming of automation EDA responses will continue to flow toward a relatively narrow swath of trade, defense, natural disaster, and energy production industries when the true range of local distress is wider and includes significant dislocation in the service sector. With automation more prominently named the agency would be more likely to respond to on-the-ground conditions in a more relevant way through the use of its main tools, including adjustment assistance, planning assistance, technical assistance, research and evaluation, or adjustment for firms.

Beyond that, several other recommendations appear appropriate and call on the committee to:

- *Reaffirm the EDA’s commitment to regional full employment, especially to facilitate worker-adjustment in hard-hit communities.* On this point, numerous analysts agree that one of the most fundamental policy responses in the automation era must be to run a full-employment economy, with special attention paid to struggling localities.⁹ This consensus reflects the fact that in conditions of widespread hiring workers will have an easier time maintaining employment or transitioning from one job to another—a critical need given the disruptions of automation. Given that, the EDA should do more going forward to promote full-employment in the nation’s local communities. Specifically, the committee should approve, as it has approved before, the use of EDA funds as a locally targeted anti-recessionary or full-employment measure.¹⁰ Such targeting might even include providing standby authority to the President to be used to allow the EDA to allocate direct additional funds for public works projects aimed at boosting job-creation through public investment in areas of drastic need such as infrastructure, broadband, or housing.
- *Expand support for community adjustment in regions experiencing harsh local impacts from automation and AI.* Finally, Congress should not only officially

⁹ See, for example, Jared Bernstein, “The Importance of Strong Labor Demand” (Washington: The Hamilton Project, 2018); Josh Bivens, “Recommendations for Creating Jobs and Economic Security in the U.S.” (Washington: Economic Policy Institute, 2018); and Robert Atkinson, “Technological Innovation, Employment, and Workforce Adjustment Policies” (Washington: Information Technology and Innovation Foundation, 2018).

¹⁰ Boyd, “Economic Development Administration.”

empower the EDA to address automation fall-out and opportunities but bolster its budget so as to make a difference on this topic. The preceding discussion suggests the breadth and multifaceted nature of the issue. Therefore, Congress should increase the agency's ability to deploy its relevant programs and tools to help communities contending with the side-effects of automation-related job losses and labor-market dislocation. In this regard, virtually all of EDA's current programs appear highly relevant to helping rural and urban communities manage automation-related transitions so as to become more resilient. *Public Works and Economic Development Assistance* can help communities develop physical infrastructure such as technology-based facilities for utilizing distance learning for worker skill upgrading. *Economic Adjustment Assistance* could be deployed to support "bottom-up" local initiatives to mitigate dislocation and improve resilience, as with local retraining, technology adoption, and community adjustment strategies. *Economic Development Planning Assistance* could be leveraged to help states, counties, cities, and other planning regions incorporate automation issues into regional strategic initiatives. And for that matter the agency's *Technical Assistance* program can help communities promote resilience and address under- and unemployment by accessing expertise, data, reporting, and forecasts on automation trends across occupational groups, industries, and geographies.

- *Require all funded Comprehensive Economic Development Strategy (CEDS) plans to incorporate analysis of emerging technologies' impacts on local people, firms, and economy to set strategies to pro-actively embrace new trends.* CEDS are strategy-driven plans for regional economic development, which regions must update at least every five years to qualify for EDA assistance. These plans help communities assess their economic conditions and build regional capacity, and as such they can nudge communities toward embracing new technologies while working to mitigate their harshest impacts. For example, a CEDS plan must contain a strengths, weaknesses, opportunities, and threats (SWOT) analysis, in which communities assess the effects of a wide variety of regional dynamics, such as international trade and investment, workforce preparedness, and natural hazards. In that vein, communities should likewise be encouraged to assess the impacts of emerging technologies—both opportunities for new economic activity, as well as areas of risk. CEDS also require communities to incorporate the concept of "economic resilience," or a community's ability to recover from major shocks such as economic shifts or natural disasters. Here too, communities should consider their resilience in the face of disruptions caused by automation and other emerging technologies.
- *Empower EDA to launch an interagency program to help communities implement strategies for automation, AI, and emerging technology adoption, with a focus on modernizing services and maximizing co-work with new technologies.* Triage, mitigation, and defensiveness, meanwhile, should not be the sole response to automation of the EDA. In the long run embracing these new technologies will for many communities be the most effective way to maintain economic growth and provide struggling areas an opportunity to revitalize their economies. And so the EDA should support resilience by supporting communities' work to embrace technology and digital skills as a way to embrace change. However, the nation and its communities will be unable to achieve its full economic potential without better coordination across the multiple agencies of government tasked with supporting workers, firms, and communities. Accordingly, the EDA should lead in the creation of a robust interagency push for region future-proofing through technology. Among the relevant agencies are NIST's Manufacturing Extension Partnership; the Department of Labor's Employment and Training Administration; the Department of Education's Office of Career, Technical, and Adult Education; the Appalachian Regional Commission and Delta Regional Authority; the Small Business Administration; and the Manufacturing USA Institutes housed under multiple Executive Branch departments. Such a push, what's more, will need cohesion and funding.

Currently the disparate relevant offices and agencies operate with only limited coordination. And many of them, like EDA, are under the constant threat of extinction. Congress, therefore, should not only ensure a predictable, multi-year stream of funding for each of these agencies, but should also mandate that they enhance their cross-agency cooperation and align their missions to help communities embrace emerging technologies for growth. As the only federal government agency focused exclusively on economic development, EDA would be well positioned to lead such an effort.

- *Expand the scope of the Trade Adjustment Assistance (TAA) for Firms program to help companies adapt to disruptive new technologies.* Finally, the EDA should move to update its dealings with firms given the emergence of new technologies such as AI. Government policies to embrace the transformative power of emerging technologies will have significant impacts on firms across the country—creating both “winners and losers.” Some firms, particularly those who have the capacity to be early adopters of new technologies, will see a boost to their production and sales. However, others will be forced to contract, merge, or go out of business when exposed to these new technologies—threatening the livelihood of the workers they employ. The EDA’s TAA for Firms program helps firms affected by the disruptive impacts of international competition restructure their business operations, in order to minimize layoffs and boost production and sales. However, the program is narrow in scope (helping only those firms disrupted by trade), and grossly underfunded. Congress should therefore look at reorienting TAA for Firms to help companies adapt to the disruptive effects of both trade *and* technology, and should expand its budget to allow it to meet the full scope of forthcoming challenges.

In sum, expanding the EDA’s budget to deliver of these activities in automation-impacted regions would enable the EDA to continue evolving its work of helping communities retain existing jobs and generate new ones in the age of automation and AI.

CONCLUSION

Chairman DeFazio, Ranking Member Graves, members of the committee: The EDA has steadily evolved during its lifespan to respond to an evolving series of national concerns ranging from the problems of depressed rural communities and the well-being of people in urban poverty to the local impacts of outmigration, military base closures, natural disasters, trade disruptions, and the sudden loss of manufacturing jobs. Now, it is time for Congress to acknowledge and respond to the pervasive, but also locally specific, side-effects and opportunities associated with automation and AI.

Automation’s inroads are hitting home with special force among many of the EDA’s historic partners in the Heartland of America. Likewise, many of the agency’s existing tools are highly relevant to helping such communities respond.

Given that, the upcoming reauthorization of the EDA holds out a signal opportunity for Congress to help America’s people and places contend with the challenges of automation in local labor markets and employ these powerful technologies in ways that support prosperity.

Thank you again for inviting me. I look forward to addressing these issues with you.

The author would like to thank Rob Maxim, Jacob Whiton, and Anthony Fiano for help with preparing this testimony.

The views expressed in these written remarks are those of the author alone and do not necessarily represent those of the staff, officers, or trustees of the Brookings Institution.

For additional information, including an appendix of automation exposure by state, county, metropolitan area, and Committee Member districts, and a full copy of the report “Automation and Artificial Intelligence: How machines are affecting people and places,” see electronic version of submitted testimony.

Ms. TITUS. Thank you.

Mr. Miller.

Mr. MILLER. Good afternoon, Chair Titus, Ranking Member Meadows, and members of the committee. My name is Rodrick Miller. I am CEO of Invest Puerto Rico, an independent, not-for-profit, nonpartisan, private-sector driven investment promotion engine in charge of promoting Puerto Rico as a competitive jurisdiction to attract new businesses and capital investments to the island.

I am here today on behalf of the International Economic Development Council, the world’s largest professional trade association representing economic developers in the practice of economic development. I would like to thank you for this opportunity to provide testimony on the important issue of economic prosperity post-dis-

aster and the role that the Economic Development Administration has in its recovery efforts.

I would also like to extend congratulations to Dr. Fleming. I know he had to leave, but as someone who has recently transitioned into a new role, I wish him well and offer our support.

My first interaction with the EDA was post-Hurricane Katrina through the New Orleans Business Alliance where I served as the chief executive officer. Hurricane Katrina was one of the worst disasters our country had seen. In New Orleans, the EDA made several strategic multiyear investments in the creation of the New Orleans Business Alliance and a variety of other entities.

The New Orleans Business Alliance, which is a public-private partnership, is the lead economic development organization for the city of New Orleans, and it is a full-service economic development organization which means it engages in many core functions ranging from business retention and expansion, credit analysis and finance, real estate development, marketing and attraction, and many other activities. Through the critical investment of Federal funds from the EDA and the activities of the New Orleans Business Alliance, the city has been able to rebuild and thrive.

From the perspective of economic developers, the post-disaster environment is not unlike that of other professions. It involves assessment, planning, and execution. The process is like most of our work. It is a collaborative process. We engage with elected officials, business and civic leaders. We often act as conveners to advance programs, policies, and projects that will lead to the retention and creation of jobs in our communities.

While healthcare, safety, and welfare action must come first following a disaster, economic developers are hard at work, sometimes behind the scenes, enabling economic recovery. Economic needs following disaster can take many forms. From homeowners to business owners, there is an abundance of need, and unfortunately, much of it goes unmet for too long.

From the perspective of economic developers, economic recovery is no different. The practice areas that economic developers operate in, business retention and expansion and infrastructure development, marketing attraction, and so on, it isn't hard to see that the need is both great and it is varied. Does the community have a current economic development strategy? Do we have the resources to connect with our businesses and aid them in the short, medium, and long term? How can we move economically critical infrastructure projects forward like sewer systems and broadband and ports and so on that are not part of initial response but are essential to recovery? What projects have we been putting off due to the lack of resources that are now vital to restarting the economic engine of the community? Where would the resources for this come from?

This is where the EDA comes in. EDA has invested nearly \$20 million in disaster supplemental funding in Puerto Rico, and that is just the beginning. The project supports myriad components of our economy through a combination of technical assistance and infrastructure work. From supporting local retail to building facilities to house incubators, the EDA is helping to create a stronger, more resilient economy in Puerto Rico.

The EDA also supports the work of organizations like the International Economic Development Council. IEDC has, for many years now, participated in recovery efforts including providing technical assistance and training as well as marshalling volunteer economic developers like myself who are eager to go to disaster-impacted areas to help their counterparts rebuild.

The EDA, like organizations such as Invest Puerto Rico, can't do it alone. We need sustained, consistent input and support from our elected officials and from our businesses and from those living in our community. Economic development doesn't happen in a vacuum, and it really succeeds when everyone participates. Thank you.

[Mr. Miller's prepared statement follows:]

Prepared Statement of Rodrick T. Miller, Chief Executive Officer, Invest Puerto Rico, on behalf of the International Economic Development Council

Chairman Titus, Ranking Member Meadows, Members of the Committee:

Good morning. My name is Rodrick Miller. I am CEO of Invest Puerto Rico, an independent, not-for-profit, non-partisan, private sector-driven investment promotion engine charged with promoting Puerto Rico as a competitive jurisdiction to attract new businesses and capital investments to the Island. I am here today on behalf of the International Economic Development Council, the world's largest professional trade association representing economic developers and the practice of economic development. I would like to thank you for this opportunity to provide testimony on the important issue of economic prosperity post-disaster and the role the Economic Development Administration has in recovery efforts. I would also like to extend our congratulations to Dr. Fleming on his recent confirmation. As someone who has also recently transitioned into a new role, I wish him well and offer our support.

My first interaction with the Economic Development Administration (EDA) was post-Hurricane Katrina through the New Orleans Business Alliance for Economic Development, where I served as Chief Executive Officer. Hurricane Katrina decimated the city physically, emotionally and economically. At the time, Hurricane Katrina was one of the worst disasters our country had seen. In New Orleans, EDA made a strategic, multi-year investment in the creation of the New Orleans Business Alliance for Economic Development. This organization, which is a public-private partnership, is the lead economic development organization for the City of New Orleans. The New Orleans Business Alliance is a full-service economic development organization (EDO), which means it engages in many core economic development functions, such as business retention and expansion, credit analysis and finance, real estate development, marketing and attraction, among many other activities. Through the critical investment from the EDA and the activities of the New Orleans Business Alliance for Economic Development, the city has been able to rebuild and thrive.

From the perspective of economic developers, the post-disaster environment is not unlike that of other professions. It involves assessment, planning, and execution. The process is like most of our work: collaborative. We engage with elected officials, business and civic leaders. We often act as conveners to advance programs, policies, and projects that will lead to the retention and creation of jobs in our communities. While healthcare, safety, and welfare action must come first following a disaster, economic developers are hard at work sometimes behind the scenes preparing for economic recovery.

Economic need following disasters can take many forms. From homeowners to business owners, there is an abundance of need, and unfortunately, much of it goes unmet for too long. From the perspective of economic developers, economic recovery need is no different. Considering the practice areas economic developers operate in—business retention and expansion, infrastructure, marketing and attraction, and so on—it isn't hard to see that need is both great and varied. Does the community have a current economic development strategy? Do we have the resources to connect with our businesses and aid them in the short, medium and long-term? How can we move economically critical infrastructure projects forward—sewer systems, broadband, ports, and so on—that are not part of the initial response, but are essential to economic recovery? What projects have we been putting off due to lack of resources that

are now vital to restarting the economy's engine? Where will the resources come from to do all of this?

This is where the EDA comes in. EDA has invested nearly \$20 million in disaster supplemental funding in Puerto Rico, and this is just the beginning. The projects support myriad components of our economy through a combination of technical assistance and infrastructure work. From supporting local retail to building facilities to house incubators, EDA is helping to create a stronger, more resilient economy in Puerto Rico. EDA also supports the work of organizations like the International Economic Development Council. IEDC has for many years now participated in recovery efforts, including providing technical assistance and training, as well as marshalling volunteer economic developers like myself, who are eager to go to disaster impacted areas to help their counterparts rebuild. EDA, like organizations such as Invest Puerto Rico, can't do it alone. We need sustained, consistent input and support from our elected officials, from our businesses, and from those living in our communities. Economic development doesn't happen in a vacuum and succeeds most when everyone participates.

EDA has been a leader in economic recovery since the creation of the agency in 1965. It has aided communities in rural and urban settings with targeted investments that can be tailored to meet the specific needs of that community. It has worked in collaboration with other federal programs, like those at the Department of Housing and Urban Development, Department of Agriculture, Small Business Administration, Department of Labor, Delta Regional Authority and Appalachian Regional Commission, bringing their specific and unique expertise in economic development to leverage resources for better outcomes. These collaborations at the federal level are quite similar to those practiced by economic developers at the local level. We, too, work with partners in our city planning offices, our state housing authorities, our local workforce boards, our utilities, our educators, and anyone else that has a role to play in economic well-being.

EDA is an agency that, as its primary purpose, helps communities recover from economic distress. They are the experts in economic recovery and resiliency at the federal level. As this body considers both future disaster roles and statutory reauthorization of the agency, I encourage you to engage with the economic developers in your communities. Hear from them about how EDA's investments have worked. Hear also from them how EDA can do more—from defederalizing Revolving Loan Funds to supporting greater integration and collaboration across federal agencies. Given the tools and support necessary, the EDA can play a larger role in assisting communities recovering from disasters and economic distress and allow our country to build back a stronger, more resilient economy. I am confident that you will hear that my experience in New Orleans, and now Puerto Rico, is not unique and that EDA is more than worthy of your continued support.

Thank you.

Ms. TITUS. Thank you. Well, I thank all the witnesses. You have done a good job of not only giving us examples of success for the EDA but offering some very constructive suggestions as we move forward with the reauthorization. The 7-year suggestion for the RLF is something that we certainly take note of that is worthwhile.

And I want to talk some more about the automation. You say that 25 percent of U.S. employment will be challenged by the threat of automation?

Mr. MURO. Yeah. And that doesn't mean that their jobs will disappear. This doesn't mean wholesale, one-quarter of the population out of work, but it means that each of those workers will confront substantial change and perhaps temporary job loss, you know, all kinds of challenges and maybe the need to completely retrain. So it is that ongoing change that is—so the measure is, really, I think about disruptive changes in workers' lives.

Ms. TITUS. It certainly seems to fit under the eligibility requirement if we make it a little more specific. You know, I represent Las Vegas where it is all about the service industry, and you would think you need people to perform those jobs, but that is not the case. You are moving to robots. You are moving to automated lug-

gage systems. All sorts of things that are in automation and artificial intelligence are affecting even the hospitality industry.

Mr. MURO. Yeah. This is one of the things that has come into focus in just the last few years that accommodations, hotel-restaurant could be much more exposed than we think. Ideally, this will lead to better jobs for some of these people, but there is no doubt that there will be a lot of transition and dislocation as you try and get ahead of some of that.

Ms. TITUS. I also noticed you mentioned that the districts where you see this most affected are small towns, the heartland, and rural America. That tends to kind of correlate with red districts politically, so that would make it easier for us to work across the aisle to try to shore up some of these projects for the EDA because it is not just big cities or Las Vegas losing jobs. It is those kind of areas too that will be greatly affected by automation.

Mr. MURO. I would say, you know, that this, though, does cross across all kinds of lines and that what you say is somewhat true, but it is also true that there are a lot of blue places that will be affected as well.

Another telling thing is recent opinion polling is showing, though, equal degrees of concern across that line of party. So I think this is something that is affecting a lot of people in a lot of places. I think this is something they are talking about over dinner at night, you know. It is something that is just on the radar of communities out there.

Ms. TITUS. If we were to expand the eligibility of the Economic Development Administration to include the problems caused by automation, just give us kind of an example of a scenario, of a situation where somebody might apply for a grant, and what would that grant be to do?

Mr. MURO. Well, first, you know, right off, these are the results of capital investments. It is not that different from things that the agency is already looking at. It is not unlike a plant closure. Usually, it is the result of a defined investment, so this could be identified.

And certainly at the local level, there are places—you know, it is easily—you could also use the occupational categories to declare a particular occupation as at risk. I think that is another way to think about it.

Ms. TITUS. Can you help us define that if we want to put that in the reauthorization?

Mr. MURO. Pardon?

Ms. TITUS. Can you help work with us to define that and make it more specific if we want to put that in the reauthorization?

Mr. MURO. Absolutely. Absolutely. One of the strengths is there is now a growing body of work that is pointing in similar directions, not just from Brookings but others, and this is a researchable topic. So there is now a good body of research that is pointing similar directions at a very specific level for particular occupations.

Ms. TITUS. Thank you.

Mr. Miller, of the \$191 million that has been allocated for Puerto Rico, they have only gotten about \$20 million. Can you address that? Do you see some of the problems that we might be able to identify with getting the money out? Is it with staffing? Is it with

the application process, redtape, lack of knowledge? How would you explain that, and how can we improve it?

Mr. MILLER. So I think there are a couple of things. One is, whenever these kind of disasters hit, you know, there is a pressure to get money out quickly. And I think it really has to be, in some respects, staged in order to actually have the impacts and be as strategic as possible. So I think that is a delicate dance between, you know, how quickly the money is disbursed and how it is disbursed.

I would say, you know, there was a lot in that question. I think one of the things is that we see that there is tremendous momentum in Puerto Rico. When I look at the situation on the ground in Puerto Rico, when I look at New Orleans, when I look in Detroit, all the markets that received EDA funding, I wouldn't say that Puerto Rico is more challenged in terms of how they are disbursing that than other markets. I think the reality is there are a variety of challenges that have to be confronted, and so they are really trying to figure out how to do it. There has been major motion to kind of make it much more effective, for example, the establishment of Invest Puerto Rico as the economic development agency taking away the bureaucracy and the thing around how companies are brought to the island is a major step in the right direction. There is the Green Energy Act that just passed. There are Opportunity Zones, so there are a variety of things that have been done to kind of move us down the path.

But I think it is an ongoing relationship development to try and figure out how to get the money. And one of the things that is really important about the EDA is that the EDA's dollars are very targeted, very specific. So we are going through these processes to get moneys from a variety of Federal pools, but the EDA has historically, in my experience, been one of the most effective at getting the money out and actually making sure that it is very targeted. It never seems to be quite enough to get all the way to where you want to go but enough to kind of get the momentum moving and actually incentivize and encourage the private sector to add additional dollars to projects.

Ms. TITUS. Thank you.

Miss González-Colón?

Miss GONZÁLEZ-COLÓN. Thank you, and thank you Mr. Meadows, for referring.

Mr. Miller, I have plenty of questions, and I just have 5 minutes, so I will submit some for the record afterwards. But my first question will be with all your experience dealing with disasters before, and you just said about the laws that are in place on the island and how we can combine the Opportunity Zones that are now in place and the Federal funds that are in the island.

And one of my concerns is if we got the local regulations and how to deal with permits to make a lot of that private investment on the island. And being in the State house for 14 years, I know that is one of the biggest issues. Another one is energy, the cost of energy on the island as well.

Mr. Fleming a few minutes ago just said in his testimony that Secretary of Treasury Mnuchin estimated \$100 billion in private capital, but of those, just 17 projects are underway, none of those

in Puerto Rico yet. Do we need to have a local law to get Opportunity Zones launched on the island?

Mr. MILLER. No. I don't think we need a local law to get Opportunity Zones launched on the island. I think, you know, we are still waiting for the Federal rules to be finalized. What I would say is that the big piece of this is really about how these dollars shift the competitiveness. And so whereas there are other investments that basically say we are going to get things back up and running, or we are going to put dollars in this so that we, you know, fix this problem.

The EDA dollars are particularly important because the reason why communities such as Puerto Rico or Detroit, or New Orleans have such a hard time bouncing back is because there has been a lack of investment for so long and a lack of opportunity to make these kind of strategic shifts. And what these EDA dollars do post-disaster is actually allow the communities not to rebuild themselves but to actually reinvent themselves.

So whereas HUD and some of the other dollars are really about kind of how do you kind of get back to where you were, the EDA dollars are really catalytic in terms of shifting the conversations. How do we make Puerto Rico a more competitive place for investment over the long term? How do we make it a more sustainable economy, a more resilient economy?

So the idea is that, you know, we need to cut redtape in Puerto Rico. We need to figure out how we articulate our story better. We need to be very clear about where we are going, but we really just need more support and kind of—

Miss GONZALEZ-COLÓN. In your experience, this is a very personal way. I mean, you have more than 20, 25 codels in the last few years, and we got a lot of NGOs coming, more than 20 universities coming from the mainland to the island, a lot of people interested in helping now, and I really appreciate that. But you know, with all the Federal agencies on the island, every time we met with communities and everybody, there is a lot of research, studies, waiting for those studies to be released, and how long those studies will take? It will take 1 year, 2 years, 4 years, 5 years, 10 years. And in that term, a lot of communities get—you know, feel that there is no sense of urgency in resolving those problems.

And there is rain, and there is a lot of flooding again, and you see the problems with the Corps of Engineers. And I will never—you know, I will never say any bad word about the Corps of Engineers because they are investing in the island. Actually, they are doing \$2.5 billion investment, and I will say that that is the best agency working there. But again, there is a lot of concern in terms of what is going to be happening? It is going to be—how long will it take? It will take 10 years, 5, 7?

So in your experience, working with Katrina, working in areas, depressed areas like Detroit, how long it will take to have a full recovery on the island? It will be just the reconstruction, the recovery? Are we talking about just infrastructure or the jobs and the socioeconomic areas?

Mr. MILLER. And so I think that the answer to that question is multifaceted. One is that a full and robust recovery is going to take a lot greater coordination between the Federal Government and the

island government, the local municipalities, the nonprofit sector, and the private sector. No one entity, no one piece of that puzzle has all of the keys to it, so there has to be an integrated approach to recovery. And so that is one of the first things that I would say is absolutely critical, that there is a partnership. The Federal Government can't pay for it all. The private sector can't pay for it all. It has to be a coordinated effort.

The second thing that I would say about it is that, you know, Puerto Rico—and don't tell anybody. I know nobody's really listening. New Orleans was cool. Detroit is cool. New Orleans and Detroit were both cool. I think Puerto Rico actually has a cool factor that, you know, it hasn't been able to articulate. And one of the things, I think, that we are trying to do in Invest Puerto Rico is really articulate a value proposition around why Puerto Rico is a place where companies are going to make more money if they come there, where young people can do good and do well if they come there.

And so that is the opportunity that Puerto Rico has in front of it. To actually tell a very nuanced story of a community at the center of the Americas in the Caribbean and that really has a value proposition that is unique. And so one of the things that will be essential to the comeback and the reinvention of Puerto Rico is going to be not only rebuilding the physical infrastructure but also reversing the population trend. The number-one driver of investment decisions is people. Can you get people that are smart and talented, and I think Puerto Rico is well on its way to doing that.

So if all of those factors come together, I think we can be stable, and you know, you have got 3 to 5 years where you have got kind of the attention at the national level. If all those factors come together within 5 to 7 years, we could be kind of on a completely different trajectory. And our goal at Invest Puerto Rico isn't just to try and figure out how to bring in jobs today and jobs tomorrow, a shot in the arm, but it is really how to fundamentally shift the economy in Puerto Rico so it will be sustainable for 20, 30, 40, 50 years from now.

Miss GONZÁLEZ-COLÓN. Thank you.

Ms. TITUS. Mr. Meadows?

Mr. MEADOWS. Madam Chair, just because of the lateness of the hour, I am going to give my questions to all of you and let you respond back to the committee instead of taking any time, so I will yield back the balance of my time.

Ms. TITUS. Well, thank you very much. And so we will take those questions and get them to you.

Just briefly, one thing that was mentioned, I think, Mr. Messner, you mentioned about universities. I think we need to look at how to make universities better partners in these incubators and things like that. So we will take that into account too.

So any further questions?

Miss González-Colón?

OK. Well seeing none, I will thank you all for waiting so late and giving us such great testimony. It has been very helpful, and we will be calling on you again, I am sure.

I ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers

to any questions that may be submitted to them in writing and unanimous consent that the record remain open for 15 days for any additional comments and information submitted by the Members or witnesses to be included in the record for today's hearing.

Without objection, so ordered.

No other Members have anything to add?

The subcommittee stands adjourned. Thank you very much.

[Whereupon, at 5:08 p.m., the subcommittee was adjourned.]

APPENDIX

QUESTIONS FROM HON. PETER A. DEFazio FOR HON. JOHN C. FLEMING, M.D., ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, ECONOMIC DEVELOPMENT ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Question 1. What positions are currently vacant that are funded by the disaster supplemental and in which region are the vacancies located? Is there a hiring plan to fill these positions? What is the state of the hiring process (i.e. Applications under review, interviews, etc. . . .)?

ANSWER.

FY 2019 Vacancies
Economic Development Administration
As of 15 May 2019

Permanent or Disaster	Office	No.	Position Title	Status of Hiring Process
Disaster	ATRO	1	Civil Engineer	Recruitment on hold pending reassessment of need
Disaster	ARO	2	Civil Engineer	Posted 4/25, Closed 5/9 (Position Discussion)
Disaster	PRO	3	Economic Development Representative	Certs issued on 4/3
Disaster	PRO	4	Economic Development Representative	Certs issued on 3/29
Disaster	PRO	5	Economic Development Specialist	Certs issued 4/11
Disaster	PRO	6	Environmental Protection Specialist	Certs issued 5/9
Disaster	PRO	7	Management Analyst	YRCI Developing Job Opportunity Announcement (JOA) 4/12
Disaster	SRO	8	Economic Development Representative	Certs issued on 3/29
Disaster	SRO	9	Economic Development Representative	Certs issued on 3/29
Disaster	SRO	10	Economic Development Specialist	Selection made pending security
Disaster	SRO	11	Economic Development Specialist	Pending re-advertisement
Disaster	SRO	12	Environmental Protection Specialist	Certs issued on 5/9
Disaster	OCC	13	Attorney	Recruitment on hold pending reassessment of need
Disaster	OFMS	14	Administrative Officer	Certs issued 5/10
Disaster	OFMS	15	Budget Analyst	Certs returned to be audited on 3/27 (Resubmit package for recruiting)
Disaster	OEA	16	Management and Program Analyst	Selection made pending security
Disaster	OEA	17	Management and Program Analyst	Selection made pending security

FY 2019 Vacancies—Continued
Economic Development Administration
As of 15 May 2019

Permanent or Disaster	Office	No.	Position Title	Status of Hiring Process
Disaster	OEA	18	Public Affairs Specialist	Vacancy closed pending issuance of certificate by 5/24
Disaster	ORA	19	Program Analyst (Student Intern)	Recruitment package to be submitted
Disaster	PNP	20	Program Analyst-Performance Data	Selection made pending security
Disaster	PNP	21	Program Analyst-Performance Data	Salary/incentive negotiation as of 3/22/4/30, Selectee declined position, Will re-advertise

(Note: YRCI has been contracted by the DOC to assist in processing human resources transaction. ATR0: Atlanta Regional Office, ARO: Austin Regional Office, PRO: Philadelphia Regional Office, SRO: Seattle Regional Office, OCC: Office of the Chief Counsel, OFMS: Office of Financial Management Services, OEA: Office of Extramural Affairs, ORA: Office of Regional Affairs, PNP: Performance and National Programs.)

Question 2. How much disaster supplemental funding has been allocated to each region and, for each region, what percentage has been obligated?

ANSWER. Of the \$600.0 million appropriated, EDA allocated \$587.0 million to the regions for making grants, \$1.0 million to the Department's Office of the Inspector General, and set aside \$12.0 million for salaries and expenses for administering the grants. The allocation of the \$587.0 million for grants is shown in the second column for the table below. Overall, as of June 11, 2019, EDA is 33.6 percent obligated. The amounts in the disaster table are cumulative and include both FY18 and FY19.

Region	TOTAL FUNDS AVAILABLE 26-Oct-18	Obligations as of 11-Jun-19	Percent Annual Obligated 11-Jun-19
Philadelphia (01)	191,269,000	55,005,700	28.8%
Atlanta (04)	147,362,000	65,612,968	44.5%
Denver (05)	17,435,000	5,596,000	32.1%
Chicago (06)	8,005,000	8,005,000	100.0%
Seattle (07)	93,811,000	16,615,886	17.7%
Austin (08)	129,118,000	46,558,000	36.1%
Headquarters (99)	—	—	0.0%
	587,000,000	197,393,554	33.6%

Question 3. How did EDA calculate the regional allocations of disaster funding that was distributed in the FY18 Disaster Supplemental? Are these numbers subject to change, and if so, what would trigger a re-allocation?

ANSWER. EDA's calculations for regional allocations of disaster funding depend on the unique circumstances of the particular disasters. Historically this has involved such factors as Congressional direction/intent, the level of impact in terms of counties and population affected, and economic vulnerability factors such as unemployment and per capita income in impacted counties. For the FY18 Disaster Supplemental, EDA started its analysis by allocating approximately two-thirds of the funding to the Regional Offices overseeing disaster recovery in areas affected by Hurricanes Irma, Harvey, and Maria, and the California wildfires. This approach was taken in recognition of the severity of these specific disaster events; Congressional intent to focus recovery assistance in those areas; requests from Governors and Congressional delegations from Florida, Texas, Puerto Rico, Virgin Islands and California; a recognition of the unique challenges facing Puerto Rico and the Virgin Islands because they were hit by successive storms, and EDA's prior experience with disasters of this scale. The remaining funds were allocated by formula to all of

EDA's Regional Offices based on the percent of disaster-impacted populations, percent of disaster-impacted counties, and per capita income in impacted counties.

EDA may exercise its discretion to adjust the allocations to the Regional Offices based on its experience in administering disaster supplemental appropriations to ensure the funds are used to maximum effect or to adjust for unforeseen changes in recovery efforts.

Question 4. Many other agencies conduct disaster recovery functions including FEMA and the Small Business Administration. How does EDA coordinate with these other agencies? Are there opportunities to better synchronize disaster recovery efforts across multiple agencies?

ANSWER. In the disaster recovery framework, EDA coordinates with other federal agencies in two main ways that vary somewhat by whether EDA is working exclusively in the context of the National Disaster Recovery Framework (NDRF) or also under the auspices of a supplemental disaster appropriation. These two contexts overlap in some respects because an EDA deployment under the NDRF typically precedes EDA's receipt of disaster supplemental appropriations.

Initially, in the Recovery Support Function (RSF) context, EDA works to coordinate with other federal agencies in the Joint Field Office (JFO) in disaster locations, and at the headquarters and regional levels, to determine where other agency missions and funding streams may complement EDA's priorities. EDA also manages the interagency Economic Recovery Support Function (ERSF) Working Group, which includes the Small Business Administration, U.S. Department of Agriculture, Federal Emergency Management Agency (FEMA), Department of Housing and Urban Development (HUD), Environmental Protection Agency, Department of Labor, Internal Revenue Service, Department of Treasury, and other Department of Commerce (DOC) bureaus, to share information and to facilitate interagency coordination. Later, in disaster locations, whether under the ERSF or acting pursuant to a supplemental disaster appropriation, EDA coordinates with other agencies at the JFO, including inviting diverse federal agencies to participate in EDA organized economic recovery workshops and assisting communities to navigate multiple federal resources at once. EDA initiates individual conversations with federal agencies about specific issues of overlapping interest, including complementary funding streams and specific projects of mutual interest. EDA is an active participant in the interagency Recovery Support Function Leadership Group (RSFLG), managed by FEMA. The RSFLG is led by six Recovery Support Functions (RSFs), which are coordinated by a lead agency and supported by other federal agencies: Economic (coordinated by DOC/EDA); Housing (coordinated by HUD); Infrastructure (coordinated by the U.S. Army Corps of Engineers), Natural and Cultural Resources (coordinated by the Department of Interior); Health and Social Services (coordinated by the Department of Health and Human Services); and Community Planning and Capacity Building (coordinated by FEMA).

Commerce/EDA reports general supplemental funding data to FEMA through its participation in the RSFLG's Program Management Office (PMO). The PMO tracks all supplemental funding, which was a result of the historic 2017 hurricane season and subsequent major disasters (such as the California Wildfires) of 2018. The PMO has a public facing website, which displays supplemental funding for over 20 other federal agencies. The website is <https://recovery.fema.gov/>.

Question 5. How does EDA track and determine the return on investment of its grants? What metrics does the administration use, and can you please share with us the results of those performance metrics? Specifically, can you talk about jobs created, return on investment, and private investment that has been leveraged through EDA grants?

ANSWER. EDA collects and analyzes performance measures in compliance with the Government Performance and Results Act (GPRA), as amended by the Government Performance and Results Act Modernization Act of 2010 (GPRAMA). EDA primarily focuses on two performance goals: (1) promoting private investment and job creation in economically distressed communities and regions through infrastructure investments and (2) building community capacity to achieve and sustain regional competitiveness and economic growth through non-infrastructure investments.

For its infrastructure investments, EDA's primary return on investment (ROI) data sources are grantee-provided reports of jobs created or retained and private investment leveraged. Each fiscal year (FY), EDA sets performance targets based on

several factors¹. Grantees report actual data three, six, and nine years after award.² Six-year infrastructure reporting data³ follow:

FY	Jobs Created or Retained		Private Investment Leveraged (millions of USD)	
	Target	Reported @ FY+6	Target	Reported @ FY+6
2002	28,900	30,719	\$970	\$1,393
2003	22,900	24,533	\$810	\$855
2004	22,427	26,695	\$824	\$2,281
2005	18,193	26,416	\$674	\$1,617
2006	17,548	36,046	\$662	\$2,402
2007	16,570	12,685	\$647	\$2,063
2008	15,640	12,486	\$612	\$1,744
2009	27,958	19,526	\$1,093	\$2,118
2010	15,834	24,101	\$652	\$1,003
2011	13,392	18,114	\$561	\$199
2012	12,348	36,456	\$525	\$3,226

EDA is developing innovative metrics to better measure the impact of its non-infrastructure investments⁴, which it makes through its EAA, Regional Innovation Strategies, Local Technical Assistance, Partnership Planning, and Research and National Technical Assistance programs. The projected launch of these new metrics is Q3 of FY2020.

For more information on how EDA conducts performance measurement, please visit <https://www.eda.gov/performance/>.

Question 6. Are EDA grants oversubscribed? If so, by how much? Please provide data for each grant program that EDA administers.

ANSWER. EDA grants are oversubscribed; i.e., EDA receives more proposals/applications than it can fund with its annual appropriations. In FY 2018, EDA received requests for funding that totaled more than double its annual appropriation for its primary implementation programs: Public Works (PW) and Economic Adjustment Assistance (EAA). Additionally, for its Regional Innovation Strategies (RIS) program, EDA received requests for funding in FY 2018 that totaled more than 5.5 times its annual Regional Innovation (RI) program⁵ appropriation, through which the RIS program is funded.

¹These factors include regular Public Works, Economic Adjustment Assistance infrastructure, and Revolving Loan Fund appropriation levels; targets are inflation adjusted based on the Bureau of Labor Statistics Consumer Price Index. Currently, EDA is developing through a research cooperative agreement with the Urban Institute a more robust methodology for estimating outcomes of and setting targets for its investments.

²EDA analyzes and validates the reported numbers by directly following-up with the grantees at three, six, and nine-year intervals from the investment award. EDA also conducts a limited number of annual site visits. *The chart contains the most recently available data for the six-year results. These data were collected and analyzed in FY2018 and are thus the most up-to-date. The response rate at six years is the highest and most reliable.*

³EDA has found that the data collected at the six-year mark best capture ROI and have the highest response rate. These data are unrevised as of their time of analysis. Typically, the analysis of six-year reporting data for grants made in FY *x* (i.e., the data reported at FY *x* + 6) occurs during the budget formulation process for FY *x* + 8.

⁴EDA tracks and measures its non-infrastructure investments' activities and outcomes, such as:

- percentage of Districts Organizations and Indian Tribes implementing economic development initiatives from the Comprehensive Economic Development Strategy (CEDS) process that lead to private investment and job creation and retention; and
- percentage of sub-state jurisdiction members actively participating in the Economic Development District (EDD) activities.

⁵The RI program is authorized by the Stevenson-Wylder Technology Innovation Act of 1980 § 27, 15 U.S.C. § 3722 (2015) (originally enacted as the America COMPETES Reauthorization

Program	Proposals/ Applications		IRCEd Applications ⁶		Grants ⁷		Appropriation	Oversubscrip- tion ⁸	
	#	\$	#	\$	#	\$		% (#)	% (\$)
PW	170	\$280,450,093	107	\$151,215,237	93	\$136,236,119	\$117,500,000	183%	239%
EAA ⁹	158	\$113,886,803	106	\$72,105,620	93	\$64,450,067	\$67,000,000	170%	170%
PW+ EAA	328	\$394,336,896	213	\$223,320,857	186	\$200,686,186	\$184,500,000	176%	214%
RIS ¹⁰	233	\$120,474,506	n/a	n/a	40	\$20,836,841	\$21,000,000	583%	574%

Question 7. As EDA plays an increasingly consistent role in disaster recovery, what changes in current authorization can be made to facilitate expedited mobilization and grant execution?

ANSWER. Expedited mobilization and grant execution is a high priority for EDA. During FY 2019, EDA is recruiting up to 39 term-limited staff to support its Disaster Recovery work and is currently soliciting applications for Economic Development Integrators in the Denver and Chicago regional offices. EDA has also reached out to FEMA, SBA, and HHS to more fully understand the authorities granted to those agencies for disaster-related hiring. EDA will work with the Department and OPM to continue to bring maximum effort to the responsible mobilization of disaster resources.

These additional staff can help implement EDA's role in the RSFLG referenced above, along with its interagency role in leading coordination of the RSF and in a supporting role to the CPCB RSF.

Question 8. EDA has played a key role in responding to major economic disruption caused by economic factors, natural disaster, or other causes. How does EDA help communities plan for these types of disruptions? What role does economic resilience play in EDA's programs and planning processes?

ANSWER. EDA is a strong proponent of the concept that a community or region cannot effectively build the capacity for economic development and prepare for potential economic disruptions unless that community or region has an asset-based plan that clearly defines community strengths and vulnerabilities. EDA's Partnership Planning program helps communities and regions with their long-term economic development planning efforts, supporting a national network of 391 Economic Development Districts (EDDs), which are EDA designated areas (i.e., mostly county groupings) that have self-identified as economic regions based on shared economic goals and assets. EDA's support helps each EDD develop and implement a Comprehensive Economic Development Strategy (CEDS) which is an economic development blueprint for that region based on a collaborative, regionally-driven planning process. Going further, EDA is also a supporting agency to FEMA's Community Planning and Capacity Building (CPCB) RSF, which plays a key role in these efforts before, during, and after a disaster.

All CEDS must incorporate the concept of economic resilience, which EDA defines as the ability of a community or region to withstand or quickly recover from major disruptions-or shocks-to its underlying economic base. As a baseline, EDA recommends a two-pronged approach for regions to approach resilience within their CEDS: 1) implement goals or specific actions to bolster the long-term durability of the region, and 2) establish information networks among the various stakeholders in the region to facilitate active and regular communication between all sectors to

Act of 2010, Pub. L. No. 111-358, sec. 603, § 27, 124 Stat. 3982, 4030-37 (2011) and subsequently amended by the Revitalize American Manufacturing and Innovation Act of 2014, Pub. L. No. 113-235, sec. 705, § 27, 128 Stat. 2130, 2231-34 (2014)

⁶ EDA considers PW and EAA projects that are evaluated by EDA Investment Review Committees (IRCs) to be highly competitive and takes this data into account when evaluating its proposal/application pipeline and demand. EDA operates the RIS program differently; there is no analogous phase in RIS program application evaluation.

⁷ Grant \$ (i.e., obligations) may exceed appropriations because EDA re-obligates de-obligated or otherwise recovered prior-year funds.

⁸ Oversubscription by # is calculated by (Proposals/Applications #) ÷ (Grants #); oversubscription by \$ is calculated by (Proposals/Applications \$) ÷ (Appropriation).

⁹ EAA data includes both regular EAA proposals and appropriations as well as EAA proposals and appropriations regarding Assistance to Coal Communities. See, e.g., 164 Cong. Rec. No. 50—Book II at H2084 (Mar. 22, 2018).

¹⁰ EDA obligated its FY18 RI program appropriation through the RIS program in FY19.

collaborate on existing and future challenges. In addition to playing a prominent role in EDA's economic development planning process, the concept of resilience is highly-visible as an EDA Investment Priority (an initial evaluation requirement within EDA's grant application review process), and as a key factor in grant awards made under EDA's FY 2018 Supplemental Appropriation for Natural Disasters.

Question 9. In his testimony, Dr. Fleming suggested EDA can help improve coordination of federal economic development programs. What can EDA do to achieve this within its current authorization? What additional authority would EDA need to fully achieve this goal?

ANSWER. Under its current authorization, EDA has successfully established an Economic Development Integration (EDI) team. New, additional authorities are not necessary for EDA to accomplish this work. However, its capacity to provide integrated support for economic development priorities (local, regional, and Federal) is currently constrained by the total number of vacant EDA staff positions, both in the regions and at EDA HQ, which EDA is addressing through an aggressive hiring and recruitment effort. EDA has posted advertisements for specific vacancies (Denver, Chicago, and EDA HQ) to USA Jobs. Once certification lists have been established, EDA will be able to commence the interview process to identify candidates to fill these vacancies.

EDI personnel work with their EDA colleagues and other federal peers to identify opportunities for greater interagency collaboration and to facilitate the coordinated and effective investment of federal economic development resources. In addition to four EDI positions at EDA HQ, Regional Integrators work in each of EDA's six regional offices (Atlanta, GA, Austin, TX, Chicago, IL, Denver, CO, Philadelphia, PA, and Seattle, WA) to further enhance EDA's capacity to support local and regional economic development projects. Through EDI, EDA works in partnership with other federal agencies to implement policies and procedures that:

- **Increase Access:** Ensuring that local and regional applicants can easily identify and apply for the federal economic development resources that can best support their local priorities and objectives.
- **Enhance Collaboration:** Facilitating coordination among multiple partners and stakeholders (federal and non-federal, public and private) to promote multiple, strategic investments in support of local priorities that can contribute to sustainable economic growth, especially for distressed communities.
- **Reduce Administrative Burdens:** Working with federal interagency partners on guidance tools to help applicants navigate and possibly consolidate different administrative requirements that are triggered by each individual award of federal assistance (e.g., strategic planning, reporting).

EDA also deploys its EDI capacities to support critical Federal priorities, including economic recovery in disaster areas, and Opportunity Zones.

Fundamental statutory changes, however, are likely necessary if Congress wants to address integration on a government-wide basis. The Administration's reorganization proposals submitted to Congress in accordance with Executive Order 13781, "Comprehensive Plan for Reorganizing the Executive Branch," which seek to stream-line government, creating economies of scale and reducing overlap and fragmentation. For EDA, this includes consolidating EDA into the Bureau of Economic Growth along with the Department of Housing and Urban Development's Community Development Block Grant program and rural business and community facility grants from the Department of Agriculture, among other changes. The Bureau of Economic Growth would consolidate existing economic development programs to provide a central place for grants and technical assistance to communities and entrepreneurs focused on job creation, business growth, and strengthening local economies. EDA also stands ready to work with Congress and other Federal agencies to identify the various statutory differences in eligibility, unique definitions, differing program requirements for similar activities, etc. that are the root cause of many of the difficulties agencies have had in effectively coordinating action or creating common applications.