

107
TO EXAMINE EXISTING PROGRAMS UNDER THE PUBLIC WORKS
AND ECONOMIC DEVELOPMENT ACT OF 1965 AND THE APPA-
LACHIAN REGIONAL DEVELOPMENT ACT OF 1965 AND TO
CONSIDER PROPOSALS TO REAUTHORIZE THE PROGRAMS
AS WELL AS NEW INITIATIVES TO PROMOTE GROWTH AND
DEVELOPMENT

(103-27)

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To Examine Existing Programs Under...

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT

OF THE

COMMITTEE ON
PUBLIC WORKS AND TRANSPORTATION
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

MAY 20; JUNE 22, 24, JULY 20, 1993

Printed for the use of the
Committee on Public Works and Transportation



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U.S. House of Representatives
COMMITTEE ON PUBLIC WORKS
AND TRANSPORTATION

SUITE 2165 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4472

May 18, 1993

MEMORANDUM

TO: Members, Subcommittee on Economic Development

FROM: Subcommittee Staff

SUBJECT: SUMMARY OF SUBJECT MATTER for a series of hearings to examine existing programs under the Public Works and Economic Development Act of 1965 and the Appalachian Regional Development Act of 1965 and to consider proposals to reauthorize the programs as well as new initiatives to promote economic growth and development.

The Subcommittee's first hearing in the series will be held on May 20, 1993 at 9:30 AM in Room 2167 Rayburn House Office Building.

BACKGROUND

The Public Works and Economic Development Act of 1965, which created the Economic Development Administration (EDA), was designed to provide federal assistance by which economically distressed urban and rural areas of the nation could be helped to foster economic renewal and growth, create permanent jobs and contribute to the national economy. The same year, the Appalachian Regional Development Act of 1965 was passed, creating the Appalachian Regional Commission, to help overcome the isolation of that Region and reverse the long-standing economic deterioration that had caused it to lag behind other sections of the nation.

Programs administered by EDA have successfully helped many of the most economically distressed areas of the nation revitalize their physical and social structure and provide incentives to small and medium size business to grow and

generate real jobs. The bulk of the funding assistance has been for public works and development facilities, providing an essential foundation to stimulate economic growth. Other programs provide administrative and technical assistance grants, including funds for university centers; planning grants to formulate and implement long-term strategies; funds for research projects and economic adjustment assistance grants, under Title IX, to help areas overcome long-term economic deterioration (LTED), as well as areas threatened or impacted by sudden and severe economic dislocation (SSED), such as military base closings, defense industry cutbacks, major plant closings, or disasters.

The programs administered by ARC, with its unique federal, state and local partnership, have worked to alleviate poverty in the chronically-depressed Appalachian Region. About two-thirds of ARC's funds annually are allocated to complete the Appalachian Development Highway System, authorized at 3,025 miles, which is improving the delivery of social services, and opening up the Region to new business and industrial markets. The Commission also supports broad-range area and community programs that promote economic, social and physical development to improve the standard of living the Region's citizens.

Status of EDA and ARC Authorizations and Funding

Past Activity

Authorizations for EDA and ARC expired September 30, 1982 in the 97th Congress. Since 1981, Administration budgets have called for termination of EDA programs and, until fiscal year 1991, for ARC programs as well. However, funding to keep both agencies alive was consistently supported in the House and the Senate through the budget and appropriations process, although at substantially reduced levels from peak amounts in 1980 due to budget concerns.

In each Congress starting with the 97th, the Committee has reported out and the House has passed by wide margins bills to reauthorize the EDA and ARC programs and to revise them to better meet existing needs and changing national and worldwide

economic conditions. No action was taken by the Senate until the 101st Congress, when the House-passed bill was amended and reported out of the Senate Environment and Public Works Committee in the closing days of the Congress. The bill did not reach the Senate floor for a vote before adjournment.

Recent Interest and Activity

The Administration's Budget for FY 1994 requested funding for both EDA and ARC. In March of this year, Secretary of Commerce Ronald H. Brown testified before the Appropriations Subcommittee on Commerce, Justice, State, The Judiciary and Related Agencies and stated that: "The Economic Development Administration will be a cornerstone for us, especially in areas that have been hit hard by the closing of military installations or the loss of military contracts that were the economic lifeblood of the area." He further stated that: "We will look to EDA to help communities create jobs in economically distressed areas and we will seek authorizing legislation for FY 1994."

Last month, April 22, officials from EDA made the specific budget request for FY 1994 to the Appropriations Subcommittee -- the first such request in 12 years. \$30.151 million was requested for salaries and related expenses to support 355 full-time employees, including 49 Economic Development Representatives (EDRs). In addition, \$223.150 million was requested to provide grants for public works and development facilities and other types of economic assistance, of which \$33 million would be allocated for defense economic investment grants. Officials proposed increasing amounts for the Technical Assistance Program and resuming funding for research and evaluation which had been eliminated in FY 1993. They reiterated the plan to seek authorizing legislation. Also, officials requested termination of the Trade Adjustment Assistance Program, noting that assistance to firms and industries adversely impacted by imports could be provided through EDA's technical assistance, research and information programs as well as through other Commerce Department agencies.

ARC officials testified, also in April, before the Appropriations Subcommittee on Energy and Water Development and requested a total of \$189 million for FY 1994. \$100 million would be for the Appalachian Development Highway Program; \$85.616 million for the Business and Human Development Program and \$3.384 million for salaries and expenses. About 73 percent of the highway system miles have been constructed. The remaining cost to complete the system is estimated at \$4.841 billion in Federal funds at 80 percent of the remaining costs.

The Public Works and Transportation Committee, in its FY94 Views and Estimates Report to the Committee on the Budget in March of this year, had made budget suggestions for EDA and ARC on the basis of information available at that time. For EDA, the Committee recommended last year's level of funding of \$244 million plus an additional \$33 million, which had already been identified in President Clinton's economic package for defense reinvestment and transition, for a total \$277 million. For ARC, the Committee suggested accepting the current Administration's proposed freeze for FY94 at the FY93 level of \$190 million (which turned out to be \$189 million).

Need for Legislation

Over the years, EDA and ARC programs have served a valuable national economic and social purpose by helping local communities and regions address their economic problems. A great deal of good has been accomplished by these programs; however, there continues to be a need for this type of assistance. Economic disparities persist that affect the Nation as a whole, and economic changes -- nationally and internationally -- have had an uneven and challenging impact on regions, industries and workers.

Now, with new support to reauthorize EDA and ARC, it is more important than ever that existing programs be examined and new approaches considered as part of the reauthorizing process. We need to know more about EDA and ARC strengths and weaknesses; which policies and programs best help state and local officials,

development experts and small business people meet their local economic needs and conditions and which tend to inhibit local efforts.

Issues to be addressed that have been brought to the Committee's attention in recent years include:

- o Lack of sufficient funds, continuity of the programs and the need for multi-year authorizations;

- o EDA's lengthy application process – coordination with Regional Office and the role of Economic Development Representatives (EDR's)– suggestions for decentralizing the decision-making, reducing the paper work and making the guidelines more flexible – greater accountability at the local level.

- o The need for more technical assistance and the role of university centers under Title III.

- o EDA's Economic Development Districts (EDD's) and ARC's Local Development Districts (LDD's) – their use of planning grants and need for additional assistance for severely distressed communities.

- o The effectiveness of EDA's public works and development facilities program and the value of loan and loan guarantee programs.

- o The Title IX, Economic Adjustment Grants including an evaluation of the Revolving Loan Funds (RLF's); an examination of EDA's role in assisting with base closings and defense industry downsizing; and the program to assist communities affected by disasters;

- o Better cooperation among all Federal agencies and their programs in terms of guidelines and meeting requirements and criteria, possibly even to the extent of uniformity in grant application forms;

- o Broaden the authority under ARC for State agencies, when certified to manage another Federal agency grant program, to also be certified to manage ARC grant programs.

Witnesses

The first day of hearings will focus primarily on the Economic Development Programs. Witnesses will include officials from EDA, Washington, and from the Philadelphia and Denver Regional Offices. In addition there will be development experts from local areas -- West Virginia and New York.

Attachments

To add to the background information on EDA and ARC, the following items are attached:

- o Programs of the Economic Development Administration
- o Appropriations Chart for EDA - Fiscal Years 1991, 1992 and 1993
- o EDA's January 11, 1993 notice from the Federal Register of the availability of FY 1993 appropriations.
- o Explanation of the Appalachian Regional Development Act of 1965 and

Programs

- o Appropriations chart for ARC - Fiscal Years 1991, 1992 and 1993
- o Proposed witness list.

PROGRAMS OF THE ECONOMIC DEVELOPMENT ADMINISTRATION

Under the Public Works and Economic Development Act of 1965
(P.L. 89-136) as amended



-
-
- Planning
 - Technical Assistance
 - University Centers
 - Research & Evaluation
 - Public Works
 - Economic Adjustment
 - Revolving Loan Funds
 - Business Loan Guarantees
 - Trade Adjustment Assistance
-
-



U. S. DEPARTMENT OF COMMERCE

**PLANNING PROGRAM FOR ECONOMIC DEVELOPMENT DISTRICTS,
INDIAN TRIBES AND REDEVELOPMENT AREAS**

PROGRAM GOALS

Grants and cooperative agreements under this program support the formulation and implementation of economic development programs designed to create or retain full-time permanent jobs and income for the unemployed and underemployed in areas of economic distress.

PROJECT TYPES/ELIGIBLE APPLICANTS

Planning grants for administrative expenses are awarded to establish and implement effective economic development programs at local and multi-jurisdictional levels. Eligible activities under this program include the preparation and continuation of an Overall Economic Development Program, and planning, implementation and technical assistance services to communities and local governments within the organization's jurisdiction. Assistance is normally provided for a period of 12 months, for up to 75 percent of the total project cost. Indian tribes may be provided assistance for 100 percent of the total project cost.

Eligible applicants are Economic Development Districts, Redevelopment Areas, Indian Tribes, organizations representing Redevelopment Areas or multiple Indian Tribes, and commonwealths and territories.

SELECTION CRITERIA

Among the factors EDA considers in evaluating proposals are economic distress of the area, past performance of previously funded grantees, and involvement of the local leadership in economic development activities. Priority consideration goes to currently funded grantees.

FUNDING LEVELS

District Program

FY 91: \$15,543,000

FY 92: \$17,707,000

Average FY 91 grant: \$58,000

Range of FY 91 grants: \$56,000 - \$113,000

Indian Program

FY 91: \$2,835,000

FY 92: \$2,960,000

Average FY 91 grant: \$43,000

Range of FY 91 grants: \$30,000 - \$174,000

APPLICATION PROCESS

EDA regional offices contact currently funded grantees to inform them of procedures for submitting applications for continuation funding. All other potential applicants should submit a letter requesting funding and providing evidence of area economic distress to the appropriate EDA regional office with a copy to the area Economic Development Representative. Following review of the proposals submitted by current grantees as well as other entities, EDA will invite new applicants selected for funding consideration to submit formal applications. Average time from application submission to final decision is four months. Complete program information appears annually in the Federal Register.

PLANNING PROGRAM FOR STATES AND URBAN AREAS

PROGRAM GOALS

Grants under this program help economically distressed states, cities, and urban counties undertake significant new economic development planning, policy-making, and implementation efforts.

PROJECT TYPES/ELIGIBLE APPLICANTS

Grants finance the administrative expenses to support significant economic development planning and implementation activities, such as economic analysis, definition of project goals, determination of project opportunities, and formulation and implementation of a development program. Assistance under this program enhances economic development planning capacities, continuous economic development planning processes and procedures, and helps build institutional capacity. A grant award under this program is generally for a period of 16 months. Two additional awards may be considered if funds are appropriated by Congress. The maximum Federal share is 75 percent of the total project cost. Eligible applicants are states, sub-state planning units, cities, urban counties within metropolitan statistical areas, and combinations of these entities.

SELECTION CRITERIA

Among the factors EDA considers in evaluating proposals are area economic distress; appropriateness of the work program to area needs; relationship of the proposed activities to the problems of the area's unemployed and underemployed population; and commitment of the chief executive. In the case of states, consideration is given to the innovativeness of the proposed project and the replicability of the process and/or results.

FUNDING LEVELS

State Program:

FY 91: \$1,890,000

FY 92: \$1,973,000

Average FY 91 grant: \$131,000

Range of FY 91 grants: \$50,000 - \$200,000

Urban Program:

FY 91: \$2,834,000

FY 92: \$2,636,000

Average FY 91 grant: \$107,000

Range of FY 91 grants: \$40,000 - \$200,000

APPLICATION PROCESS

Potential applicants under the program should refer to the Federal Register notice announcing the program for information on submitting proposals. Proposals should include an indication of commitment from the chief executive, significant verifiable information on the level of economic distress (e.g., recent unemployment and income data), and a work program outlining specific activities to be accomplished under the grant. The original and a copy of the proposal will be submitted to the appropriate regional office with a copy to the area Economic Development Representative. Average processing time from submission of application to final decision is four months.

LOCAL TECHNICAL ASSISTANCE PROGRAM

PROGRAM GOALS

Grants awarded under the Local Technical Assistance program are designed to assist in solving specific economic development problems, respond to developmental opportunities, and build and expand local organizational capacity in distressed areas.

PROJECT TYPES/ELIGIBLE APPLICANTS

In responding to specific problems and opportunities, a local economic development organization might focus on military base and industrial plant closings, on deteriorating commercial districts, and on technical or market feasibility studies. Other subject areas of current interest include export promotion, tourism development, technology transfer, skill training, minority enterprise, and economic development financing.

Eligible applicants include public or private nonprofit national, state, area, district, or local organizations; public and private colleges and universities; Indian tribes, local governments, and state agencies. Other eligible applicants are private individuals, partnerships, firms, and corporations.

SELECTION CRITERIA

Priority consideration for funding is given to proposals that:

- o benefit areas of severe economic distress;
- o lead to near-term (one to five years) generation or retention of private sector jobs;
- o are consistent with EDA-approved Overall Economic Development Program;
- o document strong local support in terms of financial commitment, public and private leadership involvement (applicants must finance a minimum of 25 percent of the total project costs);
- o promote economic diversification; and
- o focus on distressed rural area and state and Federally designated enterprise zones.

FUNDING LEVELS

FY 90: \$660,000	Average FY 91 grant:	\$21,000
FY 91: \$960,000	Range of FY 91 grants:	\$5,000 - \$35,000
FY 92: \$1,200,000		

APPLICATION PROCESS

Potential applicants should contact the Economic Development Representative (EDR) for the area. The EDA regional office can provide information on contacting the EDR, who will explain the program and guide the applicant in submitting the proposal. The regional office screens all proposals before deciding whether to invite formal project applications. Time from receipt of a formal application to final decision averages between three and four months. Grants over \$25,000 are subject to a more comprehensive review and require more time to process. Complete program information appears annually in the Federal Register.

NATIONAL TECHNICAL ASSISTANCE PROGRAM

PROGRAM GOALS

Grants and cooperative agreements awarded under the National Technical Assistance program are intended to provide resources to intermediary organizations giving technical assistance to local, district, and state economic development organizations and for national demonstrations of innovative economic development techniques.

PROJECT TYPES/ELIGIBLE APPLICANTS

Types of proposals funded include newsletters and reports on new developments and success stories in rural and urban economic development; demonstrations of national significance in such areas as improving competitiveness, better use of private capital, tourism development and others.

Eligible applicants include national nonprofit associations, research institutions, and others. Assistance will generally be for a period of 12 months and applicants must finance a minimum of 25 percent of the total project cost.

SELECTION CRITERIA

Priority consideration for funding is given to proposals which show:

- o potential usefulness to local, regional and state development officials and the private sector;
- o soundness and completeness of demonstration methodology and means of dissemination; and
- o value of proposed project in relation to cost.

FUNDING LEVELS

FY 90: \$1,229,000	Average FY 91 grant: \$78,000
FY 91: \$929,000	Range of FY 91 grants: \$27,000 - \$150,000
FY 92: \$976,000	

APPLICATION PROCESS

Potential applicants should submit five copies of a concise proposal to EDA Headquarters. Proposals should include (1) the name and address of the applicant organization and the names, telephone and the fax numbers of executive and project directors as appropriate; (2) the amount of EDA funds sought and the applicant share; (3) a brief statement of purpose (that does not repeat the scope of work), a scope of work and work plan; (4) a detailed line item budget; and (5) an organizational capability statement. If a proposal is accepted, EDA will invite a formal application. Average processing time from receipt of a formal application to final decision is two months. Complete program information appears annually in the Federal Register.

UNIVERSITY CENTER PROGRAM

PROGRAM GOALS

Grants and cooperative agreements awarded under the University Center program help colleges and universities in using their own and other resources to address the economic development problems and opportunities of their service areas.

PROJECT TYPES/ELIGIBLE APPLICANTS

Proposals funded under the basic University Center program must focus on providing technical assistance to clients outside the sponsoring institution. A limited amount of University Center initiated activity, such as applied research on general economic development issues, is permitted if approved as part of the work plan. Eligible applicants include public and private institutions of higher education.

SELECTION CRITERIA

Priority consideration for funding is given to proposals which:

- o focus on service areas with significant economic distress (EDA prefers a statewide service area. However, EDA will consider a service area which covers a substantial portion of the state's population or its geographic area.);
- o address the economic development needs of the service area;
- o complement, rather than replicate, the efforts of other technical assistance providers such as Trade Adjustment Centers, and Small or Minority Business Development Centers;
- o furnish evidence that the sponsoring institution will provide significant financial and nonfinancial support for the activities of the proposed University Center.

FUNDING LEVELS

FY 90: \$4,757,000

FY 91: \$4,757,000

FY 92: \$7,724,000

Average FY 92 grant: \$120,000

Range of FY 92 grants: \$104,000 - \$124,000

APPLICATION PROCESS

Institutions seeking initial funding for a University Center should send a proposal to the appropriate EDA regional office and a copy to the Economic Development Representative for the area. The proposal should describe the economic distress of the service area, the activities that will be financed with the EDA funds, and the relationship of these activities to the economic development needs of the service area. The Assistant Secretary for Economic Development will decide which institutions will be invited to submit formal applications. Average time from application submission to a final decision for initial funding is four months. Institutions already participating in the University Center program will be notified by the appropriate EDA regional office of the application procedures for renewal funding.

RESEARCH AND EVALUATION PROGRAM

PROGRAM GOALS

Grants and cooperative agreements awarded under the Research and Evaluation program are used to support studies that will increase knowledge about the causes of economic distress and approaches to alleviating such problems.

PROJECT TYPES/ELIGIBLE APPLICANTS

Studies funded examine issues related to (1) the causes of unemployment, underemployment, underdevelopment, and chronic depression in various areas and regions of the Nation; (2) the formulation and implementation of national, state, and local programs that will raise employment and income levels and otherwise produce solutions to problems resulting from the above conditions; and (3) evaluations of the effectiveness of programs, projects, and techniques used. Eligible applicants are private individuals, partnerships, corporations, associations, colleges and universities, and other suitable organizations.

SELECTION CRITERIA

EDA uses the following criteria to evaluate research and evaluation proposals:

- o potential usefulness of the research to state and local economic development practitioners;
- o soundness and completeness of the research methodology;
- o total cost and value of product in relation to cost; and
- o ability to be completed in 12 to 15 months.

FUNDING LEVELS

FY 90: \$1,209,000	Average FY 91 grant:	\$99,000
FY 91: \$1,382,000	Range of FY 91 grants:	\$12,000 - \$350,000
FY 92: \$500,000		

APPLICATION PROCESS

Potential applicants should submit five copies of a concise proposal to EDA Headquarters. Proposals should include (1) the name and address of the applicants and the names, telephone numbers, and resumes of the project director and principal investigators; (2) the amount of EDA funds sought; (3) a brief scope-and-objectives section; (4) a brief but thorough description of the research methodology and data; (5) a work plan showing different phases of the project; (6) a detailed budget showing cost breakdowns; and (7) a corporate or institutional capability statement, when appropriate. Average processing time from receipt of a formal application to final decision is two months. Complete program information appears annually in the Federal Register.

PUBLIC WORKS AND DEVELOPMENT FACILITIES PROGRAM

PROGRAM GOALS

Grants are provided to help distressed communities attract new industry, encourage business expansion, diversify their economies, and generate long-term, private sector jobs.

PROJECT TYPES/ELIGIBLE APPLICANTS

Among the types of projects funded are water and sewer facilities primarily serving industry and commerce; access roads to industrial sites or parks; port improvements; and business incubator buildings. Proposed projects must be located within an EDA-designated Redevelopment Area (RA) or Economic Development Center. Projects in other areas of an EDA-designated Economic Development District are also eligible if they will directly benefit an RA within the District. Projects must be consistent with an approved Overall Economic Development Program. An applicant may be a state, political subdivision of a state, Indian tribe, special-purpose unit of government, or public or private nonprofit organization or association representing an RA or part thereof.

SELECTION CRITERIA

Priority consideration shall be given to projects that:

- o improve opportunities for the successful establishment or expansion of industrial or commercial plants or facilities;
- o assist in creating or retaining private sector jobs in the near-term, as well as additional long-term employment, provided that the jobs are not transferred from other areas and will result in a low cost per job in relation to EDA cost;
- o benefit the long-term unemployed and members of low-income families residing in the area served by the project;
- o fulfill a pressing need of the area and can be started and completed in a timely manner; and
- o demonstrate adequate local funding support, with evidence that such support is firmly committed and available.

FUNDING LEVELS

FY 90: \$109,830,000

Average FY 91 grant: \$742,832

FY 91: \$140,825,000

Range of FY 91 grants: \$ 80,160 - \$2,316,572

FY 92: \$154,160,000

APPLICATION PROCESS

Eligible applicants should contact the Economic Development Representative (EDR) for the area. The EDA regional office can identify the EDR contact who will describe the program and provide guidance on preparing a preapplication. EDA screens proposals before deciding whether to invite formal applications. Average time from submission of an application to a final funding decision was five and one-half months in FY 91. Complete program information appears annually in the Federal Register.

ECONOMIC ADJUSTMENT (TITLE IX) PROGRAM
 (Long-Term Economic Deterioration (LTED/RLF) Component)

PROGRAM GOALS

Grants are provided to establish or expand revolving loan funds (RLF) in depressed areas. The program is designed to help areas overcome specific capital market gaps and to encourage greater private sector participation in economic development activities.

PROJECT TYPES/ELIGIBLE APPLICANTS

In concert with private lenders, RLF grantees make fixed asset and/or working capital loans to area businesses. RLF projects support such activities as small business development, including start-ups and expansions; business and job retention; redevelopment of blighted land and vacant facilities for productive use; and support for growth industries and high-tech firms.

Potential RLFs must be located in LTED eligible areas. To be eligible, an area must be experiencing at least one of three problems: very high unemployment, low per capita income, or chronic distress (i.e., failure to keep pace with national economic growth trends over the last five years). Eligibility status is available from EDA's regional offices. The applicant must be one of the following: a designated EDA Redevelopment Area (RA) or a nonprofit organization determined by EDA to be the representative of an RA; an Economic Development District; a state; a political subdivision of a state or a consortium of such units; or an Indian tribe.

SELECTION CRITERIA

Key selection factors include the economic and financial needs of the project area; the anticipated benefits (such as filling specific gaps in the local capital market); and the applicant's ability to manage an RLF effectively.

FUNDING LEVELS

FY 90: \$12,031,000	Average FY 91 grant:	\$415,000
FY 91: \$12,035,000	Range of FY 91 RLF grants:	\$150,000 - \$1,500,000
FY 92: \$11,500,000		

APPLICATION PROCESS

Eligible applicants should contact the Economic Development Representative for the area or the appropriate EDA regional office for an LTED proposal outline. EDA screens proposals before deciding whether to invite a formal application. After inviting an application, EDA conducts one or more preapplication conferences to assist with its preparation. Average time from application submission to a final funding decision is four to six months. Complete program information appears annually in the Federal Register.

ECONOMIC ADJUSTMENT (TITLE IX) PROGRAM
(Sudden and Severe Economic Dislocation (SSED) Component)

PROGRAM GOALS

Grants are provided to help develop and implement local economic adjustment strategies designed to anticipate and prevent an economic dislocation or to reestablish employment opportunities and economic stability as soon as possible after a dislocation occurs.

PROJECT TYPES/ELIGIBLE APPLICANTS

Strategy grants support the immediate development of a comprehensive response to an actual or threatened dislocation. Strategies describe the actions the community proposes to take to avert the dislocation or to generate reemployment opportunities for the dislocated workers. Implementation grants finance the implementation of one or more activities in an approved strategy. The types of activities financed include the construction of public facilities, business loans, and technical or management assistance.

To be eligible, dislocations must have occurred within the preceding 12 months or be expected within two years and must meet certain job-loss thresholds. An applicant must be one of the following: a designated EDA Redevelopment Area (RA) or a nonprofit organization determined by EDA to be the representative of an RA; an Economic Development District; a state; political subdivision of a state or a consortium of such units; or an Indian tribe.

SELECTION CRITERIA

Key selection factors include the severity of the dislocation and the responsiveness of the proposed project to the needs of the dislocated workers.

FUNDING LEVELS

FY 90: \$12,326,000	Average FY 91 grant:	\$112,000
FY 91: \$12,282,000	Range of FY 91 grants:	\$22,000 - \$1,250,000
FY 92: \$11,500,000		

APPLICATION PROCESS

Eligible applicants should contact the Economic Development Representative for the area or the appropriate EDA regional office for an SSED proposal outline. EDA screens proposals before deciding whether to invite a formal application. After inviting an application, EDA conducts one or more preapplication conferences to assist with its preparation. Average time from application submission to a final funding decision is four to six months. Complete program information appears annually in the Federal Register.

BUSINESS LOAN GUARANTEE PROGRAM

PROGRAM GOALS

Loan guarantees are used to provide financial assistance to firms that create or retain permanent jobs through the expansion, establishment, or retention of plants in distressed areas.

TYPE OF ASSISTANCE

EDA may guarantee up to 80 percent of the unpaid balance of business loans made by private lenders to private sector borrowers for the acquisition of fixed assets or for working capital. Investors must provide 15 to 25 percent of project funding, and lenders must be at risk for the non-guaranteed balance of the loan.

ELIGIBILITY REQUIREMENTS

To qualify, businesses must be located in an EDA-designated Redevelopment Area (RA) or Economic Development Center. Businesses located in other areas of an EDA-designated Economic Development District also are eligible if the project will benefit residents of a RA within the district. Assistance is limited to cases where financial aid is not available from other sources on terms and conditions that will permit accomplishment of the project's economic development objectives. Projects must be approved by the State and local jurisdictions in which they are to be located and must be consistent with an approved Overall Economic Development Program. Borrowers must meet statutory requirements and be creditworthy.

FUNDING LEVELS

FY 90: \$150,000,000	Range of loans guaranteed: \$500,000 - \$10,000,000+
FY 91: \$150,000,000	Interest rates: 1.25 to 2.5 percent above lender's prime rate
FY 92: \$5,000,000	Maturity: Working capital loans - 5 to 7 years; Fixed asset loans - average life of the asset(s) financed

APPLICATION PROCESS

Eligible borrowers should identify a willing lender. The lender (EDA's applicant for a guarantee) should contact the Economic Development Representative for the area and/or the Credit and Debt Management Division, Washington, DC. EDA conducts a review of the preliminary project proposal and, if the project warrants, authorizes the lender to submit an application for a loan guarantee. Average time from submission of an application to a final funding decision is four to six months, depending on the complexity of the project and the availability of credit data. Complete program information appears annually in the **Federal Register**.

TRADE ADJUSTMENT ASSISTANCE PROGRAM

PROGRAM GOALS

EDA funds a network of Trade Adjustment Assistance Centers (TAACs) through cooperative agreements. These TAACs aid firms and industries in applying for benefits under Chapter 3 of Title II of the Trade Act of 1974.

PROJECT TYPES/ELIGIBLE APPLICANTS

A firm affected by import competition may petition for certification of impact. Firms that believe they meet this criteria may contact TAAD or one of the 12 TAACs. If the firm appears to meet Trade Act certification criteria, the appropriate TAAC will offer to help the firm in completing and submitting a petition to TAAD. If the firm is certified, it may apply for technical assistance in diagnosing its problems and assessing its opportunities. If the firm appears to have a reasonable chance of recovery, it develops an adjustment proposal which outlines the firm's recovery strategy and any need for implementation of technical assistance. If the adjustment proposal is accepted by TAAD, the firm is authorized to apply for technical assistance to implement the recovery strategy. Organizations representing trade-injured industries may apply to receive industry-wide assistance.

SELECTION CRITERIA

To be certified eligible, a firm must demonstrate that threatened increased imports of articles directly competitive with its products contributed significantly to declines in sales or production and to significant actual or threatened job loss. For an industry association or other organization to be eligible for industry assistance, evidence must be submitted demonstrating that the industry faces import competition and includes a substantial number of Trade Act certified firms or worker groups.

FUNDING LEVELS

FY 90: \$6,373,000	Average FY 91 grant:	\$1,033,000
FY 91: \$12,935,000	Range of FY 91 grants:	\$460,000 - \$1,485,000
FY 92: \$14,000,000		

APPLICATION PROCESS

To apply, a firm must submit a petition for Certification of Eligibility (Form ED-840P). Within two years of certification, the firm may submit an acceptable adjustment proposal and an application for technical assistance. A letter requesting technical assistance may be submitted to the appropriate TAAC. Industry associations or other organization seeking industry assistance must submit an application identified as Standard Form 424, if encouraged to do so following the meeting with a TAAD representative.

To be approved, an adjustment proposal from a certified firm must demonstrate that the proposal (1) is reasonably calculated materially to contribute to the economic adjustment of the firm; (2) gives adequate consideration of the interests to the workers of the firm; and (3) demonstrates that the firm is using its resources for its economic adjustment.

XXVIII

ECONOMIC DEVELOPMENT ADMINISTRATION OFFICES

ECONOMIC DEVELOPMENT ADMINISTRATION

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October 15, 1992

APPROPRIATIONS
ECONOMIC DEVELOPMENT ADMINISTRATION
(In millions of dollars)

	FY 91 H.R. 5021 <u>P.L. 101-515</u>	FY 92 H.R. 2608 <u>P.L. 102-140</u>	FY 93 H.R. 5678 <u>P.L. 102-395</u>
TITLE I			
Public Facility Grants	\$140.825	\$154.160	\$147.435
TITLE II			
Loan Guarantees	(150.000)	(5.000)	0
TITLE III			
Planning	23.102	25.276	24.770
(Districts)	(15.543)	(17.708)	(17.353)
(Indians)	(2.835)	(2.960)	(2.901)
(States)	(1.890)	(1.973)	(1.933)
(Urban)	(2.834)	(2.958)	(2.583)
Technical Assistance	6.613	9.900	9.000
(University Centers)	(4.724)	(7.724)	(7.510)
Research and Evaluation	1.193	.500	0
TITLE IX			
Economic Adjustment	24.317	23.000	22.075
(Sudden & Severe)	(12.282)	(-)	
(Revolving Loan Fund)	<u>(12.035)</u>	<u>(-)</u>	
TOTAL PWEDA PROGRAMS	\$196.050	\$212.836	\$203.280
TRADE ADJUSTMENT ASSISTANCE (Trade Adjustment Act of 1974, P.L.93-618)	12.950	14.000	13.720
(Trade Adj.Asst.Ctrs.)	(12.400)	(13.450)	(-)
(Industry Grants)	<u>(.550)</u>	<u>(.550)</u>	<u>(-)</u>
SUBTOTAL	\$209.000	\$226.836	\$217.000
Loan Guarantee			
Program Costs *	n.a.	.800	
Adminis. Expenses *	n.a.	1.614	
Salaries & Expenses	\$ 27.018 #	\$ 27.632	\$27.118
TOTAL under Commerce approp.	\$236.018	\$256.882	\$244.118
PL 102-368(Suppl) for Title IX Disaster Relief		\$75.0	
PL 102-396(DOD approp)for Title IX Defense Conversion			\$80.0
GRAND TOTAL	\$236.018	\$331.882	\$324.118

* Specific appropriation required by Credit Reform Act (part of amendments to Budget Enforcement Act of 1990). Funds for administrative expenses may be transferred to EDA salaries and expenses.

To include 49 permanent positions designated as Economic Development Representatives (EDRs) of which no more than two shall be National EDRs.

federal register

Monday
January 11, 1993

Part IV

**Department of
Commerce**

Economic Development Administration

**Economic Development Assistance
Programs; Appropriations, 1993; Notice of
Funds Availability**

DEPARTMENT OF COMMERCE

Economic Development
Administration

(Docket No. 921116-2316)

Economic Development Assistance
Programs as Described in Public Law
102-395, Departments of Commerce,
Justice, State, the Judiciary, and
Related Agencies Appropriations,
1993; Availability of FundsAGENCY: Economic Development
Administration (EDA), Department of
Commerce (DoC).

ACTION: Notice.

SUMMARY: The Economic Development Administration (EDA) announces its policies and application procedures for funds available in fiscal year 1993 to support projects designed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions of the Nation and to address economic dislocations resulting from sudden, severe job losses. The purpose of this announcement is to communicate to potential applicants for EDA funds the policies and procedures that will be used to administer the Agency's programs during fiscal year 1993.

I. General Policies

According to existing statutory criteria, areas containing approximately 90 percent of the U.S. population are eligible for EDA assistance which, in fiscal year 1993, totals approximately \$217 million. Priority consideration for funding will be given only to those proposals having the greatest potential to benefit areas experiencing or threatened with substantial economic distress. EDA is particularly interested in projects located in authorized and designated enterprise zones. Distress may exist in a variety of forms, including exceptionally high levels of unemployment, extremely low income levels, large concentrations of low income families, low labor force participation rates, significant decline in per capita employment, substantial loss of population because of the lack of employment opportunities, unusually large numbers (or high rates) of business failures, farm foreclosures, sudden major layoffs or plant closures, and drastically reduced tax bases.

Potential applicants are responsible for demonstrating to EDA, through the provision of statistics and other appropriate information, the nature and level of the distress their efforts are intended to alleviate. In the absence of

evidence of exceptionally high levels of distress, EDA funding is unlikely. In considering proposals to benefit severely distressed areas, EDA will give special consideration to those that address the needs of rural communities, particularly aid directed toward the economic diversification of such areas.

During FY 1993, EDA will place a special emphasis upon assisting projects that focus on exports, entrepreneurship, and technology initiatives including innovation, transfer, and commercialization to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions, through the provision of grants for Public Works and Development Facilities, Technical Assistance, Economic Development Planning, and Economic Adjustment Assistance.

EDA recognizes that small communities experience impediments to economic development other than the traditional inadequacies of existing water, sewer and roadway systems; therefore, in fiscal year 1993, EDA will give consideration to projects that will assist an area to overcome a special development or infrastructure problem that is preventing employment growth and economic development from taking place. Such projects may involve, but are not limited to, activities designed to enhance the expansion of the service sector of the economy when that sector is deemed more growth oriented than the traditional industrial sector, or innovative projects designed for the development of publicly-owned telecommunications infrastructure when it can be demonstrated that such a project is needed to foster productivity or enhance economic growth within an EDA-designated area. Such proposals must be appropriately scaled and provide substantial and direct benefit to the local economy or otherwise enhance the economic prosperity of the area. EDA will consider providing assistance to demonstration type projects that are especially creative from an economic development standpoint and that leverage a substantial amount of nonfederal resources.

EDA expects substantial state and local support for proposed projects. Proposals that do not provide evidence of strong state and local leadership and financing are less likely to receive EDA assistance.

In the case of projects involving construction, EDA expects construction to be initiated and completed in a timely manner. Applicants are expected to anticipate predictable delays such as those caused by normal weather conditions, permits and approvals, legal

complications, community disputes, land acquisition, etc., and account for them in developing project schedules. Projects which are likely to encounter significant delays will receive low funding priority. Projects that experience unreasonable delays following EDA approval may be terminated and the funds deobligated. These policies are consistent with EDA's objective of supporting activities that can begin to benefit local economies as soon as possible, thereby meeting the pressing development needs identified by project applicants. EDA expects those responsible for developing and managing projects to maximize the impact of the public funds by preparing and implementing projects as thoroughly and expeditiously as possible.

EDA funding will not be used directly or indirectly to assist employers who transfer one or more jobs from one commuting area to another. EDA nonrelocation requirements (13 CFR 309.3) apply to all grants involving construction, rehabilitation or repair under titles I, IV, IX, and section 301(f) of the Public Works and Economic Development Act of 1965 (Pub. L. 89-136, 42 U.S.C. 3121-3246h), as amended (including grants for Revolving Loan Funds, under title IX).

No award of Federal funds shall be made to an applicant who has an outstanding delinquent Federal debt until either:

1. The delinquent account is paid in full;
2. A negotiated repayment schedule is established and at least one payment is received; or
3. Other arrangements satisfactory to DoC are made.

Applicants may be subject to a pre-award accounting system survey by the Department of Commerce's Office of Inspector General, and fund recipients may be subject to audits or other inspections by the same office.

Applicants eligible for assistance because of membership in an economic development district must be active participants in the district's economic development planning process. EDA will evaluate applications for conformance with published statutory, regulatory, and policy requirements. Applications proposed for funding under these programs are subject to the requirements of Executive Order 12372, "Intergovernmental Review of Federal Programs."

An invitation to submit an application does not assure EDA funding. Factors that will be considered in evaluating proposals include if and to what extent the project meets the selection criteria.

Unsuccessful applicants will be notified of the status of their applications when the appropriate program funds have been awarded.

Processing time for proposals will depend upon the completeness of the information and supporting documents provided in the application at the time of submission. Proposals that require additional information from applicants or other sources will be returned to correct deficiencies and the official application receipt dates will be adjusted accordingly.

EDA will not approve projects that involve actual or potential conflict-of-interest situations. If EDA identifies or suspects a possible conflict-of-interest situation, or an appearance of such, application processing and/or grant award may be suspended and the burden will be on the applicant/grantee to take appropriate steps to eliminate the perception of a conflict of interest before application processing of the grant is resumed.

Recipients must agree that no funds made available by EDA shall be used, directly or indirectly, for paying attorneys' or consultants' fees in connection with securing awards made by the Government, such as, for example, preparation of the application. However, attorneys' and consultants' fees incurred for meeting award requirements, such as conducting a title search or preparing plans and specifications, may be eligible project costs and may be paid out of funds made available by EDA, if such costs are otherwise eligible.

Public Law 101-510, enacted November 5, 1990, section 1405, amending subchapter IV of chapter 15, title 31, United States Code, prescribes the rules for determining the availability of appropriations. Accordingly, grant funds obligated for a project will expire in five years from the fiscal year of the grant award.

Applicants must submit a completed Form CD-511, "Certifications Regarding Debarment, Suspension and Other Responsibility Matters; Drug-Free Workplace Requirements and Lobbying."

Recipients shall require applicants/bidders for subgrants, contracts, subcontracts, or other lower tier covered transactions at any tier under the award to submit, if applicable, a completed Form CD-512, "Certifications Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transactions and Lobbying" and disclosure form, SF-LLL, "Disclosure of Lobbying Activities." Form CD-512 is intended for the use of recipients and should not be transmitted

to the Department. SF-LLL submitted by any tier recipient or subrecipient should be submitted to the Department in accordance with the instructions contained in the award document.

Prospective participants (as defined at 15 CFR part 26, section 105) are subject to 15 CFR part 26, "Nonprocurement Debarment and Suspension;" and the related section of the certification form.

Grantees (as defined at 15 CFR part 26, section 605) are subject to 15 CFR part 26, subpart F, "Governmentwide Requirements for Drug-Free Workplace (Grants)" and the related section of the certification form.

Persons (as defined at 15 CFR part 28, section 105) are subject to the lobbying provisions of 31 U.S.C. 1352, "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions," and the lobbying section of the certification form which applies to applications/bids for grants, cooperative agreements, and contracts for more than \$100,000, and loans and loan guarantees for more than \$150,000, or the single family maximum mortgage limit for affected programs, whichever is greater. Any applicant that has paid or will pay for lobbying using any funds must submit an SF-LLL, "Disclosure of Lobbying Activities," as required under 15 CFR part 28, appendix B.

Applicants should be aware that a false statement on the application is grounds for denial or termination of funds and grounds for possible punishment by a fine or imprisonment as provided in 18 U.S.C. 1001.

All nonprofit and for-profit applicants are subject to a name check review process. Name checks are intended to reveal if any key individuals associated with the applicant have been convicted of, or are presently facing, criminal charges such as fraud, theft, perjury, or other matters which significantly reflect on the applicant's management, honesty or financial integrity.

Recipients and subrecipients are subject to all Federal laws and Federal and Departmental policies, regulations, and procedures applicable to Federal financial assistance awards.

Unsatisfactory performance under prior Federal awards may result in an application not being considered for funding.

If an application is selected for funding, EDA has no obligation to provide any additional future funding in connection with an award. Renewal of an award to increase funding or extend the period of performance is at the total discretion of the EDA.

Applicants should be aware that if they incur any costs prior to an award

being made they do so solely at their own risk of not being reimbursed by the Government. Notwithstanding any verbal assurance that might have been received, there is no obligation on the part of EDA to cover pre-award costs.

The following material describes other policies and procedures associated with each of EDA's programs.

II. Program: Public Works and Development Facilities Assistance

(Catalog of Federal Domestic Assistance: 11.500 Economic Development Grants and Loans for Public Works and Development Facilities, 11.504 Economic Development Public Works Impact Program (PWIF))

Summary

Funds available under the Public Works and Development Facilities Program are used to finance projects that contribute to the economic development of distressed areas. Grants are authorized by titles I and IV of the Public Works and Economic Development Act of 1965, as amended (PWEDA), 42 U.S.C. 3131 and 42 U.S.C. 3171(a) (3).

Eligibility

Eligible applicants under this program include any state, or political subdivision thereof, Indian tribe, the Federated States of Micronesia, the Republic of the Marshall Islands, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa and the Commonwealth of the Northern Mariana Islands, or private or public nonprofit organization or association representing any redevelopment area or part thereof, if the project is located within an EDA-designated redevelopment area.

Redevelopment areas, other than those designated under the Public Works Impact Program, must have a current EDA-approved Overall Economic Development Program (OEDP). Political entities claiming eligibility under OEDPs developed by multicounty economic development organizations are expected to continue to participate actively in the organization. Further information on eligibility is available from EDA's regional offices. Nonprofit applicants are urged to seek the cooperation and support of units of local government and, when deemed appropriate by EDA, to have the local government serve as co-applicant for EDA assistance. This serves the purpose of ensuring the financial stability and continuity of the project, in the event that the nonprofit entity finds itself in a position of not having the financial resources to properly and efficiently administer.

operate, and maintain the EDA-assisted facility consistent with the provisions of 13 CFR 314—Property Management Standards.

Program Objective

The purpose of the Public Works Program is to assist communities with the funding of public works and development facilities that contribute to the creation or retention of private sector jobs and to the alleviation of unemployment and underemployment. Such assistance is designed to help communities achieve lasting improvement by stabilizing and diversifying local economies, and improving local living conditions and the economic development of the area. EDA emphasizes the alleviation of unemployment and underemployment among residents of the project area as a primary focus of this program. In view of the current rural distress, applications from rural communities will be reviewed with particular interest.

Funding Availability

Funds in the amount of \$147.435 million are available for this program.

Funding Instrument

EDA may provide direct grants not to exceed 50 percent of the estimated cost of the project. However, under certain circumstances supplementary grants to augment the direct grant may be provided up to a maximum of 80 percent of the eligible project costs. But in no event shall the Federal participation exceed 80 percent of the aggregate cost of any such project, except in the case of a grant to an Indian Tribe, where EDA may waive the non-Federal share. Applicants are required to provide the local share from acceptable sources including, but not limited to cash, local government general obligation or revenue bonds, Community Development Block Grant (CDBG) entitlement funds or balance of state awards, Farmers Home Administration loans, and other public and private financing, including donations.

The local share need not be in hand at the time of application, however, the applicant must satisfy EDA that the funds will be available to provide the nonfederal share of the project.

The local share must not be encumbered in any way that would preclude its use consistent with the requirements of the grant. Priority will be given to applications which maximize the local share's percentage of the project cost. Supplementary grant assistance to finance over 50 percent of

the project costs will be approved by EDA only for proposals in areas of high distress. Decisions on such supplementary grant assistance will be based on the nature of the project, the amount of fair user charges or other revenues the project may reasonably be expected to generate, and the relative needs of the area (see 13 CFR 305.5).

Selection Criteria

For both regular public works projects and Public Works Impact Program (PWIP) projects, priority consideration will be given to those which are the most competitive based upon the project selection criteria set forth below, that best meet the needs of eligible areas, and that are located in areas of severe economic distress.

A. Public Works Projects

Factors that will be taken into account in considering projects eligible under section 101(a)(1)(A)-(C) of PWEDA, 42 U.S.C. 3131(a)(1)(A)-(C), include if and to what extent the project:

1. Improves opportunities for the successful establishment or expansion of industrial or commercial facilities in the area where such project will be located.
2. Assists in creating or retaining private sector jobs in the near term and assists in the creation of additional long-term employment opportunities, provided the jobs are not transferred from any other area of the United States, and will result in a low cost-per-job in relation to total EDA cost.
3. Benefits the long-term unemployed and members of low-income families who are residents of the area to be served by the project.
4. Fulfills a pressing need of the area, or part thereof, in which it will be located.
5. Is consistent with the EDA approved Overall Economic Development Program (OEDP) for the area in which it is, or will be, located, and has broad community support.
6. Is supported by significant private sector investment.
7. Promotes exports, entrepreneurship, or technology initiatives including innovation, transfer and commercialization.
8. Has evidence of adequate local share of funds.
9. Supports developments taking place in designated enterprise zones, particularly in rural areas.
10. Demonstrates that necessary permits, land acquisitions, or options on land and rights-of-way have been obtained and that all other legal requirements of the application process have been satisfied.

11. Maximizes the amount of local, state or other Federal funding that is available.

12. Gives evidence of the ability to begin and complete construction in a timely manner in accordance with a schedule to be agreed upon by EDA and the applicant and included in the grant award. EDA discourages the start of construction prior to grant award and cautions that financial hardship may be experienced by applicants whose projects are not approved. EDA will require all applicants that request approval to proceed with construction prior to grant award to acknowledge that they are proceeding at their own risk and without recourse to EDA if the grant is not awarded or EDA requirements are not met. EDA also requires that compliance with environmental regulations be completed before construction begins. EDA's regional office must have time to complete its "Finding of No Significant Impact," and clearances must be obtained from appropriate state and Federal agencies. Furthermore, EDA may view the start of construction prior to grant award as an indication that the grant funds are not essential for the successful implementation of the project.

13. If located in an Economic Development Center (i.e., Growth Center) that has a stable economy with little distress, must include an employment plan that explains how new employment opportunities for residents of nearby highly distressed redevelopment areas will be provided.

B. Public Works Impact Program

Factors that will be considered in the evaluation of projects under the Public Works Impact Program (PWIP) authorized by section 101(a)(1)(D) of PWEDA, 42 U.S.C. 3131(e)(1)(D), include if and to what extent the project:

1. Directly assists in creating immediate useful work (i.e., construction jobs) for the unemployed and underemployed residents in the project area;
2. Improves the economic or community environment in areas of severe economic distress;
3. Includes a specific plan (i.e., PWIP Employment Strategy) for hiring the unemployed and underemployed persons from the project area to work on the construction of the project; EDA will evaluate all plans to ensure that they contain a logical explanation of how the employment objectives will be met;
4. Assists in providing long-term employment opportunities or other economic benefits for the unemployed and underemployed in the project area;

5. Primarily benefits low-income families by providing essential community services, or satisfying a pressing public need;

6. In addition to the requirement for regular public works projects, as contained in paragraph A, can begin construction quickly (normally within 120 days after acceptance of the grant by the applicant);

7. Has substantial labor intensity, where labor intensity is the proportion of labor costs to the total project costs; and

8. Promotes exports, entrepreneurship or technology initiatives including innovation, transfer, and commercialization.

C. Industrial Park Projects

Applications proposing projects that will primarily serve an industrial park or site will be evaluated on such additional factors as:

1. A detailed analysis of existing industrial park capacity and utilization; occupancy rates for existing developed industrial parks currently available within a 25-mile radius of the project site. For cities with populations over 50,000, the prescribed area may be determined by an analysis of industrial sites within an established industrial area, which may be less than a 25-mile radius. Contact the economic development representative (EDR) for the area or the appropriate EDA regional office for guidance.

2. Commitments in writing from identified tenants to expand existing operations or to locate in the industrial park or site. Commitments must include a description of the industry, the number of jobs created or saved, an implementation schedule, and the relationship of the commitment to the requested grant assistance.

3. The existence of a documented marketing strategy and demonstrated financial ability to market space in the industrial park or site. Strong emphasis will be placed upon this requirement.

Construction Project Implementation

As indicated in the first section of this Notice, EDA expects construction projects to be initiated and completed in a timely manner and in accordance with the schedule agreed upon in the grant documentation. The recipient will be responsible for promptly notifying EDA of any events that prevent adherence to the approved schedule. The recipient must provide an explanation of why the events were beyond its ability to predict or control and obtain EDA's approval of changes in the schedule prior to proceeding with project implementation. EDA expects recipients

to anticipate predictable delays (such as those caused by land acquisition problems, local financing requirements, normal weather conditions in the area, acquisition of state permits and approvals, and known public objections to the project), and to take them into account in preparing the project schedule. Recipients who fail to comply with project schedules are subject to grant suspension or termination.

Under most circumstances, EDA will not provide additional funds to finance cost overruns that occur during project implementation.

Proposal Submission Procedures

To establish the merits of project proposals, interested parties should first contact the economic development representative for the area (see listing in section X). The economic development representative for the area will provide a preapplication form (ED-101P, OMB Control No. 0610-0011) and arrange for conferences to discuss the proposal. EDA will screen proposals before inviting the submission of an application. As previously mentioned, an invitation does not assure EDA funding. Proposals will be evaluated based upon:

1. Conformance with statutory and other legal requirements and with the selection criteria mentioned above;

2. The merits of the proposal in addressing the economic development needs of the eligible area; and

3. The availability of program funds. Processing time for project proposals depends upon the completeness of information and supporting documents provided in the preapplication form at the time of submission. Project proposals that require additional information from applicants or other sources will be returned to correct deficiencies and the official application receipt dates will be adjusted accordingly.

Application Procedures

Following a review of project proposals, EDA will invite entities whose projects are selected for consideration to submit applications. The application will include a form ED-101A, as approved by the Office of Management and Budget Control No. 0610-0011. The demand for public works assistance is expected to exceed available funding. Therefore, to avoid having incomplete proposals delay other more timely grant awards, a 120-day time restriction will apply to invited applications for resolving application deficiencies. Applications that cannot be recommended for approval within 120 days of receipt in

a regional office because of unresolved issues will be returned to the applicants. Such applications may be reconsidered at a future date, but must compete with other proposals at that time.

Previous Applications

Project applications invited, but not funded in FY 1992, remain eligible for funding consideration. Applications received prior to the date of this Notice will be processed and evaluated in accordance with the project selection criteria published for FY 1992 and current legal requirements. Those applications received on or after the date of this Notice must be consistent with the project selection criteria and requirements published in this Notice. Applicants whose projects were invited but not submitted to EDA in FY 1992 should contact the appropriate EDA regional office regarding forms to be used for FY 1993.

Further Information

For further information contact the appropriate EDA regional office or economic development representative for your area (see section X of this Notice).

III. Program: Local Technical Assistance

(Catalog of Federal Domestic Assistance: 11.303 Economic Development—Technical Assistance)

Summary

Funds under the Local Technical Assistance Program are awarded to eligible applicants to help assure the successful initiation and implementation of area, state, and regional development efforts designed to alleviate economic distress. This program is authorized under section 301(e) of the Public Works and Economic Development Act of 1965, as amended, 42 U.S.C. 3151(e).

Eligibility

Eligible applicants for Local Technical Assistance grants or cooperative agreements include public or private nonprofit national, state, area, district, or local organizations; public and private colleges and universities; Indian tribes, local governments, and state agencies. In certain circumstances, applications may be considered from other applicants such as private individuals, partnerships, firms, and corporations.

Program Objective

The Local Technical Assistance Program is designed to help alleviate or prevent conditions of excessive

unemployment or underemployment and problems of economically distressed populations in rural and urban areas.

Funding Availability

Funds in the amount of \$600,000 are available for the Local Technical Assistance Program. (Note: EDA generally will limit its funding for a proposed Local Technical Assistance project to \$25,000.)

Funding Instrument

EDA will provide grants and cooperative agreements not to exceed 75 percent of the proposed project costs. Applicants are expected to provide the remaining share, preferably in cash. The Assistant Secretary may waive all or part of the 25 percent share of technical assistance grants, if he/she determines that the nonfederal share is not reasonably available because of the critical nature of the situation requiring technical assistance or for other good cause.

Project Duration

Assistance will be for the period of time required to complete the scope of the work. This typically does not exceed twelve months.

Selection Criteria

Preference will be given to Local Technical Assistance proposals which:

1. Show that the proposed project will lead to the near-term (between one and five years) generation or retention of private sector jobs.
2. Support the efforts of state and local organizations and institutions, including nonprofit development groups, to undertake and promote effective economic development programs targeted to people and areas in distress.
3. Stimulate significant private and nonfederal public investment for economic development purposes.
4. Benefit severely distressed areas, particularly rural counties and communities.
5. Demonstrate innovative approaches to stimulating economic development in depressed areas. EDA is particularly interested in receiving innovative proposals in the following areas:
 - a. Export development as an economic development strategy;
 - b. Assistance to business in uses of technology initiatives including innovation, transfer, and commercialization;
 - c. Minority business development in distressed areas;
 - d. Tourism;
 - e. Rural enterprise zones;

f. Linkages in economic development and environmental goals; and
g. Entrepreneurship.

6. Are consistent with the EDA approved Overall Economic Development Program (OEDP) for the area in which the projects are located and have been recommended by the OEDP Committee (if appropriate to the nature of the project).

7. Present an appropriate and clear project design.

8. Are proposed by organizations with the capacity, qualifications and staff necessary to undertake the intended activities.

9. Present a reasonable, itemized budget for the proposed activities.

Pre-Application Procedures

Parties seeking support for Local Technical Assistance projects should contact the economic development representative (EDR) for information before preparing a proposal. (See EDR listing in section X of this announcement.)

EDA will evaluate all proposals as they are received and invite applications for those which best satisfy the selection criteria. An invitation does not, however, assure EDA funding.

Potential applicants should submit one original and two copies of a brief and concise proposal.

Proposal Submission Procedures

Potential applicants must submit to the appropriate EDR proposals that include:

1. A cover page giving a short, descriptive project title, the name and address of the applicant organization, the name and telephone number of the project director, the project duration, the amount of EDA funds requested, and the program (Local Technical Assistance) that would provide the funds;
2. A brief description of the project;
3. A brief explanation of why the project is needed and its objectives;
4. A work plan showing different phases of the project and their timing;
5. A detailed budget showing cost breakdowns, with EDA-funded and non-EDA-funded costs presented in separate columns and with the EDA-funded costs equaling to the total shown on the cover page.

Application Procedures

The appropriate EDA regional office will invite entities whose proposals for Local Technical Assistance projects are selected for further consideration to submit application packages. The application will include a Standard Form-424 (OMB Control No. 038-0043).

Further Information

For further information about Local Technical Assistance projects contact the appropriate EDR. (See EDR listing in section X of this announcement.)

IV. Program: National Technical Assistance

(Catalog of Federal Domestic Assistance: 11.303 Economic Development—Technical Assistance)

Summary

Funds under the National Technical Assistance Program are awarded to eligible applicants who will offer assistance to local, regional and state organizations, and/or conduct demonstrations of and disseminate information about innovative development techniques designed to alleviate economic distress. This program is authorized under section 301(a) of the Public Works and Economic Development Act of 1965, as amended, 42 U.S.C. 3151(a).

Eligibility

Eligible applicants for National Technical Assistance grants or cooperative agreements include public or private nonprofit national, state, area, district, or local organizations; public and private colleges and universities; Indian tribes, local governments, and state agencies. In certain circumstances, applications may be considered from other eligible applicants such as private individuals, partnerships, firms, and corporations.

Program Objective

The National Technical Assistance Program is designed to help alleviate or prevent conditions of excessive unemployment or underemployment and problems of economically distressed populations.

Funding Availability

Funds in the amount of \$830,000 are available for the National Technical Assistance Program.

Funding Instrument

EDA will provide grants and cooperative agreements not to exceed 75 percent of proposed project costs. Applicants are expected to provide the remaining share. In cases where EDA issues a Solicitation of Applications, an applicant's share may not be required. The Assistant Secretary may waive all or part of the 25 percent nonfederal share of technical assistance grants, if he/she determines that the nonfederal share is not reasonably available because of the critical nature of the

situation requiring technical assistance or for other good cause.

Project Duration

Assistance will be for the period of time required to complete the scope of the work. Generally, this will not exceed fifteen months.

Selection Criteria

Preference will be given to those Technical Assistance proposals which:

1. Do not depend upon further EDA or other Federal funding assistance to achieve results.
2. Support the capability of state and local organizations and institutions, including nonprofit development groups, to undertake and promote effective economic development programs targeted to people and areas in distress.
3. Stimulate significant private and nonfederal public investment for economic development purposes.
4. Benefit severely distressed areas.
5. Demonstrate innovative approaches to stimulating economic development in depressed areas. EDA is particularly interested in receiving innovative proposals in the following areas:
 - a. Assistance to business in implementing technology initiatives including innovations, transfer, and commercialization;
 - b. Exports;
 - c. Entrepreneurship;
 - d. Tourism;
 - e. Rural enterprise zones; and
 - f. Linkages in economic development and environmental goals.
6. Present an appropriate and clear project design.
7. Are proposed by organizations with the capacity, qualifications, and staff necessary to undertake the intended activities.
8. Present a reasonable, itemized budget for the proposed activities.

Pre-Application Procedure

Potential applicants should submit one original and two copies of a brief and concise proposal which should not exceed 20 pages. Vits and capability information may be appended.

Proposals should include:

1. A cover page giving a short descriptive project title, the name and address of the performing organization, the name and telephone number of the project director, the project duration, the amount of EDA funds requested, and the program (National Technical Assistance) that would provide the funds;
2. A brief scope-and-objectives section indicating why the project is needed, giving its objectives, and providing a capsule description of the project;

3. A more detailed description of the project and its methodology;

4. A work plan showing different phases of the project and their timing;
5. A detailed budget showing cost breakdowns, with EDA-funded and non-EDA-funded costs presented in separate columns and with the EDA-funded costs adding to the total shown on the cover page;
6. *Résumés* for the project director and principal staff; and
7. A corporate or institutional capability statement, where appropriate.

Proposals should be submitted to the Director, Technical Assistance and Research Division, Economic Development Administration, room 7315, U.S. Department of Commerce, Washington, DC 20230.

Application Procedures

The Technical Assistance and Research Division will invite entities whose proposals for National Technical Assistance projects are selected for further consideration to submit application packages. Such invitation, however, does not assure EDA funding. The application will include a Standard Form-424 (OMB Control No. 038-0043).

Eligibility for Specific Solicitations

EDA may, during the course of the year, identify additional specific economic development technical assistance activities. Organizations and individuals interested in being invited to respond to Solicitations of Applications (SOAs) to conduct such work should submit information on their capabilities and experience to the Director, Technical Assistance and Research Division, Economic Development Administration, room 7315, U.S. Department of Commerce, Washington, DC 20230.

Further Information

For further information about National Technical Assistance projects contact the National Technical Assistance Coordinator, telephone (202) 482-2127.

V. Program: University Center Technical Assistance Projects

(Catalog of Federal Domestic Assistance: 11.303 Economic Development—Technical Assistance)

Summary

Funds for basic university center projects are used as seed money to help selected colleges and universities mobilize their own and other resources to assist in the economic development of distressed areas. The efforts of university centers should focus on

helping public bodies, nonprofit organizations and businesses plan and implement activities designed to generate jobs and income. In addition, funds may be used for projects which promote the goals of the University Center Program in other ways that demonstrate innovative economic development. Support for these types of projects is authorized under section 301(a) of the Public Works and Economic Development Act of 1965, as amended, 42 U.S.C. 3151(a).

Eligibility

Eligible applicants for university center grants and cooperative agreements are public and private colleges and universities, associations representing such institutions, and other organizations with expertise in University Center Program issues.

Program Objective

The objective of these projects is to enable colleges and universities to contribute to overall economic development by using their resources to provide technical assistance that will alleviate or prevent conditions of excessive unemployment or underemployment and problems of distressed populations in individual states or substate areas.

Funding Availability

Funds in the amount of \$7.570 million are available for university center projects. It is expected that continuation grants for existing centers will use all of this amount.

Funding Instrument

EDA will provide grants or cooperative agreements not to exceed 75 percent of the proposed project costs.

Project Duration

Grants will be for a one-year period.

Selection Criteria

University center proposals (for both continuation and initial grants) must present a clear description of the economy of the proposed service area, its economic development needs, and the activities to be carried out with the requested funding. The work program for the university center must be structured under the following categories:

1. Providing technical assistance (which must be the major emphasis of the program),
2. Conducting applied research, and
3. Disseminating results of university center activities.

For this program, EDA defines technical assistance as any activity

undertaken in response to a direct request for help from a client outside the sponsoring institution, and applied research is defined as any activity undertaken by the university center at its own initiative.

Each proposal must contain quantitative and qualitative evaluation criteria for each activity listed under the above three work program categories. These criteria, when accepted by EDA, will be used to judge the performance of the university center.

Each university center that received funding in fiscal year 1992 was required to provide these evaluation criteria for its work program. EDA will give significant weight in assessing the overall performance of a university center to the degree that the university center met these quantitative and qualitative evaluation criteria.

If one or more university centers fails to qualify for a fiscal year 1993 continuation grant, EDA will hold an open competition for those funds in the appropriate regional office. In judging proposals for initial grants under an open competition, EDA will consider the:

1. Quality of the proposed work program;
2. Degree to which the work program is focused on providing technical assistance to organizations outside the sponsoring institution (i.e., on providing technical assistance);
3. Presence of a methodology for recognizing/rewarding the participation of faculty and students in the work program;
4. Presence of a five-year financial plan for the university center;
5. Commitment, as evidenced by financial support and other resources, of the university leadership at the highest levels to the mission and purpose of the university center;
6. Capacity of the institution and the university center to provide the proposed technical and other types of assistance to jurisdictions and organizations within the service area;
7. Degree to which the proposal complements and supports the local, regional or state economic development strategies in the service area;
8. Extent to which the center proposes to target its assistance to the economically-distressed sections of its proposed service area; and
9. Presence of other technical assistance providers in the proposed service area including Small and Minority Business Development Centers (SBDCs and MBDCs) and Trade Adjustment Assistance Centers.

Institutions seeking continuation or initial grants under this program should

realize that EDA will not award university center funds to provide small business counseling or management assistance in areas serviced by an SBDC or an MBDC.

All applicants should realize that EDA limits the indirect cost rate that may be charged to grants under this program to 20 percent of total direct costs or the institution's negotiated indirect cost rate, whichever is less. Institutions with indirect cost rates above 20 percent may not use the amount above the 20 percent level as part of the nonfederal share.

Proposals for other projects that meet the goals of the University Center Program will be judged on similar factors. These include the potential impact of the project on distressed areas, the quality of the proposed work program, and the qualifications of the applicant to carry it out.

Depending on the availability of funds, EDA may hold a competition for short-term (one to three years) incentive grants. This competition will be open to all currently and previously funded centers, except those whose funding was discontinued because of poor performance.

Funding Policy

Public Law 102-395, the Department of Commerce fiscal year 1993 Appropriations Act, provides \$7.570 million for this program, a \$154,000 reduction from the fiscal year 1992 amount. The accompanying Conference Report directs EDA to award these funds to university centers that received funding in fiscal year 1992 and to make any adjustments in individual funding levels equitably among all of the university centers.

A successful applicant under any such open competition will be eligible for funding under the program for a five year period, subject to the continued availability of program funds and an annual determination by EDA of satisfactory performance by the university center. Any institution receiving an initial university center grant in fiscal year 1993 will be required to provide a nonfederal share equal to 25 percent of the total project costs for the first year. If funding is available, for the second through the fifth years, the institution should increase its nonfederal share to equal the university center grant.

Proposal Submission Procedures for Continuation Grants

Each existing university center will be notified by the appropriate regional office of its eligibility for continuation funding. At that time, university centers

eligible for continuation funding will be notified of the amount of the required nonfederal share and provided with additional program guidance.

Proposed Submission Procedures for Basic Grants

Institutions seeking funding for a university center should submit a proposal describing the activities to be carried out with the grant funds to the appropriate EDA regional office or to the EDR for the area. (See EDA regional office and EDR list in Section X of this announcement.)

Further Information

For further information about University Center Technical Assistance projects contact the appropriate EDR or regional office (listing in Section X of this announcement) or the University Center Coordinator, Technical Assistance and Research Division, Economic Development Administration, room 7315, U.S. Department of Commerce, Washington, DC 20230; telephone (202) 482-2127.

VI Program: Planning Assistance for Economic Development Districts, Indian Tribes, and Redevelopment Areas

(Catalog of Federal Domestic Assistance: 11.302 Economic Development—Support for Planning Organizations)

Summary

Funds under the District, Indian, and Area Planning Program are awarded to defray administrative expenses in support of the economic development planning efforts of economic development districts (Districts), redevelopment areas (Areas) and Indian tribes. This program is authorized under section 301(b) of the Public Works and Economic Development Act of 1965, as amended, 42 U.S.C. 3151(b).

Eligibility

Eligible applicants are economic development districts, redevelopment areas, organizations representing redevelopment areas (or parts of such Areas), Indian tribes, organizations representing multiple Indian tribes, the Federated States of Micronesia, the Republic of the Marshall Islands, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

Program Objective

The primary objective of planning assistance for administrative expenses under section 301(b) is to support the formulation and implementation of

economic development programs designed to create or retain full-time permanent jobs and income, particularly for the unemployed and underemployed in the most distressed areas served by the applicant. Planning activities supported by these program funds must be part of a process involving significant leadership by public officials and private citizens.

Funding Availability

Funds in the amount of \$20.254 million are available in two categories: Districts/Areas (Category A)—\$17.353 million; and Indian tribes (Category B)—\$2.901 million.

Funding Instrument

Grant assistance can be provided for up to 75 percent of project costs for Category A grants with the applicant required to provide the remaining share from local (non-federal) sources. Category B grant assistance may be provided for up to 100 percent of project costs.

Project Duration

Assistance will normally be for a period of twelve months.

Selection Criteria

EDA will consider the following factors, among other things, in evaluating proposals:

1. The responsiveness of the proposed work program to the program regulations contained in 13 CFR 307.22;
2. The economic distress of the area served by the applicant;
3. Provision of an institutional capability statement, defining management and staff capacity and qualifications in economic program/policy development and operations;
4. Past performance of any currently funded grantee (including information in scheduled progress reports);
5. The local leaders' involvement in the applicants' economic development activities;
6. The amount of local participation provided as matching dollars to the Federal funds; and
7. Priority consideration will be given to currently funded grantees.

Proposal Submission Procedures

Application procedures may be obtained from EDA's regional offices for the following:

- a. Currently funded planning grantees;
- b. Proposals from applicants not currently funded under Categories A or B, that would fit into either of those categories; and
- c. Special economic development activities that benefit one or more 301(b)

grantees and cannot be financed with other resources.

Eligible applicants under both Categories A and B should submit proposals which include:

1. A letter signed by the chief elected official (Chairman of the Board, Tribal Chairman) or another authorized official of the applicant stating the organization's desire to receive funds to carry out the types of planning and administrative activities eligible under the 301(b) program.

2. Significant, verifiable information on the level of economic distress in the area, including unemployment and income data. Any major changes in distress levels during the past year should be described.

3. A work program outlining the specific development activities that will be carried out under the grant and explaining how they relate to the problems identified in the area OEDP, annual report, or other documents.

New applicants should submit one copy of the proposal to the appropriate economic development representative, and an original and one copy to the appropriate EDA regional office. Addresses of the EDA regional offices and listing of the economic development representatives are found in section X of this Notice.

Formal Application Procedures

EDA regional offices will contact currently funded grantees to inform them of the procedures for submitting applications for continuation funding.

Following review of the proposals submitted, EDA will invite those selected for funding consideration to submit formal applications. Funding levels will be determined by the economic distress and need of the area served by the applicants, past performance of previously funded grantees, and availability of program funds. The application will include an SF-424, as approved by the Office of Management and Budget Control No. 0348-0043.

Further Information

For further information contact the appropriate economic development representative, EDA regional office (see section X of this Notice), or the Director, Planning Division, Economic Development Administration, room 7321, U.S. Department of Commerce, Washington, DC 20230; telephone (202) 482-3027.

VII. Program: Planning Assistance for States and Urban Areas

(Catalog of Federal Domestic Assistance: 11.305 Economic Development—State and

Urban Area Economic Development Planning)

Summary

Funds under the State and Urban Planning Program are awarded to defray administrative expenses in support of economic development planning efforts of eligible applicants. This program is authorized under section 302(a) of the Public Works and Economic Development Act of 1965, as amended, 42 U.S.C. 3151a.

Eligibility

Eligible applicants under this program are the governors of states, the chief executive officers of cities and counties, and substate planning and development organizations (including redevelopment areas and economic development districts).

Program Objective

The primary objective of planning assistance under section 302(a) is to support significant economic development planning and implementation initiatives of eligible applicants, particularly those experiencing severe economic distress.

Assistance must be part of a continuous process involving significant local leadership from public officials and private citizens and should include efforts to reduce unemployment and increase incomes. These efforts should be systematic and coordinated, when applicable, with planning organizations, and should strengthen the planning capabilities of applicants.

Planning program funds will not be used to provide support to activities that can be funded under the EDA Technical Assistance programs.

Activities eligible for support include economic analysis, definition of development goals, determination of project opportunities, development of economic development policies, processes and procedures, and formulation and implementation of a development program.

EDA is interested in proposals for planning activities designed to address problems of economically distressed segments of the population. Funding priority will be given to proposals promoting exports, entrepreneurship, and technology initiatives including innovation, transfer and commercialization, or that reduce barriers to the development of new businesses. In the case of proposals from states, EDA is particularly interested in innovative approaches to planning and implementing economic development initiatives, as well as efforts that lend themselves to replication in other areas.

Funding Availability

Funds in the amount of \$4.516 million are available for providing grant assistance under this program.

Funding Instrument

Grant assistance may be provided for up to 75 percent of project costs. Applicants will be required to provide the remaining share, preferably in cash. Applications for grants exceeding \$200,000 will be given low funding priority. EDA will consider proposals for smaller grants to support the aforementioned appropriate activities.

Project Duration

Assistance will be for the period of time required to complete the work. This period is normally 12 to 18 months. If Congress makes funds available for this program in subsequent years, grantees may submit applications for appropriate projects for up to a total of three awards.

Selection Criteria

The content of the proposal and the economic distress of the area will be the principal factors considered in evaluating proposals from eligible entities. In assessing the distress factor, priority consideration will be given to proposals from states and urban areas experiencing substantial economic distress. In the case of urban areas, high priority will be given to those with unemployment rates two or more percentage points higher than the U.S. average and per capita income levels 80 percent or less of the U.S. average. For states, high priority will be given to those that meet both of the above criteria, as well as those that meet one of the above criteria and have distress equal to or greater than the national level for the other criterion. The most recent per capita income and 24-month average unemployment data available will be used to measure economic distress.

Proposals from states or urban areas which do not exhibit significant distress on the basis of unemployment or income data will not be considered unless other acceptable evidence of substantial distress is provided by the applicant (e.g., large numbers of agricultural and business failures, large numbers of low income families, drastically reduced tax bases, etc.).

Proposals from states and urban areas which are both below the U.S. national unemployment rate and above the national per capita income are unlikely to be funded.

Proposals will be judged on the basis of:

1. Appropriateness of the work program to the section 302(a) program objectives;
2. The economic distress of the area served by the applicant;
3. Extent to which the proposed planning activities are expected to impact upon the service area's economic development needs, and the extent to which the proposal addresses the problems of the unemployed and underemployed of the area, including the farm families, minorities, workers displaced by plant closings, etc.;
4. Past performance of currently or formerly funded grantees, if applicable;
5. The amount of local participation provided as matching dollars to the Federal funds;
6. The proximity of the performing office to the chief executive (i.e., likelihood that the activities will have a significant influence on the policy and decision making process); and
7. Other characteristics, such as involvement of the private sector in the proposed activities, and particularly for states, the innovativeness of the proposed approach and replicability of the process or results.

Proposal Submission Procedures

Potential applicants should submit proposals that include:

1. A letter, signed by the chief executive of the applicant organization, indicating a desire to receive funds to carry out the planning activities outlined in the proposal; where the funded planning program will be placed in the organization, including the name and title of the person to be responsible for program implementation; the amount and for what period funding is being requested; and the anticipated funding arrangement if the planning activity is to continue beyond the period of EDA support.
2. Significant, verifiable information on the level of economic distress in the area, including unemployment and income data. Any major changes in distress levels during the past year should be described.
3. Information indicating the applicant's commitment to the proposed work program as demonstrated by amount of local funding and the degree of interest displayed by the chief executive.
4. A time chart showing all major work program elements, projected element start and completion dates, and the related financial expenditures programmed for each work element.
5. A work program of no more than 10 pages which outlines the specific planning activities that will be carried out under the grant and specifies which

activities will be handled by in-house staff, consultants, etc. The work program should also explain the need for the proposed activities, expected impacts and their timing, target population(s), and involvement of the private sector in the proposed activities.

Current grantees seeking additional funding under this announcement should comply with the instructions of this notice and include a 3-5 page progress report for the current grant.

One copy of the proposal should be sent to the appropriate economic development representative, and an original and one copy to the appropriate EDA regional office. The EDA regional office or the name, address and telephone number of the economic development representative for the applicant's area can be found in section IX of this Notice.

Formal Application Procedures

EDA will evaluate proposals using the selection criteria cited above. Once the merits of the proposal are established, EDA will initiate discussions with the prospective applicant to clarify and improve elements of the proposal, if necessary, and will invite those whose proposals are selected for funding consideration to submit formal applications, which will include an SF-424 (OMB Control No. 0348-0043) and other application materials. It should be noted that an invitation to submit a proposal does not assure EDA funding. Proposals and applications will be processed as they are received. Applications received after FY 1993 funds are exhausted may be retained by EDA for consideration for funding the following fiscal year, assuming funds are available.

Further Information

For further information contact the appropriate economic development representative, EDA regional office (see section X of this Notice), or the Director, Planning Division, Economic Development Administration, room 7321, U.S. Department of Commerce, Washington, DC 20230; telephone (202) 482-3027.

VIII. Program: Economic Adjustment Assistance (Title IX)

(Catalog of Federal Domestic Assistance No. 11.907 Special Economic Development and Adjustment Assistance Program—Long-Term Economic Deterioration (LTED) and Sudden and Severe Economic Dislocation (SSED))

Summary

Funds under the Economic Adjustment Program are used to assist areas experiencing long-term economic

deterioration (LTED) and areas threatened or impacted by sudden and severe economic dislocation (SSED). This program is authorized under title IX of the Public Works and Economic Development Act of 1965, as amended, 42 U.S.C. 3241-3245.

Program Objective

The LTED Program assists eligible applicants to develop or implement strategies designed to halt and reverse the long-term decline of their economies. The most common type of activity funded under the LTED Program is Revolving Loan Funds (RLFs), although other types of eligible title IX activities may be funded.

The SSED Program assists eligible applicants to respond to actual or threatened major job losses (dislocations) and other severe economic adjustment problems. It is designed to help communities prevent a sudden, major job loss; to reestablish employment opportunities and facilitate community adjustment as quickly as possible after one occurs; or to meet special needs resulting from severe changes in economic conditions. SSED assistance is intended to respond to permanent rather than temporary job losses. Assistance may be in the form of a grant to develop a strategy to respond to the dislocation (Strategy Grant) or a grant to implement an EDA approved strategy (Implementation Grant).

In light of the current high level of economic distress in rural areas, EDA is particularly interested in title IX projects designed to mitigate serious rural economic adjustment problems. EDA is also interested in proposals to help severely distressed areas with large minority populations.

Funding Availability

Funds in the amount of \$22.075 million are available for the Economic Adjustment Program in FY 1993. Of that amount, \$11.038 million will be available for the SSED Program and \$11.037 million will be available for the LTED Program.

Funding Instrument

Title IX funds are awarded through grants not to exceed 75 percent of the project cost. Acceptable sources of the local share include, but are not limited to, local government general revenue funds; Community Development Block Grant (CDBG) entitlement funds or balance of state awards; and other public and private donations. The Assistant Secretary may waive all or part of the 25 percent nonfederal share of economic adjustment assistance grants, if he/she determines that the

nonfederal share is not reasonably available because of the critical nature of the situation requiring economic adjustment assistance or for other good cause. The full amount of the local share need not be in hand at the time of application; however, the applicant must have a firm commitment from identified source(s), and the funds must be readily available. The local share must not be encumbered in any way that would preclude its use as required by the grant agreement. The local share for the RLF Program must be in cash, and while the local share for the SSED Program may be cash or in-kind, priority consideration will be given to proposals with a cash local share.

Eligible Applicants

Eligible applicants within areas meeting the EDA eligibility criteria described below include a redevelopment area or economic development district established under title IV of this Act, 42 U.S.C. 3161; an Indian tribe; a state; a city or other political subdivision of a state, or a consortium of such political subdivisions; a Community Development Corporation defined in the Community Economic Development Act, 42 U.S.C. 9802; a nonprofit organization determined by EDA to be the representative of a redevelopment area; the Federated States of Micronesia, the Republic of the Marshall Islands, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

Eligible Areas

A. LTED

In order to receive priority consideration for funding under the LTED/RLF Program, an area must be experiencing at least one of three economic problems: Very high unemployment; low per capita income; or chronic distress (i.e., failure to keep pace with national economic growth trends over the last five years). Priority will be given to those areas with two or more of these indicators. Eligibility is determined statistically. Further information is available from EDA's regional offices or the economic development representative for your area (see Section X of this Notice).

B. SSED

In order to receive priority consideration for funding under the SSED Program, an area must show actual or threatened permanent job losses that exceed the following threshold criteria, unless otherwise determined by the Assistant Secretary:

1. For areas not in Metropolitan Statistical Areas:

a. If the unemployment rate of the Labor Market Area exceeds the national average, the dislocation must amount to the lesser of two (2.0) percent of the employed population, or 500 direct jobs.

b. If the unemployment rate of the Labor Market Area is equal to or less than the national average, the dislocation must amount to the lesser of four (4.0) percent of the employed population, or 1,000 direct jobs.

2. For areas within Metropolitan Statistical Areas:

a. If the unemployment rate of the Metropolitan Statistical Area exceeds the national average, the dislocation must amount to the lesser of one-half (0.5) percent of the employed population, or 4,000 direct jobs.

b. If the unemployment rate of the Metropolitan Statistical Area is equal to or less than the national average, the dislocation must amount to the lesser of one (1.0) percent of the employed population or 8,000 direct jobs.

In addition, fifty (50) percent of the job loss threshold must result from the action of a single employer, or eighty (80) percent of the job loss threshold must occur in a single standard industry classification (i.e., two digit SIC code).

In the case of a Presidentially declared natural disaster, the area eligibility criteria are waived. In other similarly exceptional circumstances, the criteria may be partially waived at the discretion of the Assistant Secretary.

Actual dislocations must have occurred within one year and threatened dislocations must be anticipated to occur within two years of the date EDA is contacted.

Selection Criteria

Proposals will be evaluated based on conformance with statutory and regulatory requirements, the economic adjustment needs of the area, the merits of the proposed project in addressing those needs and the potential applicant's ability to manage the grant effectively.

A. LTED/RLF Selection Criteria

Key factors in EDA's selection of proposed LTED/RLF projects include:

1. Economic and Financial Needs of the Project Area:

a. Areas with the highest levels of economic distress (high unemployment, low per capita income, vacant plants, deteriorating infrastructure, and declining farm economy, etc.) will receive priority consideration.

b. Need for RLF financing will be evaluated based on the local capital market and the applicant's analysis of it.

and how clearly this analysis defines the financial problems to be addressed by the RLF project.

c. Applicant's need for grant funds to carry out the project will be based on an assessment of its financial resources.

2. Objectives and Benefits of Proposed Projects

Priority will be given to projects that:

a. Stimulate private sector employment. The number and types of jobs to be created/retained will be key factors in project selection along with the job/cost ratio established for the RLF portfolio as a whole.

b. Target assistance to meet program objectives and to support specific economic adjustment activities planned or underway in the area, particularly those identified in the OEDP, title IX strategy, or other plans developed to deal with specific economic adjustment problems affecting the area. This may include target areas, industries, types of employers or other criteria that maximize the impact of assistance on specific needs within the area.

c. Leverage higher ratios of private investment than the required minimum ratio of two private sector investment dollars to one RLF dollar.

Note: The local share or other funds provided by the RLF to finance loans cannot be counted as leveraged dollars.

d. Promote exports, entrepreneurship, and technology initiatives including innovation, transfer and commercialization.

e. Direct new job opportunities to the long-term unemployed and underemployed.

f. Provide technical and management assistance for RLF borrowers, in addition to loan funds.

g. Use creative financing techniques to overcome specific gaps in the local capital market.

h. Make loans on a timely basis. The implementation schedule for RLF projects will normally require that RLF loans in the initial round be closed (and all EDA funds disbursed) within three years of grant approval with no less than 50 percent disbursed within eighteen months and 80 percent within two years.

i. Include a larger local share than the required 25 percent or secure commitments for future funding from other private or nonfederal public sources.

j. Coordinate activities with other economic development organizations, loan programs, employment training programs and private lenders in the area.

k. Are established to fill capital gaps as opposed to providing subsidized credit (i.e., below market interest rates).

3. Effective Management of the RLF:

EDA will also evaluate proposed projects to determine that the RLF will be properly managed. Key factors include:

a. A strong and effective Loan Administration Board with broad community representation, including appropriate public and private sector representation.

b. Staff capacity in program and policy development, finance, law, marketing, credit analysis, loan packaging, processing, and servicing.

c. Efficient procedures for loan selection, approval, and servicing which emphasize the economic development potential of loans as well as sound management and financing practices.

d. A strategy for redefining loan repayments which will ensure that the RLF revolves continuously and thus fulfills its purpose of creating jobs and stimulating economic activity on an ongoing basis.

e. Adequate resources to cover administrative costs of the RLF.

f. The potential applicant's experience and capacity for administering economic and business loan programs. If the potential applicant has designated another organization to administer the project, EDA will evaluate the experience and capacity of that organization, rather than the potential applicant.

Non-governmental (excluding economic development districts) organizations seeking funds must be sponsored by the local or state government having jurisdiction over the project area, and the sponsor must be willing to assume responsibility for operating the RLF should the non-governmental entity no longer be able to administer the project.

B. SSED Evaluation Criteria

Key factors in EDA's selection of proposed SSED projects include:

1. The severity of the dislocation as measured by, but not limited to, the following factors:

a. The degree to which the number of dislocated workers exceeds the eligibility threshold.

b. The proportion of the total job loss represented by a single employer.

c. The proportion of employment in a single standard industry classification represented by the firm(s) closing.

d. The applicant's need for grant funds to carry out the project based on an assessment of its financial resources.

2. The objectives and benefits of proposed activities as measured by the extent to which:

a. For Implementation Grants:
(1) Job creation or retention and restoration of the community's

economic base in the near term are emphasized versus more long-term, general economic development. Projects likely to encounter delays, particularly in initiating or completing construction, will normally not be given favorable consideration.

(2) The jobs to be created or retained are permanent, will directly benefit the dislocated workers or will directly facilitate community adjustment, and are new employment opportunities and not transferred from one area of the United States to another.

(3) The response to the problem is timely.

(4) EDA assistance will be complemented by, or will complement, appropriate state and local efforts; for example, training and job placement services, other Federal investments, and private sector support.

(5) The adjustment strategy and implementation activities proposed demonstrate an appropriately creative approach to addressing the dislocation.

(6) The cost per job created or retained is minimized.

(7) In the case of a Revolving Loan Fund, the recycled loan proceeds generate economic development benefits.

(8) The local share exceeds the required 25 percent.

b. For Strategy Grants:

(1) The applicant has demonstrated the capacity to manage the planning process and subsequent implementation activities.

(2) The proposed scope of work is responsive to the problem.

(3) The focus of the planning effort is on the generation of practical and implementable solutions.

(4) The local share exceeds the required 25 percent.

Project Implementation

As indicated in the first section of this Notice, EDA expects all grant-funded projects to be initiated and completed in a timely manner in accordance with the schedule agreed upon in the grant documentation. The recipient will be responsible for promptly notifying EDA of any events that prevent adherence to the approved schedule. The grantee must also provide an explanation of why the events were beyond its ability to predict or control and obtain EDA approval of changes in the schedule prior to proceeding with project implementation.

EDA expects grantees to anticipate predictable delays (such as those caused by land acquisition problems, local financing requirements, acquisition of state permits and approvals, normal weather conditions in area, and public

objections to the project), and take them into account in preparing the project schedule. Grantees who fail to comply with project schedules may be subject to grant suspension or termination.

Proposal Submission Procedures

Interested parties should contact the economic development representative for the area or the appropriate EDA regional office (see section X of this Notice) for a proposal package. Project proposals, submitted by eligible entities, will be evaluated by EDA staff on the basis of:

1. Conformance with the evaluation criteria mentioned above and statutory, regulatory and policy requirements.
2. The availability of funds.

Application Procedures

Following a review of project proposals, EDA will invite those projects selected for funding consideration to submit applications. It should be noted that an invitation to apply does not assure funding. The application will include an ED-540, as approved by the Office of Management and Budget Control No. 0610-0058.

Further Information

For further information, contact the appropriate economic development representative, EDA regional office (see section X of this Notice), or the Director, Economic Adjustment Division, Economic Development Administration, room 7327, U.S. Department of Commerce, Washington, DC 20230; telephone (202) 482-2659.

DX. Program: Trade Adjustment Assistance

(Catalog of Federal Domestic Assistance. 11.313 Economic Development—Trade Adjustment Assistance)

Summary

Funds under the Trade Adjustment Assistance Program are awarded to a network of Trade Adjustment Assistance Centers, located around the Nation, which provide technical assistance to certified firms adversely

affected by increased imports. Funds are also awarded under this program to organizations representing trade-injured industries. This program is authorized under the Trade Act of 1974, title II, Public Law 93-618, as amended, 88 Stat. 1978, 19 U.S.C. 2101-2487.

Funding Availability

Funds in the amount of \$13.220 million are available for trade adjustment assistance to firms. These funds will be provided to the nationwide network of twelve (12) Trade Adjustment Assistance Centers (TAACs) through cooperative agreements which will utilize all of the available funds for trade adjustment assistance.

Therefore, no new centers will be funded in FY 1993. Funds in the amount of \$500,000 are available for industry technical assistance.

Program Objective

The Trade Adjustment Assistance Program is designed to provide technical assistance to certified firms and industries hurt by the impact of increased imports. The TAACs help firms submit certification petitions to the Trade Adjustment Assistance Division (TAAD) of EDA, and if the firm is certified, provides technical assistance. A firm should work closely with the appropriate TAAC in petitioning for certification. Certified firms should also work closely with the appropriate TAAC in diagnosing their problems and developing an adjustment proposal, and in applying for technical assistance.

An industry association or other organization interested in receiving an industry assistance cooperative agreement must meet with a TAAD representative to discuss the industry's problems, opportunities, and assistance needs.

Criteria for Selecting Industry Assistance Proposals

Industry associations and other organizations seeking trade adjustment industry assistance must demonstrate

that the industry is injured by foreign trade and that the activities to be funded will yield some short-term actions that the industry itself (and individual firms) can and will take toward the restoration of the industry's international competitiveness.

The emphasis is on practical results that can be implemented in the near term, and long-term research and development activities are given low priority. It is also expected that the industry will continue activities on its own without the need for continued Federal assistance.

Application Procedures

Industry associations or other organizations seeking industry assistance must submit an application identified as Standard Form 424 (OMB Control No. 0348-0043), if encouraged to do so as a result of the meeting with a TAAD representative.

Acceptable industry assistance applications will be processed as funds are available; normally one to three months is required for final decision on application.

Formula and Matching Requirements

Generally, a minimum of 50 percent share is required for industry assistance cooperative agreements.

Length and Time Phasing of Assistance

Industry assistance cooperative agreements are generally for a 12-month period, but may be longer for tasks requiring more time to complete.

Further Information

For further information, contact the Director, Trade Adjustment Assistance Division, Economic Development Administration, room 7023, U.S. Department of Commerce, Washington, DC 20230; telephone (202) 482-3373.

X. EDA Regional Offices and Economic Development Representatives

The EDA regional offices, states covered, and the economic development representatives (EDRs) are listed below.

EDRs

States covered

ATLANTA REGIONAL OFFICE

401 West Peachtree Street, NW., suite 1820, Atlanta, Georgia 30308-3510, Telephone: (404) 730-3002

Burnette, F. Weyde, Aronov Building, room 134, 474 South Court Street, Montgomery, AL 36104, Telephone: (205) 223-7008. Alabama.

Day, William J. Jr., Federal Building, room 423, 80 North Hughey Avenue, Orlando, FL 32801, Telephone: (407) 648-6572. Florida.

Smith, Lola B., 401 West Peachtree Street, NW., suite 1820, Atlanta, GA 30308-3510, Telephone: (404) 730-3000. Georgia.

Hunter, Bobby D., 771 Corporate Drive, suite 200, Lexington, KY 40503-5477, Telephone: (606) 233-2596. Kentucky.

EDRs

States covered

Ainsworth, Bob, 221 Federal Building, 100 West Capitol Street, Jackson, MS 39269, Telephone: (601) 965-4342 Mississippi.
 Jones, Dale L., P.O. Box 2522, Raleigh, NC 27601, Telephone: (919) 856-4570 North Carolina.
 Dixon, Patrice M., Strom Thurmond Federal Building, 1835 Assembly Street, room 840, Columbia, SC 29201, Telephone: (803) 765-5676 South Carolina.
 Parks, Mitchell S., 261 Cumberland Bend Drive, Nashville, TN 37228, Telephone: (615) 736-5911 Tennessee.

AUSTIN REGIONAL OFFICE

Suite 201, Grant Building, 811 East Sixth Street, Austin, Texas 78701-3748, Telephone: (512) 482-6461
 Spearman, Sam, room 2509, Federal Building, 700 West Capitol, Little Rock, AR 72201, Telephone: (501) 324-5637 Arkansas.
 Davidson, Pamela, 412 North Fourth Street, room 104, Baton Rouge, LA 70802-5523, Telephone: (504) 389-0227 Louisiana.
 Swearingen, James, P.O. Box 2662, Santa Fe, NM 87501, Telephone: (505) 988-6557 New Mexico.
 Waters, Alvin X. Jr., 8500 North Western, suite 148, Oklahoma City, OK 73118-4011, Telephone: (405) 231-4197 Oklahoma.
 Ramirez, Roy, suite 201, Grant Building, 811 East Sixth Street, Austin, TX 78701-3748, Telephone: (512) 482-5118 Texas (south).
 Jacob, Lawrence, suite 201, Grant Building, 811 East Sixth Street, Austin, TX 78701-3748, Telephone: (512) 482-5119 Texas (north).

CHICAGO REGIONAL OFFICE

111 North Canal Street, suite 855, Chicago, IL 60606-7204, Telephone: (312) 353-7706
 Casals, Alfred L., 509 West Capitol, suite 204, Springfield, IL 62704, Telephone: (217) 492-4224 Illinois.
 Henderson, Richard L., Federal Building Courthouse, room 402, 46 East Ohio Street, Indianapolis, IN 46204, Telephone (317) 226-6104 Indiana.
 Collision, James L., 100 North Warren Avenue, room 1018, Saginaw, MI 48606-0867, Telephone: (517) 758-4097 Michigan.
 Arnold, John B. III, 104 Federal Building, 515 West First Street, Duluth, MN 55802, Telephone: (218) 720-5326 Minnesota.
 Hickey, Robert P., Federal Building, room 607, 200 North High Street, Columbus, Ohio 43214, Telephone: (614) 469-7314 Ohio.
 Price, Jack D., 505 South Dewey Street, room 202, Eau Claire, WI 54701, Telephone: (715) 834-4079 Wisconsin.

DENVER REGIONAL OFFICE

1244 Speer Boulevard, room 670, Denver, Colorado 80204, Telephone: (303) 844-4714
 Zender, John, 1244 Speer Boulevard, room 632, Denver, CO 80204, Telephone: (303) 844-4902 Colorado, Kansas.
 Cecil, Robert, Federal Building, room 593A, 210 Walnut Street, Des Moines, IA 50309, Telephone: (515) 284-4746 Iowa.
 Koch, Forrest E., Robert A. Young Building, room 8.308H, 1222 Spruce Street, St. Louis, MO 63103, Telephone: (314) 539-2321 Missouri.
 Rogers, John C., Federal Building, room 196, Drawer 10074, Helena, MT 59626, Telephone: (406) 449-5074 Montana.
 Albertson, Warren A., Federal Building, room 219, Pierre, SD 57501, Telephone: (605) 224-8280 Nebraska, South Dakota.
 Grant, Cornelius P., P.O. Box 1911, Bismarck, ND 58501, Telephone: (701) 250-4321 North Dakota.
 Ockey, Jack, Federal Building, room 2414, 125 South State Street, Salt Lake City, UT 84138, Telephone: (801) 524-5119 Utah, Wyoming.

PHILADELPHIA REGIONAL OFFICE

Curtis Center, Independence Square West, suite 140 South, Philadelphia, PA 19106, Telephone: (215) 597-4603
 Hammarlund, C.N. Jr., Federal Office Building, room 453, 450 Main Street, Hartford, CT 06103, Telephone: (203) 240-3256 Connecticut, Rhode Island.
 Flynn, Patricia A., 2568 Riva Road, 2nd Floor, Annapolis, MD 21401, Telephone: (410) 962-2513 Delaware, Maryland, District of Columbia.
 Blitz, Sanford, Federal Building, room 410D, 40 Western Avenue, Augusta, ME 04330, Telephone: (207) 622-8271 Maine.
 Fitzhenry, William A., Boston Federal Office Building, 10 Causeway Street, room 420 (Box 2), Boston, MA 02222-1036, Telephone: (617) 565-7235 Massachusetts.
 Potter, Rita, V., 143 North Main Street, suite 209, Concord, NH 03301, Telephone: (603) 225-1824 New Hampshire, Vermont.
 Rossignol, Clifford J., 44 South Clinton Avenue, room 703, Trenton, NJ 08609, Telephone: (609) 989-2192 New Jersey.
 Marshall, Harold J. II, 820 Erie Boulevard West, suite 104, Syracuse, NY 13204, Telephone: (315) 423-6203 New York.
 Pecone, Anthony M., 1833A New Berwick Highway, Bloomsburg, PA 17815, Telephone: (717) 389-7560 Pennsylvania.
 Cruz, Ernesto L., Federal Office Building, room 620, 150 Carlos Chardon Avenue, Hato Rey, PR 00918-1738, Telephone: (809) 766-6187 Puerto Rico, Virgin Islands.
 Noyes, Neal E., P.O. Box 10229, Richmond, VA 23240, Telephone: (804) 771-2061 Virginia.
 Davis, R. Byron, Rose City Press Building, 850 Egan Street, room 305, Charleston, WV 25301, Telephone: (304) 347-5252 West Virginia.

EDR:

States covered

SEATTLE REGIONAL OFFICE

Jackson Federal Building, room 1856, 915 Second Avenue, Seattle, Washington 98174, Telephone: (206) 553-0596

Richert, Bernhard E. Jr., 605 West 4th Avenue, room G-80, Anchorage, AK 99501-7894, Telephone: (907) 271-2272.	Alaska.
Perot, C. Antony, Federal Building, room 3406, 230 North First Avenue, Phoenix, AZ 85025, Telephone: (602) 379-3750.	Arizona, Nevada (except Elko, Eureka and White Pine Counties).
Sosson, Deena R., 1345 J Street, suite B, Sacramento, CA 95814, Telephone: (916) 551-1541	California (northern).
Lewis, William J., 1345 J Street, suite , Sacramento, CA 95814, Telephone: (916) 551-2180	California (central).
Oaks, Charles W., 11000 Wilshire Boulevard, room 11105, Los Angeles, CA 90024, Telephone: (310) 875-7286	California (southern).
McChesney, Frank, P.O. Box 90264, Federal Building, room 4106, Honolulu, HI 96850, Telephone: (808) 541-3391.	Hawaii, Guam, American Samoa, Marshall Islands, Micronesia, Northern Marianas.
Ames, Aldred F., room 441, 304 North 8th Street, Boise, ID 83702, Telephone: (208) 334-1521	Idaho, Nevada (counties of Elko, Eureka & White Pine).
Barblinger, Anne S., Ong World Trade Center, 121 S.W. Salmon Street, suite 244, Portland, OR 97204, Telephone: (503) 326-3078.	Oregon.
Busch, Jay M., Jackson Federal Building, 915 Second Avenue, room 1856, Seattle, WA 98174, Telephone: (206) 553-4740.	Washington.

Dated: January 5, 1993.

L. Joyce Hampers,
Assistant Secretary for Economic
Development.

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THE APPALACHIAN REGIONAL DEVELOPMENT ACT OF 1965
EXPLANATION OF LAW AND PROGRAMS

THE APPALACHIAN REGIONAL DEVELOPMENT ACT OF 1965
(40 U.S.C. App.1)

EXPLANATION OF THE LAW AND PROGRAMS

The purpose of this legislation is to alleviate the poverty of the chronically depressed Appalachian Region by supporting a broad range of programs concerned with the economic, social and physical development of the Region.

Organization

The Act defines the Region as the entire state of West Virginia and parts of twelve other states -- Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee and Virginia. The area covers approximately 200,000 square miles in 399 counties and contains more than 20 million people.

The Act also created a new institution, the Appalachian Regional Commission (ARC), designed to ensure the Federal, state and local cooperation needed to achieve ARC objectives. It is a Federal-State governmental agency consisting of the Governors (or their alternates) of the 13 Appalachian States and a Federal Cochairman, appointed by the President with the advice and consent of the Senate. Each year, the State members elect an Appalachian Governor to serve as the Commission's States' Cochairman.

Commission members appoint an executive director to head the Commission staff. Because of the State-Federal nature of the Commission, staff members are not Federal employees. Staff serve the needs of both the Appalachian Governors and the Administration as represented by the Federal Cochairman. Commission expenses are shared equally by the Federal Government and the Appalachian States.

The Federal vote assures a day-to-day spokesman for the national interest in ARC. The governors share a collective vote on Commission matters that equals the Federal vote.

Program Activities

Under the Act, project proposals must originate in the States and be presented to the Commission. No project can be approved unless it is first approved by the State concerned.

All recommendations of the Commission must be approved by a majority of the Governors and the Federal Cochairman.

The Act sets out a blueprint for ARC's approach to economic development using several basic principles:

- o Private sector jobs are the program's ultimate goal and investments are made to support job creation and to qualify the people of Appalachia to fill them.
- o Federal-state-local cooperation is essential and ARC works with and helps fund local development agencies to strengthen local participation in the partnership.
- o A regional highway system is essential to open the Region to economic development and the Act provides for the design and construction of the Appalachian Development Highway System.
- o A comprehensive array of resource development, public facility, human resource and other area development programs complement the highway system to provide a base for industrial development.

The highway program annually receives about two-thirds of ARC funds to provide for construction of the Highway System. States may also use some of their ARC funds to build access roads. This network supports development of commerce, industry and tourism, and enables the Region's residents to move freely between their homes and jobs, schools, health clinics, hospitals and other community facilities. Approximately 2,181 miles of the planned 3,025-mile highway system is completed or under construction. (See attached chart of the Appalachian Development Highway System.)

Programs to support Area Economic and Human Resource Development consist

of grants for education and health care, water and sewer systems for industrial and residential needs, housing, child development, enterprise development, development of natural resources and research on topics directly related to the Region's economic development. Grants to undertake these programs usually are combined with local and/or state funds. ARC "supplemental grants" can be used by local communities to meet part of the matching share required by other federal grants-in-aid programs.

Since 1965, ARC has helped build and/or equip more than 700 vocational schools and more than 1000 primary health care centers and hospitals and has helped build about 1,900 systems providing water or sewer services, or a combination of the two.

A Distressed County Program helps the Region's 90 poorest counties meet their critical needs especially in such areas as safe drinking water and waste disposal.

Regional Program Initiatives encourage investment strategies to improve economic competitiveness, either to address a specific opportunity such as technology transfer, telecommunications, promotion of entrepreneurship, export development; or to help solve human resource problems such as school dropouts, adult illiteracy, other education issues, infant mortality, and inadequate rural health care.

Local Development Districts (LDDs)

The Commission, through its member states, achieves essential local participation by working closely with multi-county planning and development agencies known as local development districts (LDDs). LDDs cover all 399 Appalachian counties and ARC provides a portion of the administrative funds for 68 of these agencies.

Each LDD has a board consisting of elected officials and public representatives of its member counties and a professional staff. Board and staff work with local citizens to assess local needs, determine local priorities and prepare development plans based on those needs and priorities.

The local development districts have a wide range of responsibilities but all

have in common a number of general functions, including building the capacity for areawide economic development and the expertise to implement these plans through specific investment.

They form an essential link between the people affected by ARC projects and those who make state and regional policies. LDDs each serve several counties that share economic potentials and problems, provide the local input to ensure that ARC is funding projects that directly address local needs.

How Projects are Funded

Authorizations for ARC funding expired as of September 30, 1982. However, funds are annually appropriated by Congress for ARC programs which are allocated by formula to the 13 states.

To carry out ARC program objectives, the Governor of each state is responsible for developing a plan identifying specific projects that will receive ARC funds, usually in combination with other Federal or state programs or local funds. The Commission must approve annually each State's development plan and project package.

State plans are submitted to ARC at the beginning of each fiscal year and considered by the Commission at its winter meeting. During the spring, states submit project applications for ARC staff review. As projects are cleared, they are forwarded to the ARC Federal Cochairman for final approval.

An exception is Commission-sponsored research and ARC's annual budget includes a specific amount for research activities. A Research Committee of state alternates meets through the year and proposes topics to the Commission closely related to ARC's economic development strategy. ARC publishes Requests for Proposals to solicit research on each of the approved topics.

Appalachian Development Highway System



October 2, 1992

APPALACHIAN REGIONAL COMMISSION APPROPRIATIONS
(In Millions of Dollars)

[No breakout for highway/non-highway programs
and salaries and expenses]

<u>YEAR</u>			<u>GRAND TOTAL</u>
1991	P.L.-514 (Energy and Water)	\$170.000 °	
	P.L.101-516 (DOT)	<u>94.750</u> **	\$264.750
1992	P.L.102-104 (Energy and Water)	\$190.000 #	
	P.L.102-143 (DOT)	<u>\$148.500</u> ##	\$338.500
1993	P. L. 102-377	<u>\$190.000</u> @	\$190.000

° FY '91: P.L. 101-514 (Energy & Water)

Funds earmarked from \$170 M:

\$21.5 - Corridor construction, Alabama
 13.0 - Corridor construction, Mississippi
38.0 - Corridor G, West Virginia
\$72.5 Total for Highways
8 Community services facility, Millport, Ala.
\$73.3 Total earmarked

** FY '91: P.L. 101-516 (DOT)

Funds earmarked for Appalachia:

\$51.5 - Corridor H, West Virginia
 33.275 - Corridor G., West Virginia
10.0 - Corridor D, West Virginia
\$94.775 Total earmarked

FY '92: P.L. 102-104 (Conf.Rept.H.Rpt.102-177)

Funds earmarked for Appalachia:

\$27.7 - Corridor in Alabama
 16.3 - Corridor in Mississippi
58.0 - Corridors G & H, West Virginia
\$97.0 - Total for highways
4 - Tourism development, Concord College, W.Va.
\$97.4 Total earmarked

FY '92: P.L. 102-143 (DOT) Funds earmarked
for Corridor G Improvement Program.

@ FY '93: P.L. 102-377

Funds earmarked for Appalachia:

\$36.0 - Corridor in Alabama
\$47.0 - Corridor I in West Virginia
\$83.0 - Total for highways
 \$ 5.0 - Construction of water resources development project in Ritchie County, WV
 \$ 5.0 - local access roads in Mississippi including access road at Holly Springs
\$ 4 - continue tourism development work in accordance with S Rept. 101-378
\$93.4 - Total earmarked

HEARING BEFORE THE
THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES

Thursday, May 20, 1993
9:30 a.m.

ROOM 2167, RAYBURN HOUSE OFFICE BUILDING

AGENDA

To receive testimony on the administration of the Economic Development Programs and recommendations for the revision of the Public Works and Economic Development Act.

WITNESSES

Panel

Michael Reese, Executive Director
Mohawk Valley Economic Development District
Mohawk, New York

Mr. R. Frank Lee, Executive Director
Mason County Development Authority
Point Pleasant, West Virginia

Panel

Craig M. Smith
Acting Assistant Secretary
Economic Development Administration
Washington, D. C.

Steven R. Brennen, Director
Denver Regional Office
Economic Development Administration

John E. Corrigan, Director
Philadelphia Regional Office
Economic Development Administration

**TO EXAMINE EXISTING PROGRAMS UNDER
THE PUBLIC WORKS AND ECONOMIC DE-
VELOPMENT ACT OF 1965 AND THE APPA-
LACHIAN REGIONAL DEVELOPMENT ACT OF
1965 AND TO CONSIDER PROPOSALS TO RE-
AUTHORIZE THE PROGRAMS AS WELL AS
NEW INITIATIVES TO PROMOTE GROWTH
AND DEVELOPMENT**

THURSDAY, MAY 20, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, DC.

The subcommittee met, pursuant to call, at 9:50 a.m., in room 2167, Rayburn House Office Building, Hon. Robert E. Wise, Jr. (chairman of the subcommittee) presiding.

Mr. WISE. This hearing of the Subcommittee on Economic Development will come to order.

Good morning.

Today the Subcommittee on Economic Development is beginning a series of hearings to review and reauthorize the programs administered by the Economic Development Administration, the EDA, under the Public Works and Economic Development Act of 1965 and those administered by the Appalachian Regional Commission, the ARC, under the Appalachian Regional Development Act of 1965.

As you know, the authorizations for these two programs expired September 30th, 1982; but the programs have continued to be funded annually through the budget and appropriations process. In each Congress since the 97th Congress, the Public Works and Transportation Committee has reported out bills to reauthorize and amend the EDA and ARC programs that have passed the house overwhelmingly.

This marks the seventh Congress that the committee has initiated action on this legislation. It is my belief that the present administration not only recognizes the value of these development programs and the need to continue them, it has also included funds in the President's budget request for fiscal year 1994 for both EDA and ARC.

Let me say that it is the Chair's feeling that since their creation in 1965, the EDA and ARC development programs have supported

local and state activities, encouraged private sector involvement in projects that have addressed a variety of economic problems, helped innumerable distressed communities and industries. And they have been effectively assisted in promoting economic renewal. But there needs to be a clearer statement of mission and purpose.

And I think this is a good time to reexamine the focuses of these agencies and what their roles should be in the future. In this regard, last month, my staff and I personally met with, in my district—and I would urge other Members who may wish to do the same to do likewise—have met in my district with various officials, economic development experts, business persons, and informal round table sessions in Charleston and Elkins, and we will do the same this Monday in Martinsburg, to learn about their experiences with the EDA and the Appalachian Regional Commission.

We have heard both their successes and some of their concerns. We have heard suggested program changes such as greater flexibility for the types of local projects eligible, permit changes in scope of projects, local certification and accountability. More technical assistance, less paperwork, and faster processing of applications. I anticipate including a summary of these discussions in these printed hearings.

(Notes from statements of presenters, Charleston, WV, April 23, 1993, see page 51; Elkins, WV, April 23, 1993, see page 60; and Martinsburg, WV, May 24, 1993, see page 67.)

Mr. WISE. It is my hope that during the series of hearings that begins today, we can hear these same kind of concerns. It would be my hope to develop a two-year bill and include amendments to address criticisms and difficulties with the programs that have been brought to the committee's attention.

I also hope that, as we work on a bill, the administration will make known its approach to reauthorizing EDA with suggested amendments based on their open review of the programs so we may coordinate our efforts.

Testimony on this first day will focus on the Economic Development Administration. Our witnesses include three officials from that Agency: Mr. Craig Smith, the Acting Assistant Secretary for Economic Development; Mr. Steven Brennan, Director of EDA's Denver Regional Office; and Mr. John Corrigan, Director of the Philadelphia Regional Office.

We will also here from Michael Reese, Executive Director of the Mohawk Valley Economic Development District in New York and Frank Lee, Executive Director of the Mason County Development Authority, Point Pleasant, West Virginia.

I particularly appreciate the developers coming, those involved in economic development as a profession, because they are the ones who work in the trenches, work on a day-to-day basis with the many programs that are designed to encourage economic development. We wanted to have them lead off because I think they can give us some practical suggestions.

Let me just say *ad hominem*, that is where I get into the most trouble; that it is not my interest to simply reauthorize existing programs that have been in existence since 1965.

It is my intention that the subcommittee will take a very in-depth look at these programs, at where they are effective and per-

haps where they have not been effective, and that we can address some of those concerns. I am deeply committed to both of these programs.

Every indication is that the administration intends to make, particularly the EDA, a focal point in its economic development initiatives; but there is no reason to simply plod ahead as we have been without a thorough examination.

It would be my hope that in this panel—these panels and panels to come—that people would make specific suggestions based on their experience about where improvements can be made. I am particularly interested in hearing about accountability. Is there some measure for marking how well we are succeeding in certain areas?

For instance, in the various titles that EDA has under its jurisdiction, is there an ability to determine what works and what doesn't, what projects seem to have had success, what haven't; and is the funding, then, moving towards those projects with a success record?

I just want to make sure that dollars aren't being put out there that aren't being accounted for that are simply—but instead are simply being put out there because it is on the books. And so that is the spirit in which we enter into this.

I appreciate very much the bipartisan cooperation that we have had putting these hearings together and look forward to working with all parties here.

Before recognizing the Ranking Member of this Subcommittee, Ms. Molinari, I would like to insert into the record at this point statements received from our colleagues, Mr. Costello of Illinois, and Mr. Blackwell of Pennsylvania.

[Statements referred to follow:]

STATEMENT HON. JERRY F. COSTELLO

Mr. Chairman, I want to thank you for calling this series of hearings to examine existing programs under the Public Works and Economic Development Act of 1965 and the Appalachian Regional Development Act of 1965. The Committee will also consider proposals to reauthorize the programs as well as new initiatives to promote economic growth and development.

I am particularly interested in improving the grant programs of the Economic Development Administration. In my Congressional District in Illinois, in the town of Anna, two major factories which employ most of the population have recently shut down. Unemployment in this area of Southern Illinois is widespread. I know that county officials are working with EDA to determine what directions they should explore to help address the economic problems of the community. While EDA has been helpful, we, as a Committee, need to look at ways to modernize the programs and ensure that the assistance is being directed in the best ways possible under the circumstances.

I look forward to hearing the testimony of the witnesses who will testify today and hope to learn of positive suggestions and recommendations so that the revision of the Economic Development Programs will provide the most benefit to the economically devastated communities across this nation.

STATEMENT OF CONGRESSMAN LUCIEN E. BLACKWELL

Thank you, Mr. Chairman. First, I would like to take this time to applaud you and my other colleagues for your continued support of these two vital programs. It has been 11 years since full reauthorization, and I believe you are committed to the cause and efforts of the Economic Development Administration (EDA) and Appalachian Regional Commission (ARC).

Now, we have the mechanics and the tools to bring these programs to full working order. The American people elected President Bill Clinton on the hopes of change

from the previous administrations, which had determined that these programs should be abolished. I am at a loss as to how it was determined to abolish programs that have been proven to be effective to our local communities and regions.

I am most eager to learn how we can, as a legislative body, begin to modernize the EDA and ARC, so that we can put the American people back into the workforce and reverse the long-standing deterioration of our Nation.

Today's hearing is the first of many hearing we will begin to decide whether to continue or not to continue the work of these programs. At the same time, we must remember to take a reasoned and careful approach as we consider the issue before us.

What's more, we must, in any event consider most favorably any measure which emphasizes as paramount the economic well being of our local communities and regions.

We must also be sure that any program or concept we enact to improve the EDA and the ARC offers reliability and awareness to the communities that are to be served.

I have no doubt that we are capable of making a fair determination of what steps can and should be taken to allow the EDA and the ARC to reach their full potential in overcoming the many obstacles they are currently facing. This subcommittee will play a vital, as well as important, role in making that determination, and I applaud you for your leadership, Mr. Chairman, in this process.

I welcome the witnesses who will appear before us today and await their testimony.

Thank you, Mr. Chairman.

Mr. WISE. Now, I will turn to Ms. Molinari.

Ms. MOLINARI. Thank you, Mr. Chairman. And let me thank you for holding this hearing today. I also support the reauthorization of the Economic Development Administration and hope we can use this opportunity as you suggest to breathe new life into EDA.

I am looking forward to hearing the testimony of all our witnesses, but I am particularly pleased that Mr. Michael Reese of the Mohawk Valley Economic Development District is joining us. The work Mr. Reese does is extremely important to communities in Central New York.

Congressman Boehlert, who represents this district, is going to try and join us so he can be a part of this very important day today and sends his personal best to Mr. Reese in his absence.

Those of us who support the EDA and economic development initiatives must understand exactly what is happening in our economy and, as you suggest, adapt our programs to that change. We have to reexamine our strategies to make sure they will be effective in the long term.

A recently released study funded by the EDA pointed to two questions that must be addressed as we focus our resources: number one, how do we reshape our efforts to reflect the changing economic environment since 1965; number two, where do we get the resources to refocus these programs?

As policymakers, we have to begin to rethink how local action should address the changing economic order. Issues such as trade deficits, America's educational system, urban decay, and declining Federal defense spending are all issues that have local, national, and international implications.

Our economic development strategy must consider these matters. How can we target our resources where they will be most effective? Are local economic development programs addressing the challenges of tomorrow? Or have communities inherited programs that are really designed for yesterday's problems?

There probably will not be too many additional funds to help accomplish these new initiatives. We will need to eliminate activities that are no longer relevant and redeploy the resources in activities that can have long-term impact on local, regional, and national economies.

Mr. Chairman, I believe EDA can be revitalized to help communities and businesses compete in the global marketplace. As this reauthorization proceeds, I hope we will all keep in mind that our economic development strategies must change to suit the new business climate. Companies are no longer deciding whether they should locate a facility in Brooklyn or Baltimore. The decision is now between looking at England, Brussels, Baltimore, and sometimes Bangladesh.

Again, Mr. Chairman, thank you for arranging this hearing today. And the two panels of witnesses you assembled, I believe, will help us to start to sort out from back in the days of the initial authorizations to today and the difficult issues we need to deal with.

Mr. WISE. I thank the Ranking Member and turn to Mr. Baker of California for any opening remarks.

Mr. BAKER. No, thank you, Mr. Chairman. It is a pleasure to be here.

Mr. WISE. Gentlemen from Florida, Mr. Mica.

Mr. MICA. No comments. Thank you.

Mr. WISE. Gentleman from New Jersey, Mr. Franks?

Mr. FRANKS. No opening this morning. Thank you, Mr. Chairman.

Mr. WISE. The gentlemen from California, Mr. Kim?

Mr. KIM. No, Mr. Chairman.

Mr. WISE. There is a new precedent being set in this subcommittee. I want to applaud someone for it. Try to extend it to the other side as well. As you can see, no comments from this side. I guess we are ready to proceed.

I now ask the first panel to come forward, Mr. Lee of West Virginia. Frank is the Executive Director of the Mason County Development Authority, from Point Pleasant; and Mr. Michael Reese, Executive Director Mohawk Valley Economic Development District Mohawk, New York.

And, gentlemen, each of your written statements will be made a part of the entire committee record, so please feel free to summarize in any way you wish.

I would just like to take this opportunity to introduce Mr. Lee, whom I have had the privilege of knowing for a number of years, who has been very active in economic development. I consider him to be one of the real stars in our State for his involvement. And if there is ever a guy who can pull together the private and the public sectors better than Frank Lee, I haven't met them yet. A lot of ingenuity and a lot of ideas and enthusiasm. And so I very much appreciate his taking the time and effort to be here.

And Mr. Reese, I want you to know that you come highly recommended. I had a chance to meet with Congressman Boehlert earlier this morning in another function. He does want to try to get by here, but he was singing your praises greatly.

And we are very glad to be able to work with Sherry, who has been involved with the EDA for many, many years.

At this point, I think, Mr. Lee, if you don't mind, in case Mr. Boehlert comes, Mr. Reese, if you wouldn't mind going second. And, Mr. Lee, I will ask if you will start.

TESTIMONY OF FRANK LEE, EXECUTIVE DIRECTOR, MASON COUNTY DEVELOPMENT AUTHORITY, POINT PLEASANT, WV; AND MICHAEL REESE, EXECUTIVE DIRECTOR, MOHAWK VALLEY ECONOMIC DEVELOPMENT DISTRICT, MOHAWK, NY

Mr. LEE. Thank you.

Mr. Chairman and Members, it is an honor to be here.

I am a native Washingtonian, and I used to come to these buildings as a student. I never thought I would be actually sitting here, and I am a bit nervous this morning. So bear with me. I certainly don't have a great expertise of the technical details of this program but rather, I hope, some practical experience on the developer side of working with it.

I want to say right off the bat, I believe it is an extremely important and valuable program. It is essential for economic development particularly in non-urban areas, without question. I don't think anyone would challenge that.

I think what I would say to you is time, money, and resources. The program was designed as an effective tool, but it could be more effective. Probably the single trend that I found in talking with my fellow developers is timing, timing.

If I have got a project that will create jobs, and we know it will create jobs and a private sector individual that wants to invest money in my community, by the time we found a site, they have been through allocation study—by the time they get to that point they are ready to go.

And if I am going to involve EDA funding, what we normally tell them is when they say how long, we say it is about the same as having a baby; it is nine months to get the approval and that is at the earliest. And then we are going to go through—we are going to advertise under the Federal regulations, the non-programmatic guidelines, for engineers and architects and other things.

The bottom line is, I can bring nothing to the table for a year in most cases. And then I have got to, in most cases, tell that client, by the way, you can't commence your project until we finished all this or portions could be ineligible, especially if we package with other programs.

My suggestion on that would be to take a hard look at reviewing authority. It has doubled up. You have got layer upon layer, at least two detailed reviews. Other Federal programs require certification on drug free workplaces or environmental sign-offs, et cetera. These programs, in most instances, require the documentation attached. And in each level of review, if an "I" is not dotted or a "T" is not crossed, it stops and gets recycled.

I think if it is the intent of Congress to have these programs focus upon situations that will create jobs rather than have the potential to create jobs, that will cause something to be built and people to be employed rather than another study that sits on a shelf to gather dust. I believe the review authority could be brought down to 60 days instead of nine months. And I believe that with

all my heart. And I think the experts from the agency will probably concur with that assessment.

Secondly, I think there needs to be additional staffing. In my State, we have one human being who has an office with a fax, I hope. I think they got a fax now, a telephone, and a computer. And the papers are piled up and the phone rings off the hook. We got 50-something counties, and this person has to individually review and prioritize each individual project. It is virtually impossible. Virtually impossible.

You take the best employee in the world, no one can handle that kind of work load without secretarial assistance. It is just, I think, too much. And I must say, in talking with my fellow developers, I didn't receive complaints at that level. They said the work got done, work was turned out in a timely manner. I just don't know how the individual does it. I think he is exceptional.

I heard the comment this morning dealing with accountability. And for my last comment, I simply would like to say I agree with that wholeheartedly. Congressman Wise, you remember when you were involved in starting an economic development program in Montgomery, West Virginia; and we went down and did some work down there with those folks. And I remember sitting in with them at your request to hire an executive director. And a personnel manager who thought he knew about economic development screened the applications.

We interviewed 12 people that day, and not one of them had ever put a deal together, not one of them had ever actually located an industry or done an incubator project. But they had all done lots of studies and analysis and feasibility studies and had a long list of credentials.

I think—and we kept asking the question over and over, tell us about the last three deals you put together, tell us how many jobs you have created, give us the names of some corporate officials we have talked to that you worked with in economic development. And these were all well-qualified people, but they had never put a deal together. They had studied economic development; they didn't practice it.

So my plea, whenever I am asked for my comment on what we can do in economic development, is to get back to the basics. I loved the comment I heard this morning about accountability. I thought that was fantastic. And this may be an over simplification.

They may get by you the first time, but on each and every dollar that you send out, I would ask the questions, document the impact, not the potential impact, document the impact. What brick and mortar? What infrastructure created? Was it done within the appropriate time frame? How many jobs were created? Not—and it is interesting, I always love Federal programs.

When I go to my board of directors, they want to know how many jobs will be created with this project. And they are talking about in the first week. When I deal with State and Federal programs, there is always, "Please list the number of jobs to be created in the first three years." So we are dealing in theoretical jobs and theoretical numbers.

I would say tighten it up, and say how many jobs are going to be created on Day One; how many on Day Two; and take it on out from there.

The further that time line goes, the more suspicious you should be. Accountability, I think that is the key word along with timing.

Again, I apologize to this group. I am not accustomed to this kind of a setting. I am sort of a nuts and bolts guy, and I hope I haven't said anything that was terribly improper today. It is a real honor to be here as an economic developer, and I thank you from the bottom of my heart for letting me come.

Mr. WISE. No. We greatly appreciate your being here. And you have done an excellent job in front of this committee.

And, Mr. Lee, the only committee I sometimes caution you against appearing in front of would be the Judiciary Committee. There, you are in trouble. But with all the other committees no. Thank you very much. You have given us—well, I am going to wait until questions, but I have been writing frantically.

Mr. Reese, we appreciate your attendance here. And as I say, Congressman Boehlert, who has been a stalwart on behalf of the EDA, has spoken very highly of you. We look forward to your testimony.

Mr. REESE. Thank you.

Mr. Chairman and Members of the Subcommittee on Economic Development, my name is Michael Reese, and I am the Executive Director of the Mohawk Valley Economic Development District.

It is my opinion that the reauthorization of the EDA is one of the most important components of any economic recovery plan that is considered by the Federal Government. The most critical problem facing America today is providing jobs for its people. If this country is going to win the war against crime, drug abuse, spouse and child abuse, and poverty, it is going to have to provide long-term, good paying jobs for its citizens.

During just the past few years, without reauthorizing legislation and without adequate resources, EDA has continued to be a strong partner in the economic development of the Mohawk Valley Region of New York State.

My region is predominantly rural in nature and suffers from decades of economic decline. By utilizing EDA to fund the necessary infrastructure improvements for industrial development, we have begun to stem this tide of decline. We now have hope for economic growth in the future. But the job is far from finished.

There are still many unmet needs that have to be addressed if this region is going to provide jobs for its residents. Now more than ever, we need to have the continuation of the EDA, which can and should play a central role in providing economic development resources to projects that will help retain jobs and create jobs for the unemployed and underemployed.

I would like to take some time to discuss three aspects of the Economic Development Administration that I think deserve consideration in the reauthorization bill.

The first is a present system of using the economic development districts to access programs of the agency. With the assistance from an EDA planning grant, my five counties worked together to de-

velop a strategy and identify projects in our annual, overall economic development program.

The "carrot" of having their projects eligible for EDA funding has kept the region working together, something that would not continue if the present system were eliminated.

The concept of regions working together collectively to solve problems and implement strategies is one that works and should be encouraged to continue. This system allows each region to set its own priorities and seek funding for projects that will provide real economic benefits to the area.

The regional economic development planning performed by economic development districts is one of the only ways that local government officials, many of whom are part-time, have input into a regional strategy that provides a coordinated approach to future development.

One concern that we do have to deal with is a lack of adequate financing for the District Planning Grant Program. As an example, my district has received the same level of assistance each year since 1986. EDA staff has done its part by providing planning grantees with new OEDP regulations, in the spring of 1992, that will make our annual strategy even more useful.

Now we need to increase the appropriation for planning grants so that districts can continue to provide the appropriate level of service to their regions.

Another vital aspect of the EDA is its Title I Public Works Program. This has been EDA's bread and butter program, and it is as important today as it was when the agency was founded. One of the most difficult challenges faced by local governments is their ability to develop good quality public infrastructure for industrial development.

A community's ability to retain or attract industries is directly tied to its ability to provide those public services at an affordable cost.

However, in regions that have experienced a lack of economic growth, such as the Mohawk Valley, local governments cannot afford these improvements without assistance from agencies like EDA.

A recent project in the City of Johnstown in Fulton County is a good example. Johnstown was under a consent order from the public health department to filter its water. The construction cost of a filtration plant was \$7.7 million. If Johnstown had to bear the entire cost of this project, the cost of water to the 11 industries located in the city would have been at a rate that would have caused many to close their facilities, adding hundreds of workers to the ranks of the unemployed, in a county with an unemployment rate of 10 percent.

The solution was assistance from EDA. The city was awarded a \$2 million public works grant. With this partnership between the local government and the Federal Government, the public health standards were met and Johnstown would be able to retain its largest industrial sector.

One area of the Title I program that needs to be improved is the time it takes from the submission of a pre-application until final approval.

Many of the things Mr. Lee has addressed before in his testimony are the same with my region. I understand the agency is currently working on streamlining the system. That would be most welcome to people at the local level.

Many times communities need a prompt response to their applications, and the present processing time can become an obstacle for projects that need to be moved forward more quickly.

However, I do not believe that the application process itself is broken. The use of the pre-application allows a community to seek assistance without incurring a great deal of upfront cost. It also allows the agency the ability to rate projects and invite the most worthwhile projects to final application.

And, again, I agree with Mr. Lee, one of the most effective aspects of the present system is the use of our state economic development representatives. Our state EDR is an invaluable service not only to the district but to the applicant communities.

This program, like the planning grant program, is severely underfunded. Currently, my five-county region has approximately \$100 million worth of public infrastructure projects that, if funded, could provide a direct economic benefit to my region.

These communities are in competition for a nationwide appropriation of some \$136 million of public works funds.

As I mentioned earlier, the EDA is uniquely positioned to play a vastly expanded role in providing Federal economic development resources to local projects. I would recommend that Congress look very closely at all Federal agencies that have some economic development activity and determine if it would be more appropriate for the Economic Development Administration to carry out this activity.

I am not being critical of the agencies; however, it seems to me that if the primary focus of an agency is housing, then it should direct its attention to housing; if the primary focus is agriculture, then it should direct its attention to agriculture; and if the primary focus is economic development, as is EDAs, then it should handle the economic development programs.

This may be a way to increase the appropriation with Title I public works programs without adding new spending to the budget.

The third aspect of the reauthorization bill that I would like to comment on concerns the EDA revolving loan fund program which is part of the Title IX program. Our district has administered an EDA revolving loan fund since 1979. With approximately \$1.6 million of EDA funds, we have been able to fund 132 companies with \$5.5 million in loans which has leveraged an additional \$39.5 million in private sector loans.

These projects have created real jobs for 3,000 people. And we count those jobs on an annual basis with site visits to these businesses.

When you divide those \$5.5 million in loans by the 3,000 jobs, the result is a job cost ratio of \$1,833 per job. By comparison, most economic development programs at the State and Federal level gauge their success by using job cost ratios that range from 10,000 to \$35,000 per job.

Locally controlled revolving loan funds have become one of the most effective tools available to stimulate effective job creation in

small businesses where most of the growth in jobs is taking place. This is particularly true in areas of stagnant growth because there is a general lack of interest from the private sector financial institutions in these areas.

As banks have consolidated and regulators have become more strict, small business people are having a more difficult time arranging all their financing from the private sector. By using EDA revolving loan fund as a financier, we have been able to package deals with the private sector that, in other words, would not meet their underwriting requirements.

The EDA revolving loan fund is a natural complement to the Title I program. Title I provides the public infrastructure necessary for development and the RLF provides the capital to allow companies to expand and complete jobs.

In conclusion, I want to stress the necessity to reauthorize EDA this year. I strongly urge you to include in the reauthorization bill the economic development district program, Title I program and Title IX programs in substantially the same format as now exist.

I thank you and will answer any questions you may have.

Mr. WISE. Thank you very much, Mr. Reese.

Let me reference the last part of your presentation. You mention the revolving loan fund which seems to be similar to that which Farmers Home—now RDA administers. You described the two programs as similar. They have a fund that can also be administered that can be loaned out to businesses and then paid back?

Mr. REESE. They are similar in nature. Farmers Home Program, I do not administer one myself; but I understand they have what was referred to as re-lenders program, where they loan you the money; you use it to make loans to your businesses; and as it gets paid back, you pay back the Farmers Home Administration.

Our money, as it revolves, stays in the local region; and we report back to EDA on a semiannual basis of our results and then also annually by audit through the EDA and Inspector General's office.

Mr. WISE. I wonder from both of your all standpoints as developers—I went through a list supplied by the Congressional Research Service the other day of all the different development programs under different agencies; and lo and behold, they start looking fairly similar. Is there some difficulty in not truly having one stop shopping?

One of the complaints I also heard is that you are often having to put together deals that match programs as opposed to matching programs to deals.

If anybody would care to comment on that. Let the record show Mr. Lee nodding an enthusiastic affirmative.

Mr. LEE. That is absolutely the case. Without question, it goes on all the time. You don't go in with your client and say this is what we want to do. You go see the consultant or the person that has the expertise in the regs, and they tell you what the program requirements are. And then you mold your program to fit that. And that is the way the game is played. Absolutely.

There is one thing, though, Congressman. I agree completely, there are some duplicative functions out there. One thing about EDA that is unique, though, and I have heard both criticism, both

good and bad about this, but in my State, and I am sure in other States, that individual has prioritization authority.

Now, some people will tell you that that does not allow state government to include EDA in their overall economic strategy and that it puts EDA outside the scope and the control and the purview of that overall strategy and that these folks are given other Federal funds.

Other folks would tell you that EDA is the one program where they can go direct and stand on their merits and make their case and get funding.

So, in essence, by having that authority, that prioritization authority there, it removes an entire level of bureaucracy to get in the game at the state level.

And, as I say, there is comments on both sides. But I don't think it is such a bad thing to let people have direct access and stand on the merits. And I hope that would be maintained.

Mr. REESE. Just one comment concerning the different programs from different agencies. I think when—again, I don't run a Farmers Home fund, so I am not that familiar with their regulations.

But with EDA's revolving loan funds, we are restricted to serving that depressed or distressed area that we have as our district, whether it be in rural parts of my region or in more urban parts of my region, places like the City of Utica. And I think that flexibility that we have to fund projects that are in need, regardless of location, is a flexibility that we would need to continue to have in our region.

I think, too, that the ability to keep that money locally revolving in our region has also been very helpful so that we know from year to year that we are going to be able to fund a certain number of projects. If we lose that capital over a number of years, we are going to have to supplement that with something else.

The third comment I want to make is, what we are looking at with an EDA revolving loan fund is serving businesses that are not able to receive financing from more conventional sources. We purposely look for higher risk deals, deals that would not go forward except for the financing that we are able to put into the project. And I think in those cases, again, we are answering the problem of a distressed area that does not have a capital base necessary for deals to take place.

Mr. WISE. That is a problem, and I want to take it up some when EDA testifies some. We would all like to see the process move quicker. In fairness, if they can get conventional financing readily, then it is already done; they don't come to you and EDA. So there is a question of stewardship of Federal taxpayer funds.

But the question is whether you can work a balance out that you can get quicker resolution than is the case on accountability. And perhaps this is something that you want to respond in writing as opposed to simply off the top of your head.

Do you have some suggestions on how success or results, at least, can be measured?

The EDA will testify shortly about their quality action teams. But for instance, in the different categories, the university center program, the technical assistance program, the public works program, are there benchmarks that can be used that, to your knowl-

edge, are presently not being used or at least you think should be looked at?

Mr. REESE. My personal opinion, I would like to see the university program tied more closely back to the districts that are set up.

I worked at a university center in the late 1970s and early 1980s in Plattsburgh that served the northern part of New York State.

When I was there, we worked very closely with the districts on specific projects, and accountability was fairly easy because we could show you the projects that we worked on during the course of a year.

What I have seen in the past few years is that the program has gotten further away from the districts as far as the working relationship and their giving us assistance on our projects.

The accountability that I see that EDA does have, particularly with the public works projects that we have, that I think is better than most other Federal agencies, is that we are more project specific. I mean I can show you the bricks and mortar; I can show you the industrial park that we built with the businesses in it, as opposed to the more entitlement-type programs where the money flows and very hard to tell exactly where the money was used in a community and what benefit that provided to long-term job growth in that community.

Mr. WISE. Mr. Lee?

Mr. LEE. If Mayberry wants to do it, Andy and Opie and Aunt Bea can get a grant from all kinds of Federal agencies; and they can get a consultant from inside the Beltway and they are the real good ones, or they can go to a university center.

There seems to be a philosophy throughout the Federal system that I have noticed that we must put into place mechanisms, university centers, and other things, where we have all this expertise to help these communities that have no expertise to succeed in economic development.

And, yet, everyone agrees that to be successful, economic development should be implemented and can be implemented most effectively at the local level. But we don't do what we say.

For example, when I came to Jackson County Congressman, and you helped me get that park built, they had five grants and five studies. I think once a month they went in and dusted off the studies and read them and talked about what they could do. What they didn't have was any brick and mortar.

So we built that park, put five businesses in it, and you go forward. But what did it take? They had to have—they didn't need money for a consultant. They didn't need advice from any university center. They needed their own economic developer. That is what they needed, on a regional basis, county basis, whatever, a professional.

And that is the one comment I would like to stress to this committee. What can you do?

We put the authority for creating jobs into organizations under the premise that they must provide this expertise to the local or regional efforts. You know, it has always struck me as funny, if I want to sell a house, I have got to have, in every State in this Nation, a license; I have got to take a test to sell a single-family

dwelling, because we recognize the equity in that house is probably the most significant investment that family has.

And then, if I am going to run a real estate office, I have got to have more experience and have more testing done and become a broker before I can sell a single-family dwelling.

But we will turn right around and let someone bump their head on a rock and suddenly decide they have become an economic developer, and they can be responsible for the success or failure of the major employer in that small town U.S.A., and without any requirement of professionalism whatsoever, 500, a thousand people may lose their jobs. And not only those single family dwellings, but an entire community is economically devastated.

I guess what I am saying is, I would urge you to find a way to put funds not into bureaucracies but give local communities the ability to band together into geographic scenarios that make sense and hire professional, underline the word "professional," economic developers.

I think what you will find is, is where there are true professional economic developers, not people that bump their head, you are going to find that you will have good projects and you will get the kind of return on the tax dollar that you would like and the kind of success stories that you are looking for, because those people, and I will close by saying this, those people don't deal in—I love the terminology—deliverables.

Well, we did an analysis of the impact of the marketing proposal after we did the marketing proposal analysis. That wouldn't make it with a board of directors if you are a local developer. They want to know how many jobs, how much capital investment, how much tax base was created.

So I think this concept of funding professionalism, like I say, a community can get a consultant, all kinds of consultants; but it is very difficult to get Federal money to hire a developer. And I think there is an emphasis that ought to be placed there.

You can tell I feel strongly about this.

Mr. WISE. Mr. Lee, I agree with your remarks, there is a dangerous precedent you are establishing because the other thing they can do, if they bump their heads, is decide to become a Member of Congress.

I have one more question before I relinquish my turn on this round. Does either one of you have some suggestions for areas the EDA could be involved in that it is presently not involved in, that is, as this committee considers reauthorization, if it should look at moving EDA in those directions?

Mr. REESE. From my own perspective, in dealing with not only EDA programs but with the Small Business Administration through my office and with a variety of State economic development programs, I would like to see EDA stay pretty much where they are.

I think funding the public infrastructure is an area that we need an awful lot of help in. In my region, and in most regions in New York State—I am sure most areas of the northeast—if infrastructure were in place, chances are now it is outdated, needs to be replaced or improved.

There are other agencies that are providing financial-type programs that assist businesses directly, which EDA had done in the past with direct loans and loan guarantees.

In my opinion, I would rather see them concentrate more on the public infrastructure for industrial development.

Mr. LEE. I would like to suggest an enhancement of some existing things and a consolidation. I think there needs to be a crisis-control mode or a fast-track system or an alarm bell. But, basically, what I am saying is if someone contacts EDA and says we have a project that is going to create 500 jobs, if you are in the private sector that project is going to get more attention than a feasibility study; and it is going to get through the system faster.

If it is going to create a thousand jobs, it is going to get even more attention and go through quicker. And I think—and what happens is the technicalities are exponential with the size of the project and the impact. It gets more difficult to go through.

So I would suggest an enhancement to the existing program whereby there is a mechanism within the structure that if there is immediate job creation, the resources—we don't do it business as usual; we ring that bell. If the project stands muster and it is a good project, the agency makes it its job to expedite and get it done.

I gave the scenario about the client wanted to make a deal and it takes a year before you can come to the table with anything meaningful. I have never had an insurance—you know, we court these people for six, eight months, trying to convince them to locate a plant.

I have never had an insurance salesman say to me, would you like to see my policy? And I say yes, I would like to buy that, and have them get up and say, okay, I will come back in a year and have you sign the paper and get a check. I don't think they will be in the insurance business very long.

I can't deal with a client and say, I will see you in a year.

Mr. WISE. Thank you.

I will turn to the Ranking Member, Ms. Molinari.

Ms. MOLINARI. Thank you very much.

Mr. Reese, I guess we should add that the reason Mr. Boehlert isn't here is because he is meeting with some members of the Base Closure Commission, which may, in the long-term, make your job a little bit easier. So I am sure you can forgive him for his absence.

I want to thank both of you for giving us your hands-on experience.

Mr. Lee, if I could just follow up, your last remark seems to imply that, if we, in fact, move more into the performance end of measurement, what is going to happen is that your role becomes a little more aggressive in terms of oversight. We are going to be doing less review up front and more review during the course of a project.

Is that a correct assumption?

Mr. LEE. I believe so.

Ms. MOLINARI. And are we prepared to do that?

Mr. LEE. No. But we need to be.

Ms. MOLINARI. But as we reauthorize then, what you are suggesting is to shift the resources from the front end to while the project is going on?

Mr. LEE. I am suggesting I think that it is not something that can be changed overnight because this whole system of hiring a consultant, going to the university center, finding out, you know, what meshes, it has been in place for so long; and I think Congressman Wise's comment was exactly accurate about, you know, form and function and which goes first or second.

I think I couldn't honestly say we can change that overnight. But I think where we can change it is to make some set-asides and some accommodations so that when people have real substantive, meaningful projects, we go—instead of to business as usual, we go to Plan B within the Agency. And, quickly, as those projects go through and are successful, people will realize, hey, this works. And then that restructuring will take place on its own.

Ms. MOLINARI. Naturally, yes.

I think your point is well taken when you talk about the kind of volatile economic environment that we are all existing in, and will probably for our future. Do you have any indication how many missions we have lost because of, the approximately nine-month review process?

Mr. LEE. Oh, it is longer. It is nine months to get clearance. But then we go to nonprogrammatic problems.

For example, we are going to build—I am going to extend a road to something in an industrial park. Thirty days to advertise for this, this sign off, that sign off, the non-EDA requirements, you know. And then most of these things—you are packaging EDA with, say, ARC or a State program.

By the time you get through all the paperwork requirements, it is well over a year. And as I said, the result is—I think if you really audit carefully and get beyond that, how many in three years to how many in day one, you are going to find that the majority of the money is going to projects with the potential to create jobs, rather than projects that create jobs immediately.

Ms. MOLINARI. I would also think there are those projects that are simply abandoned because people can't wait. The need may diminish or the incentive diminishes over the year and a half that it may take before there is actually a shovel in the ground.

Mr. LEE. I can't give you a number, but I would say probably the majority of the projects would fall into that category. They just look at it and say, this won't work.

Ms. MOLINARI. I can't keep it together that long. Is that your response, Mr. Reese?

Mr. REESE. Yes, that is pretty universal. We have a company to look at in particular communities in my region. They have their checklist for location decisions. And if they need particular water pressure that is not available, if they need sewer services that are not available, you are just taken off the list immediately. We may be taken off the list before we even realize there is a client looking at our area. It happens that quickly.

And what we are trying to do is have that infrastructure in place so when a deal comes along we can respond to it.

Ms. MOLINARI. The other question I have, Mr. Reese, in your testimony, you seem to imply that you have been able to work with the revolving loan fund very well.

Mr. Lee, in your written testimony you stated that there are sometimes problems in coming up with the 25 percent matching fund.

Can you comment on that a little bit more?

Mr. LEE. It comes from a specific situation. We decided to go with a "Field Of Dreams" concept two years ago, do a, "If we build it, they will come," and we created a research institute. And we have, I am proud to say, General Dynamics, Olin Ordnance, the Army, the Navy, the Army Research Lab, a number of fine quality institutions. And we are looking at a consortium of universities, University of Louisville, North Carolina State, Marshall University.

What happens under the defense conversion programs is they require dollar-for-dollar matching money. The only existing players that can get in that arena, that can afford the ticket to that dance, are well endowed existing, traditional research based high tech foundations.

And so there wasn't any new ones created with those dollars. And I think there is a whole lot of talent out there, a whole lot of jobs that could be created. We have a proposal right now to take an existing piece of military equipment that is used for nuclear, biological, and chemical sense in the field; and we know, there is no technology breakthroughs that that can be converted to be used for rapid response environmental use. And we have got a proposal to do that.

We have got the top scientific minds in this country. And the manufacturer of the vehicle, and it is something that is currently being manufactured, by the way, in Germany. Then we could bring it to the U.S.

The problem that I am having is I have got to have dollar-for-dollar matching money. And I would love to be able to go to a Federal agency and say, this makes sense, look at the merits; and if you think the merit is there, help me with that match. Because only the well-endowed, existing organizations can play in that game. I am locked out.

Ms. MOLINARI. Okay. So you would suggest that we provide some mechanism for an appeal process for situations like that?

Mr. LEE. Again, yes. Base it on the merits.

Ms. MOLINARI. Thank you, Mr. Chairman.

Mr. WISE. Turn to the gentleman from Arizona, Mr. Copper-smith.

Mr. COPPERSMITH. No questions, Mr. Chairman.

Thank you.

Mr. WISE. Turn to the gentleman from California, Mr. Hamburg.

Mr. HAMBURG. No questions, Mr. Chairman.

Mr. WISE. I would like to express a concern I have. I am not going to ask you all to answer unless you choose to, for obvious reasons.

My concern, this is not ARC- or EDA-based only, it includes a lot of Federal agencies, but EDA seems to me to be on the cutting edge, that it is out there first. As Mr. Lee notes it is often the one

that you don't have to go through an additional layer of bureaucracy to get to.

It also has a specific charge—it is a single agency charged with creating jobs, as opposed to an SBA, a HUD, a Farmers Home, or RDA, which all have numerous functions.

So EDA, it seems to me, can be more of a laser in economic development than many agencies. I am concerned about some programs under EDA. Let me just state that it is my intention to personally visit some of these programs, hopefully in different parts of the country, see how the frequent flier points in the office have built up so that I can gain a better understanding.

But it is my concern that in the area of economic development we have got people that have great credentials but no experience. I get concerned with university center activities on the surface because for instance, in some of the small business programs, I see people with degrees but nobody who has run a small business. I see people that are charged with doing economic development and demographic studies that turn out boilerplate and then turn around and charge the local community for something that probably would have been readily available for a much cheaper fee, not that the university or those consultants are making a lot from it, but it still costs the local community a great deal of money.

So that is why I am getting to be a real bug on accountability and measuring results. And so it does seem important that those that are charged with economic development, whether it is the EDA, or contractors to EDA, actually have some experience and be held to a standard, and that we are not just simply generating paper.

I had a State based agency—which was not EDA, I might add, send me their latest annual report the other day about all that they had accomplished during the past year. There had been conferences and there had been consultants hired, there had been contracts let; and we have counseled and dealt with so many different individuals under these circumstances, broke them down into categories, that thick.

If that is the case, why ain't we rich? Where are the results? There is a service industry that has developed quite well on conferences. I used to hold a bunch of them myself. The only trouble is when—it is great sending out patron mailings. The only trouble is, if you don't have any follow-up, it is not fair and all you are doing is raising hopes unnecessarily.

And so what you have heard is an ad hominem, really ad nauseam, beginnings of a diatribe which I will curtail at this point. But that does, I think, reflect some of my concern.

I would ask you to respond to that at your peril, if you choose. But please don't feel obligated to because you have got to work in the real world as well.

Mr. LEE. Well, Congressman, my only—

Mr. WISE. Frank—I like him, he never hesitates.

Mr. LEE. No, sir. My only experience with this type of format has been what I see on CNN, and all the people sitting in this chair on CNN don't look real happy.

So I checked before I came up here today, and I can assure you that my organization has no pending applications before EDA for

anything. So if any of you folks worry about conflict of interest, you talk to this guy. He has got the \$11 million.

Your concern is justified. You are correct. And it is a problem that people in government don't like to deal with. It is hard to document what is an economic developer, what is a viable program. It is hard to define that. It is kind of floating out there.

But, you know, you know it when you see it. And the only coals that I can carry to New Castle on that deal are, you got an audit process, it is required, every dollar you send out, you are going to get an audit, independent audit. Stick something in the audit list, document—if you are going to document everything from smoke-free workplace to whatever else, okay; all these other things have to be attached. It is not a big deal. Document how-what tax base was created. You know. What is the return on the investment? How much tax dollar was created by the private sector investment leveraged off these Federal dollars?

Or was the whole thing masked in a tax break deal to where the point of return is somewhere down the road when the plant life is diminished? You need to know that.

What is the actual return on investment in terms of tax base created? How are the jobs created? What are the wage levels for those jobs? What are the benefits? What do the workers get for their labor?

And I think you can put that in the audit process. And while you may not change the world, you will sure catch some people's attention, because they are going to move out of what might be—what could be a tomorrow land. And they are going to start dealing with what we did last month.

Mr. WISE. Mr. Reese, any comments?

Mr. REESE. Just a short comment. I would say the way you described the university system has been our relationship with our Plattsburgh University System for the past four or five years.

When I worked for the university center back in the late 1970s, we were very project specific, working almost as business consultants with small business people, putting together their application for agencies like SBA or Farmers Home or some of the State programs, most times through the district offices, the three district offices that we serve.

Changes occurred in our area with the small business development centers funded through the SBA being more plentiful and being set up really to handle that job. And we have a very good relationship with our local SBDC. And they do a very fine job of providing that business counseling. That has allowed our university center, I think, to get more involved with Canadian Free Trade because they are located in Plattsburgh next to the Canadian border, some export-type programs which are important but don't really provide the hands-on service that we need at the district level.

In my five-county district, we have four employees in my office, two professional staff and two clerical staff. That spreads us pretty thin, and we could use some help, technical services type help behind us.

But the way it is presently set up and operated with their staff at the University of Plattsburgh, we are not getting that type of help.

Mr. WISE. Ms. Molinari?

Well, I appreciate very much—and I would also ask that you keep in contact with the subcommittee. If you have additional thoughts, would you please submit them in writing. We would be delighted to have them. And I greatly appreciate the time that both have taken to be here.

I now call the next panel, which will be Craig Smith, Acting Assistant Secretary, Economic Development Administration, from Washington.

I also have listed Secretary Smith; Stephen Brennen, Director of the Denver Regional Office of the EDA; and John Corrigan, good friend from Philadelphia, Philadelphia Regional Office with the EDA, and anyone else that you care to bring up.

Let me make an opening remark before you get started, which is I hope you understand that I am a big fan of EDA and that—so I consider this as bringing the family together to see how we can be even more effective. And I just want to make sure that EDA has all the opportunity to start to shine like I think that it can.

So that is the spirit in which I undertake these proceedings and make my remarks.

Mr. Smith, is there anyone else you want to bring forward?

TESTIMONY OF CRAIG SMITH, ACTING ASSISTANT SECRETARY, ECONOMIC DEVELOPMENT ADMINISTRATION, ACCOMPANIED BY JOE LEVINE, CHIEF COUNSEL, STEVEN R. BRENNAN, DIRECTOR, VINCE GOODMAN, BUDGET OFFICER; DENVER REGIONAL OFFICE, EDA; JOHN E. CORRIGAN, DIRECTOR, PHILADELPHIA, REGIONAL OFFICE, EDA; EDWARD LEVINE, CONGRESSIONAL AND PUBLIC AFFAIRS DIRECTOR, EDA; DAVE WITSCHI, TITLE IX ECONOMIC ADJUSTMENT DIRECTOR; DAVE McILWAIN, DEPUTY SECRETARY OF OPERATIONS, EDA; AND LEON DOUGLAS, ACTING DEPUTY ASSISTANT SECRETARY FOR PROGRAM SUPPORT, EDA

Mr. SMITH. The gentleman I have with me today is Mr. Joe Levine our Chief Counsel; Mr. Brennan, who is the Regional Director in Denver; Mr. Corrigan who is the Regional Director in Philadelphia.

I also have Mr. Vince Goodman, who is our Budget Officer. I have Mr. Edward Levine, who is our congressional and public affairs Director. And I have Mr. Dave Witschi, who is our Title IX Economic Adjustment Director. And Dave McIlwain, who is our Deputy Secretary of Operations; and Mr. Leon Douglas, who is the Acting Deputy Assistant Secretary for Program Support.

Mr. WISE. Thank you. Please proceed.

Mr. SMITH. I have a shorter version of my statement, and I would like to read it to you.

Mr. Chairman and Members of the subcommittee, thank you for providing me with the opportunity to appear before you today to discuss the reauthorization of the Public Works and Economic Development Act of 1965.

We are pleased and excited that for the first time in 12 years the President will join with Congress to support the programs of the Economic Development Administration.

We believe we are entering a new era of productive cooperation between the legislature and economic branches to address the Nation's economic development needs.

In furtherance of that cooperative spirit, I would like to address the issues you raised in your invitation to me to testify today. We have already submitted detailed exhibits regarding these matters and will be happy to answer any questions you may have at the end of the prepared statements.

In fiscal year 1993 project funding is moving at a significantly faster rate than fiscal year 1992. For example, through the end of April of this year, a total of \$91.7 million had been obligated for 100 public works grant awards.

During the same period in fiscal year 1992, EDA had obligated only \$52 million for 77 public works projects.

Stated another way, fiscal year 1993, EDA obligated 59 percent of its public works funding during this period, while it had obligated only 33 percent at the same point in fiscal year 1992.

EDA is presently involved in a significant way with defense conversion activity, both with base closings and defense cutbacks. Of the \$130 million transferred from the Department of Defense, the first installment of \$50 million was received in February, 1992. And the second installment of \$80 million was received in March of 1993.

To date, EDA has invited approximately \$70 million in projects which 19 grants for \$24.4 million have been awarded, 23 applications for \$38.4 million are being processed, and an additional 13 projects for \$7.4 million have been invited.

EDA's defense conversion role is essentially to implement critical elements of base reuse plans for community adjustment strategies. In most cases, the plans and strategy are developed with the assistance of DOD's Office of Economic Adjustment with whom we coordinate our investment decision.

We expect the demand for defense conversion assistance to accelerate as more communities complete their economic adjustment strategies or base reuse plans. It may, however, be several years before environmental and other base transfer issues are resolved and EDA assistance can be used by some of the affected communities.

It is also becoming apparent that the infrastructure investments critical to community's ability to reuse a base are generally far more costly than EDA is accustomed to funding.

EDA has also been very active in assisting with the economic recovery of areas damaged last fall by Hurricane Andrew and Hurricane Iniki and Typhoon Omar. Of the \$70 million appropriated for this purpose, 19 grants for \$19.4 million have been awarded, an additional 17 applications for \$26.6 million are being processed, and nine project applications for \$19.8 million have been invited.

Approximately 75 percent of the \$70 million has been targeted to address damage caused by Hurricane Andrew in Florida. EDA established a temporary Miami field office, and the staff has worked closely with the impacted communities to review more than \$130 million in proposals. This successful operation is winding down as project development efforts are substantially completed and the office will be closed at the end of June.

EDA moved rapidly to alleviate the damage caused by the civil disturbance in Los Angeles last year. Through its Title IX special assistance economic development and adjustment assistance program, a \$3 million grant was awarded to "Rebuild L.A." to develop a strategy to assist businesses located in the affected area and a \$1.5 million grant was made to the Los Angeles Convention and Visitors Bureau to help restore the tourism industry and related employment.

Over 85 percent of the Los Angeles tourism industry work force is minority, many of whom live in the riot affected areas.

The California recovery effort is another policy initiative in which EDA is involved. The President recently asked Commerce Secretary Ron Brown to be the lead cabinet officer for this effort and to craft a coordinated Federal local response in stimulating the California economy.

Teams of EDA specialists have begun holding meetings throughout the State to assist economically distressed areas establish or reestablish their employment base and to aid in the defense conversion efforts in the area. EDA expects to participate in the California recovery effort through its defense adjustment and regular programs.

Regarding economic distress in urban areas in general, EDA continues to be committed to meeting the needs of distressed urban communities. The fiscal year 1993 notes of funds availability recognizes this commitment by stating that EDA is particularly interested in projects located in authorized and designated enterprise zones.

Historically, EDA has invested approximately 25 percent of its resources in urban areas. In addition to the quality action team efforts I will address next, EDA has undertaken two major TQM initiatives.

The first of these, the Excentralization Steering Committee, was established to streamline the grant application process. This effort had two main thrusts, the elimination of unnecessary or duplicative steps, and the redesign of grant application forms to make them more user-friendly and limit the information requested to that which is necessary for project review and approval.

As a result of this effort, the public works application process has been approved, and draft application forms have been developed. Implementation of these new forms, however, will not go forward until the second EDA initiative, the process reengineering committee, finishes its work.

This committee is concentrating on ways to reduce the average time required to process a public works grant. Our goal is to have the average processing time reduced to four months. This effort may well require further paperwork modification, so we will not forward the final application form to OMB until the committee's work is complete.

The new process is expected to be ready for a pilot test to begin this August with final recommendations completed by the end of the year.

The program review and improvement activities represented by the quality action teams are already paying dividends for EDA's

clients. The economic development district quality action team issued its final report in December, 1992.

The university center quality action team was established in January, 1991 to develop recommendations for improving the operations and administration of the university center program. The final report was issued in September, 1992.

The revolving loan fund quality action team issued its final report in June, 1991. These efforts are already improving the delivery of our assistance programs and will lead to further improvements in the months ahead.

The public works program evaluation was undertaken by an outside consulting firm and was completed in March of 1992. The major findings of this study were that public works projects were meeting their objectives of helping distressed communities and that grantee institutional capacity is often the most important factor in project success. This report is currently under review in the agency for implementation of those recommendations that would strengthen the public works program.

The unobligated balance of the start of the fiscal year 1993 was \$134.6 million. It is estimated that by the end of the fiscal year, the unobligated balance will be \$137.6 million.

It is quite possible that environmental clean-up costs associated with sites for which EDA is responsible will seriously deplete the revolving fund.

Included in the materials submitted is a list of the current EDR's, the areas they serve, and their addresses.

In response to your other request regarding EDA directives and operations handbook, we have submitted a set of the current EDA directives. EDA does not have an operations handbook, rather it operates on the basis of established directives, regulations, and policy memorandum.

I would now turn to Mr. Brennen and Mr. Corrigan to answer the questions that you asked of them.

Mr. WISE. Thank you.

Mr. Brennen?

Mr. BRENNEN. Good morning and thank you, Mr. Chairman.

I understand my statement will be included in the record, so I will just summarize it.

If there is a truism in economic development—and there may be none—it is that the only substantial and long-term successes come from strategies conceived at the local level. This can only occur if there is strong community leadership and broad civic support.

The key word here is "local." Meeting an economic development opportunity or solving an economic development problem can only occur through the means of a locally devised strategy. One can then ask what role EDA should play in such a fundamentally community based process.

I would argue that EDA's programs operate in a manner that not only supports local economic development but catalyzes and nurtures it in areas where such help is crucial. The first is by providing a planning infrastructure, funding economic development districts, tribal organizations, and State and local planning functions.

In this way, EDA helps people through their local and regional organizations to think about and plan their economic future. This

helps them to grow their economy at the pace and direction they wish and prepares them for the difficulties of any local economic downturn.

Communities then come to EDA with their priorities and their prescriptions for economic development. EDA assists them through an array of potential tools including business finance, public works construction, and technical assistance.

Yet the idea—the project, if you will, is conceived and controlled by the community. In the most positive way, EDA is reacting to the community needs as they see it and not formulating a prescription for them. EDA is not a traditional categorical grant program that presumes the wisdom of the Federal Government.

I will now discuss some of the points raised in the invitation here, and Mr. Corrigan, my colleague from Philadelphia, will be addressing the remainder.

The economic development districts. The value of the economic development districts is something to which I believe I can speak somewhat authoritatively, given my experience in EDA's Denver region. There are 50 EDDs in this region. These EDDs provide the backbone of both EDA's programs and overall successful economic development.

In highly rural areas, the multi-county districts are essential in bringing needed economic development expertise to bear. There just is not the critical mass of resources in these sparsely populated areas to support the staff and attention needed for good economic development. Without EDA's funding support, I doubt whether a good number of these organizations would exist. They certainly could not provide the services they do now, and some regions would subsequently suffer.

The direct loan and loan guarantee program. EDA has not provided any direct loan assistance since 1982. The loan guarantee program was discontinued last year. As you are aware, EDA's experience with this program was mixed at best. Part of the problem could be attributed to the fact that EDA was required to be a, quote, lender of last resort, unquote.

EDA's loan and loan guarantee programs required findings that credit was not available to a firm from someone other than EDA. Yet, we had to make a finding of a reasonable assurance of repayment. This seeming contradiction greatly narrowed the universe of potential borrowers.

It should be noted that Title IX revolving loan fund program may meet a need in this area. In the Denver region, EDA has capitalized over 42 revolving loan funds for \$24 million.

Economic adjustment. The program authorized by the special economic adjustment assistance provisions of Title IX of our act are growing in both funding and importance.

The real needs for special adjustment assistance and EDA's ability to respond aggressively and flexibly in such situations is crucial.

EDA's ability to assist quickly under Title IX programs is pointed out clearly in the agency's involvement in the earlier mentioned aftermath of the Los Angeles riots. EDA was able to have grants ready that were responsive to what local leaders needed within three weeks of the riots.

This was a priority of local governments, and EDA was the one Federal agency that could do so in a timely manner. This instance points up the value of Title IX's flexibility. This also is a good example of how EDA supports and not directs local economic development efforts.

Now I will defer to Mr. Corrigan and would be happy to answer any questions.

Mr. COPPERSMITH [presiding]. Thank you. Please begin, Mr. Corrigan.

Mr. CORRIGAN. Mr. Chairman, and Members of the subcommittee, I also will summarize the written remarks that I have submitted.

Thank you for inviting me to discuss my experience with the Economic Development Administration. As an EDA employee, I appreciate our agency being, in Secretary Brown's words, ". . . a critical element in the administration's program to create jobs."

I would also like to be associated with the comments of my colleague and fellow Regional Director, Steve Brennen, on the importance to EDA of local strategies and community-driven programs and projects.

We are proud of EDA's unique system of assisting local economic development initiatives. And we look forward to making EDA's assistance delivery system even better.

Let me now address the remaining points raised in the Subcommittee Chairman's letter of invitation. They were the subjects of public works grant processing, decentralization of approval authority, and eligibility of areas for EDA assistance.

With regard to the Financial Assistance Review Board, which has been in existence for approximately 12 years, it is the Department of Commerce mechanism for coordinating grant assistance among the different agencies in commerce, assuring consistency in the process and determining whether an applicant has an outstanding unresolved debt to a Departmental agency. The FARB review is done concurrently with the EDA Washington project review.

With regard to public works loans, they were approved in EDA from 1966 to 1978. Interest rates were at one-half percent below the Treasury rates, and maturities ranged up to 40 years. These loans were used both to supplement EDA public works grants and as a stand alone program. This program was successful in funding needed projects; and, due to a low default rate, EDA is recouping its funds with interest.

One of the main purposes of the program was to provide poor communities with the required local match for our grants.

With regard to the decentralization of approval authority, from the late 1970s to 1981, EDA regional directors were delegated grant approval authority for public works projects up to \$750,000, and loan approval authority up to \$1 million for business loans, as well as certain other pre- and post-grant approval authorities. This authority was rescinded in 1981 at a time when the then-new-administration indicated that EDA's programs would not be continued.

With regard to eligible and authorized areas, current eligibility criteria for program funding gives priority to areas suffering from

substantial and persistent unemployment above the national average for a 24-month period.

Of the many arguments against continuing support for EDA, perhaps the most often heard is that 80 percent of the country is eligible for EDA grants. Of course, 80 percent of the country does not receive funding from EDA each year. And, in fact, the great majority of EDA assistance goes to areas that have very high distress and unemployment.

The economic development representatives and the regional office often discourage projects from areas that are not distressed.

Provision for temporary eligibility may be one way to eliminate the criticism that 80 percent of the country eligible. Rather than designating an area on a formal is basis, the Agency could certify eligibility according to current statistics prior to accepting an application for title I public works assistance.

I will now be pleased to answer any questions that the Members may have.

Mr. WISE [presiding]. Thank you very much.

Anyone else care to comment?

Mr. Corrigan, you brought up, as you stated, one of the areas where EDA is criticized. I know that the gentleman from Pennsylvania, Mr. Clinger, and I believe Mr. Oberstar, worked on this problem a good deal in terms of a solution.

It sounds similar to what you are suggesting, which is that you look at eligibility based upon unemployment in an area as opposed to formally designating an area eligible to be considered.

I, obviously, have a number of questions. You heard the gist of some of my interests and concerns.

Secretary Smith, you talked about the review process in your written statement as well, indicated that there had been some activity through a TQM initiative, and you thought that the application process—you were working, at least I believe, to get it down to four months.

Is that a correct statement?

Mr. SMITH. Yes, sir.

Mr. WISE. And you heard the testimony from Mr. Lee that they wanted to try to get it down to 60 days.

Mr. SMITH. Sometimes applicants feel that is too long.

Mr. WISE. Sir?

Mr. SMITH. And sometimes applicants fee that 60 days is too long.

Mr. WISE. Do you think that is a possibility?

Mr. SMITH. Yes, sir, it is a possibility to reduce the time to four months.

As I said, we have been working very diligently on that. We have come up with two new application forms.

Just last week in Denver, a committee was working on a new application process to cut that time down. We think it can be cut down.

It is difficult when you do deal with some of the laws and the environmental acts; the clean air, clean water type of things that we do have to deal with. But I feel that we can significantly reduce that timeframe.

Mr. WISE. In your TQM process, did you involve those from outside the Agency such as the—Mr. Lee's and Mr. Reese's?

Mr. SMITH. Yes, we certainly did.

There were district people. There were applicants who worked with the EDA. There were a number of groups that worked with the TQM group, the so called excentralization group and the group working to reduce the timeframe. Yes, sir.

Mr. WISE. And when do you expect that that process—expedited process and new application forms will be used?

Mr. SMITH. We are shooting for a pilot project in two or three months, to finish in August or September, when we finally come up with the final results.

Mr. WISE. Mr. Corrigan, I have got a suggestion for one of those offices.

Mr. CORRIGAN. I can imagine, Mr. Chairman.

Mr. WISE. Ms. Molinari might also or some others might want to talk to you about that.

You have heard my concerns about measuring results, and I notice you referred to the quality assurance teams. Could you address the criteria that either are being used or perhaps the Agency might be willing to look at?

I mean how can we truly determine that something is operating effectively versus something is not?

Mr. SMITH. Well, the public works project evaluation—and I might ask Mr. McIlwain to comment on this—started in 1977 and were reviewed two or three other times since.

And they have found that the time frames to measure public works projects is long maybe 10, 15, 20 years, to tell how effective they are.

I remember, personally, industrial parks that filled up over 10, 15 years. It is an ongoing process. It takes a considerable time to see the full fruits of the investment.

Mr. WISE. If you would identify yourself for the record.

Mr. SMITH. May I introduce Mr. McIlwain, who is the Deputy Assistant for Program Operation.

Mr. MCILWAIN. Chairman Wise, the only thing I would like to add is, as Mr. Smith has indicated, the development process is a long-term process. I think sometimes we focus too much attention on the near term job creation aspects.

I think one of the roles, and the primary role of EDA, is to assist distressed communities to prepare themselves for economic development. We cannot respond in certain instances quickly enough to address the needs of a business that is interested in locating in a community next month or possibly, even within the next three or four months.

The reason for that is because we are involved in infrastructure development. And as the gentleman—Mr. Reese, testified earlier, after the grant is awarded, there are still the necessary bidding and contract award and construction activities that are required. And the procedures for these activities are required by, for the most part, local and State laws. They are not EDA requirements necessarily.

Because it is a long-term process, it is important for EDA to be able to respond quickly, as we can with some of our programs. But

in terms of public works and development facilities, it is important to note that it is a long-term process. Industrial parks don't fill up overnight. It takes time.

I think our evaluation, the evaluation that was furnished as part of the record to the committee, will indicate that when projects are looked at on a longitudinal basis, there is the impact for the community in terms of job creation. I just hope we don't focus too much on the near term job creation aspects of the project. It is an important criteria for selecting projects, but it shouldn't be, I hope it is not the only criteria that the committee believe we would use.

Mr. WISE. Fair enough. But I can think of two projects in my immediate memory where what we were talking about was not an industrial park but the ability to tell a company that was bringing several hundred jobs that there would be a water line constructed which everyone had signed off on, the county commission, right on down the line, that there would be a water line there.

And that is something that it would seem to me that would require quick response and the ability to get that done, to review it, if it is appropriate, to announce it, and so that they could then make that commitment.

Mr. McILWAIN. Yes, that is very correct. I think the fact that they know that the commitment is made to the community and that the funding will be forthcoming based upon the submission and review of an application, which is the process that we are trying to improve and have made some relatively minor improvements over the last couple years.

But it is a process that we hope we can improve; right now it is a longitudinal process, it is sequential. What we are trying to do is make it more circular, getting a commitment from the agency earlier on so that people know that our funding assistance will be forthcoming.

And I think that is what a business person wants to know, that if he or she is going to commit to a community, and that community is working with EDA, the community is going to be able to make a corresponding commitment.

Mr. WISE. I have two questions before I turn it loose.

One of the concerns I have had expressed to me several times, actually out in the field, as I have held my meetings and met with developers and others is that within the regional offices there is some sort of conflict or total separation between the regional IG and/or the legal counsel—I apologize—the legal counsel and the regional staff. And that as I have been told on more than one occasion accounts for some delay.

Would anyone care to comment on that? Perhaps since the legal counsel is here, he might wish to comment on it.

Mr. LEVINE. I think that is more perception than reality.

Mr. WISE. What about—the concern has been expressed to me that the regional office, while they may be signing off on a project, that it all eventually has to go to Washington for the counsel's review anyhow, which is separate from the regions.

Is that correct?

Mr. LEVINE. That is correct.

Mr. WISE. Are you aware of this concern that has been expressed?

Mr. LEVINE. Yes. Basically the review process reflects the level of authority regional directors have to approve matters.

To the extent that regional directors have authority to approve things, the regional counsels have authority to provide that clearance. To the extent that things are required to be signed off at headquarters, then headquarters review is required.

Mr. WISE. My observation—which you all don't have to confirm one way or the other—but my observation is that EDA, in the past 15 years at least, has been through several different processes that it follows. Sometimes regions have had more authority, other times it has all come to the assistant secretary's desk for personal review.

I am not quite sure where it is right now. Is that—is that process under review once again?

Obviously, to those in the field, I believe the feeling is that the more autonomy that the region has, the quicker things get done.

Mr. SMITH. I would like to say that, yes, the entire process is under review.

Mr. WISE. Do either of the regional directors care to make a comment?

Mr. BRENNEN. I will agree. If you leave it with us, it will be done quicker.

Seriously, in any process, when you cut out a step, you, by definition, reduce time.

The question you have to ask yourself is, is that step necessary to achieve some programmatic end or to ensure some level of safety in terms of the project not being too risky. It is a continuum. It is a decision you have to make. It does exist right now, a duplicate review process, the region and headquarters. And the issue is whether or not that is necessary to ensure program safety.

Mr. WISE. Is that duplicate review process also occurring at the counsel level?

Mr. BRENNEN. It does not just occur at the counsel level. There is a programmatic review at headquarters also, a short, abbreviated program review. But the duplicate review does not just occur at the counsel level.

Mr. WISE. No. No. I was not singling out the counsel. If you have a division between programmatic and counsel, both of them are going through this regional and then up to Washington.

Mr. BRENNEN. They are not sequential. So it adds time to the process.

Mr. WISE. Mr. Levine, in the TQM process and the ability—and the working together to try and iron out and shorten the application process, are you involved in this as well?

Mr. LEVINE. Absolutely.

Mr. WISE. That is—Mr. Corrigan, did you wish to add anything?

Mr. CORRIGAN. Well, currently the regional directors do have approval authority for continuation, university center grants, and continuation district grants, for local technical assistance and Title IX strategy grants under \$25,000.

Our experience is that in those programs where there is that authority, the review process is considerably shorter.

Mr. WISE. Okay.

And one final question. Oh, I forgot. Two final questions.

Regional counsels, am I correct that regional counsels are not under the supervision of the regional directors?

Mr. SMITH. That is correct.

Mr. WISE. Is that good?

Mr. SMITH. Well, their day-to-day operation is obviously in the regional office.

Mr. WISE. I am sorry. I couldn't understand.

Mr. SMITH. Their day-to-day operation is in the regional office and the flow and that type of thing.

However, they are reviewed by the chief counsel. Their appraisals are reviewed by the chief counsel and they do have a relationship with the chief counsel.

Mr. WISE. In Washington?

Mr. SMITH. Yes.

Mr. LEVINE. Let me add, this is something that has changed back and forth. The way it is set up now, there are four elements in regional counsel's performance plans. I am responsible for evaluating three of them. The regional director does the fourth. And the reviewing official of all the plans is the deputy assistant secretary.

Mr. WISE. And, finally, Secretary Smith, can you give the subcommittee any ideas when the administration may have some legislative suggestions or a package that it would like to talk with us about?

Mr. SMITH. It is my understanding that it is under review, and the administration should be presenting it shortly.

Mr. WISE. Okay. Well, we look forward to working with you. And my hope would be—I would like to leave the record open in case there is some additional submissions that you wish to make or questions that we have.

It would also be my hope that we could sit down around a table and go through some of these things as we move through the legislation to go through some of these areas that have been raised so that we can all make this operate even more effectively.

And I turn to Ms. Molinari.

Ms. MOLINARI. Thank you, Mr. Chairman.

Going back to the question that keeps coming up time and time again relative to the review process. Understanding that a lot of the local communities and their bidding process ties up an awful lot of time, is there a mechanism—or should there be a mechanism as Mr. Lee and Mr. Reese suggested for those projects that might need an okay or a quicker review than is normally the procedure?

Is there an ability to bypass or appeal or make special allowances in circumstances where agencies have to be forthcoming even quicker than your current review procedure allows?

Mr. MCILWAIN. Are you asking me, Congresswoman?

There is a process. I mean EDA has—it depends really on what time of the fiscal year we are asked to make that kind of an expedited or fast-track process.

We operate on the basis of a pipeline. We authorize the regional offices to invite more projects in any given year than they can fund. And the reason we do that, it keeps the pipeline open so that when October and November of the subsequent fiscal year gets here, we can continue a level of funding. Otherwise, it is kind of like starting and stopping a train; it takes a while. So what we try to do

is keep that pipeline full of potential activity. And, generally, the process—but it is not a—allows for it, that is an expedited decision, because the Regional Officers are not processing exactly the way they are invited into the pipeline.

If we do find, and if the regional office finds, a project that they need to and can respond to quickly, they can move it ahead of other projects. We try not to do that very often because of the fact that other applicants have been in line waiting and the fact that we have an annual appropriation and we have to obligate the money in the year in which it is appropriated. So we have an existing process that allows for special circumstances.

Can we do it? Yes. It is rare that we do it, however.

Mr. WISE. Would the gentlewoman yield?

Ms. MOLINARI. Sure.

Mr. WISE. On that, let's assume that you do have a project that people are pressing to get moved ahead. All the other peripheral work has been done. In other words, the State signed off on whatever it is supposed to provide. Somebody else has. And other projects ahead of it have not gotten that degree of cooperation yet. Is that a factor in your decision to move it ahead?

Mr. MCILWAIN. Yes. Basically at any given time, we are working on several projects.

A project officer knows if the information is there in the regional office, and if they can process it it goes forward. The others will get put on the back burner until the information comes in.

Mr. WISE. So you are looking at incidental situations that are not EDA specific? In other words, the fact that Farmers Home has also agreed to make a loan for the additional amount or that whatever else is necessary to make this project go and you are the final piece, are you not just looking at EDA? You are looking at the whole package?

Mr. MCILWAIN. Absolutely. In fact, the point that you raise is very critical in terms of the local share. That is one of the key considerations that we evaluate when we are looking at funding a project, whether or not the local share is what we call committed and available.

It doesn't mean the money has to be in the bank, but it has to be committed and available so the project can move forward shortly after approval.

Mr. LEVINE. I would just like to add one thing. We are talking about average times. It doesn't take every project six months. Some move faster, some move more slowly. So to the extent that projects are ready earlier, they move forward earlier.

Ms. MOLINARI. Okay. We appreciate that.

One of the new charges of EDA is defense conversion. Can you give us an update, Mr. Smith, or anyone, relative to how the Department is performing in the basic coordination amongst agencies that has taken place right now?

Is there something we should be looking at as this becomes a larger and larger mandate of EDA?

Mr. SMITH. I would like to call on David Witschi, who is the Director of the Title IX Adjustment Program that is handling the defense conversion.

Mr. WITSCHI. Thank you. EDA has coordinated defense conversion activities with the Office of Economic Adjustment of the Defense Department. We do that both with the base closings and with the plant shut down type responses.

The general process is that once an announcement is made, OEA goes into a community, organizes the community leadership and the stakeholders. That organized community then fashions an economic recovery or adjustment strategy. In the case of a base, it involves base reuse. Otherwise it is more of a conventional economic conversion strategy for the community.

EDA then can follow on with implementation projects to award grants for just the most critical parts of that strategy, to get it up and running. In our experience, the base closure process can take a number of years to go through the reuse strategy and the environmental assessment. Contract reduction work has moved much more quickly in those communities.

Ms. MOLINARI. And are you receiving cooperation from the other Federal agencies?

Mr. WITSCHI. Right. We cooperate locally with OEA, that is both in Washington and the field staff level.

And I think the regional directors would agree, that our regional staffs work closely with OEA's field staff and with the other Federal agencies. We work most closely with the Department of Labor, being advised of what they are doing in trying to coordinate the development of our projects with the retraining skills that they can assist with. We also work to some degree with the SBA.

We are just getting into a cooperative relationship with FAA, because of the many airfields that are existing at the facilities.

Ms. MOLINARI. Okay. Thank you very much.

Did you want to say something, Mr. Brennen?

Mr. BRENNEN. I was just going to say that in base closure situations, any project that uses former bases as a centerpiece of development, these are as difficult and complex projects as we have ever faced.

Also, that interagency cooperation extends to EPA, the FAA, agencies that are not necessarily involved up front in the planning process but because of very unique problems and complex problems on the site they have to be involved later on.

So circumstances are going to drive that interdepartmental cooperation even greater.

Ms. MOLINARI. And does that coordination lie with EDA or OEA?

Mr. WITSCHI. Coordination between the agencies is approached by both the individual agencies. In other words, we are dealing directly with OEA and Labor on day-to-day activities. At a higher level, the National Economic Council has a working group on defense conversion, to which all of these agencies we have been talking about are members, including Commerce and EDA.

And we have been meeting fairly regularly trying to identify barriers to coordinating and delivering the services and then trying to figure out what the best strategies are to eliminate those barriers or work around them so we can deliver the assistance of all the programs more effectively and in more coordinated manner.

Ms. MOLINARI. So this is something that is still really being worked out?

Mr. WITSCHI. I think—I know the administration is very serious about the concept of one-stop shopping. It comes up in a lot of different contexts, and it comes up in defense conversion as well.

It means a lot of different things to different people. It can mean delivery of the services from the Federal level in a more coordinated fashion. Also it means the community getting together so they can request the resources.

Ms. MOLINARI. Let me use a specific example to show where I thought EDA played a role, and maybe I am wrong.

You have a site that is a former military site. And a business is looking at it but it needs some environmental cleanup and EPA is not reacting as quickly as possible to evaluating this site and cleaning it up.

Who is responsible to make sure that EPA is doing its job and not holding up the entire development process?

Mr. WITSCHI. For defense-impacted, environmental contamination, it is the Defense Department. The Defense Department—and I would defer to OEA as to what the actual details are of who is responsible over there—but the Department of Defense maintains responsibility for cleanup.

Ms. MOLINARI. And what if it is not DOD's priority to move as quickly as an economic development agency may want to see the site cleaned up?

Do we need to give you more teeth to force these agencies to do it? The Defense Department's number one mission is not to make a site economically desirable. And it is going to take some kind of congressional mandate, I might think.

Mr. WITSCHI. Well, I think there are two problems that you may be referring to. One is how long does it take to clean a site up?

And the other is how interested is the Department of Defense or Corps of Engineers in doing it?

Ms. MOLINARI. Right. And I think I know the answers, unfortunately, to both those questions.

Mr. WITSCHI. And the question of how long does it take to clean it up, sometimes—despite the interests of everyone, sometimes it takes a long time to get these sites to where they can accept redevelopment.

What we can do, and are trying to do right now, is to identify the places that are contaminated, identify the places that aren't, and concentrate our activities right now on the places that aren't.

There are a number of different mechanisms to do that. That is, for example, one of the barriers that we are looking at through the NEC process.

Ms. MOLINARI. For every site you talk about, I can think of an example where, if a water line is needed or a road needs to be built, that unless there is a central agency that understands the necessity to move as rapidly as possible towards this, the Federal bureaucracy will hinder conversion efforts, not help. Despite our best intentions of defense conversion, if there is not that person or agency, whose prime responsibility is to coordinate Federal cooperation, we are going to be wasting a lot of money, a lot of time, and a lot of good community effort.

Is EDA equipped to do that, if they were authorized to do so?

Mr. WITSCHI. I don't know. It is very—

Mr. BRENNEN. If I could use an example where we might be doing that on a per project basis, as much of a necessity as anything, is California.

Ms. MOLINARI. You are going to a very busy State.

Mr. BRENNEN. It does keep us very busy.

In my region, which handles defense conversion work in California, we actually formed a team within the office that includes legal counsel, an environmental person, and a senior engineer. We sent them on site to work directly with the community and work through the project in laborious detail. That is not a panacea. But it begins to solve the problems.

We identified what we can do, even with the environmental problems on a given site. We identified significant title problems on some of them. The base disposal process isn't as quick as we might like to see and that is important because, under our statute, for us to fund it, the site has to be controlled by a public body.

We have found by focusing our efforts in an interdisciplinary way into that area, we have hopefully broken some of the obstacles.

But I can't overstate that the particularly base reuse projects are complex and costly.

Ms. MOLINARI. Sure.

Mr. WITSCHI. I wanted to add one thing to what I have said already, and that is that to some degree EDA, because it is involved in the implementation of the strategies, we get involved in the minutia of the environmental cleanup and the transfer of property, all of these things which must occur before we can actually have our investments proceed.

So there may be some merit in EDA playing some kind of coordination role because we are in the position to be held up if things don't proceed on schedule.

Ms. MOLINARI. I think we all envision, from a personal standpoint relative to our districts and from a very personal standpoint relative to the phone calls we are going to be getting from constituents, saying, where is the holdup, what is going on, what is the status, that we have that ability to make that one phone call to track where the problem is and then rectify the problem.

And it seems to me from where we are going that EDA is the appropriate agency, but you may need more authorization to do that.

Mr. WITSCHI. We would definitely need more there.

Ms. MOLINARI. Just one more question, Mr. Chairman.

I know that the President's proposed budget terminates your trade adjustment assistance program because they believe that there is a duplication of effort there.

Is the Department undergoing, in this reauthorization process, other reviews of other agencies for duplication?

Mr. SMITH. I don't think so. I don't remember a hearing—

Mr. LEVINE. I remember a hearing on trade adjustment. But what about others? I assume so. I don't know.

Ms. MOLINARI. Who would know that, if you don't? Is it somebody from the Clinton administration that is doing that review process?

Mr. SMITH. Really it is on the departmental level at this point.

Ms. MOLINARI. Okay.

Mr. WISE. Except that from your statement I got the impression that you all weren't really looking to be actively involved in the direct loan program or the loan guarantee program very much, that there were other agencies that seemed to be handling that.

Mr. SMITH. As you know, we did have a program at one time, and it has been phased out. And this would be certainly something that the administration and your committee might be considering.

Ms. MOLINARI. I am done, Mr. Chairman.

I guess the last thing I wanted to comment on, Mr. Smith, as my counsel tells me, that you have had interaction with Tom Cruise.

Mr. SMITH. I don't sign my pictures. Matter of fact—

Ms. MOLINARI. No autographs.

Mr. SMITH. Matter of fact, they brought my secretary an autographed picture of Tom Cruise yesterday.

Ms. MOLINARI. I was just informed that they filmed part of the movie in Mr. Smith's office.

Mr. WISE. I just want to make a sad comment, that environmental clean up is to Department of Defense what neurosurgery is to a podiatrist.

I turn to Mr. Hamburg.

Mr. HAMBURG. Thank you, Mr. Chairman.

I don't want to beat a dead horse here, but with respect to this whole issue of defense conversion and clean up and trying to assist communities that are hard hit, but I really can't help it because, perhaps like Congresswoman Molinari and many other Members, I face kind of an economic catastrophe going on.

And I am really curious about how these agencies are going to work together because even with the comments that have just been made, I am still not very clear about it. I don't know if it is just because I don't have a road map in front of me and I need that or what.

But reading through some of the material that was given us to prep for this hearing today, I saw a phrase "defense economic investment grants" used, and I don't quite understand what those are. Apparently that refers to \$33 million on the \$223 million requested for public works and development facilities and other economic investment.

What are "defense economic investment grants"?

Mr. WITSCHI. Essentially, that is the implementation grants that I was speaking of. The community goes through the adjustment strategy process, and then we fund the assistance to help implement those strategies. That is what that one is.

Mr. HAMBURG. Okay. And is it the OEA that is going to be taking the lead in EDA works in conjunction with them and these other departments fit in under?

Are they the coordinators of the strategy for communities that have base closings?

Mr. WITSCHI. They are the first players in the process. If there is a sequence in the process, it is: organization in the community first, then that organized community adopting a recovery plan of some nature, and then the implementation of that plan.

Because OEA does the first two steps, they are, by definition, the first ones out to the community, and they provide the strategy that we play off of. So they are the leader in that respect.

As far as who is the leader from the overall coordination role of who is coordinating all the Federal resources that are going to come into play at whatever point in time, that is one of the issues that is being discussed over at the White House by the NEC right now. So OEA is the leader in time sequence right now because they are the first ones in.

Mr. HAMBURG. When the President recently talked about I think it was a \$19.5 billion defense conversion strategy over the next I think it was four or five years, how big a part of that is EDA specifically? Or can you even—can you break that down? I mean how big a role do you see yourselves playing?

Mr. WITSCHI. Well, the role for defense conversion covers a lot. There is a lot of stuff in defense conversion. It is technology commercialization, which is a major aspect of it. It is merging the defense industrial base with the non-defense base of the Nation. And then there is community adjustment assistance, both for the plant shut down type of events and the base closures.

EDA's role is specifically with the community adjustment aspects, for the base closures and the plant shut down assistance. And so I mean our role is a portion of what is generally referred to as defense conversion or defense downsizing or the conversion as related to the end of the Cold War.

Mr. HAMBURG. Secretary Smith, you mentioned a \$130 million transfer from DOD. Is that—I guess that is for defense conversion. But is it earmarked for any specific type of activities by EDA?

Mr. SMITH. No. It is used for all the type of activities we use.

Mr. HAMBURG. Okay. I just want to put in my pitch for rural areas because the district that I represent which—I don't actually have a base in my district—if you were trying to figure out what bases in the first congressional district, actually there is Mare Island Naval Shipyard that is right on the edge of my district in Vallejo.

We also have a small facility up in Humboldt County which is a naval facility in the town of Centerville. It is a small facility, and I don't actually know if OEA is going to come into play or if EDA will because it is part of the realignment rather than the closure.

Do you deal with the small—

Mr. SMITH. We deal with realignments.

Mr. HAMBURG. You would deal with realignment? Okay. We will be in touch with you on that.

Just to get into the rural aspect, a lot of my district is losing jobs in just about every way imaginable. Our traditional resource base economics have been declining lately. The fishing industry is in trouble. The timber industry is in trouble. We have got military base closure in the southern end of my district. We are losing a lot of jobs to technology, you know, both in the timber industry and in a number of other industries.

And, finally, we are experiencing a lot of jobs moving south. We have had a paper mill close down in our district, move down to Chile. We have had one of our major lumber corporations move part of its operation to Baja, California, another part to Venezuela.

So we are suffering job loss on many, many fronts. And if you have any comments for me that can make me feel hopeful about what EDA's role is going to be in trying to help rural economies,

by that—the largest town in my district is 70,000 people and most of the towns are, you know, in the 5 to 20,000 range. And any specific ideas you have or strategies, I would just like to hear you comment on.

You don't really want to do that, do you?

Mr. SMITH. No. My comments—I was a regional director for a number of years, and I am familiar with the kind of scenario you are discussing.

EDA has been working for a long time in the rural areas, and we have been very concerned with the out migration; we have been very concerned with the loss of jobs. That is why we really work with the district program. We feel that the institutional capacity is very important, stabilizing the economy by trying to get certain industries to stay or expand. It is a very difficult program.

The kind of scenario you discussed is experienced in a number of areas in the Midwest and in the particular areas in the South that had certain economies that were based on that and finding it changing.

We can only say to you that we can work with you and make every effort to stem those kinds of tides. They are not easy. But we feel that even with the small programs that we run, once we do get a foothold where we can start changing some of that situation around, I think that we can start creating additional jobs.

I really understand what you are talking about. It is a very difficult situation.

Mr. HAMBURG. Yes. Just a final thought. I don't think we can over emphasize the importance of this in small rural communities because—and we have talked about this in the full committee and other subcommittees within the public, you know, within this structure.

And the reason I wanted to be on this committee was because I recognized—and it doesn't take a rocket scientist to recognize—that economic growth in these small communities is totally dependent on infrastructure.

And when I talked to people who do small business development assistance programs, many of which get help from the EDA, about what the major impediments to economic growth in these small communities, it is always infrastructure, you know. And it is the fact that a business—a small business that wants to expand just a little bit and do something that is relatively simple, is hit with so many requirements by the local government in order to do that.

And it is not that the local governments are mean or they are anti-growth in many instances, it is just they don't have the money to fund these themselves and they keep putting the onus on developers.

And sometimes in my district these are very small, small players, small businesses that are just trying to survive. And without help with infrastructure in rural areas, we just can't make it. We just can't move.

Mr. WISE. Thank the gentleman.

Mr. HAMBURG. Yes, thank you Mr. Chairman.

Mr. WISE. The gentleman from Georgia, Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Smith, I will direct this question to you and then you can direct it to whomever you want to. First of all, we appreciate you gentlemen being here this morning. In the last Congress, the report which this committee filed accompanying the EDA reauthorization bill addressed the issue of the Title IX revolving loan fund.

And I will quote from the committee report: "EDA should publish a regulation declaring that once all EDA grant funds have been utilized by the grantee to make loans to the initial round of borrowers, funds subsequently loaned from the RLF shall not be considered as being derived from Federal funds."

EDA has contended that the law would not allow such a change but has never supplied this committee with a statutory basis for this claim.

I have noted that EDA published a notice that it intends to publish such regulations if legislation is enacted. And our unofficial inquiries have indicated real desire on the part of EDA to do so.

My question is: What statutory basis are you holding for your current position?

Mr. SMITH. Do want to answer that?

Mr. LEVINE. Basically it is the appropriations act itself.

But this is an issue that we have under serious study and are looking at with hopes of coming up with some sort of solution.

Mr. COLLINS. That's your position? It will take statutory legislation?

Mr. LEVINE. That is correct.

Mr. COLLINS. You can't do it with regulation?

Mr. LEVINE. No, sir.

Mr. SMITH. No, sir. We would like to be able to take some of those responsibilities, there is no question about that. And that has been one of the subjects of the TQM reviews.

But statutorily we—the IG and a number of other people indicate that we cannot do it that way.

Mr. COLLINS. You would be supportive of such legislation?

Mr. SMITH. Yes, sir.

Mr. COLLINS. One other question, Mr. Chairman.

Mr. WISE. Would the gentleman yield? You raised an excellent question, and if I could follow up with you for a second, because this is a concern that has been expressed; and I think the gentleman from Georgia brings up an excellent point.

Have you—do you have language that you feel you need in order to accomplish what the gentleman from Georgia seeks?

Mr. LEVINE. We have several versions of language within EDA, and we don't have any specific proposal that everybody is comfortable with. No.

Mr. WISE. But is it something that is under active review? Because this subcommittee would like to visit that area, and I think the gentleman from Georgia clearly indicates that.

Mr. LEVINE. Yes. This was covered by the task force, and it is something we talk about regularly and are trying to work through.

Mr. WISE. I would just urge you to do that. We would like to work with you to make that happen.

I thank the gentleman.

Mr. COLLINS. Thank you, Mr. Chairman.

The other question is: What requires more of your services, a strong economy or one that is headed into recession?

Mr. SMITH. Well, I have dealt with areas that have strong economies; and, believe it or not, they ended up with higher unemployment.

I think our program is needed in both areas, at both ends.

Mr. COLLINS. No particular one then would be more desirous of your services?

Mr. SMITH. Well, obviously, I think certainly when you are in a situation where you have got high unemployment, that is a long-term situation, yes, we do put emphasis on it.

But I have seen situations where, when we have growth, that you also have significant problems.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. WISE. I thank the gentleman, and I thank him for raising an excellent point that this subcommittee needs to look at.

Any further questions, statements, concerns?

I want to thank the panel very much. I think it has been a good discussion. You have given the subcommittee a lot of assistance. The subcommittee will be holding additional hearings, hopefully, one—if we can work out the times—hopefully one sometime during June.

We would like to move—I would like to try to move towards looking at a markup this summer. And so, therefore, it becomes very important that we have the administration's proposals before us so that we can do that.

The subcommittee also—and I am going to be asking our staff, they are not aware of this yet, so I think I ought to alert you to that—I am going to be asking our staff to meet with you to go over some of the issues that have been raised here, particularly to follow up even more in-depth on the quality assurance teams, the TQM process, and how the process is changing; and also on the relationships between the regional offices and the Washington office, both at the counsel level and the departmental level, because I think that is something that is essential in this process of getting maximum flexibility, at the same time preserving stewardship of Federal funds.

I want to thank you, Mr. Smith, and the others who are here, for your assistance and in the efforts you have made and the work that you have done with the subcommittee, as well as Mr. Reese and Mr. Lee for making the effort to be here today.

At this time, I declare this hearing adjourned.

[Whereupon, at 11:48 a.m., the subcommittee was adjourned.]

PREPARED STATEMENTS SUBMITTED BY WITNESSES

STATEMENT OF STEVEN R. BRENNEN

I would like to thank you, Mr. Chairman, and the Members of the Subcommittee for inviting me to be here today. Before addressing some of the specific points you raised in your invitation letter, I would like to make some general comments about successful economic development and the role of the U.S. Economic Development Administration (EDA).

If there is a truism in economic development, it is that the only substantial and long term successes come from strategies conceived at the local level. This can only occur if there is strong community leadership and broad civic support. The key word here is local. Meeting an economic development opportunity or solving an economic development problem can only occur through means of a locally devised strategy. One can then ask what role EDA should play in such a fundamentally community-based process. I would argue that EDA's programs operate in a manner that not only supports local economic development, but catalyzes and nurtures it in areas where such help is critical. The first is by providing a planning infrastructure—funding economic development districts, tribal organizations and state and local planning functions. In this way EDA helps people through their local and regional organizations to think about and plan their economic future. This helps them to grow their economy at the pace and direction they wish and prepares them for the difficulties of any local economic downturn.

Communities then come to EDA with their priorities and their prescriptions for economic development. EDA assists them through an array of potential tools including business finance, public works construction and technical assistance. Yet, the idea, the project if you will, is conceived and controlled by the community. In the most positive way, EDA is reacting to the community's needs as they see it and not formulating a prescription for them. EDA's is not a traditional categorical grant program that presumes the wisdom of the Federal Government.

I will now discuss some of the points the subcommittee wishes addressed. Jack Corrigan, Regional Director of EDA's Philadelphia Office, will discuss the remaining points.

The effectiveness of Economic Development Districts

The value of the Economic Development District (EDD) is something to which I believe I can speak authoritatively, given my experience in EDA's Denver Region. There are 50 EDDs in this region. These EDDs provide the backbone of both EDA's programs and overall successful economic development. In highly rural areas the multi-county districts are essential in bringing needed economic development expertise to bear. There just is not the critical mass of resources in these sparsely populated areas to support the staff and attention needed for good economic development. Without EDA's funding support, I doubt whether a good number of these organizations would exist; they certainly could not provide the services they now do, and some regions would subsequently suffer.

Growth Centers provide an opportunity for EDA investments to stimulate growth in a community for the benefit of more highly distressed areas surrounding it. The ability to assist growth centers is an important tool for EDA.

The District Bonus Program provides an incentive for an area to plan more effectively on a region wide basis. The availability of a ten percent bonus for an EDA project can serve to bring some localities into a process they may have previously shunned. This incentive is even more important given the very limited dollars available to fund new EDDs.

The Direct Loan and Loan Guarantee Program

EDA has not provided any direct loan assistance since 1982. The loan guarantee program was discontinued last year. As you are aware, EDA's experience with this program was mixed, at best. Part of the problem could be attributed to the fact that

EDA was required to be a "lender of last resort." EDA's loan and loan guarantee programs required findings that credit was not available to a firm from sources other than EDA, yet there had to be a reasonable assurance of repayment. This seeming contradiction greatly narrowed the universe of potential borrowers.

It should be noted that the Title IX Revolving Loan Fund (RLF) Program may meet a need in this area. In the Denver Region, EDA has capitalized over 42 RLF's for \$24 million. This is a highly successful program from nearly every point of view.

Economic Adjustment

The programs authorized by the special Economic Adjustment provisions of Title IX of our Act are growing in both funding and importance. The real need for special adjustment assistance and EDA's ability to respond aggressively and flexibly in such situations is crucial.

Right now, EDA is heavily engaged in defense conversion efforts. The Department of Defense (DOD) has transferred in two increments \$130 million to EDA to assist communities experiencing the effects of defense downsizing. The FY 1994 Budget requests another \$33 million for this purpose. These funds are to help areas experiencing base closings or reductions in DOD contracts.

In defense adjustment, EDA is helping in two ways. First, with DOD's Office of Economic Adjustment, EDA helps bring the attention of the whole community to the need for devising a strategy for dealing with the cutbacks. Strategy implementations can and have included everything from creation of an industrial park to the establishment of a high technology council. When the strategy is completed EDA in many instances helps implement portions of it. To date, the Denver Office has been active in numerous base closings and contractor reductions.

EDA's ability to assist quickly under Title IX programs is pointed out clearly in the agency's involvement in response to the Los Angeles riots. The agency was able to have grants ready that were responsive to what local leaders needed within three weeks of the riots. This was a priority of the local governments, and EDA was one Federal agency that could do so in a timely manner. This instance points up the value of Title IX's flexibility. It also is a good example of how EDA *supports* and not *directs* local economic development efforts.

The effectiveness of Title VI

Title VI of EDA's authorizing legislation, the Public Works and Economic Development Act of 1965, as amended, contains the provisions for administering the Agency and the creation of an Advisory Council for Regional Economic Development and other consultation mechanisms. Since my time at the Agency no formal advisory body has existed so I feel ill-equipped to comment on this topic. As I have stated earlier, EDA believes its programs are community-driven so it is constantly working with those outside the agency to improve its service.

This concludes my formal statement. I would be happy to answer any questions the Subcommittee may have for me.

STATEMENT OF JOHN E. CORRIGAN

Mr. Chairman and Members of the Subcommittee, thank you for inviting me to discuss my experience with the Economic Development Administration (EDA). As an EDA employee, I appreciate our agency being, in Secretary Brown's words, "... a critical element in the Administration's program to create jobs."

I would also like to be associated with the comments of my colleague and fellow Regional Director, Steve Brennen, on the importance to EDA of local strategies and community-driven programs and projects. We are proud of EDA's unique system of assisting local economic development initiatives, and we look forward to making EDA's assistance delivery system even better.

Let me now address the remaining points raised in the Subcommittee Chairman's letter of invitation. They were the subjects of public works grant processing; decentralization of approval authority; and eligibility of areas for EDA assistance.

Public works grant processing

The Economic Development Representative (EDR) generally makes EDA's first contact with the applicant, to discuss a potential project conceived and defined by local officials and community leaders. This conceptual project development phase, which averages nine months, culminates in the submittal of a formal "preapplication" to EDA.

Preapplications are reviewed and final applications are invited on the basis of merit in competition with many projects from throughout the region. Selection is

based on EDA project reviews, undertaken in the Regional Offices and in Washington.

A Preapplication Conference usually occurs after an application has been invited and before the community submits the formal application. In its most complete form, it involves representatives of the different disciplines in the regional office meeting with the applicant and other staff and consultants working on the project. It has proved to be a highly effective means of resolving issues that could delay project approval.

Applications are received and processed in the regional office and cleared by the Regional Director. Projects cleared are those recommended to the Assistant Secretary for approval. The processed application is forwarded to Washington for completion of the processing cycle.

The Financial Assistance Review Board (FARB), which has been in existence for approximately twelve years, is the Department of Commerce's mechanism for coordinating grant assistance among the different agencies in Commerce, assuring consistency in the process, and determining whether an applicant has an outstanding unresolved debt to a Departmental agency. The FARB review is done concurrently with the EDA Washington project review.

PWIP projects

The purpose of the Public Works Impact Program (PWIP) is to provide construction jobs in areas where the construction industry is depressed and construction unemployment is high. PWIPs are required to complete design and start construction within 120 days of grant approval and complete construction within 12 months of starting construction.

Public work loans

Public Works Loans were approved from 1966 to 1978. Interest rates were at one-half percent below the Treasury rates and maturities ranged up to 40 years. These loans were used both to supplement EDA public works grants and as a stand-alone program. This program was successful in funding needed projects and, due to a low default rate, EDA is recouping its funds with interest. One of the main purposes of the program was to provide poor communities with the required local match for our grants.

Decentralization of approval authority

From the late 70's to 1981, EDA Regional Directors were delegated grant approval authority for Public Works projects up to \$750,000 and loan approval authority up to \$1,000,000 for Business Loans, as well as certain other pre- and post-grant approval authorities. This authority was rescinded in 1981 at a time when the then new administration indicated that EDA's programs would not be continued.

The Regional Director currently has approval authority for annual continuation grants in two programs: 301(a) University Centers and 301(b) Planning Assistance; in addition, approval delegation exists in two programs for grants not exceeding \$25,000: 301(a) Local Technical Assistance and Title IX Targeted Adjustment Strategies.

Eligible and authorized areas

Current eligibility criteria for program funding gives priority to areas suffering from substantial and persistent unemployment above the national average for a twenty-four month period. Of the many arguments against continuing support for EDA, perhaps the most often heard is that "eighty percent of the country is eligible" for EDA grants. Of course, eighty percent of the country does not receive funding from EDA each year, and in fact the great majority of EDA assistance goes to areas that have very high distress and unemployment. The Economic Development Representatives and the Regional Office often discourage projects from areas that are not distressed.

Provision for temporary eligibility may be one way to eliminate the criticism that eighty percent of the county is eligible. Rather than designating an area on a formal basis, the agency could certify eligibility according to current statistics prior to accepting an application for Title I, public works assistance.

I will be pleased to answer any questions that the members may have.

REMARKS OF MR. FRANK LEE

To Mr. Chairman and Members of the Committee, It is Indeed an honor to appear before this body.

As a native Washingtonian, I have a sense of deep respect for the traditions of the Congress, and I think, a meaningful appreciation of the burden of leadership each of you must bear. The decisions are hard, the alternatives are always complex, and yet each one is of vital importance affecting the lives of thousands of U.S. Citizens. Certainly this process is made even more difficult by the complex economic times in which we live. I am now a West Virginian but before beginning my formal remarks, I wanted to take this opportunity as one who has lived both inside and outside the beltway to say thank you to each of you for your service to the people of my State and our Nation.

I feel that in some small sense that same burden of responsibility this morning because West Virginia reflects the paradoxes and diversity of economic development in 1993. Our citizens are proud people, our government is progressive, innovative, and aggressive in the areas of economic development. Our Governor, Gaston Caperton, I believe, has deservedly earned a national reputation for his innovations in the areas of education and economic development. But there is much to be done. My county consistently experiences double digit unemployment. We are faced with significant infrastructure problems throughout our State. It is this paradox of aggressive modern economic development programs, coupled with infrastructure deficiencies and high unemployment that make the Mountain State a textbook example of the need for the EDA and the AAC. I will not take up the committees time by reciting the statistical analysis of these programs impacts upon my State or the Appalachian Region. That information can be characterized more accurately and professionally by your staff. I would, however, like to focus on some challenges and opportunities for improvement that would allow these important programs to become more effective functioning tools in the important work of economic development.

Candid assessment of the economic impact of these important legislative programs requires some comment upon the role of the economic development district. Or as it is known in West Virginia, the Regional Planning and Development District. The District in which I reside, West Virginia Region II, headed by exemplary professional, Ms. Michelle Craig, is a key partner to our regions efforts in economic development. In West Virginia and throughout the Nation, these organizations perform a variety of needed functions and carry them out on a next door neighbor hands on basis that I find to be most effective. One program I would like to highlight are business incubators to help small businesses by providing services such as word processing and financial management. The Economic Development Council of North-eastern Pennsylvania helped to raise \$1.4 million to inquire and convert an old building into a business incubator. The 19 tenants now employ 115 workers. This is government and the private sector working hand in hand in an effective manner. Number 2, small business financing and revolving loan funds have proven time and time again to be of valuable assistance to local economic development. Careful examination needs to be made of these programs in order to enhance their effectiveness. Number 3, land use and transportation planning—cities and counties in rural areas cannot often afford the staff to professionally develop and implement land use, zoning, and transportation planning. The expertise provided by the Economic Development Districts brings up-to-date techniques and expertise to bear on the local situation. Number 4, technical assistance to local governments—besides providing grant administration, packaging, and technical assistance to local government, the Development Districts also provide a much overlooked service of regionalized cooperation and planning. The ability to package the needs of several small communities together thus making a viable project. Other important services provided by these organizations include assistance in solid waste management, natural resource conservation, recreation tourism historic preservation, job training, services for the poor, elderly, and emergency services. Whether it's the creation of a 911 System in Southwest Arkansas or assisting with a Teacher's Workshop in Michigan. The Economic Development Districts continue to play an important role as a partner in government and business at the local and regional level.

The next item I am about to call to your attention is the Growth Center Concept. In my conversation with development officials when they speak off the record a trend seems to develop. Growth centers whether primary or secondary tend to be developed along social and political lines. There seems to be difficulty in finding an appropriate definition. In some states, every county has a Growth Center, and those that don't will quickly develop one in order to accommodate the social and political pressure exerted on those administering the program. This area needs examination and while I do not have specific recommendations to remedy the problem I am confident that it is an area that needs improvement.

Technical Assistance Grants are a marvelous tool for economic development. These specifically targeted funds time and time again have made the difference between a job creation project becoming a reality or another study gathering dust on

the shelves. I urge this committee to focus upon this important area and procure additional funding and then examine the procedures and guidelines to make them even more effective. This is a program that works; it just needs to be made a bit more efficient.

The processing of applications for Public Works Grants and the preapplication process is an area that I would recommend to this body for further study. In my State we are fortunate that our EDR and the Regional Office that serves West Virginia are staffed by exceptional professionals. A very candid appraisal would cause one to ask the question of how much can a single person effectively do. Subsequent to the preapplication project, each and every request in our State is examined by a single individual. That person works out of an office with a telephone, computer, I assume a fax machine, but no secretary orders the staff. Out of the 55 counties, I can't see how any individual can effectively provide for the needs of local government, development districts, individual economic developers, and citizens in an effective manner. It is simply too much work for an individual to do. Additional staffing needs to be provided. It's one thing to have funding available in a valid program. It is quite another to bring that program to bare in a timely manner to make it an effective economic development tool and much needs to be done in this area. It is also interesting to know that the entire development effort of the State may rise or fall on the experience, confidence, and judgment of a single individual. The EDR's have total prioritization power. This is both good and bad. It provides direct access to Federal Programs in the local level. This policy may or may not allow the EDR's decisions to coincide with the goals of State Government which has been entrusted with implementing numerous sources for federal funding to solve problems of the economically disadvantaged. I would urge you to look at finding a balance between individual access to EDA programs and effectively insuring that needed dollars are implemented in the most cost effective manner as part of a total economic strategy for a State or Region. I think this area is particularly significant in Regions that may be understaffed as my previous comments have indicated. All of us in order to be effective professionals need time to plan, reflect, to step back and look at the overall picture. This is hard to do when the workload is stacked to the ceiling and the phone is ringing off the hook with client's demanding answers and responses.

I would like to urge this Committee to look at the concept of matching funds. In my area, we are participating with several defense industries to form a high tech consortium of universities. However, the defense conversion program requires dollar for dollar matching money. This is an economic barrier making it impossible for anyone other than traditional large research organizations to participate. What needs to be addressed is the cost of matching money. I realize the intent is to leverage valuable conversion dollars. However, I do not believe that excluding thousands of excellent scientific minds and the infusion of a fresh perspective into the traditional research community could have any effect for the positive one. I believe that which is gained from such a policy would yield an even greater result for the taxpayers of this country.

Lastly, I would like to suggest a Fast-Tracking Concept to aid in real job creation. If you would allow me to make a distinction between projects that have the potential to create jobs and projects that will result in immediate job creation, I think we would all agree that the priority should be given to those which would put Americans to work as soon as possible. There are valuable resources that can be used to further economic development under these pieces of legislation. The problem comes in with the implementation. With a nine to ten month review and approval time the program cannot be brought to the table. If you further consider that after receiving approval the federal guidelines must be followed that require specified environmental advertising, bidding, procedures, etc. The end result is this, I tell my client I have a wonderful program that could be the final piece to make your project liable and it will be a year before I can bring my money to the table and by the way I've got to certify that you have not commenced your project prior to my receiving those approvals. Thus, good programs are not used for immediate job creation time and time again. These needed dollars go towards projects which have the potential to create jobs but not the certainty. To remedy this, I am recommending a Fast-Tracking Program be put in place. In addition to legislative changes nonprogrammatic changes need to be made to State and Federal Procurement Procedures and Guidelines. By making the Federal Government a timely participant in the economic development process, we could create thousands of jobs in a relatively short time frame. This one single change could have significant impact and I believe more return on the investment of our tax dollars.

Again Mr. Chairman and Members of the Committee it has been an honor for me to appear here today. As an enthusiastic supporter, all the EDA and ARC, I hope that my comments will be received in the context they are intended. That is let's

take a good and effective program and make it better. I believe that this subcommittee has the opportunity to dramatically impact economic development across America and by changes in program policy and funding levels to put numerous Americans back to work quickly. Thank you for the opportunity to appear today.

TESTIMONY OF MICHAEL REESE

Mr. Chairman, members of the subcommittee on economic development, my name is Michael Reese, and I am the executive director of the Mohawk Valley Economic Development District. It is my opinion that the reauthorization of the economic development administration is one of the most important components of any economic recovery plan considered by the Federal Government. The most critical problem facing America today is providing jobs for its people. If this country is going to win the war against crime, drug abuse, spouse and child abuse and poverty, it will have to provide long term, good paying jobs for its citizens. During the past few years, without reauthorizing legislation and without adequate resources, EDA has continued to be a strong partner in the economic development of the Mohawk Valley Region of New York State. My region is predominately rural in nature and suffers from decades of economic decline. By utilizing EDA to fund the necessary infrastructure improvements for industrial development, we have begun to stem this tide of decline. We now have hope for economic growth in the future, but the job is far from finished. There are still many unmet needs that have to be addressed if this region is going to provide jobs for its residents. Now, more than ever, we need to have the continuation of the economic development administration, which can and should play a central role in providing federal economic development resources to projects that will help to retain existing jobs and create new jobs for the unemployed and underemployed.

I would like to discuss three important aspects of the economic development administration that should be included in the reauthorization bill. The first is the present system of using economic development districts to access the programs of the agency. With the assistance from an EDA planning grant, my five counties work together to develop a strategy and identify projects in our annual overall economic development program. The "carrot" of having their projects eligible for EDA funding has kept the region working together, something that would not continue if the present system were eliminated. The concept of regions working together to collectively solve problems and implement strategies, is one that works and should be encouraged to continue. This system allows each region to set its own priorities and seek funding for projects that will provide real economic benefits to the area. The regional economic development planning performed by economic development districts is one of the only ways that local government officials (many of whom are part-time) have input into a regional strategy that provides a coordinated approach to future development. One concern that we continue to deal with, is the lack of adequate financing of the District Planning Grant Program. As an example, my district has received the same level of assistance each year since 1986. EDA staff has done its part by providing planning grantees with new OEDP regulations, in the spring of 1992, that will make our annual strategies even more useful. Now we need an increase in the appropriation for planning grants so that districts can continue to provide the appropriate level of service to their regions.

Another vital aspect of the economic development administration is its title I public works grants. This has been EDA's bread and butter program, and it is as important today as it was when the agency was founded. One of the most difficult challenges faced by local governments is their ability to develop good quality public infrastructure for industrial development. A community's ability to retain or attract industries is directly tied to its ability to provide these public services at an affordable cost. However, in regions that have experienced a lack of economic growth, such as the Mohawk Valley, local governments cannot afford these improvements without assistance from agencies like EDA. A recent project in the City of Johnstown in Fulton County, is a good example. Johnstown was under a consent order from the health department to filter its water. The construction cost of a filtration plant was \$7.7 million. If Johnstown had to bear the entire cost of this project, the cost of water to the leather industries located in the city would have been at a rate that would cause many to close their facilities, adding hundreds of workers to the ranks of the unemployed, in a county with an unemployment rate of 10 percent. The solution was assistance from EDA. The City of Johnstown was awarded a \$2 million public works grant. With this partnership between the local government and the Federal Government, the public health standards were met, and Johnstown will be able to retain its largest industrial sector.

One area of the Title I program that needs to be improved is the time it takes from the submission of a pre-application to final approval. I understand that the agency is currently working on streamlining this system, which will be most welcome at the local level. Many times, communities need to have a prompt response to their applications, and the present six months processing time can become an obstacle. The application process itself is not broken. The use of the pre-application allows a community to seek assistance without incurring a great up-front cost. It also allows the agency the ability to rate projects and invite the most worthwhile projects to final application. And, one of the most effective aspects of the present system is the use of State Economic Development Representatives (EDR). Our State EDR is an invaluable service to the district and the applicant communities. This program, like the planning grant program is severely underfunded. My current five county region has approximately \$100 million worth of public infrastructure projects that, if funded, would provide a direct economic development benefit. These communities are in competition for a nation-wide appropriation of \$136 million in the public works program. As I mentioned earlier, the EDA is uniquely positioned to play a vastly expanded role in providing Federal economic development resources to local projects. I would recommend that Congress look very closely at all Federal agencies that have some economic development activity and determine if it would be more appropriate for the Economic Development Administration to carry out this activity. I am not being critical of other agencies, however, it seems to me that if the primary focus of an agency is housing then it should direct its attention to housing; if the primary focus is agriculture then it should direct its attention to agriculture; and, if the primary focus is economic development, as is EDA's, then it should handle the economic development programs. This may be a way to increase the appropriation for the Title I public works program, without adding new spending to the budget.

The third aspect of the reauthorization bill that I would like to comment on concerns the EDA Revolving Loan Fund Program, which is part of Title IX. The MVEDD has administered an EDA revolving loan fund since 1979. With approximately \$1.6 million of EDA funds, we have been able to finance 132 businesses with \$5.5 million in loans. And, we have been able to leverage an additional \$39.5 million in loans from the private sector. These projects have created job opportunities for 3,000 people. When you divide the \$5.5 million in loans by the 3,000 jobs, the result is a job cost ratio of \$1,833 per job. By comparison, most economic development programs gauge their success by using job cost ratios that range from \$10,000 per job to \$35,000 per job. Locally controlled revolving loan funds have become one of the most effective tools available to stimulate job creation in small businesses, where most of the growth in jobs is taking place. This is particularly true in areas of stagnate growth, because there is a general lack of interest from the private sector financial institutions in these areas. As banks have consolidated and regulators have become more strict, small business people are having a more difficult time arranging all of their financing from the private sector. By using the EDA revolving loan fund as a gap financier, we are able to package deals with the private sector that otherwise would not meet their underwriting requirements. The EDA revolving loan fund is a natural complement to the Title I program. Title I provides the public infrastructure necessary for development, and the RLF provides the capital to allow companies to expand and create jobs.

In conclusion, I want to stress the necessity to reauthorize the Economic Development Administration. I strongly urge you to include the economic development districts, as the primary access point for EDA programs, in the new reauthorization bill. I would also strongly urge you to include the Title I and the Title IX programs in substantially the same format as now exists.

Thank you Mr. Chairman, and members of the subcommittee. I will be glad to answer any questions you may have.

STATEMENT BY THE ACTING ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, CRAIG M. SMITH

Mr. Chairman and members of the subcommittee, thank you for providing me with the opportunity to appear before you today to discuss reauthorization of the Public Works and Economic Development Act of 1965. We are pleased and excited that, for the first time in twelve years, the President will join with Congress to support the programs of the Economic Development Administration (EDA). We believe we are entering a new era of productive cooperation between the legislative and executive branches to address the nation's economic development needs.

In furtherance of that cooperative spirit, I would like to address the issues you raised in your invitation to me to testify today. We have already submitted detailed exhibits regarding these matters and will be happy to answer any questions you may have at the end of the prepared statement.

PROJECT FUNDING

Fiscal year 1993 project funding is moving at a significantly faster rate than in FY 1992. For example, through the end of April or this year a total of \$91.7 million had been obligated for 100 public works grant awards. During the same period in FY 1992, EDA had obligated only \$52 million for 77 public works projects. To state it another way, in FY 1993 EDA obligated 59 percent of its public works funds during this period while it had obligated only 33 percent at the same point in FY 1992.

DEFENSE CONVERSION/HURRICANE RELIEF

EDA is presently involved in a significant way with defense conversion activity, both with base closings and defense cutbacks. Of the \$130 million transferred from the Department of Defense, the first installment of \$50 million was received in February 1992 and the second installment of \$80 million was received in March of 1993. To date, EDA has invited approximately \$70 million in projects of which 19 grants for \$24.4 million have been awarded, 23 applications for \$38.4 million are being processed, and an additional 13 projects for \$7.4 million have been authorized. EDA's defense conversion role is essentially to implement critical elements of base reuse plans or community adjustment strategies. In most cases, the plans and strategies are developed with the assistance of DOD's office of economic adjustment with whom we coordinate our investment decisions. We expect the demand for defense conversion assistance to accelerate as more communities complete their economic adjustment strategies or base reuse plans. It may, however, be several years before environmental and other base transfer issues are resolved and EDA assistance can be used by some of the affected communities. It is also becoming apparent that the infrastructure investments critical to a community's ability to reuse a base are generally far more costly than EDA is accustomed to funding.

EDA has also been very active in assisting with the economic recovery of areas damaged last fall by Hurricanes Andrew and Iniki and Typhoon Omar. Of the \$70 million appropriated for this purpose, 19 grants for \$19.4 million have been awarded, an additional 17 applications for \$26.6 million are being processed, and nine project applications for \$19.8 million have been invited. Approximately 75 percent of the \$70 million has been targeted to address damage caused by Hurricane Andrew in Florida. EDA established a temporary Miami field office and the staff have worked closely with the impacted communities to review more than \$130 million in project proposals. This successful operation is winding down as project development efforts are substantially completed and the office will be closed at the end of June.

LOS ANGELES RIOTS/URBAN DISTRESS

EDA moved rapidly to alleviate the damage caused by the civil disturbance in Los Angeles last year. Through its Title IX special economic development and adjustment assistance program, a \$3 million grant was awarded to rebuild LA to develop a strategy to assist business locate in the affected area and a \$1.5 million grant was made to the Los Angeles convention and visitors bureau to help restore the tourism industry and related employment. Over 85 percent of the Los Angeles tourism industry work force is minority, many of who live in the riot affected areas.

The California recovery is another policy initiative in which EDA is involved. The President recently asked Commerce Secretary Ron Brown to be the lead cabinet officer for this effort and to craft a coordinate Federal/local response in stimulating the California economy. Teams of EDA specialists have begun holding meetings throughout the state to assist economically distressed areas establish, or re-establish, their employment base and to aid in the defense conversion efforts in the area. EDA expects to participate in the California recovery efforts throughout its defense adjustment and regular programs.

Regarding economic distress in urban areas in general, EDA continues to be committed to meeting the needs of distressed urban communities. The agency's FY 1993 notice of funds availability recognizes this commitment by stating that EDA is particularly interested in projects located in authorized and designated enterprise zones. Historically, EDA has invested approximately 25 percent of its resources in urban areas.

TOTAL QUALITY MANAGEMENT

In addition to the quality action team efforts I will address next, EDA has undertaken two major TQM initiatives. The first of these, the decentralization steering committee, was established to streamline the grant application process. This effort had two main thrusts, the elimination of unnecessary and/or duplicative steps, and the redesign of grant application forms to make them more user friendly and limit the information requested to that which is necessary for project review and approval. As a result of this effort, the public works application process has been improved and draft application forms have been developed.

Implementation of these new forms, however, will not go forward until the second EDA TQM initiative, the process re-engineering committee, finishes its work. This committee is concentrating on ways to reduce the average time required to process a public works grant. Our goal is to have the average processing time reduced to four months. This effort may well require further paperwork modifications, so we will not forward final new application forms to OMB until the committee's work is complete. The new process is expected to be ready for a pilot test to begin this August with final recommendations completed by the end of the year.

QUALITY ACTION TEAMS

The program review and improvement activities represented by the Quality Action Teams (QATs) are already paying dividends for EDA's clients. The major findings and Recommendations of the specific efforts include;

Economic Development Districts QAT: This QAT issued its final report in December 1992 with its recommendations grouped into eight areas—evaluation of performance, program requirements, funding, overall economic development program, training, technology, uniformity versus flexibility, and other related issues. The recommendations of the QAT were used in determining how to allocate the \$2.2 million budget increase made available to the district program in FY 1992 and to implement the two percent cutback enacted in FY 1993.

University Center QAT: This QAT was established in January 1991 to develop recommendations for improving the operations and administration of the university center program. The final report was issued in September 1992 and contained recommendations concerning 21 program areas. EDA has already moved forward to implement the recommendations concerning university center performance evaluation, avoiding duplication of services in areas with small business development centers, and limiting the allowable indirect cost rate sponsoring institutions can charge the program. We continue to pursue a number of the other recommendations of the report.

Revolving Loan Fund QAT: The Revolving Loan Fund (RLF) QAT issued its final report in June 1991. The report contained recommendations concerning twelve major RLF program policy areas. Since that time, EDA has undertaken a major overhaul of its RLF policies and administrative procedures which are documented in a new RLF administrative manual, revised RLF plan guidelines and new RLF grant terms and conditions. Efforts are also underway to prepare a new RLF lending manual, RLF audit instructions, a companion internal administrative directive and guidelines for communities preparing an economic adjustment strategy. These efforts are already improving the delivery of RLF assistance and will lead to further improvements in the months ahead.

Public Works Program Evaluation: This evaluation was undertaken by an outside consulting firm and was completed in March 1992. The study was designed to assess the range of factors that impact a project and identify those factors that have the greatest influence on project performance. The major findings of the study were that public works projects were meeting their objective of helping distressed communities; Public Works Projects are long-term in nature and their performance should be assessed over a twenty-year period; Projects providing basic infrastructure to wide areas and diverse users have greater long-term impact; and that grantee institutional capacity is often the most important factor in project success. This report is currently under review within the agency for implementation of those recommendations that would strengthen the Public Works Program.

ECONOMIC DEVELOPMENT REVOLVING FUND STATUS

The unobligated balance of the revolving fund at the start of fiscal year 1993 was \$134.6 million. It is estimated that by the end of this fiscal year, the unobligated balance will be \$137.6 million. While future year revolving fund balances are difficult to estimate, it is quite possible that environmental cleanup costs associated

with sites for which EDA is responsible will seriously deplete the revolving fund. Included among our submissions to the committee is a report on actual revolving fund activity for fiscal years 1991 and 1992 and estimated fund activity for fiscal years 1993 through 1998.

ECONOMIC DEVELOPMENT REPRESENTATIVES

The major responsibilities of the economic development representatives include:

Advising public and private officials and organizations on economic development issues and programs;

Analyzing current State, county and local public and private efforts to achieve economic development given their existing resources and impediments;

Assisting local, county and State efforts to organize economic development committees and action groups;

Providing information concerning the broad range of EDA's programs and advice on how those programs can be utilized to meet specific State, regional or local economic development needs;

Counseling and assisting applicants in the preparation of required application materials, assessing the suitability and potential of proposed projects and recommending projects for consideration by the regional project review committee; and

Being a source of current information concerning other Federal and State programs that can support economic development efforts and referring potential applicants to those sources in support of, or in place of, EDA assistance efforts.

(Jack Corrigan will expand upon the role of the EDR)

Included in the materials submitted to the committee is a list of the current EDR's, the areas they serve and their addresses.

In response to your other request regarding EDA directives and operations handbook, we have submitted a set of the current EDA directives. EDA does not have an operations handbook, rather it operates on the basis of established directives, regulations and policy memoranda.

Before I take any questions, I would like to introduce the other EDA officials appearing with me today:

David L. McIlwain, acting deputy assistant secretary for program operations; Leon T. Douglas, acting deputy assistant secretary for program support; Joseph M. Levine, chief counsel; Edward M. Levin, acting director of congressional and public affairs; Vince Goodman, director, budget division; and David F. Witschi, director, economic adjustment division.

John E. Corrigan, director, Philadelphia regional office, and Steven R. Brennen, director, Denver regional office, will address the additional issues raised by the subcommittee in the letter of invitation.

We welcome the opportunity to respond to any questions you or other members of the subcommittee may have.

NOTES FROM STATEMENTS OF PRESENTERS

CHARLESTON, WV (APRIL 23, 1993)

LOUIS "DUKE" BLOOM, PRESIDENT, KANAWHA COUNTY COMMISSION

The leveraging of private investment that compliments the government's investment in infrastructure is the kind of activity that government should undertake to improve the economic conditions of specific regions of our nation and that of those people who live there. The federal government should establish broad goals and objectives to be achieved by any funding sources that they provide.

Local governments role should be to develop programs that achieve those goals that best fit the local needs and conditions. Micromanagement from national officials in Washington and regional officials in locations such as Philadelphia inhibit rather than encourage innovation and creativity on the local level. The bottom line should be does it work, does it create jobs, does it improve the quality of life for a disadvantaged area and if it does than the agency should participate in funding the project.

David Osborne and Ted Gaebler in their best selling book "Reinventing Government" said, "The closer the government is to its citizens, polls show, the more they trust it. The closer it is, the more accountable its officials tend to be and the more likely they are to handcraft solutions rather than create one-sizes-fits-all programs." They go on to describe an approach of challenge grants rather than categorical grants that they say, " * * * would create incentives for state and local governments, but leave the job of designing and running programs in their hands. By using performance criteria, Washington could exercise quality control without dictating program structure and content. And by making (local) governments compete based on rational criteria, it would drive them toward the creation of entrepreneurial strategies."

Governments at all levels must face the fact that solely spending money is not going to solve any societal problem. Governments must work with the people that they derive their power from and craft solutions to their problems. In Kanawha County for example we have undertaken two projects that will significantly impact upon the economic well being and quality of life of the community. One project required a significant investment of Federal dollars and one project was completed with local and private investments along with citizen participation.

The Ruthdale PSD sewer project which was completed with a \$500,000 ARC grant along with a large EPA clean water grant and significant local contributions from the City of Charleston, South Charleston and The Kanawha County Commission enabled the development of a 600 acre business park that will create many high quality jobs for the region. The ARC most important contribution to this project however was the construction of Corridor G on which the property is located.

The second project undertaken by the Kanawha County Commission was a 3 million dollar water project to bring water service to 600 homes in the Eastern end of the county last year. This project was funded solely with local funds and private investment. The county developed a unique revenue bond package that it sold to a local bank that had pledge specific tax revenues gained from the coal mining activity in this area for a 10 year period. The users of the service will also pay a \$10 per month surcharge on their water bills to help retire the debt and WV Water company contributed 400,000 to the project.

I mention these two examples to illustrate that sometimes the Federal money is absolutely necessary to complete a project that has a significant impact on the lives of the citizens and that sometimes the help is not necessary but regardless the local community needs to be free to craft the solution to their problems as long as they meet the broad goals and objectives of the federal government.

Some specific recommendations to consider that would improve the success of any project are:

(1) The mandate by the ARC to state Highway Departments that Corridors built with ARC funding must provide for utility easements at the design stage and that those easements must be provided free of charge to public utilities. A case in point was the difficulty in obtaining the necessary utility easements for the Southridge Center project on Corridor G. DOH officials take the position that utilities are an inconvenience to them and therefore they do not want utilities in the right of way. The purpose of the Corridor system is to promote economic development, however, no development can occur if there are no utilities present to developable sites.

(2) During construction of the Corridors there are created large flat properties due to cut and fills that are adjacent to the Corridor. The ARC should mandate that those tracts of land be given to a local certified development corporation to be used to create industrial and commercial building sites. The state highway departments hold on to these tracts and will not part with them unless highly inflated prices are paid. That practice effectively kills the potential for new development on land that is "created" during construction.

(3) Draft provisions that allow local governments the opportunity to use vision and imagination for future job growth. Don't hamstring governments with requirements for immediate demonstrated job growth for a project to be funded. Rather provide guidelines that require partial repayment if the jobs do not develop over a ten year period or some other period that allows an opportunity for long term development.

To summarize the federal government has a very vital role to play in the development of area of our nation that are disadvantaged. Traditionally funding from Washington has been used to meet many local needs, however, the method of meeting those local needs has been in a large part dictated by Washington to fill the requirements of the departmental regulations. Local governments are increasingly innovative and creative and the funding requirements need to change to keep pace with the development of "entrepreneurial government."

FRANK LEE, EXEC. DIRECTOR, MASON COUNTY DEVELOPMENT AUTHORITY

Lee considers ARC's unique partnership of local-State-Federal participation to fund infrastructure, technical assistance and human resource development essential for areas such as West Virginia. Considers W.V. blessed with active and knowledgeable people to administer the programs.

Noted that, while the framework of the programs must be addressed in line with changing trends in economic development over the years, the importance of the basic legislation must be kept in mind in looking at the programs—most visible are highway and water and sewer improvements. Mason County with over 18% unemployment faces challenges from opposite ends of the scale—some expanding high wage industry, some growth of moderate wage industry, but at the same time deterioration of existing traditional job-based industries—and is facing outmigration and a shrinking tax base. Programs of ARC and EDA allow them to continue the work.

EDA is an important player with its public works projects; and planning grants and special economic adjustment assistance also have been important. But technical assistance has potential for a larger and more important role and, along with loan guarantees, can be particularly helpful for development in his area.

EDA and ARC should look hard at the high tech areas—technology is a great equalizer. Rural W.Va. is regularly visited by NASA representatives seeking new and innovative partnership to help communities develop technologies. Lee's group, working with others (including Marshall and Louisville Universities, General Dynamics and Olin) have formed a research institute and have a contract. They have looked at some defense conversion programs. Problem is a dollar-for-dollar match is required under defense conversion and use of some Federal funds is not an eligible match. That is a barrier for participation and will be available only to large corporations and groups already with adequate funds. Funding programs should focus on the merit of projects and the validity of the research to be accomplished in order to provide a level playing field for smaller areas with less funding capability yet the capacity to handle high tech. W.V. has tremendous high tech resources but needs the capital for technology efforts.

Re EDA and ARC traditional roles: Often local communities have good project ideas to resolve problems but have to change their ideas and structure their project to fit certain policies and guidelines of an agency's program in order to get funded—i.e. a cookie-cutter approach. It is hard for local communities to be held accountable for projects designed from above, but they would be willing to accept full accountability if permitted to pursue their own innovative ideas to fulfill their needs.

Certified economic development professionals are necessary. EDA and some other agencies—at Federal and State level—expend more effort to assure that a project meets certain criteria and guidelines of the agency's programs and the paperwork is letter perfect than on looking into the soundness of a project itself based on the background work of a reliable expert developer. Economic developers need not be licensed, so anyone can claim to be one. W.V. now has a professional economic developer who in turn hires professionals at the field level.

Several criteria should be considered when funding projects and appropriately geared to needs of the area. Mason County lost out on project funding because of an successful public housing record—despite their high unemployment rate and need for the project.

TERRY TAMBURINI, FOR TERRY WILLIAMS, MAYOR OF SPENCER

(See attached letters from Mr. Tamburini)

Effective community development policy must be flexible, responsive, comprehensive and accountable. Projects should eliminate from local and regional level supported by State and Federal investment in human and public infrastructure. National and State agencies should establish developmental standards and resources, but permit locals to assess their own capabilities, devise their own strategies and determine their own needs and projects.

EDA and ARC programs as envisioned and implemented in the past have lost their vigor and imagination and have become defense and stolid. With less money now, programs are less effective with greater emphasis on bureaucratic expediency.

In today's world of decentralization, EDA and ARC do have the capability to support business and citizen involvement in meeting planning and strategy needs. However, their roles should be identified and clarified to avoid confusion nationally and animosity. They are often used as scapegoats in arguments about geographical and societal differences.

Local and regional development planning process should be mandated nationally and coordinated within States in an overall strategy setting program and States should be encouraged to work cooperatively.

ARC and EDA funds should be utilized to prepare infrastructure investment and improvement programs and human resource projects emphasizing innovation. Appalachian Corridor concept should be expanded to include neglected areas (central and southern W.Va.)—to link them to potential markets.

EDA and ARC should be pursuing technological advances in telecommunications, skill training, social service provision, applied manufacturing and value added enterprises for rural and inner city areas. Flexibility should be incorporated into project planning so that innovation is not inhibited. Housing should be viewed as an integral element of development planning and ARC should be encouraged to participate.

Cooperation of all Federal agencies—HUD, DOT, Commerce, Labor, etc.—must be guaranteed and unity of purpose is essential.

At a recent discussion whether to apply for EDA funds for a project, concern was expressed about the length of time it takes and the need to coordinate development of that strategy with preparation of other relevant physical information concerning the site. Past experience with EDA is that it takes a long time and probably would require Congressional involvement. People shouldn't have to bother Congressmen with these matters—people in the agencies should be more tuned to the development needs of local and State areas and to the capabilities at these levels and thus move the process along. At issue is EDA responsiveness and accountability.

Re the question of clarifying national goals: There should be regional organizations everywhere. As for ARC, there are parts of Appalachia that Congress should seek a rethinking about—i.e. programs that can address specific sections of the Region such as the panhandle of West Virginia where the problems being faced are similar perhaps to those in Gary, Indiana or parts of Chicago. Whatever the geographic development, the process and programs be established to respond to local needs but there could be national priorities—for example housing or health issues. It isn't inconceivable that ARC could wind up directing health plans. Ohio has expanded in its scope of activity. We should do it in W.V.

JACK BURLINGAME, EXEC. DIRECTOR, JACKSON COUNTY DEVELOPMENT AUTHORITY

Jackson is a rural county—25,000 people. They work out of the regional council in Parkersburg and have benefitted from both ARC and EDA programs—the access

roads, an industrial park, major improvements on the E/W corridor (Rte. 33), and industrial school, several water projects and some sewer.

Currently the Authority is involved in an EDA economic readjustment strategy grant—many segments to the strategy to be defined. In interviewing consultants to work on the programs he found some deficiencies. They could identify strengths and weaknesses of the programs, but were not strong on implementation plans.

Re organization in W.Va: Burlingame pointed out that many counties do not have money and thus struggle for financing. Many do not have professional developers and without developers there is little positive activity. He urges help for those counties—more funding from the State and from the Federal government. There has to be greater reliance on regional councils—but with more money. Another big need is for technical expertise to help with development packages—another matter which could be handled through regional council.

Suggests stressing the creation of wealth—i.e. tax revenues to be enjoyed by all—not just “jobs, jobs, jobs”.

Flexibility is critical. Revolving loan fund programs and loan programs of other Federal agencies have not been effective to get a client to come in. There is a lack of people to do the fund programs and too much paperwork involved. Anything I need to get things done I get through the State organization. For the long pull, the loan programs should be looked at to see if the money can't be better used through other EDA and ARC programs.

FRED CUTLIP, DIRECTOR, COMMUNITY DEVELOPMENT, WEST VIRGINIA DEVELOPMENT OFFICE (ALSO GOVERNOR'S ALTERNATE TO ARC) SPEAKING FOR DYAN BRASINGTON, DIRECTOR, WVDO.

DEBBIE PHILLIPS, EXECUTIVE DIRECTOR, PUTNAM COUNTY DEVELOPMENT AUTHORITY AND MEMBER OF W.V. HOUSE OF DELEGATES.

CUTLIP. (See prepared statement attached). ARC has been 28 years in W. Virginia and has funded a broad range of activities including water and sewer systems, hospitals, schools, industrial parks, recreation parks, health clinics, libraries—and continues with computer literacy, educational programs and studies. Its success, aside from Congressional support to keep it going, is due to fact that it is governed by the oversight of the Governors of the States involved. The concept being that those closest to the problems are best able to deal with it.

Federal programs have different requirements and guidelines. Thus, in order to get financial assistance, projects have to be tailored to fit a particular Agency's requirements. The beauty of ARC assistance is that it can attach itself to any one of a number of multiple Federal programs providing assistance.

The problem: is that some projects fall between the cracks—they don't fit the objectives and guidelines of another Federal program. So, at times ARC cannot attack the poverty and increase the quality of life within a State because it cannot find a Federal program to attach itself to that can do what is needed.

Suggestion: that the Committee review the possibility of providing the Federal Co-Chairman of ARC with authority to certify States agencies, currently certified by another Federal agency to manage a grant program, to also manage ARC funded projects. For example, the W.V. Development Office has been assigned and certified responsibility to manage the HUD Small Cities Block Grant Program. If certified to do a HUD program, WVDO could do an ARC program as well.

Problem: Some of the negative aspects of both EDA and ARC are due to the threat of termination of the programs. You cannot do effective strategic planning and long-range goal setting if under the threat of losing the programs each year and the continuity of funding for on-going projects. Pleased that the President has acknowledged worthiness of ARC in his budget release.

Suggestion: The Committee is encouraged to seek authorization for the ARC programs for a minimum of 5 years—in line with the President's plans.

On the positive side: EDA and ARC successes are because they are grass roots oriented—projects come from bottom up. ARC's ability to deal with varied projects still exists—under the law. However, in W.V. the environmental projects of water and sewer have been an overwhelming priority and will probably continue in order to have the basic infrastructure in place to accommodate housing and economic development. Earlier in the program, when W.V. received \$12 million annually for area development projects, a variety of projects tackled. Now, receiving only about \$3 to \$4 million annually for area development, the buyer power is much less than in the 1970's, so we must target funds more narrowly. The need is for higher funding.

EDA is more bureaucratic than it should be, but it became more so over the last 12 years and as less funds were available. Perhaps now that EDA personnel know they will be continued there will be greater dialogue and greater emphasis on service as opposed to a bureaucratic approach.

Funding cycles are a problem. Private sector plans are based on their own criteria (projects of opportunity) and not necessarily in line with Government-imposed funding cycles. This is especially a problem with EDA. Some private firms have declined to become involved not wanting to tie up their funds waiting for agency to move.

PHILLIPS. Some of the problems in working with EDA programs that might lend themselves to legislative amendment:

1. Forms—they are different for each Federal agency grant program, yet they are requesting the same substantive information regardless of the guidelines of an agency—such as financing, leasing arrangements, etc. If there is any way to have uniform grant applications that would cover the same information requested from different agencies it could save much time and money at the local levels and possibly at the Federal level as well.

2. In working with EDA and Farmers Home, the people are most helpful. However, a problem comes at the county commissioner level. Some counties have no money available at all and cannot meet matching share mandates either of the State or of Federal agencies. It would help if EDA were authorized to leverage dollars from both local and State areas as well as the private sector for partnerships for the location of projects in the poorer areas with high unemployment. (An example of this type of need is the Ala. Pulp and Paper project which will involve 3 States and probably 20 counties in W.V.)

3. Another problem was an EDA-funded industrial park built on a flood plain and considerable fill was involved to raise the flood plain. In so doing, we created wetlands. Corps of Engineers helped in determining what percentage was wetland and what percentage was not. But, EDA did not accept the definition of wetland as other agencies did. It is difficult—and sometimes projects are lost—to deal with different agencies in applying for grants and coordinating various functions with several agencies when there are different definitions involved.

4. Revolving Loan Funds for small business—at the \$50,000 level. Problem is with local match—either with banks or the city and counties involved in the partnership. Also, the leverage that was utilized—the company had to come up with a 2 to 1 match but it made it impossible to use for the companies they were working with—often only one or two people. The idea was good, the grant money was there, but it just wasn't workable in terms of the companies they were dealing with.

OPEN MIKE COMMENTS

Re matching portions that usually are on a percentage basis: suggestion was made for the concept of a flexible match—adjustments based on unemployment rate and/or some other criteria.

Permit greater flexibility by EDA in some of their requirements. Example given was a sewer project which the developer was required to televise and provide video to justify some of its activity. This was a costly addition to the project.

Question arose whether all the forms required were in fact needed and whether agency personnel even reviewed them in the application process. Preparing and providing forms that stack up to 1 or 2-plus inches is time-consuming and very costly to those preparing applications.

John Romano—See attached letter.

Addressed the problem of ARC funding and application cycles—suggests year round.

EDA has too lengthy a processing time—grant approval goes through Philadelphia Regional and then to Washington with too many months involved.

RFL problems—not work all the regulatory trouble.

Suggestions: (1) Perhaps EDA could contract out some of its work. (2) Relax Davis Bacon—required to use Davis Bacon or State-prevailing wages if higher. Causes some projects to be downsized or dropped entirely.

TESTIMONY OF FRED CUTLIP, DIRECTOR, COMMUNITY DEVELOPMENT DIVISION, WEST VIRGINIA DEVELOPMENT OFFICE, AND STATE ALTERNATE

Twenty-eight years of service to the State.

Provided immense improvements throughout the State of West Virginia in such things as roads, hospitals, libraries, schools, parks, industrial parks, airports.

Continuing to provide programs in computer literacy training, various educational programs, studies from the commission, and planning projects that deal with problems common in Appalachia.

The key to ARC's success is the fact that you, Congressman Wise, and others of your persuasion, have given the oversight and support necessary to keep the Commission operative. That effort provided by our congressional delegation and by the Governor of the State who serves as a member of the Commission has been the determining factor, in why this Commission has continued over the years.

There is a recognition in the way the Commission operates that those closest to the problems have a better perspective on how to deal with them.

The Commission provides a broad diversity of programs. It can attack many types of problems with which we are faced.

We lost revenue sharing, we got New Federalism. They are not the same.

The HUD program is full of guidelines, and its objectives are different from those established by ARC. Although it goes a long way in meeting a lot of needs, it is a most difficult program to manage. Which brings me to one of the issues that I would like your committee to consider.

That issue is the possibility of legislation enabling the Federal co-chairman to authorize a State agency or regional planning and development council to actually manage grants made by the Commission.

We feel this is necessary because there are a number of problem areas that we cannot deal with because they do not readily fit the requirements of other programs—for instance, the Farmers Home Administration or EDA or a HUD requirement. They fall somewhere between all three of those programs.

I am suggesting that the States have developed grant management expertise, and if an agency is certified by HUD to be capable of managing a HUD grant, we would like to think that we could manage an ARC grant equally as well. So we would encourage the committee to take a look at the possibility of enabling ARC to certify certain State agencies as having the capability to manage ARC dollars.

You asked about negative issues relative with the Commission. I think the biggest problem has been the fact that ARC is operating under continuing budget extensions.

We would recommend reauthorization of the program at least through the next five years. That authorization and a continuity in a level of funding will enable strategic planning in investments. The absence of a continuing program and the fear of phase-out year after year does not provide for professional management of such an important program.

Both EDA and ARC are successful because they pay attention to grassroots projects. They have both been through the trials and tribulations suffered by the Federal program. Both support local issues and development of ways to solve problems at the local level.

I personally feel that the EDA program is a little more bureaucratic than it should be. I think that this is a result of direction given over the last twelve years to the program, and I feel that if it is reauthorized for at least a five year period and given the resources it needs, that it will function differently under new leadership.

I'd like to close, Congressman Wise, by applauding you for your strong support for the Appalachian Regional Commission and for the Economic Development Administration over the years, and your continued interest in refining these organizations so that they may better serve the needs of the people of the State of West Virginia and the Appalachian Region.

REGIONAL INTERGOVERNMENTAL COUNCIL,
Dunbar, WV, May 3, 1993.

Congressman BOB WISE,
Rayburn House Office Building,
Washington, DC.

DEAR CONGRESSMAN WISE: I am writing this to be included with the testimony given at the April 23 public hearing you conducted at the Kanawha County Courthouse, as Chairman of the House Public Works and Transportation Committee, Subcommittee on Economic Development. I had provided some of my comments to your Congressional Staff (Lucille Morgan, Marti Downie, Lee Godown, and Carl Lorenz) in a one-hour meeting on April 22.

My own background with EDA/ARC: I have been a RIC staff member for over 16 years and twice served 1-year terms as Executive Director of the Putnam County Development Authority (FY-87 and FY-90). The Putnam County Development Au-

thority had constructed two industrial parks with EDA funds: Rock Branch in the 1970's; and Eleanor in the late 1980's.

RIC is recognized as a four-county Economic Development District by EDA and as a Local Development District by ARC. We receive planning funds from both these agencies to put together a Regional Development Plan and an Overall Economic Development Program. The planning funds enable us to provide technical assistance to our member governments (e.g., to develop applications for federal assistance on public works projects). The funds also enable us to work with numerous federal, state, and local agencies—public and private sector—to promote community and economic development in our region. I believe that RIC has played an active role in regional development for the past 2 decades, thanks in part to EDA/ARC support. In your April 23 Hearing, three of the speakers (a county commissioner, mayor, and director of a County Development Authority) mentioned RIC's involvement in past projects, an indication that we cooperate in regional development. I recommend that EDA and ARC continue funding their District programs.

I also believe the EDA University Center program is a worthwhile and effective mechanism to support economic development. Before the University Center program began, it was a difficult and time-consuming process to obtain an EDA technical assistance grant (for a feasibility study, etc.). The University Centers bring the program closer to home and expedite the application process. The University Centers at Marshall University and WV Institute of Technology have been quick to respond to our requests for technical assistance. The Tech Center has funded three projects in our region in the past year, and is presently considering other projects. The University Center at Marshall University is currently working with our staff to develop projects in Clay County (manufacturing of products and marketing of arts and crafts).

ARC program

The ARC supplemental grants have always been a useful tool for completing a project's funding package. ARC provides the funds, then turns the administration over to another agency. This is beneficial since it eliminates conflicts between two federal agencies administering grants for the same project. At present, ARC does not allow Local Development Districts (regional planning and development councils) to administer ARC funds. I recommend that ARC allow these agencies to do grant administration in the future.

ARC deadlines

The once-a-year acceptance and award of applications is a hindrance to working with private business development. For example, if a project is ready to go in the private sector during the Winter or Spring of the year, waiting for the ARC cycle to begin (application deadlines, Oct. 1) is often not feasible. I would recommend having a quarterly application and award deadline, in particular for the Economic and Community Development program.

EDA programs and process

EDA uses a profile/pre-application/full application process which has advantages. It eliminates the need for a large amount of paperwork and certifications up-front in the application process. The profile is a brief project description and budget; if approved, the pre-application is submitted; if that is approved, a full application is prepared.

EDA jobs criterion

EDA Title I grants are determined in part by the number of jobs estimated to be created/saved by the EDA investment. I recommend a re-evaluation of the jobs formula to ensure that it reflects the realities of present-day, private-sector investments. I am not suggesting that EDA eliminate jobs as a measure of project success. However, the agency may want to re-define its formula, based on a project's impact on the economy over the long-term. It is seldom that a manufacturing company will start up or expand in this area with 100 (+) new jobs.

EDA application review process

In the past several years, EDA has taken too long to review projects. The review process could easily be shortened by eliminating the need for EDA's D.C. office to participate. As it presently happens, EDA's regional office in Philadelphia reviews the project and works with the applicant to make corrections; after the regional office approves the application, it forwards the paperwork to D.C. for another review period. I suggest that this duplication of review be eliminated.

EDA funding

When a project is bid and the lowest bid is higher than the committed funding, EDA will not participate in funding the overbid. I believe that the agency should evaluate projects on a case-by-case basis, and have the authority to participate in funding a share of an overrun.

EDA grant administration

The EDA Regional Office should have the authority to make decisions on the grant administration (such as time extensions, etc.). Often times, a project is delayed while waiting for the D.C. office to give its approval.

Also on grant administration, the Putnam County Development Authority experienced unnecessary difficulty in closing out its EDA grant for the Eleanor Industrial Park in 1989-90. The Authority Director and Chairman had tried without success to close the project. When I became Director of the Authority, it took me months more to find out exactly what documents EDA required for the closing. I had the idea that EDA personnel were in no hurry, and the grantee had no mechanism for inducing EDA to be responsive.

This is a small example, but it indicates a problem in structure: how does the grantee deal with a federal agency when the agency causes the delays? The grantee does not have equal footing with the grantor.

EDA's RLF program

Our agency experienced problems in administering an EDA Revolving Loan Fund. The Davis-Bacon wages requirement in construction activities often caused potential borrowers to look for other funding sources. The Davis-Bacon requirement increases the cost of construction; and small businesses, in particular, object to that requirement.

Charleston area banks did not refer marginal borrowers—or any borrowers—to our RLF. We did not wish to compete with the private banking community, only supplement its activities. We let the banks know of our program, but received no referrals, calls, or requests from banks.

The majority of requested loans to use were for working capital. Our RLF Administrative Plan limited working capital loans to 15% of our portfolio.

Our main problem—not the fault of EDA in any way—was our inability to obtain the 25% local match for the federal dollars in the RLF. We had trouble obtaining local funds from our member governments; we also unsuccessfully tried—with the assistance of two private-sector development agencies—to get the local share from area banks. If we attempt another RLF in future years, we will have local funds committed (and in our RIC account) prior to getting federal dollars.

Conclusion

EDA and ARC have funded many projects and programs in our Region (Boone-Clay-Kanawha and Putnam counties, WV), and they have had a tremendous beneficial impact on the economy. This letter does not include all the positive contributions of EDA-ARC. The programs have been worthwhile; they have been effective; they have been appreciated. As I told your staff at our April 22 meeting, Appalachian Corridor G is already a major economic development project for this area, and its total impact has not yet been determined. That Corridor—funded by ARC—has opened up opportunities that were not possible a decade ago. I believe that Corridor G symbolizes what ARC (and EDA) are all about: making things happen, increasing accessibility, actualizing the potential.

Thank you for the chance to comment on EDA-ARC programs. Please call me if any of these points need clarification.

Sincerely,

JOHN ROMANO.

DEPARTMENT OF DEVELOPMENT, CITY OF PARKERSBURG,
Parkersburg, WV, April 26, 1993.

Hon. BOB WISE,
House of Representatives, Longworth House Office Building,
Washington, DC.

DEAR CONGRESSMAN WISE: I have been thinking about your request that we give some thought to the future of the Appalachian Regional Commission. The premise, I am sure, is the fact that over time many have been both jealous of the success of the program and the resources directed to it, curious as to the geographic limitations of the program, and envious of the powerful congressmen who have protected the ARC and secured its longevity. I believe the ARC has proven itself over the long

term to be a flexible, responsible and accountable organization—the quintessential example of the new federal partnership. I also believe it is a timeless concept.

I would respectfully suggest that the shotgun approach adopted by the ARC in order to secure its survival be modified to a rifle shot concept. I would similarly agree that the geographic boundaries of the Commission be reviewed not so as to limit participation but to guarantee program innovation and imagination. By this latter statement I'm implying that funding decisions be tied more directly to real developmental strategies. For example, if the City of Pittsburgh applies for ARC funds, the investment should be tied to a regional or bi-state benefit. Similarly, within Pittsburgh or Charleston, ARC funds could be targeted to innovative approaches to health care or skill training within inner-city neighborhoods. At the State level, ARC funds could be utilized to help communities explore organizational and strategic alternatives such as technology transfer enterprise institutes, community development corporations, innovative housing options, and applied research. States could also be rewarded for developing their own infrastructure initiatives. ARC, in short, should get back to what it does best—develop grassroots organizations, encourage developmental strategies, supplement other federal grants, and advocate consistently for the disadvantaged and distressed. The idea of moving into the impoverished areas of Missouri, Oklahoma, east Texas, Arkansas and Louisiana is reasonable as well as the areas of upper Michigan, Maine and Minnesota. Just change the name and make the agency the vanguard for sensitive and sensible structural responses to both acute and chronic economic and community malaise.

The EDA, on the contrary and by way of comparison, should become institutionalized as the long-term while for economic development the provider of major resources and the catalyst for significant long-term change.

It is to the EDA that we should turn for major resource infusions, the industrial complexes and their buildings, the applied technical centers wherein ARC funded training initiatives are conducted, the rural and inner-city hospitals where ARC funded equipment is utilized.

The ARC and EDA are remarkable examples of governmental survival, tenacity and adaptation. Their presence currently does not guarantee their future existence, but their current role and the debate engendered by these programs should assure that they be given the opportunity to continue their adaptation and positive contribution.

Thank you for your attention to your people.

Respectfully,

TERRY TAMBURINI,
Development Director.

DEPARTMENT OF DEVELOPMENT, CITY OF PARKERSBURG,
Parkersburg, WV, April 23, 1993.

Hon. BOB WISE,
*House of Representatives, Longworth House Office Building,
Washington, DC.*

DEAR CONGRESSMAN WISE: Our personal conviction is that for community and economic development policy to be effective it must be flexible, responsive, comprehensive, and accountable. In order to satisfactorily address these requirements it is essential that programs emanate from local and regional constituencies supported by a national-state commitment to investment in human and public infrastructure. It is necessary that national and state authority establish developmental standards and provide requisite resources, but it is imperative that each community and group of communities be permitted to assess their own strengths and weaknesses, analyze their own potentials, devise their own strategies and pursue implementation of their own development plans. The EDA and ARC programs were established to become the vehicle for the transfer of developmental processes from the federal to the state and local units of government.

This experiment in developmental organization was hailed when there was ample money to effect a difference. Of late, with the diminishing financial resources, the programs have lost their vigor and imagination and have become little more than categorical grant programs devoid of process and isolated from any recognized strategy setting program.

This general lack of effectiveness has characterized the short term society of which we are a part where investment in thoughtful community organization and advocacy has been replaced by a tendency to emphasize bureaucratic expediency. The ARC and EDA represented grand experiments in the evaluation of the developmental planning process. They were probably, in the sixties, ahead of their time.

Now, with the emphasis on business and governmental decentralization, citizen involvement, and the establishment of the specialized and competitive community penning process, the ARC and EDA should be appropriate delivery systems. They have that unique capability.

My advice with regard to the ARC and EDA are that their respective roles be identified and clarified. There is a great deal of confusion and some animosity. The agencies are often used as scapegoats in arguments relative to geographic and societal differences. Arguments such as this tend to antagonize and polarize rather than bring cohesiveness and integrity. Local and regional developmental planning processes should be mandated nationally and coordinated within a state overall strategy setting program; states should be encouraged to work cooperatively rather than look inwardly. ARC and EDA funds should be utilized to prepare comprehensive infrastructure improvement and investment programs and human resource packages which accent innovation, risk and imagination. The Appalachian Corridor highway concept should be expanded to include neglected areas such as central and southern West Virginia and to link disadvantaged potential markets to more highly developed areas. State Development Plans should be composed of vigorous and living regional strategies rather than dry recitations of static information. A synthesis of urban and rural areas should be effected with relationships defined and linkages reinforced. The EDA and ARC should be pursuing technological advances in the areas of telecommunications, skill training, social service provision, applied manufacturing techniques, and value added labor intensive enterprises for rural and inner city areas.

The ARC and EDA need a jump start. Together they comprise a structure capable of helping to reinvigorate the process and substance of U.S. developmental policy. They have become somewhat defensive, lethargic and stolid. Renewed enthusiasm is necessary.

It would not take much fine tuning to redirect the agencies' efforts and renew the commitment to change. States and regions should be encouraged to devise aggressive, forward-looking plans and they should be rewarded for doing so. Flexibility should be incorporated into project planning so that innovation is not inhibited. Housing initiatives should be viewed as integral elements of economic and community development, and ARC should be encouraged to participate as they once did.

The cooperation of all federal agencies in the developmental process, whether it be commerce, labor, HUD, DOT, HHS, or Ed, must be guaranteed. Unity of purpose is essential, and comprehensiveness of thought is imperative.

One of the most difficult policy decisions facing jurisdictions with scarce resources is whether to concentrate capital in areas of economic strength in hopes that benefits will eventually accrue to less advantaged neighborhoods or communities or to directly invest in less positively endowed areas in hopes that eventually employment and investment opportunities will germinate. Traditionally, ARC and EDA initially chose the growth unto course; of late, they have been more direct in their advocacy of the distressed and depressed areas. There are a variety of names which have been given over time to the various theories which governed economic development processes. These theories smacked of an atmosphere which defined development in terms of black and white. Now contemporary America requires a more relevant program, one that builds quality jobs compatible with community values, one that creates new and vigorous economic institutions, one that builds competitive advantage based upon a quality environment and one that utilizes knowledge and innovation as economic generators. These are not black and white issues. They require thought, compromise, and negotiation.

The ARC and EDA programs, if effectively reconstructed and revitalized, can be the catalysts for change.

Respectfully,

TERRY TAMBURINI,
Development Director.

ELKINS, WV (APRIL 23, 1993)

DR. ABBOTT BRAYTON, V.P. GOV'T. RELATIONS, DAVIS & ELKINS COLLEGE

Looking at both EDA and ARC, would encourage a two-fold approach:

The first recognizes there simply isn't enough money to do the things that need to be done—with fiscal problems and deficit crisis. So, when the necessary cutbacks are being made in Federal budget, don't cut the areas that are investment areas in our basic economic infrastructure. EDA and ARC are two absolutely critical agencies.

Second, relates to problems with the top-down administration in Washington. Washington can't possibly know what the needs are locally. Flexibility is needed. To have to fit a program into a given set of Federal guidelines that often don't meet the requirements doesn't make much sense. Programs should be judged on their merits and funded sufficiently in order to do the job well.

Also, simplification of the application process for most Federal programs is essential. Giant sized grant applications consisting of 200 to 300 pages is inefficient. OMB would possibly be the best source to redesign a form and provide for uniformity among the various agencies and departments.

CHARLES FRIDDLE, ECONOMIC DEVELOPMENT SPECIALIST, MONONGAHELA POWER CO.

Friddle is currently President of the W. Va. Economic Development Council and serves on the Governor's Council for Community and Economic Development.

He emphasized the favorable impact of ARC in the rural counties of W. Va.

Suggestion re use of the funds: years ago, funds were aside in W. Va. for comprehensive planning. In W. Va. we have reached a critical time in our development, particularly with growth and expansion of business coming from east to west out of Washington and Baltimore. We are unprepared to handle that growth, particularly in terms of planning. There aren't enough dollars to do those necessary things yet now is the time to be doing it.

FRANK MOOTS, DIRECTOR, UPSHUR COUNTY DEVELOPMENT AUTHORITY

These comments are made in behalf of the Upshur County Development Authority (U.C.D.A.), Chamber of Commerce and the citizens of Upshur County.

Prior to the EDA and ARC, Upshur County's water and sewage services were limited to the City of Buckhannon and vicinity. The water and treatment plants were small and inefficient. In the early 80's they were at maximum usage level. Three major companies were at stake, due to the water limitation, the companies could not expand their operation in our County. Also, new companies could not be served due to the inadequate systems. The results were loss of jobs for the area.

In 1982 the County received a \$340,000 Grant to upgrade the water supply Dam. In 1982 the City of Buckhannon received a \$2 million grant to build a new water and sewage plant and upgrade both systems, and a one million dollar EDA Grant to complete a distribution system to service the Hodgesville, Tennerton, and other small towns in the County. Today, we have over 6,000 households with public water, 2,500 households without public water, public sewage is available to 3,800 households, over 5,000 households are without sewage services.

Currently, Buckhannon water and sewage usage is just over the 50% level. The available water and sewage capacity has enabled us to invite new companies to take a look at our area for possible plant sites. We are in the final stages of negotiation with a major firm to build a wood product plant that will produce several hundred jobs. These are some of the good things that has happened to our County, thanks to EDA and ARC.

The job is not complete, there is a need to extend these services to excellent plant sites and to the other 5,000 households needing the water and/or sewage.

Needless to say these programs have been underfunded the past 12 years.

The short comings are as follows:

1. To many steps, pre-application process, invitation to complete formal application, review additional information, etc. Turn around time to long.
2. Bird in the hand theory, need to have committed jobs to get services to a site.
3. No planning funds.
4. Project requirement may give you something different or more than you need to get the job done.

Conclusion: The EDA, ARC and the new Robert C. Byrd Highway, linking Upshur County with I-79 has opened the door to allow Upshur to grow and double it's job base and population in the next ten years.

Recommendation:

1. That the EDA and ARC be reauthorized.
2. That the paper work be reduced.
3. That the guide lines be more flexible.
4. That the EDA and ARC be funded at the level to ensure that both agencies will serve their purpose and needs of the area.

ROGER MCMAHON, PRES., RANDOLPH DEVELOPMENT AUTHORITY

EDA gave Randolph County the opportunity to build a business incubator facility, a training institute. Construction is to be finished in May with the dedication in July.

But, an EDA grant application is a horror—a 3½" file. Since many people preparing these are volunteers, they have no time to do the work. They get help from people of Region VII.

EDA programs should be more 'user friendly' and easier to deal with the requirements and guidelines.

Look at matching funds—local areas cannot always meet the levels required to put a package together.

ARC is now also coming in with grant assistance. Both EDA and ARC must continue.

Mc Mahon later addressed the problem of Chessie RR abandoning tracks. There is a light rail operator trying to buy trackage. Without rails the area will lose business. Possibly some money will be available is ISTEA—at present they are negotiating the Chessie to reduce costs.

MS. HAY, HAMPSHIRE COUNTY

Spoke about the successes of and need for the EDA program:

In 1989 a Kinney Shoe Plant company, located in the industrial part in Romney, closed its doors. Some 435 jobs were lost, close to 6% of the county's workforce. The Region VII Planning and Development Council gave help. A proposal and application with a recovery strategy was submitted to EDA who committed funds to the project. In 1990 the strategy was completed which included a project for a multi-facility project including an incubator facility to be in the industrial part—a 25,000 sq. foot facility. Hampshire County received \$600,000 of EDA money and matching funds were \$200,000. As a rural county such a project could never have been done without EDA help. The incubator is going well, there is much interest, and the County and area are now working toward a goal of funding their own development.

RICHARD WOOD, REGION VI PLANNING AND DEVELOPMENT COUNCIL

The Council plays a unique role—designated as a LDD under ARC and as an EDD under EDA. All the funding from EDA and ARC goes through the Council.

Specific suggestions for improvement:

1. Planning monies are very important and are needed to put together a grant application for EDA and ARC. Funds have declined since 1980—but they are needed. If there were increased funds, certain areas are in critical need of a better effort—land use is one area, to prepare for expected growth in the area, and the basic tools for land use planning or GIS (Graphic Information Systems). Also more personnel are needed. The role of planning districts in rural America is important. Cities have more access to block grant urban monies for this purpose. EDA and ARC funding is the only sources for infrastructure for rural areas.

2. Application process: it has become cumulative as the programs have aged. This year there is a new form with a question about munitions on site. Perhaps there could be a certification process with criteria listed that must be met in order to qualify. This would avoid the need for providing considerable documentation and it shifts the burden from EDA to the applicant. It saves EDA time and simplifies the application process.

3. Timeliness through Regional Office is another problem—which could be eased with more staff. But that may come.

4. Legal is a problem. After going through the process with Regional counsel, then it goes to Washington legal and everything has to start all over again. It doesn't appear that Counsel is accountable to the Regional head—but only to themselves. Granted they have the role of protecting EDA and making sure things are correct—but often it seems excessive.

5. Technical Assistance—an excellent program. Many good reports have come out of TA over the years which have provided good examples that can be helpful from one place to another. Needs more funding—very beneficial.

6. Re possible future LPW program. Wood encourages looking at the timing of use of project money if such a program comes out. The 90-day window makes it impossible to put together quality projects unless they are already designed, on the shelf and ready to go. By time design is done and then advertising for bids and the bidding process, it takes more than 90 days. In addition, the State approval process extends the process to more than 90 days.

7. ARC funding is still needed. Much progress has been made—highways alone can justify its existence.

This area of W. Va. is looking to some promising developments, but at present unemployment is running about 19%. Both ARC and EDA grants, received and those in the works, are helping to provide for critically needed projects to go along the I-79 corridor. But the area alone, without outside Federal financial help, could never have accomplished any of this—even though there was local match.

Most projects are leveraged at least 50%—many more than that—but if locals must come up with the other 50%, many projects won't get built.

Planning grant monies are critical to development councils. Without planning money there would be no staff to do the EDA and ARC projects.

An approach that could expedite projects and give more flexibility would be to take a portion of the funds and allocate them to LDD's and EDD's. Not an unprecedented idea—Pennsylvania has organized its districts in such a fashion. Washington would no doubt want some sort of check, however, it could be similar to the Title IX RLF's—they could be certified and then meet a series of guidelines in planning and projects and be responsible for divvying up monies for local communities.

Re uniformity of forms. If it could be pulled off—at least maybe for agencies within one department, such as within the Department of Commerce—there could be one form for handling environmental issues and other various things required. The questions are basically the same so it is time-consuming and expensive to handle several different forms to go to different agencies.

Perhaps also there could be a consolidation of programs—again, not necessarily between departments. It would probably be easier with agencies within one department.

MS. BEKKI LEIGH, REGION VII PLANNING AND DEVELOPMENT COUNCIL

Major problems:

The lack of sufficient ARC funds—\$1.5 million for distressed counties in W. Va. just isn't enough.

Lack of flexibility within ARC and EDA regulations.

With EDA, the back and forth of the application process—to Philadelphia, then to Washington, then back to Philadelphia—and the number of 'wrinkles' to be dealt with can take as long as 2 years from initiating the application process to funding and construction. If the private sector is involved the situation can become impossible. Decentralization and regional authority are needed.

Concerning Corridor H—there are communities that will be affected that have no resources for planning and preparing for the coming of the corridor. There is no zoning, no land use plans and no staff or expertise to get the work done. Greater help is needed here.

Projects can happen with EDA help—\$12 million funded by EDA, matched by local money of \$8.5 million—this is what makes projects go.

JIMMY HAMMOND, MAYOR OF ELKINS

He was newly elected as Mayor when the letter of invitation about the hearing came. Being unfamiliar with the EDA and ARC programs, he talked with others who knew more and now considers the programs are important and needed. He is hopeful that the process for dealing with the agencies can be made easier and brought down to a level where it would be possible for a small business person to get help.

CLIFFORD SUMMERS, FORMER STATE LEGISLATOR, PRESIDENT UPSHUR COUNTY TAXPAYERS ASSOC.

Acknowledges the State's funding needs. However, would like to see the State do more to work out a way to produce its own funding.

Believes that W. Va. won't be able to encourage business from outside into the State unless something is done about the high number of annual bankruptcies, the outmigration and the number of firms going out of business. The State must solve many problems—the regulations connected with Corridor H; the wetlands; the fact that two-thirds of college graduates have to leave the State to get adequate jobs. Believes the State has many resources and positive things that should be working for them—enough coal for 30 years (what new industries can be developed utilizing the coal resources); plenty of hardwood timber; more gas wells than any other State;

proximity to States with about one-half the Nation's population. West Virginians must ask selves: Why are we still so poor? Must look at what the costs of production are and why, what the tax situation is, waste in government, and what can be done to make the State more attractive for development.

LOUIS J. VAN GILDER, BUCKHANNON, BOARD MEMBER FAIRDALE, INC. (PROPOSED RETIREMENT CENTER IN BUCKHANNON)

Van Gilder is a member of the Economic Transformation Committee with the W. Va. Conference of the United Methodist Church. Also Treasurer and member of the Board of Directors of Information & Referral Crosslines—a charitable organization, ecumenical—a job related group.

Attention should be addressed to preventive measures. Louis Glass Co. employees are on strike (some 300 plus). The company is threatening to move the plant out of the country if employees don't accept the company contract. Many of the employees are working with Crosslines. Hopeful that EDA or ARC can help in this connection.

The Economic Transformation Committee recently distributed a book entitled "Apalachian Signs of Hope"—will send a copy.

EDA and ARC have been a big boost to Upshur County. But, with so many people out of work, ARC and EDA need to direct more attention to the need for jobs. While projects must come from the bottom up, we do need cooperation of Federal government, not the control of government.

Re the Fairdale, Inc. proposed retirement community: it needs a grant of \$150,000, then they can go on to banks and Farmers Home. The Center will employ about 95 people when completed.

OPEN MIKE COMMENT

There could perhaps be developed a one-stop, computer generated clearinghouse network available at the State or regional levels with all the programs listed. If data could be brought up onto the screen by using key words to identify the types of programs—and related programs—and then under which agency, and the forms needed, what funds are available, etc. it would be helpful and things could move faster. Though there is a catalog—it isn't as handy as a computer set up could be.

Since 1972 the Region 8 Planning and Development Council has worked with EDA and ARC to meet the economic and community development needs of Grant, Hampshire, Hardy, Mineral and Pendleton Counties. Resources from these agencies have been essential in increasing employment opportunities and in the developing infrastructure required for sound communities and economic growth. Direct and indirect investments by EDA and ARC have added almost 10,000,000 gallons a day to the region's water treatment capacity and over 3,000,000 a day to the region's ability to provide secondary sewer treatment. These agencies have assisted in the development 7 industrial parks that currently support almost 1,700 manufacturing jobs. This experience is not unique to Region 8; Table 1 presents the results of a recent survey that indicates that approximately 63 percent of the State's industrial parks have been developed with assistance from EDA and ARC.

EDA and ARC have long assisted in the development of water and sewer systems. These systems have increased the acreage available for industrial development and in many instances have been a direct requirement for industrial growth. As a recent example, WLR Foods in 1990 announced the desire to double the capacity of its Moorefield poultry processing plant. The WLR project called for the creation of 800 jobs and a private investment of over \$60,000,000. The expansion project hinged on the ability of the Town of Moorefield (population 2,148 persons) to double its water treatment capacity. The required water improvement project was estimated to cost \$3,400,000. Although the job benefit would occur across a more than five county area, the Town of Moorefield was entirely at risk for the required public utility investment. The Town simply could not bear this level of risk without assistance. Project packaging by the Regional Council resulted in an EDA grant of \$1,250,000 and a Small Cities Block Grant of \$750,000. This grant assistance allowed the Town to borrow \$1,400,000 from the West Virginia Water Development Authority. The project is nearing completion and WLR Foods has virtually reached its employment goal. Additionally, major commercial ventures have been undertaken that brings total job creation to over 1,000 positions.

EDA investments in the 1970s and 1980s resulted in decreasing unemployment rates within the region and narrowing of the gap between the region's average wage and the national average. Unfortunately, the recent recession has undone many of

the gains. Moreover basic changes in the national economy have created a new series of problems. The movement of low skill manufacturing jobs to plants abroad, changes in production methodologies that have maintained production levels while decreasing employment and, defense related industrial adjustments have displaced many workers from jobs that they have long held. The Economic Development Administration has had the flexibility to assist with meeting challenges. EDA resources have been provided to:

Hampshire County to address the closing of the Kinney Shoe Plant. The plant closed as result of a corporate decision to manufacture its product overseas. EDA resources developed a recovery strategy and funded the construction of multi-tenant industrial building.

Grant County to address changes in mining where production changes have allowed coal mines to maintain high production levels with only a fraction of previous employment. Again EDA resources developed a recovery strategy and EDA will soon give consideration to funding of an industrial park.

Mineral County to address downsizing by Hercules, a major defense contractor that operates the Navy's Allegany Ballistics Laboratory. EDA resources are currently being used to identify an approach to creating replacement jobs for previous defense workers.

EDA has a demonstrated ability to respond to these localized impacts of the nation's changing economy.

EDA and ARC have been instrumental in supporting economic and community growth. These agencies have provided the resources that have fueled job creation and the development of sound communities. Investments by these agencies have over the long term been cost effective. Increases in employment and wages and the development of sound communities have lowered the need for other forms of federal assistance. These programs have been at the forefront of creating opportunities for disadvantaged persons that allow these individuals to become productive citizens. EDA and ARC are deserving of continued support.

Given their positive impact, if EDA and ARC have any major deficiency, it is their wholly inadequate level of funding. Much has been written of previous presidential efforts to reduce the national deficit at the expense of programs benefiting rural areas. Nowhere has this been more evident than in the level of funding for EDA and ARC for the previous decade. Real problems continue to exist in rural America. Examples of these problems are readily evident and include:

Despite an industrial recruitment effort that has created over 400 jobs since 1985, Grant County continues to suffer from double digit unemployment. Simply put, a small county such as Grant has no ability to deal with national economic changes without external assistance.

That one cannot drive through Mechanicsburg Gap on U.S. Route 50 in Hampshire County without observing someone filling containers with water from a spring that is clearly posted as unsafe for consumption. Obviously, basic infrastructure is still needed in rural areas.

Both EDA and ARC should be encouraged to move away from policies that were adopted in the early 1980s as a response to criticism from an unfriendly presidential administration. These policies reduced the agencies' ability to assist those counties with the most extreme levels of distress, or established a single test (most often the level of unemployment) that ignored other conditions of distress. While it must be recognized that the national deficit will prevent funding levels from ever being adequate and that some funding criteria must exist, the criteria should allow for a flexible response across a range of conditions.

In summation, EDA and ARC should be seen as primary tools in the nation's effort to revitalize rural America.

TABLE I.—WEST VIRGINIA INDUSTRIAL PARKS

Region	Total industrial parks		Industrial parks assisted by regional councils		Industrial parks under development	Industrial buildings assisted by regional councils	Industrial buildings under development
	Number	Acreage	Number	Acreage			
1	7	735	4	581	.....	1	.....
2	2	175	2	175	2	.....	.....
3	12	1,129	3	147	.....	1	.....
4	5	204	.....	204	.....	0	.....
5	7	480	5	340	.....	18	.....
6	7	794	5	313	.....	3	.....
7	5	220	2	220	.....	0	1

TABLE I.—WEST VIRGINIA INDUSTRIAL PARKS—Continued

Region	Total industrial parks		Industrial parks as- sisted by regional coun- cils		Industrial parks under develop- ment	Industrial build- ings assisted by regional councils	Industrial build- ings under de- velopment
	Number	Acreage	Number	Acreage			
8	6	423	6	423	2	2	2
9	7	772	6	672	1	1	.....
10	4	97	4	97	1	0	.....
11	1	.....	1	.....	.....	3	.....
Total	63	5,029	38	3,172	6	29	3

REGION VII PLANNING AND DEVELOPMENT COUNCIL,
Buckhannon, WV, April 23, 1993.

Hon. BOB WISE,
House of Representatives, Rayburn House Office Building,
Washington, DC.

DEAR MR. WISE: We are pleased to respond to your request to offer thoughts on how EDA and ARC procedures can be improved. The effectiveness of both agencies is badly hampered by overregulation and lack of funds. While I am sure our comments will not surprise you, we appreciate your efforts to incorporate our input.

In the case of funds available through ARC, 1.5 million dollars for the 29 distressed counties in West Virginia just isn't enough. Additionally, the rigid and inflexible interpretation of regulations slows an already slow process down even more.

The same problems with funding and inflexibility exist with EDA. As you know, all projects go to Philadelphia then to Washington then back to Philadelphia. Projects which might include some new wrinkle may go back and forth several times. Typically, projects take 2 or more years from the initial proposal to funding and construction. This is a very long time for public works projects, but impossibly long for economic development projects which have private sector partnerships. Decentralizing the decision making process and allowing the regional office total authority should be investigated as a possible solution.

Perhaps the most effective projects that both agencies have participated in have been public works projects (i.e. water systems, sewer systems). Although not directly connected to long-term job creation, infrastructure is crucial to building the framework for economic growth. Infrastructure is basic to making communities in this region competitive when it comes to attracting and maintaining employers, whether large or small. Both public works and economic development projects, such as the Wood Technology Center, have been created with ARC and EDA grants.

One of Region Seven's principal tasks has been to help our members identify, design and finance critically needed projects. We may have an especially warm spot in our heart for these particular agencies because over the years they have provided the basic support to the region. As you know, Region Seven acts as the local development district for ARC and the Economic Development District under EDA. Funds provided have been used by the Council to act as the extension of the 31 local governments in our seven-county area. During the 20 years since Region Seven has been in business, EDA has expended more than 12 million dollars in direct grant assistance to local governments which have expended 8.5 million.

Again, thank you for the interest in our comments. We commend your efforts and look forward to improvements in program operations of ARC and EDA.

Sincerely,

BOB COIT,
Executive Director.

DAVIS & ELKINS COLLEGE,
Elkins, WV, April 21, 1993.

Hon. ROBERT E. WISE, Jr.,
House of Representatives,
Washington, DC.

DEAR CONGRESSMAN WISE: We understand that Congress is preparing reauthorization legislation regarding the Economic Development Agency (EDA). Davis & Elkins College has received two small EDA planning grants of \$3,000 each during the past three years, each of which permitted us to prepare specifications for the renovation of buildings as part of grants which were received by the City of Elkins.

The planning grants were awarded by the West Virginia Institute of Technology through the EDA University Center program and were critical to our success with these projects. We strongly support the EDA programs and view them as investments in the future of America which produce new businesses, new jobs, and new taxpayers.

In a time of economic transition, we strongly urge the reauthorization of the EDA programs with more administrative flexibility. We further recommend enhanced funding for EDA, perhaps with an increased focus on regions which suffer from high levels of chronic unemployment.

Thank you for your consideration.

Sincerely,

ABBOTT A. BRAYTON,
Vice President for Government Relations.

MOUNTAIN VALLEY BANK, N.A.,
Elkins, WV, April 22, 1993.

Congressman BOB WISE,
*2nd Congressional District, West Virginia, Rayburn House Office Building,
Washington, DC.*

DEAR CONGRESSMAN WISE: Thank you for your invitation to attend the public hearing in Elkins on Friday, April 23, however a previous commitment precludes my attendance at this meeting.

While I am unable to attend this meeting I do appreciate the opportunity to offer my thoughts on EDA and ARC procedures for our area of West Virginia.

In regards to the EDA I feel that if the EDA would be willing to work with some of the financial institutions of Appalachia in providing guaranteed government funding for more small business or large business loans it would be extremely helpful for the economic development of our area. Too many times SBA type loans are such a cumbersome affair that the proposed applicants simply throw up their hands and walk away feeling that the effort is not worth what they have to go through to get an SBA type loan, this makes it extremely difficult for the bank to participate on SBA loans because of the cost of the counting involved which we can simply not afford to do for every prospective SBA loan customer.

Perhaps the greatest contribution that you and your committee can make towards improving the economic conditions in West Virginia would be your continued support of the Corridor H project regardless of whether it goes north or south, I feel that if it goes east and connects with Interstate 81 in Virginia that it will do more to contribute to the economic growth of our area than any other single event in the last 50 years.

Thank you very much for the opportunity to express my opinions on these subjects. With every best wish and your assurance of my continued support I am

Sincerely yours,

JAMES E. WALLACE,
Chairman of the Board.

MOUNTAIN RC&D FORESTRY COMMITTEE,
Summersville, WV, May 6, 1993.

Subject: EDA University Center Fund.

Hon. ROBERT E. WISE, Jr.,
*House of Representatives,
Washington, DC.*

I am writing to comment on the value of EDA University Center Funds which were provided West Virginia Institute of Technology to a project of Assessing Value-Added Manufacturing Alternative for the Output of Columbia-West Virginia Plant in Craigsville, WV last year.

First we were impressed with the expediency the funds were allocated for the project. This allowed the research to get underway at a time when we needed it. The data is currently available to use and is being used by County Economic Development Groups. We anticipate further rural development in this area as a result of this project.

As consideration will be given to EDA University Center Funds in upcoming legislation, we would encourage your endorsement of this program as it is observed to be valuable in providing economic recovery of our State.

FRED WILLIAMS,
Chairperson.

MARTINSBURG, WV (MAY 24, 1993)

JANE PETERS, EXEC. DIRECTOR, JEFFERSON COUNTY DEVELOPMENT AUTHORITY

Stated that EDA and ARC programs are vital to the State and particularly the Panhandle section which is in a catch-22 situation. It is experiencing rapid growth but the State and local governments lack financial and other resources to provide infrastructure to meet development and growth needs.

In the past, ARC provided assistance with two vital projects in Jefferson County—two industrial parks, one in the 1970's and another more recently. The construction period was a very positive experience—but the application process was a different story. ARC doesn't have the staff to administer its own grants—so it is handled by other agencies. Thus, procedures and regulations must be followed not only of ARC but of the other agency or agencies as well and the resulting duplication of effort causes a great deal of paperwork which takes a staggering amount of time. Suggestion: when other agencies are involved, they should be willing to accept ARC's application requirements.

Would like to have had more experience with EDA grants, but so far hasn't been able to. Her group was involved with the pre-application process in connection with one of the industrial parks, mentioned above, but was disqualified because the unemployment rate was below the national average. Circumstances since then have changed and the County would now meet the criteria easily. Financing the project by other means resulted in debt which has been hard to meet.

Suggestion: that the criteria for EDA be more flexible so as not to disqualify an applicant solely for unemployment data reasons—take into consideration the circumstances of the individual projects as well as their general location.

DOUG STEIN, OLD NATIONAL BANK

Stated that his experience with EDA has been limited with somewhat mixed results.

The bank was involved with a fledgling company starting in the area and looking to create about 200 jobs—using the Farmers Home Administration and the W.V.A. Economic Development Authority for construction of the plant. Some additional assistance was needed to get the plant operational and the Bank approach the U.S. EDA, working through the Philadelphia Regional Office. An application was put together and the application process started in September 1989 with the loan being finally approved in June 1990. The company had been trying to operate since August but obviously with inadequate working capital—even though the owner had put about \$2½ million of this own funds into the project—so it wasn't really undercapitalized.

EDA was slow and bureaucratic—even compared to SBA and Farmers Home—and it was one of the worst experiences Stein had to deal with in his banking career. The bank had to make a loan to keep the firm alive during the application process—not the usual type it would have made—but was betting on the good faith of the EDA to come through. The EDA agents they were dealing with at Philadelphia were very helpful and cooperative to the extent they could be, but one could sense the frustration they also had in trying to work out the details of the guarantee loan application with the layers of bureaucracy in Washington. Regional people did finally point out to the applicant the EDA hadn't been doing much by way of loans in recent years.

Note: For FY 92, loan guarantee funds were cut and for FY 93 none were appropriated because EDA wasn't utilizing the program.

KEN GREEN, EXEC. DIRECTOR, REGION IX PLANNING AND DEVELOPMENT COUNCIL

Green presented two pages of data (attached), one reflecting the population makeup of the Region and the other the ARC and EDA grant awards for projects in the Eastern Panhandle—Berkeley, Jefferson and Morgan counties—1975 to 1993. Total

ARC funds awarded were \$5,333,147 and total EDA awards were \$5,821,750 for a grand total of \$11,154,897. Down-to-earth projects—no swimming pools, etc.

Current proposed projects being reviewed reflect a total of \$1,097,000 for ARC (for a Regional Airport Industrial Park and the East Town Center Water System in Berkeley County) and \$1,300,000 for EDA for the Regional Airport Industrial Park.

In addition to direct project funding, EDA and ARC have provided continued administrative support from 1974—grants for operation and maintenance of the Eastern Panhandle Regional Development Council. It is designated as a Local Development District (LDD) under ARC and as an Economic Development District (EDD) under EDA. There are 69 LDD's in the Appalachian Region under ARC and 293 EDD's under EDA nationwide—primarily rural. The Council's support from ARC and EDA enables it to in turn provide support to communities and counties and to assist in access to EDA and ARC grants plus assistance from other Federal and State Programs. The Council has been instrumental in acquisition of other grant funds totaling \$46,152,303 during 1975 to present. Grant ratio required only an added \$4,524,954 in local matching funds—\$1 local fund for \$10 grant funds.

Much of the \$46 million grant funds came from programs no longer or barely in existence—such as Bureau of Outdoor Recreation, UDAG, certain EPA programs, Law Enforcement Assistance, etc.—indicative of what is happening in the economy and structure of government in terms of assistance. We are in dire need of the support of ARC and EDA. The support for grass roots development district systems and local development efforts offers the opportunity for communities to participate in the process that redistributes their tax dollars where it directly and specifically is locally identified and needed.

The EDA and ARC programs have been extremely valuable to the Eastern Panhandle over the last 19 years. Without the assistance the progress seen would not have occurred. There has been population growth with increased income levels, educational level increases, labor force rising indicating job generation and a decrease in unemployment.

The funds provided by EDA and ARC programs and other assistance funds played a major part in facilitating growth and development and minimizing probable negative impacts that growth and development can place on communities that otherwise have no means to control. Also, the programs offer the opportunity to enhance the future of non-dominant and distressed communities through the coalitions of local governments. They are able to get more empathy and assistance in partnership with the socio-economic and political neighbors—rather than in competition with them. For example, the needs of Morgan County in the Eastern Panhandle would have been in competitive difficulty with Berkeley and Jefferson County—but with a coalition, the County has been assisted with several development project—water systems, industrial parks, etc.

The Eastern panhandle is in the throes of urban transition and two counties are now designated in the Baltimore/Washington Metropolitan Statistical area—it will undergo increasing call for infrastructure to support other growth demands.

Dysfunctions of current programs

Given that appropriations haven't varied much in recent years, Green sees the possibility of a couple of things occurring—one of which seems to have occurred already.

As the limited revenue has been spread out over the Federal system, the level of micromanagement taking place has increased. More comments about this can be expected from others in terms of how long it takes to get an application approved. The grant application and pre-application process goes through more hands. Green's suspicion is that someone has decided that more bureaucrats are need and more activity needed to make things look busier, even though the funds are less. If increased appropriations are not coming, then perhaps the number of personnel dealing with applications could be reduced and things might move along faster.

A second concern is that the new Administration has indicated a priority for urban concerns—seems that Commerce Department might well route more funds to urban than rural. This could have a devastating effect on non-urban areas of the nation.

JOE DOWNS, EXECUTIVE DIRECTOR, MORGAN COUNTY DEVELOPMENT AUTHORITY

Stress some things about the EDA and ARC programs with regard to Morgan County, though he admitted his experience is not as great as some who have worked with the programs longer. Both EDA and ARC are job creation programs—permanent jobs that will be there for the long run—and are critical to the local economies

generally and to Morgan County's economy in particular. The Authority was grateful for these programs in the past and hopes to continue to work with them.

Over recent years, the ARC program has been cut back. The Authority would like to see it beefed back up—particularly to respond to job creation issues. Jobs must be created in order to provide opportunities for our young people in West Virginia—meaningful jobs that will encourage them to stay instead of migrating elsewhere.

Suggestion: Concerning the requirements and criteria for ARC's distressed counties, they would like to see consideration given to making distressed areas within a county eligible as well for some of the funds in that program.

Suggestion: The requirements for ARC generally are not overly restrictive, they are reasonable. However, one thing they would like to see is consideration that "in kind" services be provided as a local substitute for cash contribution. Cash for local match is sometimes very difficult to meet.

Though strings must be attached to programs of this kind, they realize they must be there and are willing to live within those required by ARC.

RE EDA: programs have assisted in providing meaningful jobs in Morgan County in the past. One suggestion for consideration: make it easier to get a change order okayed after a project has been approved. At present, it is very difficult to get a change order through. Another suggestion: they would like to see specific criteria to determine who is eligible for grants instead of what seems to be a rather subjective review and decision process as to who gets grant approval.

The Morgan County Authority appreciates the help it has received in the past and any kind of help it can receive in the future to help create jobs in Morgan County. Grants were involved in the industrial park in Paw Paw.

Note: See attached copy of letter from the Morgan County Commission to Congressman Wise concerning EDA and ARC.

BOB CRAWFORD, EXEC. DIRECTOR, BERKELEY COUNTY DEVELOPMENT AUTHORITY

Attached is a copy of the statement.

Crawford made two suggestions:

(1) A change in guidelines so as to allow units of local government, public service districts, development authorities and others to secure grants to do what needs to be done to accommodate growth.

(2) Increased funding levels for grant programs.

SAM ASHELMAN, OWNER AND OPERATOR OF COOLFONT (A RESORT)

Not familiar with the EDA and ARC programs—but does have a concern, as one who is in the tourist development business in Morgan County.

A crisis is coming up with our landfill about to be closed. Also many have problems of meeting the standards for what is put into our sewage systems. Some are grinding up garbage and dumping it into the central sewage system in Berkeley Springs, which doesn't help much. Concern is, how do we solve the landfill problem for better protection of streams in Berkeley Springs and In Morgan County.

Question: is it possible in some way to get the Solid Waste Authority to do something—which they want to do? The old question, of course, is how to pay for it. As part of the investigation put on by the Authority, a group went to Jefferson County to talk with a farmer who had started a compost pile using that for this cornfield and now was getting \$100 per acre more for his corn than when he used commercial fertilizer. Is there a way to put this all together?

Is it feasible to put together a project using the few dairy farmers in the country and tie in also with the tourist industry and solve some other problems with composting and sewage plant needs—as a demonstration project? Are funds available in the ARC that could be used to help do something along that line? Ashelman said that, as a businessman, he would be willing to put some money into such a project, though having put \$200,000 into the sewage plant there would be a limit.

If there could be some grant assistance, once such a project got going, perhaps there would be some way to put money back into the ARC.

Note: Bob Wise pointed out he was aware of the sewage and landfill problems in several areas of the nation—particularly rural areas that are having trouble meeting deadlines and costs for waste management. Having talked with Ashelman about the pilot project idea before, he has brought this to the attention of the ARC Federal Co-Chair for whatever consideration they can give it. Hopefully it will be talked about some more.

OPEN MIKE SPEAKERS FROM THE AUDIENCE

Dr. BLANES GROVES. Retired physician and former member State Board of Education. Spoke highly of the use of ARC funds for the Truck Driving Range and especially for the Center for Handicapped Kids.

DIANE MCCOY. Community Development Specialist for FOCUS (Free Our Citizens of Unhealthy Substances—a brochure was provided). Interested in economic development, particularly in terms of its impact to the FOCUS Coalition approach, including efforts of ARC, based on concern about the quality of life for residents. FOCUS promotes drug use and alcohol abuse prevention programs but sees the ties to development.

KEN LOWE, Shepards town. Involved with ARC and with Ken Green's Planning and Development Council.

Following up on the concept that Jane Peters addressed, i.e. that success drives the demand for infrastructure and concern about the benchmark criteria for granting funds with the stress on unemployment rates being too low to qualify some areas, perhaps something could be done to make some funds available in particularly depressed areas, at lower interest rates, so that projects such as Jane's can get the help needed.

Thinks one stop shopping is a good idea, but since it might do away with some agencies, he doubts it would go.

Suggestion re Accountability: have agencies scrutinized and activities reviewed by a group of private business people. Lowe's group does that now in a small way with the SBA and the Advisory Council can accomplish a lot without a lot of government involvement—can get more done in a short period of time such as a day or a day and a half.

Suggestion: Use more pilot projects to take advantage of some of the good ideas here and available in the private sector that could be funded and which would open a lot of doors to ideas that otherwise might not get a chance.

NATALIE CROME, EXEC. DIRECTOR OF THE HARDY COUNTY DEVELOPMENT AUTHORITY

Supports Federal reauthorization of EDA and ARC because of the importance of the infrastructure assistance to the county and state. Was complimentary of the work of Byron Davis, the EDR for W. Va.

Thinks that the unemployment rates are not accurate in the sense that a good many W. Va. people are working outside the county and also outside the State. If you take into account the overall picture of unemployment, it might enable counties not now qualified to be qualified.

JOHN WOODS (ENGINEER WITH AT&T)

Supports efforts aimed at trying to develop infrastructure in the area to support commercial and other activities.

Pointed out that they got the interchange on I-81 that had been promised for a number of years; the sanitary sewer project looks like a 'go'; but an area neglected in the infrastructure process is storm water management. With recent heavy rains and storms in the area, a number of districts have been inundated with the water.

Note per Bob Wise comments: Storm Water Management is under mandate from the Federal Government but with little money provided. It must be addressed in the Clean Water Act as well as other legislation.

KEN GREEN—FURTHER COMMENTS

Re: One-Stop Shopping: Now just at the beginning edge of concept—there is a pilot effort being undertaken by the State Rural Development Councils. W. Va. is now in the second year of its Council. State of Kansas utilized its Council for the development of one-stop for the processing of business loans with the state. These Councils, by agreements between the President of the U.S. and the Governors and by mandates, involve decision-making level participants from Federal and State agencies and local governments and non-profits. Kansas wanted to be first—works with the different loan forms for Rural and other groups. One agency in the State was designated to administer all of the business loan programs, whether Farmers Home, SBA, EDA, and develop one form. They decided that the Regional Small Business Development Ctrs. were pretty accountable and even the Feds said they could utilize a generic form. Each state would have to become partners with the

Federal Government in this effort because there are many differences among the States. Doubtful there will be one Federal agency doing this within the near future.

Re: Accountability: It is hard to measure because economic development and social services projects take a long time to reflect any quick results. The value of putting in a sewer project one year isn't going to quickly be seen in terms of jobs created the very next year—it could even take as long as ten years to see positive results. Even the legislation is often achieved incrementally with changes in regulations etc. yearly to make it work. We live with inconsistencies—so local accountability is often chasing what the inconsistencies are based on legislative or regulatory changes. We can be accountable physically and in terms of working on assistance programs, but to measure results is a difficult matter to pinpoint even though we know and can see improvements.

Re: RLF's under Title IX: His Regional Council doesn't utilize the RLF business loan program. The area has a small business development center at the technical college which provides a lot of assistance on high-risk business loan programs and a number of capable banks in the area that provide loans for business.

Also, many local development groups throughout the country are having difficulties dealing with the Feds on this program, particularly with the lack of defederalizing which should be done to make RLF's more palatable. Also, in order to use the RLF's, it would mean bringing on board someone who could handle that type of activity.

DOUG STEIN COMMENTS ON LOAN GUARANTEES

Getting into loan guarantees, there is too much duplication of effort among Federal agencies and too many loan limits of different agencies with different criteria. SBA has a program that has a relatively low limit. Small loan guarantee limits are no longer viable.

JANE PETERS—FURTHER COMMENTS

Thoughts on making the system simpler: Reduce the paperwork and duplication of application efforts.

Archeological studies and "endangered species" studies may well be necessary but they add considerable time and are expensive.

GENERAL COMMENT

Standardizing forms for each agency would do much for the country. However, given that so many jurisdictions and agencies are involved in the same projects—there should also be standardization of responsibility among local officials, Regional and State officials and those in Washington.

When people are working at the grass roots to develop an area, or bring in a plant to create jobs, local people need someone to work with them on planning—to tell the local people "how to" get a Federal grant and loan and what the process is and how it operates.

ARC AND EDA GRANT AWARDS TO PROJECTS IN THE EASTERN PANHANDLE OF WEST VIRGINIA (BERKELEY, JEFFERSON, & MORGAN COUNTIES) 1975-93

Project identifier	ARC funds awarded	EDA funds awarded
Hedgesville Water System	\$400,000	.....
Martinsburg Downtown Area Enhancements .....	.....	\$163,000
Bardane Industrial Park—Phase I	55,000	305,000
Morgan County Hospital Wing .....	.....	1,252,000
Morgan Co./Warm Springs PSD Water System	230,000	.....
Martinsburg Fire Hall .....	.....	700,000
Martinsburg Street Paving .....	.....	215,000
Martinsburg Sewer Extension .....	.....	190,000
Berkeley Co. PSD—Water & System .....	.....	94,000
Opequon PSD—Water & Sewer System .....	.....	144,000
Charles Town Street Paving .....	.....	142,000
Jefferson Co. Health Center .....	.....	132,000
Regional Health Center .....	.....	1,100,000

ARC AND EDA GRANT AWARDS TO PROJECTS IN THE EASTERN PANHANDLE OF WEST VIRGINIA
(BERKELEY, JEFFERSON, & MORGAN COUNTIES) 1975-93—Continued

Project identifier	ARC funds awarded	EDA funds awarded
Berkeley Heights Park	66,000	.....
Morgan County Hospital Equipment	240,000	.....
Bardane Industrial Park Improvements	170,000	.....
Bardane Industrial Park Road/Highway Interest	450,00	.....
Jefferson County Day Care	167,000	.....
Martinsburg Library Building	346,750	.....
Jefferson County Senior Center	35,000	.....
Berkeley Industrial Park Road	98,000	.....
Bardane Industrial Access Road	828,945	.....
Paw Paw Water System	362,000	.....
Harpers Ferry/Bolivar Water System	316,872	.....
Bardane Industrial Park Fire Protection System	62,375	.....
Berkeley Co./Mid-Atlantic Industrial Park .....	.....	442,000
Morgan County Industrial Parks .....	.....	942,750
Berkeley Co./Arcata Water Supply	147,500	.....
Berkeley Co./Arcata Rail Siding	12,500	.....
Berkeley Co./Arcata Sewer Service	450,000	.....
Jefferson Co./Burr Industrial Park	505,205	.....
Morgan County Retail Center Sewer & Water	90,000	.....
James Rumsey Voc/Tech Telecommunications	300,000	.....
Total grants funds to date	5,333,147	5,821,750
Grant total ARC + EDA grant funds to date .....	.....	11,154,897
Current project applications in review		
Regional Airport Industrial Park	750,000	1,300,000
Berkeley Co.—East Town Center Water System	347,000	.....
Total of new proposed projects	1,097,000	1,300,000

CHANGE INDICATIONS REGION IX, 1970-1980-90

Region IX	1970	1980	Change (percent)	1990	Change (percent)
Population	66,183	87,788	32.64	107,307	22.23
Males	32,734	43,708	32.30	52,630	21.52
Females	33,449	44,480	32.97	54,677	22.92
Minority population	4,486	5,687	26.77	6,734	18.41
Median age	30.2	31.2	3.31	34.6	10.89
Housing units	22,660	34,998	54.44	52,905	51.16
Median HH income	7,539	17,334	129.92	27,575	59.08
Per capita income	2,354	6,252	165.59	12,167	94.60
Means years education	10.0	10.7	7	11.6	8.41
Percent completing high school	40.3	55.9	15.6	67.13	11.23
Percent with college degrees	7.06	12.4	5.34	13.3	9
Size of labor force	27,070	43,728	61.53	53,507	22.36
Average unemployment rate	7.3	9.9	35.61	6.5	-34.34

MORGAN COUNTY COMMISSION,
Berkeley Springs, WV, May 21, 1993.

Hon. BOB WISE,
House of Representatives, Rayburn House Office Building,
Washington, DC.

DEAR CONGRESSMAN WISE: We would like to thank you for this opportunity to express our thoughts concerning the operations and management of the Economic Development Administration and the Appalachian Regional Commission. Both agencies are significant to the future of economic development projects in distressed and rural parts of America.

Morgan County has in the past had the fortune of receiving funding from both of these agencies. Funding from EDA was received for the construction of two industrial parks and ARC funds were used to help extend water and sewer lines to Mor-

gan Square Shopping Center. Both projects are extremely important to the economic future of Morgan County.

The Economic Development Administration has a focused and narrow view of what is considered fundable projects. The initial costs of preparation for being considered for a grant from EDA can sometimes be prohibitive to local governments. Actual administrative costs and procedures associated with acquiring these funds can be extreme and cumulatively reduces project funds. In past experience we have found the agency helpful, but their requirements too complex for small rural communities. The Appalachian Regional Commission appears to have the flexibility to very helpful to the rural community. It is generally the final opportunity for a rural area's viable project. Our experience has been that the Agency's lack of available administration at least appears to create efficiency by use of an existing managing agencies such as FHMA.

It is very important that these agencies continue to provide assistance to West Virginia Economic Development projects as other means of support are essentially no longer available. Attention should be directed toward streamlining the procedures, eliminating unnecessary administrative costs and making stimulus packages available to rural West Virginia through a less complex avenue.

Your consideration of our views regarding these valuable agencies is very much appreciated.

Sincerely,

GLEN R. STOTLER,
President, Morgan County Commission.

T.E. SHUFFLEBARGER, Jr.,
Morgan County Commissioner.

RICHARD G. GAY,
Morgan County Commissioner.

REMARKS OF ROBERT T. CRAWFORD

My name is Robert T. Crawford, and I am the Executive Director of the Berkeley County Development Authority in Martinsburg, WV. I appreciate the opportunity to speak at this time.

My organization has utilized several grants in the past. We received a Small Cities Community Development Block Grant in the 1980's for the development of the Mid-Atlantic Industrial Park. Later, in connection with the Arcata Graphics plant, we received ARC grants for \$103,500, for the water distribution and fire protection systems and \$22,259 to assist with installation of the rail siding to the plant.

Several years ago, the Berkeley County Development Authority began looking into the possibility of acquiring land and developing another industrial park. As we considered funding sources, we discovered that in all probability, an EDA grant would not be an option to us. The Eastern West Virginia Regional Airport Authority already had an application in process for infrastructure improvements for their park. We were told that, under current guidelines, the EDA could not approve grants for similar projects in the same county within a few years of one another.

I could understand this line of reasoning if Berkeley County's economy was in a state of continuous decline; however, our economy is not declining. The Bureau of Census shows that from 1980 to 1990, Berkeley County's population grew by 26.7 percent, the Eastern Panhandle's population grew by an average of 20 percent and the State of West Virginia, as a whole, lost approximately 8 percent.

Thanks in part to Senators Robert C. Byrd and Jay Rockefeller, companies and agencies are coming to the area, increasing our employment and tax base. This growth—and the potential for more growth—has brought great need for water, sewer, road and other infrastructure improvements. This requires large expenditures by local governments and the public service districts, but they are already strapped for funds. The solution would seem to be the use of grants through EDA, ARC, etc.

I am told that one of our Public Service Districts recently sought funding assistance for a new water treatment plant in order to tap into a new source of water and increase their treatment capacity. They were told that no grant funds were available because of the county's low unemployment rate and other such factors, meaning that they would have to look for dollars elsewhere. In essence, the cost of any infrastructure extensions would have to be borne by the existing customers.

Fairness and reason would say that existing customers should not have to bear the expense of major extensions for the growth that has—and is—and will come to Berkeley County.

My plea today, Congressman Wise, is two-fold:

1. For changes in the guidelines so as to allow units of local government, public service districts, development authorities and others to secure grants to do what needs to be done to accommodate growth.
2. Increase the funding levels for the grant programs so that adequate dollars can be available for grants.

Again, thank you for allowing me to share my concerns.

**TO EXAMINE EXISTING PROGRAMS UNDER
THE PUBLIC WORKS AND ECONOMIC DE-
VELOPMENT ACT OF 1965 AND THE APPA-
LACHIAN REGIONAL DEVELOPMENT ACT OF
1965 AND TO CONSIDER PROPOSALS TO RE-
AUTHORIZE THE PROGRAMS AS WELL AS
NEW INITIATIVES TO PROMOTE GROWTH
AND DEVELOPMENT**

TUESDAY, JUNE 22, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, DC.

The subcommittee met, pursuant to call, at 10:05 a.m., in room 2167, Rayburn House Office Building, Hon. Robert E. Wise, Jr. (chairman of the subcommittee) presiding.

Mr. WISE. This hearing of the Subcommittee on Economic Development before the full Public Works—full Public Works and Transportation Committee will come to order.

This continues a series of hearings into the Economic Development Administration and the Appalachian Regional Commission. It is the intention of the subcommittee to reauthorize both of these this year.

On our first day of hearings we focused on the Economic Development Administration. Today, we will focus on the ARC, the Appalachian Regional Commission, and I want to welcome and thank our witnesses who have taken the time to come and testify, including the Honorable Governor Brereton Jones of Kentucky.

As one whose entire State is included within the Appalachian region, I am especially interested in the programs ongoing throughout the region; what new initiatives might be under consideration and other legislative considerations we might consider to help promote development in the region.

I consider the ARC to be a model for what can be done on a regional basis, and indeed, I think one of the strong points of the Appalachian Regional Commission has been its true bipartisan nature. If there is an example of what many characterize as the New Federalism, it certainly is the Appalachian Regional Commission, because essentially it is run by the 13-member Governors where you have both a State cochair selected by the Governors and a Federal cochair nominated by the President.

Concerning the Appalachian Regional Commission, (I am not a witness, but perhaps I should be) I can testify firsthand as to the progress it has brought to a hard-hit region. It has done so, I think, and enabled that region to capitalize on other resources, and many times the ARC acts as a pump priming mechanism. In terms of regional cooperation, it is certainly an example of what success can be achieved.

Its job is not done yet and indeed the region has been hard-hit, in some cases more so perhaps than other regions, hard-hit over the past decade with the economic changes that have taken place in our society.

I will give you just an example. When I first came into office a decade ago, there were 60,000 coal miners in our State. Today, there are less than 30,000 but mining more coal than ever mined before, so both the advent of technology as well as changes in our economic situation have hit our region hard.

Today we will begin the testimony concerning the ARC. It was first adopted by this Congress and enacted in 1965. It has not been reauthorized since 1981. It certainly is time now to look to see what form the Appalachian Regional Commission should take; what its continued mission needs to be, what the problems are and how to meet those challenges.

I am delighted to have an excellent series of panels. We will hear first from Governor Brereton Jones, the Governor of the State of Kentucky; the Honorable Bob Goodlatte, a new Member, whom we are delighted to have join us, from Virginia, accompanied by a number of persons from his district; and then our third panel will consist of those who work firsthand from the States within the Appalachian Regional Commission.

At this time, I would turn to the gentleman from Arkansas, Mr. Hutchinson, for any opening remarks he may wish to make.

Mr. HUTCHINSON. Thank you, Mr. Chairman, and I am glad to welcome our panelists today. Ms. Molinari has been delayed, but she will be here soon, and she has an opening statement which I would like to ask unanimous consent to have inserted into the record.

Mr. WISE. Without objection.

[Ms. Molinari's prepared statement follows:]

STATEMENT OF HON. SUSAN MOLINARI

Thank you Mr. Chairman. I join you in welcoming our witnesses today and I look forward to hearing their testimony.

I do not represent a district that is part of the Appalachian Regional Commission, yet there are fourteen counties in New York State that participate in the Commission. I have visited many of these areas, in fact, I was in Chautauqua County last weekend. Though the landscape is different from my district, the challenges these communities face are not substantially different from the needs of urban communities.

Members of the Committee know that adequate transportation infrastructure is needed in order to attract business and jobs to a community. In New York City, our transportation crisis is the result of congestion, poor maintenance, and in the case of Staten Island, outrageous tolls. The inability to move goods in and out of the region has severely affected our ability to keep businesses in the city and to attract new business.

For this reason, I appreciate the need to provide better transportation infrastructure to communities in the ARC. The Appalachian Development Highway System is the centerpiece of this program to bring jobs to the isolated communities of Appalachia. With almost 75 percent of the Development Highway System complete, we

need to work together to see that the remaining 800 miles are finished as soon as possible.

Thank you Mr. Chairman for holding this hearing to give me and our colleagues an opportunity to learn more about the Appalachian Regional Commission.

Mr. HUTCHINSON. Let me just say that I am delighted today to be able to learn more about the Appalachian Regional Commission. Being a Congressman from the State of Arkansas, there are, I think, lessons that we can learn with the Delta Commission that have recently been identified in the last few years, which includes part of my congressional district, and then sharing many of the same demographics and economic concerns that we have in the Appalachian region.

I look forward very much to hearing your testimony, presentation of our panelists today, and I thank you for your presence here.

Thank you, Mr. Chairman.

Mr. WISE. Thank the gentleman and turn to the gentleman from Georgia, Mr. Deal.

Mr. DEAL. Thank you, Mr. Chairman.

As we review the purpose behind this legislation today, I, too, would join with you as being one whose entire district is encompassed within the definition of Appalachia. As we hear witnesses, I am sure we will hear many examples of successful projects such as highway projects, water and sewer projects, all of which have encouraged and assisted the development of our portion of the country.

Certainly, all of these funds from capital improvements have been very significant, however, I think we must always keep in mind the greatest resource this legislation was intended to develop was a human resource. It was and has been the lives of the citizens of those who live in the Appalachian region of our country who were the primary focus of this historic legislative effort.

As we hear the testimony of witnesses today, I am sure it is the human element of these projects that will become obvious to all of us as having the greatest and most long lasting significance. By improving the quality of life for the children and elderly by improving educational assistance for those who would otherwise be deprived and generally improving the lives of our fellow citizens, do we justify the existence of programs such as this, and I am confident that this act can justify itself as a worthwhile legislative endeavor.

I look forward to hearing the testimony. Thank you for allowing me to make this statement.

Mr. WISE. As they say on the Floor of the House, I will ask unanimous consent to be associated with the remarks of the gentleman.

Before we begin with our first witness, I would like to insert Mr. Blackwell's prepared statement into the record.

[Mr. Blackwell's prepared statement follows:]

STATEMENT OF HON. LUCIEN E. BLACKWELL

Thank you, Mr. Chairman. First, I would like to take this time to applaud you and my other colleagues for your continued support of these two vital programs. It has been 11 years since full reauthorization, and I believe you are committed to the cause and efforts of the Appalachian Regional Commission (ARC) and you have my full support.

I am most eager to learn how we can, as a legislative body, begin to modernize the ARC, so that we can put the American people back into the workforce and reverse the long-standing deterioration of our nation.

Today's hearing will show our commitment to the reauthorization of the ARC. At the same time, we must remember to take a reasoned and careful approach as we consider the issue before us.

What's more, we must, in any event consider most favorably any measure which emphasizes as paramount the economic well being of our local communities and regions.

We must also be sure that any program or concept we enact to improve the ARC offers reliability and awareness to the communities that are to be served.

I have no doubt that we are capable of making a fair determination of what steps can and should be taken to allow the ARC to reach its full potential in overcoming the many obstacles it is currently facing. This subcommittee will play a vital role in making that determination, and I applaud you for your leadership, Mr. Chairman, in this process.

I welcome the witnesses who will appear before us today and eagerly await their testimony.

Thank you, Mr. Chairman.

Mr. WISE. On our first panel, we are fortunate to have representing the Governors of the Appalachian Regional Commission, the Honorable Brereton Jones, Governor of the State of Kentucky, who will be accompanied by Michael Wenger, the Appalachian Governors' Washington representative.

Let me note that I consider Governor Jones not only to be, of course, a very, very able Governor of Kentucky, but certainly somebody who speaks well for all Appalachia.

I take some proprietary pride in Governor Jones since I represent his hometown and he is a true internationalist. He had a distinguished career in West Virginia and then stepped across the line and, of course, now has a very, very distinguished career in Kentucky, and we are delighted to have him representing our entire region and delighted to have him here today.

Governor Jones.

TESTIMONY OF HON. BRERETON C. JONES, GOVERNOR, COMMONWEALTH OF KENTUCKY, ACCOMPANIED BY MICHAEL WENGER, STATES' WASHINGTON REPRESENTATIVE, APPALACHIAN REGIONAL COMMISSION

Governor JONES. Thank you very much, Mr. Chairman. I must admit, you give me a feeling of great confidence as I sit here and appear before you because my mother continually votes for you and says wonderful things about you, and I know that your chairmanship of this committee is a chairmanship you feel very strongly about, as do I. So I do appreciate being able to come here today and appear before this subcommittee.

I think it is very important for us to recognize that what this committee has to oversee is of extreme importance to the Governors that I represent today. Governor Doug Wilder of Virginia is our State's cochairman this year and he sends his apologies for not being able to appear today.

This subcommittee, as we all know, has been steadfast in its support of the Appalachian Regional Commission. As Governor of Kentucky, in the heart of Appalachia, I know firsthand what your support of this program has meant to our citizens, and I thank you very much for that.

In fact, Mr. Chairman, as you well know, it is in our two States that the effort to change the face of Appalachia actually began. You and I both have seen the dramatic impact of the ARC programs on the quality of life in much of the region.

I personally applaud your aggressive leadership in holding these hearings and in promoting multiyear reauthorization legislation.

I also applaud our President. For the first time in 13 years we have a budget recommendation from the President which contains adequate funding for the Appalachian Regional Commission.

Of course, we could effectively spend considerably more money to improve the quality of life and to create jobs in Appalachia, but we recognize the fiscal realities and we are grateful for the President's support of a funding level which is consistent with what the Congress, in its wisdom, has provided us for the past two years.

Let me also say that we pride ourselves on the bipartisan support that we have had in Congress over the years, particularly on this committee. For years, Bill Clinger from Appalachian Pennsylvania, was the Ranking Minority Member and a strong advocate for the commission. Representative Molinari may not represent a district in Appalachia, but we do appreciate her sensitivity to the needs of the region.

There is strong bipartisan support among the Governors as well. In 1981, it was the bipartisan leadership of Governor Lamar Alexander of Tennessee and Jay Rockefeller of West Virginia which resulted in all 13 Appalachian Governors, nine Democrats and four Republicans at that time standing strong and united against the Reagan administration's effort to abolish the Appalachian Regional Commission.

Earlier this year, Mr. Chairman, the 13 Appalachian Governors, now 10 Democrats and three Republicans, unanimously reaffirmed their strong support in a resolution recommending continuation of the Appalachian Regional Commission. With your permission, I would like to enter this resolution as part of the record of this hearing.

Mr. WISE. Without objection.

[The resolution referred to follows:]

A RESOLUTION BY THE GOVERNORS OF THE 13 APPALACHIAN STATES
RECOMMENDING CONTINUATION OF THE
APPALACHIAN REGIONAL COMMISSION

Whereas, since 1965, the Appalachian Regional Commission (ARC) has enabled the 13 Appalachian States to 1) overcome the isolation of the Region by completing more than 2,100 miles of a planned highway network of 3,025 miles; 2) enhance the quality of job training and readiness for employment; 3) expand access to health care; 4) create more than two million new private sector jobs in the Region through investments in physical infrastructure and human development; and 5) put our states on the cutting edge of issues such as job skills and training, rural education reform, technology transfer, export promotion, telecommunications and manufacturing competitiveness; and

Whereas, the effectiveness of the ARC results from 1) its policy-making partnership between the Federal Government and the 13 Appalachian States; 2) its public-private alliances; 3) its regional approach to problem-solving; and 4) its flexibility; and

Whereas, despite the significant progress, much of Appalachia still lags behind the nation in key indicators such as per capita market income, rates of poverty and unemployment, condition of infrastructure and levels of literacy and access to health care; and

Whereas, the flexibility, responsiveness, cost-effectiveness and broad local, state and national support for the ARC partnership make it a model for how to quickly and effectively implement the rural development policies of the new Administration.

Now, therefore, be it resolved by the Governors of the 13 Appalachian States:

1. That the programs of the Appalachian Regional Commission have made a critical difference in the progress of the Region since 1965 and should be continued until the Region has reached parity of economic opportunity with the nation as a whole.
2. That we commend to President Clinton's consideration the ARC process as a way to address rural economic distress not only in Appalachia but in other concentrations of rural poverty, as well. To that end, we urge a serious examination of ways in which the ARC programs can be strengthened and its lessons applied to other concentrations of rural economic distress.
3. That we look forward to working with President Clinton and his Administration to insure that we focus on and build a consensus around the issues which are most important in promoting rural economic growth.
4. That this resolution be promptly transmitted to President Clinton and to all appropriate leaders in the Congress.

Adopted unanimously by the Governors of the 13 Appalachian States on February 1, 1993.

Governor JONES. The resolution extols the virtue of the work of the ARC in helping the 13 Appalachian States to overcome the isolation of the region by completing more than 2,200 miles of a planned highway network of 3,025 miles; enhance the quality of job training and readiness for employment; expand access to health care; create more than two million new private sector jobs in the region through investments in physical infrastructure and human development; and put our States on the cutting edge of issues such as job skills and training, rural education reform, technology transfer, export promotion, telecommunications and manufacturing competitiveness.

Because of the ARC, more than 700 vocational and technical education facilities with the capacity to serve over 400,000 students per year have been created; a network of health care facilities and personnel has brought primary care within 30 minutes of virtually every resident; 20,000 housing units have been rehabilitated; more than 2,000 water, sewer, waste disposal, and other community development projects to provide basic services, enhance the quality of life, and attract private sector jobs have been completed; we are involved in demonstration projects in manufacturing competitiveness, telecommunications, and work force training; our highway system is more than two-thirds complete.

In Kentucky, specifically, I would like to call your attention to two examples. One in Casey County. It was late in 1991 that the Casey County War Memorial Hospital in Liberty, Kentucky, was closed. This hospital was the only rural health facility accessible to county residents. Because Kentucky provided a \$251,636 Appalachian Regional Commission grant, the facility has been reopened as a primary care center. Non-Federal funds of \$139,000 were provided.

And today, as we are all focusing on health care, it is important for us to recognize that there are a number of hospitals that have to have their missions redefined or they will have to close. And being able to redefine the mission of this hospital into a primary care facility was of paramount importance to the people of that region. And this could not have been accomplished without the funds that came from the ARC.

I would also like to call your attention to a \$350,000 grant that was made in Bath County, Kentucky, for the construction of a wastewater treatment and collection system serving 491 residents. Currently, raw sewage is discharged into creeks and ditches and standing in yards in this area due to failing septic systems. Nineteen tests of ponds water creeks and ditches in a project area resulted in 100 percent contamination with fecal coliform above acceptable levels, and an elementary school is located adjacent to one of the most severely contaminated creeks.

Residents of this area have been working on this project for over four years, but it was the ARC funding that has been approved that will allow this project to continue.

The resolution that we adopted also identifies the unique characteristics of the ARC which have enabled it to deliver on its promises. First, its Federal-State-local partnership substantially reduces bureaucratic red tape and assures more responsible and responsive decision-making.

Second, the flexibility of its programs allows locally determined needs to be addressed without federally imposed artificial restrictions. And here I think it is appropriate for us to realize that we as Governors feel very strongly that we must be accountable, and we are willing to be held accountable according to very tough standards and reasonable controls. It is this accountability, I think, that all the taxpayers are looking for and this is very appropriate that it must be part of this funding.

Third, its regional approach produces significant economies of scale and helps to focus attention on economically distressed rural areas which otherwise could be easily ignored. For such areas it supplements rather than duplicates the work of other government agencies.

Fourth, it requires cost sharing by State and local governments in both program and administrative expenditures. This magnifies the impact and ensures that scarce Federal dollars are spent efficiently.

ARC's \$2.2 billion in nonhighway funding has attracted more than \$5.5 billion in other funds. By working in close partnership with the private sector, ARC has managed in some cases to leverage its spending at a ratio of better than 6 to 1.

But, Mr. Chairman, despite the significant progress we have made, much of Appalachia still lags behind the Nation in key indicators such as per capita market income, rates of poverty and unemployment, condition of infrastructure and levels of literacy and access to health care. In 1990, Appalachia's per capita income was 80 percent of the U.S. per capita income. I would point out that in Appalachian Kentucky, that figure is only 63 percent of the U.S. per capita income.

In 1990, 15.2 percent of our people lived in poverty compared to 13.1 percent in the United States, but I would point out to you that in Kentucky that that number is closer to one-third.

In December 1992, one-fourth of Appalachia's 399 counties had unemployment rates of at least 150 percent of the national average. More than one-third of Appalachia's 300 nonmetropolitan counties are considered economically distressed. During the decade of the 1980s, our population grew by approximately one quarter the rate that the U.S. population grew. Our manufacturing employment has declined by a rate greater than the national average. Our regional share of national coal output has fallen, and regional mining employment has been cut almost in half.

To compound the problem, Appalachia receives approximately 15 percent less than the per capita national average in Federal expenditures. We have seen the progress, Mr. Chairman, but we also know how much remains to be done. That is why the Governors unanimously and enthusiastically support multiyear authorizing legislation for the Appalachian Regional Commission.

We believe a bill of three to five years in duration at a funding level at least consistent with the current funding level would enable us to continue significant progress toward achieving parity of economic opportunity with the entire Nation. At the same time, we would welcome increased flexibility in the allocation of funds between highway and area development programs. This would enable us to ensure that we get the maximum impact from our dollars.

Of course, Mr. Chairman, we would be happy to discuss with you any other provisions which you may wish to consider, but I do want to make one other point. We believe that the flexibility, responsiveness, the cost-effectiveness and the broad local, State and national support for the ARC partnership make it a model for how to effectively address concentrations of severe rural economic distress wherever they may exist. As you can see on the map that I handed you prior to this meeting, the primary concentrations of severe rural economic distress, denoted by the solid red, are in central Appalachia, the Lower Mississippi Delta, and along our border with Mexico.

We believe that a serious examination of ways in which the ARC programs can be strengthened and its lessons applied to other concentrations of rural economic distress is in order. We would welcome the opportunity to work with the Congress and the administration to accomplish such an examination.

I want you to know, Mr. Chairman, I very much appreciate the opportunity to appear before you this morning, and I would repeat something I said in the prepared remarks, that I think is very important, and I believe that you would agree with me, and I know that the other Governors of the ARC region agree with this, and that is that we expect all money to be spent in a very accountable way. We think it is very important that we monitor the expenditure of this money ourselves, but we would always be very receptive to having you look over our shoulder to monitor it as well because we believe that there is no expenditure of money in this government today that gets a better response, that goes where it ought to go and does what it ought to do in a more cost-effective way than the money that is put in the Appalachian Regional Commission, and we want to guarantee that and we look forward to working with you in that regard.

Thank you very much.

Mr. WISE. Thank you very much, Governor, a very, very powerful statement.

Why don't I just turn to that.

As Governor, you handle a lot of different programs, Federal programs, whether community development block grants or traditional highway funding from the U.S. Department of Transportation, I just wonder if you might comment how the ARC differs and what tools it gives you that perhaps the others do not?

Governor JONES. Well, I think the flexibility is of extreme importance. And it allows these programs to go into areas where we find that the need exists.

For example, the hospital in Casey County I mentioned in my remarks was closed. It wasn't a question that it was in trouble or that it was going to close, it was absolutely closed. It was closed because they did not have a niche in the marketplace.

Many hospitals in Kentucky, and I am sure in other States as well, are unable to compete today, and we cannot subsidize these hospitals to allow them to compete any more than we could have, at the turn of the century, subsidized the buggy whip industry. There comes a time where you must realize if you are not producing what you need to produce then you need to produce something

else. And these hospitals, this particular hospital, was not able to compete and the market had passed judgment on this hospital.

But what they needed to do was to redefine their mission, to redirect their efforts, to focus on primary care, because it was in an area of the State where we did not have adequate primary care physicians, family physicians. We in Kentucky have been educating too many specialists and not enough general practitioners, quite frankly.

So we were able to take this grant and attract primary care physicians to come into the community to open up a primary care center and thereby be able to satisfy the need that the public said existed.

So this hospital now has developed a niche in the market; they are a primary care center and they are able to keep their emergency room open for those emergencies that need to be cared for. So this came from ARC.

But, by the same token, completely unrelated to that are highway projects, over here, where you have given us the flexibility to say that we need a farm-to-market road, we need a particular piece of highway built, and this is for economic development. This allows us to create more jobs. This allows us to help ourselves and then, on the other hand, as I mentioned in Bath County, where we did 100 different tests on the water system there, from different groups from the State health people to the county health people and different private residents had their wells tested and found out that 100 percent of them were contaminated and right next to a school.

ARC was able to come to the rescue and help us. So I would say the flexibility of the program, the ability that we had to meet a variety of needs is probably the most distinguishing aspect of this program.

Mr. WISE. Particularly as Governor of a State that ranges from in some ways the most modern and most urban to the most rural, what would you tell those who would say but why do we have a regional commission called the Appalachian Regional Commission; why should there be one commission here and not commissions anywhere else?

Governor JONES. That we don't have commissions?

Mr. WISE. That we don't have commissions to perform the same functions anywhere else and certainly none that has ever been as operative and active as the ARC.

Governor JONES. It would seem to me the philosophy of the ARC is relevant to all of government, and I see this as taking a leadership role.

Certainly we have problems in other areas of the State that are not in our Appalachian area, and that is why the Governors passed the resolution that said—I do not have it before me at the moment, and I have not committed it to memory, but in essence it said—let me get a copy because I think it is worthwhile to read exactly what that wording is:

That we commend to President Clinton's consideration the ARC process as a way to address rural economic distress not only in Appalachia but in other concentrations of rural poverty as well. To that end, we urge a serious examination of ways in which the ARC

programs can be strengthened and its lessons applied to other concentrations of rural economic distress.

Mr. WISE. Speaking of flexibility, some things have changed in our society since 1965 in our State, and I would ask whether it is the same in yours, in our State I am hearing increasing concern about solid waste disposal in rural counties and the need to meet the growing demand in expertise as well as developing sanitary methods for disposing of these wastes. Is this something the ARC could be involved in, do you think?

Governor JONES. Absolutely, 1,000 percent.

Mr. WISE. Turn to the gentleman from Arkansas for questions he might have.

Mr. HUTCHINSON. Thank you, Mr. Chairman, and, Governor, thank you for your testimony.

In your testimony, you catalogue some of the economic challenges remaining for the Appalachian region, and I think you gave some statistics on the per capita income and how that compared with the national per capita income, 80 percent, I believe it was, and, in Appalachia, Kentucky, 63 percent or quite a bit less.

I was wondering if you can—I am curious how that compares with when the ARC began. What kind of progress has been achieved thus far through the initiatives of the ARC? Is there any demonstrable evidence this has produced a move toward parity with the rest of the Nation?

Governor JONES. When the commission began, it was 67 percent. That has increased 13 percent up to 80 percent. So it has been a 13 percent positive change.

Mr. HUTCHINSON. Now, with the mission and the goals of the ARC to be bringing that region into parity with the rest of the Nation, and with the evidence, or at least the seeming evidence there has been progress since the beginning of the ARC, is there a time frame, is there a date at which you anticipate the goals of the ARC actually having been achieved by bringing Appalachia into the economic mainstream and reaching parity with the rest of the Nation?

Governor JONES. I would not have a definitive timetable that I could relay to you today. I would say this, as a practical matter, however, I think the needs are so great in that area, that the continuation of existing funding would not in any reasonable way be expected to solve the problem totally but to merely allow a continuation of help in a positive way to an area that needs help.

In other words, I think at some point we are going to have to make a still greater investment in self-help in the area than will be allowed to be made by this request. Because, as you know, we are not requesting an increase in the funding but only a continuation of the funding. I wish I could have a more definitive answer for you for that question, but I do not have that answer.

Mr. HUTCHINSON. Well, I think the Chairman alluded to this. Some of us have to go back to districts that have equally dire economic distress factors, unemployment rates that are comparable and certainly in some of the ARC mountain counties I represent, they compare in those kinds of economic distress factors with the Appalachian region and it is the concern of my constituents, one, we have a Federal program that will exist in perpetuity and it is easier to defend that kind of program if I cannot only demonstrate

that there has been progress toward the goals but that there is light at the end of the tunnel, that there is a period at which we hope to see the goals of economic parity achieved and that that program won't simply continue forever.

Governor JONES. Let me say this, in Kentucky, I feel very strongly that we will not solve the problems that need to be solved until we do things in addition to what ARC is now doing. Education, for example. We decided in 1990 that we were going to bite that bullet and that we were going to dramatically change the way our educational system works and that we were going to fund that educational system. And we are doing that right now and I believe, as I am sure you would agree, that the key to long-term change and the key to success is in how we educate our young people; how we reeducate our work force; to help people to help themselves so that they are not dependent upon a number of these programs.

But in the meantime, while we are getting them educated and the roads built with ARC help to come into the area so that we can attract the jobs that we need to attract and we will have the people qualified to hold those jobs, while we are getting to that point, being able to take care of these needs that exist relative to cleaning up that sewage problem in Bath County or reopening that hospital in KC County, this is a real lifesaver for us.

Mr. HUTCHINSON. Moving on to one other area, the Clinton administration has several initiatives for rural development including new programs at the Department of Agriculture's RDA. How does the ARC's programs fit within the overall framework of Federal programs for rural and distressed areas?

Governor JONES. Well, I do not have the total details of those proposals, but I would reiterate what I earlier said, and that is that I think the way the ARC has been put together and the programs that it allows the Appalachian counties to achieve is at the top of the list. I mean, I don't know of any Federal program that I think is more important than the ARC program for the Appalachian counties.

Mr. WISE. Would the gentleman yield on that question?

Mr. HUTCHINSON. Yes.

Mr. WISE. I think the gentleman from Arkansas has raised an excellent question. How does this fit in with the other programs? Would it be fair to observe, Governor, that the main difference is that in the ARC, the Governors are directly involved in the decision-making process and the running of these programs, whereas whether it is RDA in the Department of Agriculture or CDBG or whatever, it is a direct Federal role?

Governor JONES. Absolutely. And that is the flexibility issue I referred to earlier that makes it so attractive.

Mr. WISE. I thank the gentleman.

Mr. HUTCHINSON. Thank you, Mr. Chairman.

Mr. WISE. The gentleman from Michigan, Mr. Barcia, for questioning, please.

Mr. BARCIA. Thank you, Mr. Chairman. I don't have an opening statement, but I would like to commend the Governor on his remarks and say that I do feel there is a need in Congress to present a collective or regional approach toward the solution of your long-term problems and of course develop solutions to the challenges

that you face. Being from Michigan, we do have a coalition of Midwest States that helps us stick together on issues so we can face the many challenges that the Great Lakes' basin faces in water resources and protecting our natural resources.

So I appreciate your remarks and you are well thought of and I commend you for your presence before the committee today, and say that as one Member from the Midwest region, I appreciate the cohesiveness that the Appalachian States have working together in presenting a united front to the Congress on your needs.

Governor JONES. Thank you very much.

Mr. WISE. Governor, a question I would have is the ARC is divided into highway and nonhighway programs. Would you discuss some of the roles of the highway program as you see it, particularly in Kentucky? And by your testimony, two-thirds of that highway system is now complete.

Governor JONES. Well, obviously that means we have to complete the other one-third, so don't leave us high and dry.

Mr. WISE. Have you, in Kentucky—I know the situation in West Virginia, but in Kentucky are there segments that are under way or under contract but still segments that have not yet been completed?

Governor JONES. Yes, we do have—I do not have the detailed mileage in front of me, but we do have some that are under construction that are not yet completed and we have other areas that we need to let contracts on that have not yet been let.

Mr. WISE. As I recall, this is a highway system that the Governors have signed off on and has been authorized, in effect since 1965 or shortly thereafter; is that correct?

Governor JONES. That is correct, yes, sir.

Mr. WISE. I might also mention I was reading the ARC report a few weeks ago and I noted with interest in those counties where there has been an ARC highway extended, that their job creation rate is running three times the rate of nonhighway-linked counties. I think that is an incredible statement as we work to complete West Virginia Corridor G that connects to Kentucky and bridges our two States even more.

Governor JONES. That is right, and, of course, that gets us back to the self-help issue. I think it is very important that we recognize that we are not coming before this committee to say that all we want is a handout and you keep pumping the money in and we are all going to be satisfied, without trying to focus on how we get people off welfare.

It is not a question of just extending welfare but how we get people off welfare and get people self-sufficient, and it is through the construction of these highways that allows us to provide the jobs. And, as I mentioned earlier, if we didn't have the educational process also going simultaneously with this, we would, in great degree, only be asking for a continuation of help, which really is just a continuation of welfare.

That is not what this program is about, as I see it. I see it as a way to help our people work themselves out of welfare, out of dependence on the Federal Government or the State Government. I am willing, and my fellow Governors in the Appalachian Regional

Commission are willing, to have the closest kind of scrutiny to make certain that is the way we are spending this money.

Mr. WISE. Thank you for an excellent point as well.

It just occurred to me, I was calculating in terms of welfare and AFDC and medicaid, the State of West Virginia's medicaid budget is I believe \$1.1 billion this year, the AFDC, and perhaps that includes food stamps somewhere around \$100 million this year. Total ARC budget, if approved as presently recommended, is approximately \$189 million for 13 States, and yet out of that you put into motion those measures that take people off of welfare.

I don't think there is a vocational technical school in our State that doesn't have ARC backing behind it; so many of the water systems, the industrial development parks, and so on and so on. So it is truly a way we can save a lot of dollars and a lot of, I think, lives in years to come in addition to what it has already done.

I would turn to Mr. Boehlert for any remarks or questions.

Mr. BOEHLERT. No questions, Mr. Chairman. I could start asking about water projects, but he doesn't want to get into that right now. But another time, another place.

Mr. WISE. Gentleman from Michigan, any questions?

Mr. HOEKSTRA. No questions. Thank you.

Mr. WISE. Governor, thank you very much for your time and appearing on behalf of the Governors of the Appalachian Regional Commission, and we certainly look forward to working with you and look forward to every time you come home, too.

Governor JONES. Thank you very much.

Mr. WISE. The next panel will be the Honorable Bob Goodlatte, representing the 6th District of Virginia in the House of Representatives, accompanied by Stuart Litvin, Executive Director, Rockbridge Area Economic Development Commission, Lexington, Virginia; Timothy Gubala, Director of Economic Development, Roanoke, County, Virginia; and E. Randall Wertz, Deputy Assistant County Administrator, Montgomery County, Virginia.

Before Congressman Goodlatte starts, I want you all to know that this fellow has been tireless in pressing his case on inclusion of your counties into the ARC, and the first time we met on the Floor, we had barely dispensed with the pleasantries before he started making his presentation, and, of course, in conjunction with Congressman Boucher. But he has been extremely aggressive, and I am very impressed by the panel you have brought here today, so we look forward to hearing your testimony.

Let me just say to each of you that your written testimony is already made a part of the record, so I invite you to summarize or to make any points you might, and if anyone cares to react to anything the previous witness said.

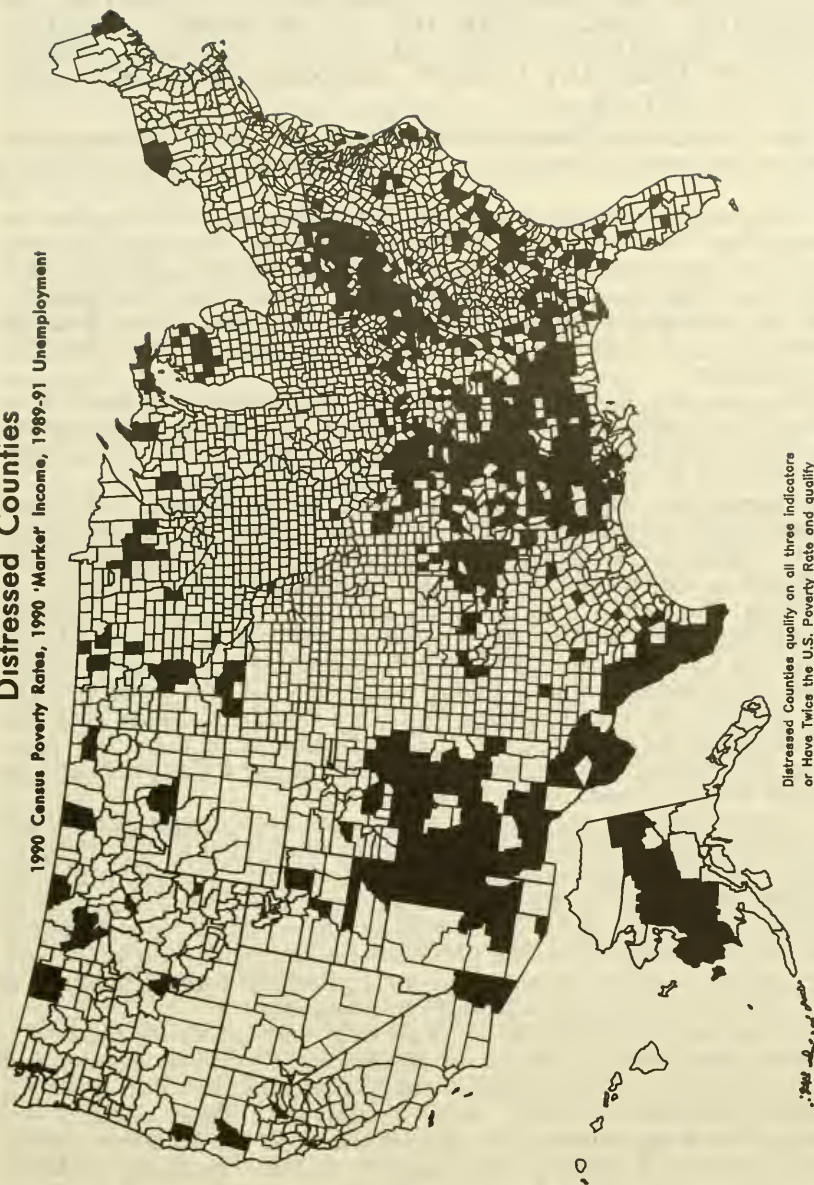
At this point, for housekeeping purposes, I would ask unanimous consent to include in the record of the hearing the map that Governor Jones presented showing the counties in poverty. Hearing no objection, that will be included in the record.

Congressman Goodlatte.

[The map referred to follows:]

Distressed Counties

1990 Census Poverty Rates, 1990 'Market' Income, 1989-91 Unemployment



Distressed Counties qualify on all three indicators or Have Twice the U.S. Poverty Rate and qualify on one other indicator. 606 counties are identified.

TESTIMONY OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM VIRGINIA, ACCOMPANIED BY STUART L. LITVIN, CED, EXECUTIVE DIRECTOR, ROCKBRIDGE AREA ECONOMIC DEVELOPMENT COMMISSION, LEXINGTON, VA, TIMOTHY GUBALA, DIRECTOR OF ECONOMIC DEVELOPMENT, ROANOKE COUNTY, VA, AND E. RANDALL WERTZ, DEPUTY ASSISTANT COUNTY ADMINISTRATOR, MONTGOMERY COUNTY, VA

Mr. GOODLATTE. Thank you, Mr. Chairman, and I do very much appreciate your including us in the hearing that you are conducting today.

I join with my fellow Virginian, Congressman Rick Boucher, in requesting these additions to the Appalachian Regional Commission. Congressman Boucher and I have introduced legislation that would include the counties of Roanoke, Rockbridge, Montgomery, and the contiguous, independent cities of Roanoke, Salem, Radford, Lexington and Buena Vista as a part of the Appalachian Regional Commission.

Roanoke and Rockbridge are in my congressional district. Roanoke County is contiguous to Montgomery County in Congressman Boucher's district. Rockbridge County is contiguous to three counties already in the Appalachian Regional Commission.

Congressman Boucher was not able to be present today and asked that I submit his testimony for the record. In addition, Governor Wilder, of Virginia, has submitted a letter in support of this legislation, which I believe you have in your file, Mr. Chairman.

When the ARC was created over 25 years ago, Roanoke, Rockbridge and Montgomery Counties were asked to join. At that time the local officials decided not to become members. In hindsight, this decision was a mistake not only for the three counties but also for the area counties which are members. Many economic development projects require the participation of adjoining counties, yet Roanoke, Rockbridge and Montgomery Counties are excluded from any project funded by the ARC.

Already a part of the Appalachian region both geographically and culturally, these three counties have demonstrated a clear need for the development opportunities available through the ARC. If these counties and the contiguous independent cities are designated as part of the ARC region, there will be an enhanced opportunity to pursue joint programs. The potential for combined efforts in tourism, infrastructure projects and strengthening competitiveness in attracting new business would be tremendous.

In addition, for the ARC to ultimately succeed in its mission to provide Appalachia with the infrastructure it needs to develop into an economically viable region, it only makes sense these three important counties be added to its membership. Their addition will provide an essential sense of regionalism with the counties already in ARC allowing them to work together to solve the many problems of the area. It is time to realize that city, county and even State lines are becoming less and less a barrier to cooperation.

Finally, by designating the Roanoke Valley, Rockbridge County and Montgomery County as a part of ARC, Congress will be strengthening the partnership between western and southwestern Virginia.

Mr. Timothy Gubala, the Director of Economic Development for Roanoke County, Mr. Stuart Litvin, Executive Director for Economic Development for Rockbridge County, and Mr. Randy Wertz, Deputy County Administrator for Montgomery County are accompanying me today. I am sure they will explain in more detail the types of cooperative efforts that will be possible if these counties are included in the ARC.

In closing, I again want to thank the subcommittee for its consideration and urge the Members to favorably support this legislation.

Mr. WISE. We look forward to working with you in this request as we put together this legislation.

Any particular order you wanted people to speak in or should we go in the order listed?

Mr. GOODLATTE. Mr. Litvin.

Mr. WISE. Mr. Litvin, representing the Rockbridge area Economic Development Commission from Lexington, Kentucky.

Mr. LITVIN. Mr. Chairman, it is a pleasure to be here today and appearing before you. I appreciate the opportunity.

I represent Rockbridge County, the city of Lexington and the city of Buena Vista. We are bordered on our west by the counties of Alleghany, Bath, and Highland, as well as the cities of Clifton Forge and Covington, all present members of ARC.

There exists among these five localities and the Rockbridge area a great deal of commonality and cooperation. The community college, Dabney S. Lancaster, located in Clifton Forge, serves these five communities as well as our three. These same jurisdictions are presently investigating a regional approach, along with the Rockbridge area, along with establishment of a recycling center that would serve the citizens within the region. There is also a discussion concerning the possibility of a regional landfill as well.

These are the same jurisdictions that comprise the Western Virginia Educational Consortium that is involved in the Tech Prep Program, which advocates a lifelong learning approach to education.

These are just a few samplings of the cooperation that exists between these jurisdictions with Rockbridge. There are other examples that are indicative of the commonality of the region, such as shopping, cultural and recreational patterns, and recently we have joined together in looking at a joint marketing approach of our area for industrial development.

By allowing the Rockbridge area to be admitted to the ARC, you would be of great assistance in ensuring that these projects and other levels of cooperation continue within the region of western Virginia, a cooperation that would benefit all of its citizens.

Needless to say, the relationship between Roanoke County, which is our gateway as far as our airport goes, and with Montgomery County, which serves as home to Virginia Polytechnic Institute and State University, which is one of our major resources for research for our economic development efforts, is there. The commonality, the cooperation would exist but it would also be enhanced by the allowance of all of us being included into ARC.

Thank you very much, Mr. Chairman.

Mr. WISE. Thank you, Mr. Litvin.

Next will be Mr. Gubala representing the Economic Development Authority of Roanoke.

Mr. GUBALA. Mr. Chairman and Members, thank you for the opportunity to be here today. I had testified previously, last year, when we worked on this program to try to be included within the ARC boundaries.

To summarize my comments and to refer to Congressman Goodlatte, we are really interested in partnerships. I think we have a history in Roanoke County and Roanoke Valley of looking for partnerships and opportunities to solve common problems that face us.

We have suffered recently in the job losses and the recession that has hit the Roanoke valley. For instance, we had two companies that had announced job losses of over 1,200 employees. Fifty percent of those citizens are residents of Roanoke County. We feel that that ripple effect kind of went through the community and the Valley and really affected a lot of the supporting businesses and services and the earning power of many families in Roanoke County.

We see the Appalachian Regional Commission has a variety of different programs that offer Roanoke County some abilities to expand and diversify the employment base. We currently have under development a 177 acre industrial park. We have county money that was generated from a bond referendum last fall as well as State money to develop that park as a first phase. We look to ARC as being a possible partner in the development of the additional two phases of that site so we can provide other employment opportunities to replace some of the job loss that we have had in the community.

We are blessed with transportation routes in Roanoke County. Interstate 81 extends through the county. It is 17 miles. We have six interchanges. All of the interchanges are within the county. We feel that our Convention and Visitors Bureau has indicated there are 16 million potential visitors, and knowing ARC's emphasis on tourism development, there are some innovative programs that our convention bureau has been looking at, such as visitors' information radio, as one way of bringing those people into the Roanoke Valley so that we can bring them to our attractions and cultural events.

We also have 27 miles of the Blue Ridge Parkway in Roanoke County. Recently an environmental impact statement was completed for the Roanoke River Parkway. One of the recommendations in that study was the development of a visitors' information center.

Again, we are identifying partners in the Roanoke Valley between the county, some of the regional groups, the State of Virginia, and we feel again ARC may be a partner in the development with Federal agencies of a joint visitors' information center that will serve the entire Blue Ridge regional western Virginia.

We have a cooperative history in Roanoke County of working with our neighbors, particularly Botetourt County, where we have a joint industrial park, the Jack Smith Park. We have a Hollins Community Development block grant that we received several years ago that is joint with Botetourt County. We have done also a joint fire station and have the only joint library in the State of

Virginia with another county. Botetourt is an ARC county and we feel that we could perhaps do a lot more things.

There is another large industrial site on the interstate we have been talking about developing and we think that ARC funding sources could be a good resource for us in the future.

Roanoke County has the perspective that during the 1990s local governments really are going to have to look regionally to solve some of their common problems. Inclusion of Roanoke County within the boundaries of the Appalachian Regional Commission is a resource for Roanoke County to develop these partnerships and address challenges and opportunities within the Roanoke Valley and western Virginia.

Interestingly enough, in October, between October 24 and 28 of this year, the Appalachian Regional Commission is going to hold a fall conference in Roanoke, Virginia. We feel it would be a fitting and proper location to announce the inclusion of Roanoke County and our neighboring communities within the Appalachian Regional Commission.

Thank you, Mr. Chairman.

Mr. WISE. I want to commend your tourism bureau. That is a nice move.

My one concern is—well, the ARC wouldn't be meeting in Greensboro anyhow, so I want to make sure we are not taking anything from others that are within the region.

The gentleman from Montgomery County, Mr. Wertz, the Deputy Assistant County Administrator.

Mr. WERTZ. Thank you, Mr. Chairman.

It is a privilege for me to address the subcommittee on behalf of the Montgomery County Board of Supervisors and the citizens of our county.

I am here in support of House Resolution 1451, which seeks to include Montgomery County, Virginia, in the Appalachian region so that the county may qualify for programs administered by the Appalachian Regional Commission. This action was requested by resolution of the Montgomery County Board of Supervisors in October 1991.

Nestled between the Appalachian Plateau and the Blue Ridge Mountains, Montgomery County, a community of 74,000 people, is geographically a part of the Appalachian region. Our cultural heritage is that of hard working discipline, hearty survivorship and a strong work ethic which the Appalachian people have come to represent.

Not surprisingly, the economic development goals of Montgomery County are those of the ARC: To provide our citizens with the education and skills needed to compete worldwide for economic opportunities; to diversify our economic base; and to protect our environment so that we can support a population with enhanced job opportunities, increased incomes, and improved standards of living.

Although Montgomery County is blessed with an abundance of natural resources and creative people, our unemployment, poverty and income data indicate that a number of our citizens are not sharing in the American dream. Indeed, our county is a study in contrasts. Home to Virginia Tech, the largest university in Virginia, the town of Blacksburg in Montgomery County has been rec-

ognized as having the fourth highest concentration of Ph.D.s per capita in the Nation. Yet, in 1990, 26 percent of all Montgomery County residents aged 25 and over did not have a high school education, and in the more rural areas of the county this figure exceeded 50 percent.

While Montgomery County has seen continued population growth through the decades—16 percent growth during the 1980s—employment opportunities have not been able to keep pace with the growing labor force. The result is increasing unemployment. As an illustration, throughout the early 1980s, the unemployment rate in Montgomery County remained below the national average, but in 1986 it met the national average and then surpassed it in 1988. During 1992, Montgomery County's unemployment rate averaged 8.3 percent, compared to the national average of 7.4 percent.

According to the 1990 Census, over 14,000 persons, representing 22 percent of the population, had incomes below the poverty level during 1989; this is an increase of 2 percentage points and 3,500 people over the 1979 figures. The 1990 Census also revealed the county's per capita income was only \$10,979 during 1989.

For a number of years, jurisdictions in our region have worked cooperatively to assure improved services to our residents. We know how valuable regional efforts, as emphasized by the ARC, are to local governments. Recently, a critically needed tool and die training program was established in New River Community College with the assistance of a \$200,000 ARC grant. Montgomery County's economic development staff had worked diligently for a number of years to see this effort become a reality. Regrettably, we could not participate as an applicant since the county was not within the defined Appalachian region.

Over the past three decades Montgomery County has attempted to address social welfare needs and provide economic opportunities for all its citizens. Although many gains have been achieved by taking this course, the county recognized that inclusion in the Appalachian region at this time would greatly assist us in the goal of equipping our citizens with all the tools needed to attain comprehensive, balanced and enduring economic development objectives.

Geographically and economically, Montgomery County is a candidate for inclusion in the Appalachian region. Our citizens' quality of life would be greatly benefitted from the housing, health, educational, transportation, infrastructure and environmental opportunities that are available through the programs administered by the ARC.

On behalf of the Board of Supervisors and citizens of Montgomery County, I respectfully request that the members of this subcommittee recommend House Resolution 1451 for approval so that Montgomery County can join with 21 other counties and five cities in the Commonwealth of Virginia which are presently included in the Appalachian Regional Commission.

Thank you for the opportunity to address the subcommittee on this issue of critical importance to the citizens of Montgomery County. This concludes my verbal remarks; however, I would like to submit for the record written testimony which includes the text of the Montgomery County Board of Supervisors' resolution re-

questing inclusion in the ARC and the 1991 economic report which provides more detail on Montgomery County's economic condition and trends.

Mr. WISE. Thank you very much.

A couple of brief questions. I think your statements are very factual and a lot of material has been presented to the subcommittee in advance of your testimony. I am not interested in digging up old history and who shot whom, when.

I notice that, Mr. Wertz, you sent, along with your testimony, a resolution passed by the county commission requesting this action. That suggests to me there is probably accord within Montgomery County. I want to make sure this is not an item of dispute in other counties. We try not to force the ARC on anybody.

Mr. GOODLATTE. Mr. Chairman, every county, and the independent cities that are within these counties, have passed resolutions asking to be made a part of the commission.

Mr. WISE. I do love unanimity.

Also, are these counties presently participating in some form of local development district; is that a structure that you have in this region of Virginia?

Mr. GUBALA. Under the Economic Development Administration?

Mr. WISE. Yes.

Mr. GUBALA. Roanoke County is not a member of that.

Mr. WISE. To your knowledge, is there, I think they are usually known as local development districts in West Virginia—we call them regional planning councils. You know the gist; several counties that pool resources, and municipalities and counties that pool resources so that they can then all apply for whatever programs are available and get additional assistance.

Does that structure exist in your region or is it something your county simply has chosen not to participate in?

Mr. GUBALA. We are, in Roanoke County, a member of the Fifth Planning District Commission which serves a broader area of counties around the Roanoke Valley.

Mr. WISE. Are you aware whether or not that is funded by the EDA?

Mr. GUBALA. Their director is here. Part of their funding is from EDA for some of the other communities that are in the district.

Mr. WISE. Does the ARC also assist those districts?

Mr. GOODLATTE. That planning district includes both counties that are already in ARC and those that are not.

Mr. LITVIN. Mr. Chairman, the Rockbridge area is part of the Sixth Planning District Commission, and of course we have both Bath and Highland Counties represented in the Sixth Planning District Commission. And when they apply for ARC funding, that in no way impacts Rockbridge at this time.

Mr. WISE. Mr. Boehlert.

Mr. BOEHLERT. No questions.

Mr. WISE. Mr. Deal.

Mr. DEAL. No questions.

Mr. WISE. There are no further questions. I want to thank you very much for your presentation and your ample supporting information.

As I say, Mr. Goodlatte, has been very, very helpful and aggressive in pursuing this, as has Congressman Boucher, and the subcommittee will be glad to work with both of you in seeing what can be done as we move this legislation closer to authorization.

Thank you very much.

Mr. GOODLATTE. Thank you, Mr. Chairman.

Mr. WISE. Our final panel, and I would ask if you would take your seats. We have Fred VanKirk, Commissioner, West Virginia Department of Transportation, Division of Highways from Charleston, West Virginia—always good to see Fred again; Linda G. Gayheart, Executive Director of the Kentucky River Area Development District from Hazard, Kentucky; David Patterson, President of the Tennessee Technology Foundation from Knoxville, Tennessee; Gordon Whitener, Vice President of Marketing, the Collins & Aikman Corporation, Floor Covering Division, Dalton, Georgia; E.K. Adams, Executive Director of the University Industry Public Partnership for Economic Growth, Endicott, New York; and the Honorable James W. Robinson, Chairman of the Virginia Board of Housing and Community Development, Pound, Virginia.

Ladies and gentlemen, I welcome you all. Your written statements will be made a part of the record. Thank you for taking the time for testifying concerning the Appalachian Regional Commission. We might as well proceed in the order listed, so I will take this opportunity to introduce the first witness, Fred VanKirk, Commissioner of the Division of Highways, West Virginia Department of Transportation, who, if anyone knows how to leverage a dollar better than him, I have not met them yet.

He takes the fewest dollars and gets more miles out of them than anyone I have ever seen, and I appreciate the fact he has demonstrated well what the Appalachian Region can do, particularly in the highway related program and the importance of this for the rural area. So, Fred, we welcome you and look forward to your testimony.

TESTIMONY OF FRED VANKIRK, DEPUTY SECRETARY AND STATE HIGHWAY ENGINEER COMMISSIONER, WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS; LINDA G. GAYHEART, EXECUTIVE DIRECTOR, KENTUCKY RIVER AREA DEVELOPMENT DISTRICT; DAVID PATTERSON, TENNESSEE TECHNOLOGY FOUNDATION, KNOXVILLE, TN; GORDON WHITENER, VICE PRESIDENT OF MARKETING, COLLINS & AIKMAN CORP., FLOOR COVERINGS DIVISION, DALTON, GA; E.K. ADAMS, EXECUTIVE DIRECTOR, UNIVERSITY INDUSTRY PUBLIC PARTNERSHIP FOR ECONOMIC GROWTH, ENDICOTT, NY; HON. JAMES W. ROBINSON, CHAIRMAN, VIRGINIA BOARD OF HOUSING AND COMMUNITY DEVELOPMENT, POUND, VA

Mr. VANKIRK. Thank you very much, Mr. Chairman, and members of the committee. It is certainly a pleasure to be here today to speak on behalf of the State of West Virginia and the entire Appalachian Regional Commission, particularly with respect to the development of the highway system that was created back in 1965.

I would also like to take this opportunity to thank the committee and the Congress for keeping the Appalachian Regional Commis-

sion alive over the rough time we had there in the 1980s. I have submitted my written comments but I will just summarize those briefly.

The purpose of the Appalachian highway system back in 1965 was to provide the opportunity for development where commerce and communications had been inhibited due to the lack of access because of the transportation system, as Governor Jones from Kentucky said. We have completed 2,217 miles of the 3,028 mile system designated in 1965.

We can talk about the benefits of the highway system, we can talk about travel time, the reduction of the time it takes to traverse between the major cities, not only in the Appalachian region, but in the major outlying urban areas that surround the region; we can talk about highway safety, and in the State of West Virginia, the accident rate in the Appalachian system is less than 40 percent of what it is on the remainder of our primary rural highway system. So it is a tremendous savings in the amount of accidents that occur on the highway system.

We can talk about economic benefits and we can cover that chicken and the egg thing in a multitude of ways, but in the State of West Virginia, just as we speak, there is development taking place south of Charleston where there are retail stores, government detention centers, U.S. Postal Service, mail sorting facilities, light industry.

Just last week when the first retail store opened for business in the State of West Virginia, there were over 1,000 applicants for 240 jobs at that one retail establishment. That development would not take place without the construction of Corridor G from Charleston to Williamson and into the State of Kentucky.

So our failure to complete the Appalachian system that we started out in 1965 will allow us, I believe, to regress back to the days that we were back in the 1960s. I hate to date myself, but back in the 1963-1964, when we were talking about putting together an Appalachian Regional Commission, I was the gopher, so to speak, to the then State Highway Commissioner in the State of West Virginia. We put together the estimates and the system and the mileage for the overall Appalachian region. At that time, the interstate system was just being cranked up and the Appalachian program was nothing more than a dream. But in my career, we have seen the completion of the interstate system in July of 1988, and we have completed 70 percent of the Appalachian program.

We still have a long way to go, that other 30 percent, but in the State of West Virginia we are actively pursuing the completion of the four segments that are not completed. We are doing that in a very environmentally responsible manner and we have the engineering capabilities to do it. We have the resolve in the State of West Virginia to complete the Appalachian program.

We need the support of the Appalachian Regional Commission and we need the support of the United States Congress. Thank you very much.

Mr. WISE. Thank you very much, Commissioner VanKirk.

The next witness will be Linda G. Gayheart, the Executive Director of the Kanawha River Development District—I was being collo-

quial. The Kanawha system is my home county—and she is from Hazard, Kentucky

Ms. GAYHEART. Thank you very much. It is nice to be here today. I am located in southeastern Kentucky and we consider that the heart of the Appalachian Regional Commission area; next door to you.

Mr. WISE. We shift it around to you a little, but we will give it to you for purposes of the testimony.

And by the way, to help the court reporter, Kanawha is spelled K-A-N-A-W-H-A.

Ms. GAYHEART. We do represent one of the most depressed parts of our Nation, and as you will see from what I have to say today, we have made great strides in the past 20 years but we have far to go.

Our district is eight counties and we consist of 2,500 square miles of population of 123,000 people. We are plagued by many problems and Governor Jones talked about some of those this morning.

We are losing our population. Based on the 1990 Census, we lost 8 percent of our population and this was primarily due to out-migration.

Our poverty rate ranges from 25 to 48 percent and our per capita income average for the eight counties is \$9,000. We are the home of Owsley County, Kentucky, and that is the fourth poorest county in the Nation. So, realistically speaking, we are hard-core Appalachia, and we do lag behind the rest of the Nation in most measures of quality of life.

But as I said, we have made great strides with the help of ARC. It has been a major factor in that growth. ARC has been the glue that has held projects together, it has given us that extra edge that we have to have in order to put a project together, it has enabled us to leverage other Federal and State funds.

ARC has enabled us to build a foundation of basic community services on which we now must further build. We are a one-industry economy, historically. And today coal is our dominant industry. For the past 20 years—in 1978, Congressman Wise, you alluded to this earlier, the decrease in employment in the mining industry, it took 18,000 miners to mine 30 million tons of coal and today 14,000 miners mine 45 million tons of coal.

According to the Kentucky Geological Survey, we have 20 years left of minable coal and due to mechanization, employment is decreasing.

Our official unemployment rate is 15 percent, but the true unemployment rate ranges from 30 to 50 and even 60 percent, and I am sure you are aware of the concept of the discouraged worker, the hard-core unemployed who is no longer seeking employment. There are no jobs to find within our district. We continue to lose jobs in the mining industry daily. We have less than 800 manufacturing jobs in our district.

I mention we are losing population and that is our brightest and best. We are losing our young people, who after completing their education they go away to receive further training or go away to college or get a job and they don't come back because there are no jobs to come back to. So it is imperative that we diversify our econ-

omy, that we create jobs for our present population and for our future generations.

It is very difficult to create jobs. Why would an industry locate in Hazard, Kentucky, when they could locate in a community closer to an interstate or a community with better infrastructure or better social and cultural events?

With the help of ARC, we are focusing on that diversification. We are looking at telecommunication, the wood industry, small business development and tourism. Programs such as the revolving loan fund from ARC gives us that extra edge that we have to have to complete with more developed areas.

Training and retraining of our work force is critical. We have made great strides and ARC has played a major role in that. We have a vocational education center now within a half-hour's drive of our population. But we must now focus on training our dislocated workers as we try to diversify our economy.

Congressman Wise, you mentioned solid waste and this is a problem that is major for us. We have only begun to address solid waste in the past five or six years and we are just beginning. We are not close to finishing with this problem, and I don't have to tell you how important it is for our residents as well to attracting industry and tourism.

We have one county that has taken a lead statewide in our rural area with a door-to-door county-wide collection system made possible by funds from ARC to purchase equipment. Some of that had to be specially-equipped four wheel drives to deal with the rugged terrain. Solid waste is one of the many problems that are facing local governments, and more and more the responsibility is going to our local governments with fewer funds to deal with these problems and that is particularly difficult for our rural area.

We have made great strides in water and sewer. ARC assisted our 12 smaller communities to build water plants, construct sewer facilities and run water and sewer lines, but we still have 65 percent of our population without public water and sewer services.

I would be amiss if I did not discuss the concept most dear to me, and that is the concept you mentioned earlier of regionalism; communities working together through local development districts. This is occurring throughout Appalachia because of ARC. Local development districts are working with communities to solve problems. We bring our leaders together on a monthly and even more often basis. It is an opportunity for them to share their concerns and to solve their problems together.

We are breaking down county lines because, as you know, needs do not respect county boundaries. There are many examples of regional approaches to problem solving in Appalachia. We have a joint purchasing program where our communities work together to purchase equipment and supplies, thus saving money. We are trying to deal with our problem with solid waste on a regional basis because it is much bigger than one community. Many of our health services are provided on a regional basis. We have a new regional medical center made possible because of regional cooperation.

In addition to this, the local development districts provide the professional staff to local governments that they cannot otherwise afford. We assist them in so many areas, including budgeting, per-

sonnel matters, strategic planning, grant applications and just any area that they would deal with. We are the arm of ARC and EDA. We are out there on the frontline and should be used as a model for other types of Federal and State programs. We are able to match the needs of local communities with the intent of State and Federal programs.

I believe local development districts and the concept of regionalism is one of the most critical programs in a day of scarce resources. We make the programs like ARC and EDA work. If we were removed and if ARC was removed, it would take away the only opportunity for communities to work together and would take away their professional staff. I sincerely believe that would set back our local communities at least 20 years.

Everything that ARC has done in our area will have lasting results, but an area having the most impact, I believe, is in the area of leadership development. Our district has benefited in two ways from leadership, the role that ARC has played in leadership.

ARC assisted us in developing a program to work with youth throughout our region. In this youth leadership program, our young people gain much. They gain the knowledge and appreciation of the role of leadership, both elected and nonelected. They also began to understand the concept of regionalism and people working together.

They actually developed a program, took it from an idea all the way through implementation. The most important thing they learned is that one person can make a difference. We hope that because of this, many of these young people will want to come back to the region and make that difference.

Another program that ARC was involved in in our district in leadership is with the Brushy Fork Institute of Berea College. Brushy Fork takes teams of individuals from communities throughout Appalachia, develops leadership skills within them, then they go back home and become change agents within their community.

During the past year, we have been involved in a process of strategic planning in our eight counties to give us direction for the future. We involved over 1,500 citizens in community meetings and citizen surveys. They identified the following as the needs we need to focus on: jobs, the environment, leadership development, and human resources. These will be the areas where we focus over the next several years.

Important things are happening in Kentucky with education reform, and the Governor mentioned our health care reform. This is important to our entire State but especially in eastern Kentucky. We have built the foundation of basic infrastructure and services. We now need to focus on our economic development, human services and leadership.

It is going to be difficult but it is not impossible. I urge your continued support of the Appalachian program to enable us to continue to improve our quality of life. Thank you very much.

Mr. WISE. Thank you, Ms. Gayheart.

If the subcommittee will indulge me for just a minute, I was struck by several things you said and I wanted to comment now as opposed to waiting.

You evoked a lot in me as you were talking about Appalachia. If you need the New York Philharmonic to be within an hour's drive, Appalachia is not the place for you, but I think the attraction of where we live, whether it is Hazard or West Virginia or wherever, and what can attract people there as well as hold people there is a way of life that we have. Not entirely rural, although in a rural area it has a lower crime rate than what you will find in most of this country; a strong family ethic and a strong family structure, where people help one another and neighbors know one another; a very good work ethic and a certain ingenuity that goes beyond simply filling an eight to five job.

I guess what my five year old son calls simply trees; he is not surrounded by tall buildings and crowds and things that seem to be out of his control and, in truth, are out of our control. So those are the benefits.

We in Appalachia are not asking for a handout, we are proud of what we have, but I think you make the case for the need to have that which helps us to develop.

There is another reason for this as well. As I was growing up, I noticed that when I would go to different cities, Cincinnati, Chicago, other areas, I would always be pointed out to Little Appalachia. That is a section of urban areas where Appalachians migrated to because there were not opportunities. So that, in turn, put a cost or a drain upon the social services of that area.

By the same token, we didn't want to be there either, and, indeed, I was also struck when I was growing up by what was known as the Detroit bus, and those were the people that would on Sunday night take a bus to Detroit to work in the auto plants and then on Friday evening, the bus would come around and pick them up and take them home to Appalachia, and it would make a run through West Virginia, southern West Virginia and then over to Kentucky, and then the bus would pick them up again and take them back to Detroit for the following week.

What the ARC does, and the programs I believe you are advocating, is permit Appalachia to develop to its fullest. It permits people to stay home. I think most significantly it permits children to stay home. Our children.

I spoke at a high school commencement, and it is true of any high school in my State, that roughly 70 percent of the children feel they have to leave our State in order to find opportunity. Much later, as I did, you find out that was not necessarily the case, but that is the perception at least.

And it permits Appalachia, which is an important area of our country, to stay self-sufficient. You also noted the coal production. I don't know what your sulfur content is, but that is an added challenge as well. So it is important we be able to diversify that economy, as you have urged.

I thank the subcommittee for letting me indulge, but I think you touched on a lot of important parts of Appalachia and why the ARC is unique but it is also dealing with a unique area of the country. And, yes, I understand and, indeed, we need to appreciate other areas have their own unique aspects, and I think the Congress and the States should be as responsive to them as we are asking in the case of the Appalachian Regional Commission, and, indeed, it

would be the hope of this subcommittee to look at those areas and perhaps see if there are some things that can be borrowed from the ARC and extended to other areas as well.

I thank you very much.

I now recognize Mr. David Patterson, the President of the Tennessee Technology Foundation of Knoxville, Tennessee.

Mr. PATTERSON. Thank you, Mr. Chairman, and members of the committee.

My name is David Patterson, President of the Tennessee Technology Foundation, a small five person nonprofit organization. We focus on technology-based economic development in Tennessee, primarily in east Tennessee. The bulk of our efforts go to help new and small businesses get started and to be able to expand. We work with other organizations, private and governmental, to encourage entrepreneurship and expand the region's commercial applications of the R&D resources of the area, particularly Oak Ridge and the University.

The foundation was started in 1982, and the Appalachian Regional Commission provided our first infusion of funds the following year with a contract that yielded \$1.2 million over five years. Most of our funding from that time has come from the State of Tennessee.

Was the initial investment of the ARC a good one? It has helped the Technology Foundation get started and it was managed by ARC with an absolute minimum of interference and no real bureaucracy. With ARC's funding and the subsequent State funding we, and a number of people in our region, believe the foundation is doing what it was intended to do; and, of course, no one in the economic development business can claim full credit for success, because no matter how hard you work or the level of effort extended, success always depends on a lot of other people and of course a lot of luck.

Over 14,000 technology-based jobs have been created in the Oak Ridge and Knoxville technology corridor in the private sector since 1983. A significant number of those, particularly those that are due to start-ups and small business expansions, are the direct or indirect result of our efforts.

We are proud of a very significant increase in the level of entrepreneurial activities and a general understanding of the importance of technology for the future of our region, and, of course, for the Nation.

Using ARC funds, we started and spun off a nonprofit R&D center which has been successful and now employs not a whole lot of people, 35 or 40, but it is having an impact on small businesses around the Appalachian region as well as around the rest of the country.

We have designed and managed a promotion and support activity to encourage participation in the Federal Small Business Innovation Research program, SBIR, program. This has contributed to Tennessee realizing nearly 50 million in the small business R&D contracts since 1983. Therefore, based on other Federal studies which indicate a dollar and a half of private sector money for every dollar of SBIR money, that is \$200 million that has come into Tennessee, primarily in east Tennessee.

I believe we have had also a small hand in encouraging change in our State and local institutions with respect to their understanding and support of technology-based economic development. The original work plan that we agreed to under the ARC contract was that we would try to identify the major weaknesses that were in our region.

One of those, of course, is a lack of technical entrepreneurship. Our area, even though it had Oak Ridge National Laboratory and the university was basically dominated by sort of a mill town attitude, and there was really little private sector activity that was separated from the very large companies that were there. That has turned around. We have an increasing number of small firms.

The second area of misunderstanding or of ignorance was the development potential of the technology base offered by the university and the Oak Ridge people and facilities, and that has also changed.

The third one was one that we still have in lots of other parts of the country, and I was happy to hear some people here talk about that, is a thing, an area that they are working on, and that is the total lack of cooperation that existed at that time between the various counties and the cities in what was a common area. The very organization of our foundation, with a board dominated by business and community leaders from the three largest counties, was an important step towards a meaningful regional cooperation.

Today, the region is together on a number of interests that are important to the region, including the highway system, the airport, a 15-county marketing area or organization for industrial development, foreign trade zone and support for continued funding for this kind of activity that I am involved with. And now with the defense cutbacks that affect the regional employment in our area, that includes about 25 or 30 counties that depended on Oak Ridge to one degree or another, there is a will and a means for working together to mitigate these impacts that would not have been possible several years ago.

We have had some other opportunities to participate in activities with ARC. With the help of ARC, we were able to build and manage a project in Tullahoma, Tennessee, that enabled those people to receive a NASA grant. Because of the way that ARC managed that project, we were able to return \$13,500 to the ARC directly because we brought it in on time and under budget. We also returned more than \$20,000 to the treasury in terms of interest.

This is another example of the best of ARC. They listened to the proposal, they obtained the cooperation of the TVA and the State of Tennessee and they let us go to work with the minimum of oversight.

I want to conclude on two points. First, the ARC is an unusual nonbureaucratic Federal organization that is successful because it is based on cooperation between the State and local government and other appropriate organizations. I have resided in the ARC's region almost since birth. First in Irons, Ohio, and later in Reardon, West Virginia, and now Knoxville, Tennessee, and I am proud to have the opportunity to testify on its behalf.

I am certainly not an unbiased witness, but I would suggest that ARC needs to address additional efforts to promote the appropriate

infrastructure to support technology-based business and economic development around its region.

Over the years, ARC has helped communities a great deal by supporting efforts to improve the traditional sorts of infrastructure necessary for economic development; roads, sewers and water systems that need to be continued, but technology is the driver for economic development for the present and future, whether for so-called high-tech products or relatively prosaic ones.

The firm that does not have advanced technology in its process of manufacture or service will not survive and grow. The small and middle-sized firms that dominate most of the Appalachian region need to access technology easily. The colleges and technical schools need to educate people to use technology, and some are, and the financial systems must somehow adapt to help firms invest in appropriate technology. There should be strong efforts to get wider participation by small firms in the Federal SBIR program.

These are the infrastructure needs of this next decade, and if they are not provided, the region will not fulfill the promise the region deserves. Thank you.

Mr. WISE. Thank you, Mr. Patterson.

Our next witness is Gordon Whitener. Did I pronounce that correctly?

Mr. WHITENER. Yes, sir.

Mr. WISE. Vice President of Marketing with Collins & Aikman, Floor Coverings Division, from Dalton, Georgia, and I believe a constituent of the gentleman from Georgia, Mr. Deal.

Mr. WHITENER. That is correct.

First, let me say thank you to Congressman Deal for being here for this.

Mr. Chairman, let me begin by saying thank you for the opportunity to represent Dalton, Georgia. It is an honor for me to come before this subcommittee and present our apprenticeship program.

I want to start by recognizing the three most critical elements of our program: The Dalton public school system, the Appalachian Regional Commission and, of course, the carpet industry, with special appreciation to Collins & Aikman, where I am employed.

I am particularly grateful to Mr. Charlie Eitel, President of C&A Floor Coverings, for allowing me to be a catalyst to start up and participate in programs like this, and also gracious and loving thanks to my wife, Georgeann, for her support.

I have a belief that industry and education should work together not to save education, but to take learning to a new level. We are in a critical time in American business. Strong foreign competition is present in every industry, and we have no choice but to fight to win. When planning the ultimate strategy for global competition, the obvious place to focus is education.

American business has, and will continue to have, a fiduciary responsibility to get involved with education. In addition, I think educators will have a responsibility to take a proactive position in the search for business partners. Business excellence in America will take a total team effort.

The National Association of Manufacturers, in a November 1991 report, estimated that the average manufacturer rejects five out of every six candidates. Two-thirds of companies regularly reject ap-

plicants as unfit for the work environment; a third regularly reject applicants because they cannot read or write adequately; and one-fourth reject applicants because of poor communication and math skills.

In addition, these same manufacturers convey major employee skills deficiencies in basic math, reading and problem-solving in their existing employee populations. The same survey reveals that more than 60 percent of companies claim that part-time, on-site work experience is the most important schoolwork linkage, but far fewer companies are actually involved in these programs. And, finally, the same study discovered that smaller companies are at much greater risk than others from labor shortages and skills gaps in the applicant pool and employed work force.

This last statement is the one that I think is the most damaging because, as you know, most jobs are created by small business.

Now, I realize that the members of this committee are inundated with statistics, but there is one statistic that I want you to remember. When we found that more than one-third of our employees at Collins & Aikman did not have a high school diploma, we knew we must do something about it. Any company with one-third of their employees being high school dropouts is really not, I guess, the ideal situation to compete globally. So, the big question is how do we respond to this crisis?

I want to tell you I have been a very fortunate young man. My parents were great and have been super role models. I was blessed to have been reared in the Dalton public school system and in the Appalachian district. I am proud to be from a community that cares about its own. For these reasons, I had long felt the need to give something back to the school system and the community.

I had discussed some broad ideas with friends and basically the one thing that came back is if you try something like this, you will run into a bureaucratic nightmare with public school systems, in addition to government. But when I went to the Dalton public schools and the superintendent, Frank Thomason, I can tell you he was nothing but receptive and introduced me to John McMillan, who, by the way, happens to be a West Virginian, and I met with Dr. McMillan several times and it was obvious to me this was one of the most forward thinking individuals I had ever met, particularly in the public school system.

My main ideas revolved around the fact I came through Dalton schools and really never had a grasp of what the carpet industry was all about. We are the carpet industry for the world, if you are familiar with our area, as some 60 to 80 percent of the world's carpets originates within the Dalton area or a 100 mile radius of there. So the basic myth was that either you owned a carpet company or you worked on a tufting machine. There was no idea of the magnitude of occupations throughout a company like ours; of all different types of professions. We never discussed the industry or anything about it during school, so I chose to focus my efforts on this deficiency.

In 1991, I put a group of individuals together which we called the Dalton plan: industry and education working together. This group basically worked hard to start several programs, and we ultimately called the practice "Inside Track." We have held a carpet

careers week and held leadership seminars, in addition to what I think is the most important program, the apprenticeship program. It is the most important program because we created jobs with the apprenticeship program.

Dr. McMillan, along with his colleagues, Wendy Hanson and Mary Smith, have given a great deal of time to make it an effective program. The main driving force behind the apprenticeship program was to give students an inside track to a better career.

I want to share two stories about our apprentices with you. One is about Alonzo Washington and the other, Godfrey Pope. These two young men personify what this program is all about. I was introduced to Alonzo in late fall of 1991. He was extremely shy. Dr. McMillan asked me to consider Alonzo for our first apprenticeship. This was a pilot apprenticeship.

Alonzo had just received one of the highest SAT scores in the system and wanted to be an engineer. He had a very difficult home life and was working at a fast food restaurant from after school until very late at night. I interviewed him and we hired him on December 30, 1991.

Within days of his arrival at Collins & Aikman, his manager informed me that Alonzo was special and that he had the aptitude to accomplish anything he wanted in the engineering field. He made an immediate positive impact on the department not only in productivity, but in the fact that everyone had an interest in seeing Alonzo succeed.

Alonzo graduated high school in the spring of 1992 and entered Georgia Tech. He continues to work for us on breaks and in the summer and will be offered a position when he has graduated from college. My prediction is that we will have to make him an attractive offer to get him because I think he will be heavily recruited by major companies everywhere.

This next story is about Godfrey Pope. Godfrey, who was socially withdrawn and a below average student, attended one of "Inside Track's" senior leadership seminars. Afterwards, Godfrey took the seminar speaker (who happened to be Charlie Eitel, President of Collins & Aikman) aside and told him he was inspired by the speech and wanted to know more about "Inside Track."

I want to say something here. The mere fact this young man came forward to a speaker in front of 200 some kids was a miracle in itself and is a credit to the school system, but I want to continue by saying Godfrey became an obvious choice for the apprenticeship program at Collins & Aikman. He started work on November 4, 1992, in our distribution area, and now has an OSHA-approved operator's license for lift trucks.

One exciting note is that Godfrey made the honor roll his last semester at Dalton. He has now graduated and plans to attend college and has a goal to become an electrical engineer. We have offered him the same employment opportunities as Alonzo.

These two cases portray the importance and effectiveness of an apprenticeship program and how it can help both individuals and companies.

In closing, I want to tell you that we are most satisfied. We plan to grow this program. But, this program would not have been possible without the cooperation of the Appalachian Regional Commis-

sion. We did not experience any of the bureaucratic red tape you hear so much about. In fact, I would like to publicly commend the Appalachian Regional Commission and Carre Morningstar for their efficiency in handling our requests. We are expanding both inside and outside the carpet industry.

A workplace readiness class will be added to the curriculum and we plan to study the possibility of making this a year-round program. There are many more wonderful stories, but time prohibits me from sharing them today. I will be happy to speak further with anyone regarding our efforts.

Thank you for this time and I will be happy to entertain questions.

Mr. WISE. Thank you very much, Mr. Whitener, particularly those personal examples.

Next will be Ms. E. Kay Adams, Executive Director of the University Industry Public Partnership for Economic Growth from Endicott, New York.

Ms. ADAMS. Thank you, Mr. Chairman. I am Kay Adams, Director of UNIPEG, the University Industry Public Partnership for Economic Growth (UNIPEG) is a technology development organization that covers nine counties in the southern tier, and all of those counties are located in the Appalachian Regional Commission. I am also a member of the board of the Southern Tier East Regional Planning Board, one of the local Appalachian Regional Commission offices.

I am very pleased to be able to provide this testimony today and I want to thank Congressman Boehlert, who has been a strong supporter of both the UNIPEG program and a strong supporter of the ARC program, and I thank him very much for his support.

As an example, the ARC programming provided \$48 million to 392 projects over the past 27 years through this single local delivery agency, the Southern Tier East Regional Planning Board. This agency covers eight of our rural counties, was the instrument that supported these applications and made it possible for these funds to be utilized.

The ARC program has proven the effectiveness of providing Federal funds for the local economic development and the local economic development initiatives year after year. Five million dollars to \$48 million was targeted for industrial effectiveness programs. As a direct result, this \$5 million leveraged \$25 million in local funds and effected 3,700 jobs; a five-to-one leverage on Federal dollars at a cost of \$1,430 per job. And we are grateful for those jobs and the funds that you provided to us to allow us to leverage those jobs.

During the 1980s, as the industry began to globally expand, the local marketplace changed to an international marketplace and that marketplace became one of fierce competition for scarce resources. At that same time the definition of vital infrastructure continued to change and the need to support industrial activities was expanded beyond the 1960's view of water, sewer, road and electricity to include telecommunications. The expansion moved forward until today telecommunications is viewed as one of the vital infrastructures of the 1990s.

This past thinking of local economic development was water, sewer, electric only. Even economic development professionals believed that telecommunications were always provided by the phone company. All of that was pre-1985 divestiture. In 1985 the AT&T telecommunications system was broken up and split into what we now today know as the long-distance and the local network. The deregulation event and the current competition was not recognized, plus the fast changing technology was not recognized until recently. Now these changes are beginning to take effect.

In recognition of this paradigm, the STERPB organization boldly stepped forward and financially supported the development of a regional telecommunications planning study with ARC providing \$56,000 in support. We believe this is an example of high value use of ARC funds with the development of this particular strategy plan and an example of how these funds can support economic development through technology development in this region.

The planning study was completed by a local consulting group, Northeast Networking, and they used a five month process where they conducted 60 face-to-face interviews, had 20 focus group sessions, and a semiweekly task force meeting of 10 of the counties in our region. That local support is an indication that this was not a report that was done at a desk by a telecommunications consultant that had no input from the local region. This truly was an innovative process that involved all of the counties and hundreds of people within the region.

The study was undertaken to plan a comprehensive telecommunications strategy, and this strategy was to look at what could be provided, and we do have and have included in the testimony the summary of that strategy.

We are looking at nine regional hubs proposed to interconnect community networks and support network traffic between the hubs. Fifteen rural access points connect networks within communities and connect community networks to the regional backbone. Community networks connect hospitals, health, education, public networks, and business locally and also provides access to the regional hub by means of the closest rural access point. In other words, any public or private regional entity would be able to connect into a single network that would carry information about our health care entities and our educational entities.

The community networks that we envision would be viewed as local and they would provide access to the regional hubs by means of the closest rural access points. All of these services can be supplied by a variety of carriers. And we refrained, on purpose in our study from pointing out what carriers might be used or not used. We decided that carriers should be up for competition and they should be competitive with each other, so we did not define telecommunications as cable TV or telecommunications as voice-only activation.

As indicated, this planning study provided a road map for an open structure, of various networks, all capable of supplying the badly needed telecommunication system to our rural region. Today's system provides basic two-wire telephone access to everyone but a very few residential customers, and during the 1960s this

two-wire service was adequate to fill the needs of the residential customer but today that is not true.

The services today must be flexible, easy to access, complex high-speed data networks. These ties are not available to more than 10 percent of the 900 industrial companies in our southern tier and nine county regions. The telecommunications systems of today reaches only 5 percent of the homes with our high-speed data networks. In specific, we only have one county out of our 10-county region that has a telecommunications switch that is populated with ISDN software which would allow the expanded telecommunications technology to be available to all of the industries in the region. This brings up the question of when will these services be available, who should supply the services, and how they can be made available to users?

Our planning study is a good road map filled with possibilities and suggested solutions but, frankly, the funds for the implementation of these programs are not available. The various voice-only telecommunications, cable TV, or private network developers responsible for developing such networks are currently not willing to invest the funds required to develop these networks in our rural region.

The telecommunication need is there, but the expansion of this infrastructure will not occur in the near future without financial investment. In addition, the lack of this infrastructure continues to hinder the economic growth possibilities in our rural region, and I don't believe that we are unique in this problem. I believe all the rural regions that are addressed here today would say that the same situation thing applies to them.

On a statewide basis, New York has recognized that telecommunications is becoming one of the most vital pieces of their infrastructure and they have established a telecommunications exchange that is looking at key telecommunications issues affecting the economic growth of New York and seeking solutions for these issues. A working draft of this proposal is included in our testimony and it indicated that they are looking at industry, technology diffusion, infrastructure, regulatory options, and public sector applications.

Although the exchange is only 50 percent completed with their study at this time, as a member of this task force group the need for telecommunication infrastructure development has been clearly identified by everybody on the task force. It is a hope that future programs will become available to support the development of this telecommunication infrastructure, but until that occurs, the unmet needs exist, which brings us back to why we believe that ARC funding is important.

ARC funding can supply the same type of support for telecommunication needs they have provided for the other infrastructure of the past. We believe that the need for ARC funding for telecommunication is definitely there today.

As part of the solution for addressing that need, it is my hope ARC will continue to provide their funds to solve this problem. ARC support is vital and the path for moving forward towards a universal solution to this problem is unclear. Most certainly great States, industries, universities and private groups are all working

on finding a solution to these problems of today, but nothing appears to be simple or fast. As long as this problem exists, the need for ARC support will exist.

The hurdle of developing a flexible telecommunications network that will supply universal access to all appears as large as the past need for electrifying the United States. This time, we begin this rebuilding process with one of the best telecommunication infrastructure bases in the world today, we just need to make that jump toward universal access for all. The ARC region deserves equal opportunities and the ARC program is one way to help achieve these needed changes.

I would like to submit at a later time a study that we have found and are currently looking at within our region as a basis, that has been created in another section of the Appalachian region, in Athens, Ohio, to be exact. It is a market-driven approach to flexible manufacturing networks pairing and it is currently being supported out of the Appalachian Center for Economic Networks and it is a demonstration project that has been going on for the last four years. And this is a very successful project that indicates how Appalachian-type regions, in other words rural regions, have succeeded and made available the job opportunities within that region and within that networking through the use of telecommunication networks.

We would like to reiterate something that was said by Linda, and that is that matching the needs of local interests with a Federal program's express desires is one of the basic ways ARC provides support to the regions that they currently cover. We believe this program is very worthwhile, we would like to see this continue, and we would like to see telecommunications expanded as one of our vital pieces of infrastructure.

Thank you for your time and allowing us to address you.

Mr. WISE. Thank you, Ms. Adams.

Our final witness will be the Honorable James W. Robinson, Chairman of the Virginia Board of Housing and Community Development from Pound, Virginia, and I just might note, Mr. Robinson, I have a warm spot in my heart for you, as does anyone who has represented Wise County in the Virginia legislature.

Mr. ROBINSON. Thank you, Mr. Chairman, and members of the committee. It is a pleasure to be here to represent the Appalachian region and the coalfield area of Virginia.

Since my remarks are already a part of the record, I will not read those over, but I would like to summarize a portion of them.

As I said in my written remarks, I am Chairman of the Virginia Housing Community Development Authority, which disburses all of the funds, the ARC funds, in Virginia. I am also Chairman of the Virginia Coalfield Economic Development Authority. It is a seven county regional development authority for the seven most extreme western counties in Virginia. These counties border Tennessee, Kentucky and West Virginia, and I might add they are further away from our State capital in Richmond than seven other capitals in the United States. We are closer to seven other capitals.

The Coalfield Economic Development Authority is the only regional authority in Virginia that has taken the regional approach to industrial development. It was created under legislation passed

in Virginia under the administration of Governor Baliles. It set up a local, a regional board that consists of members from the seven counties: Three boards of supervisors that produce the most revenue to the authority, five businessmen, two regional directors, a total of 13, and it gives a wide board for the seven county area.

We are approaching to attract industry in a regional area and we have been very successful. We are funded by a quarter of 1 percent of coal severance tax that comes from the production of coal in the seven county area. This brings us in roughly \$3 million a year to use along with ARC and other State funds in a partnership to attract industry into the area.

Our approach has been into marketing and also development of industrial parks. We have created two regional parks in the region to take care of the seven county areas. One of the regional parks that I mentioned in my written remarks is already—it started in 1969. We have already created over 1,400 jobs in that park. It has brought in some \$50 million in funds into the private area, along with the funds we have used from ARC and local funds to develop the infrastructure in these two parks.

The other park we only created in 1989. It is in the eastern region of the seven county area, in Lebanon, Virginia, and it has only been active for three years and we have already got approximately 700 jobs into that area. So you can see we are using ARC funds along with local funds and State funds to help the economy in the area.

Those two regional parks are just a few of the things that we feel we have accomplished in the area. We have attracted a furniture factory employing 250 people now. We have entered into an agreement through our local revolving loan fund to double the size of the factory, which is almost complete, and it will increase the employment to roughly 500 people.

We let a unique contract with AT&T. We are one of the few regional impaired hearing operator centers. We are operating it for the whole Commonwealth of Virginia alone and do weekend work for three other States, which I think Kentucky is one of the States I think we service on the impaired hearing center. This employs right now close to 200 people.

We are constantly working to attract industry to improve the area, and we are making a difference in the area, we feel. And with the help of the Commonwealth of Virginia and ARC, we will restore the economic viability of the area and improve the quality of life of the people of southwest Virginia. We feel we are making a difference.

I thank you very much for allowing us to speak on behalf of ARC today, and if you have any questions I will be glad to answer them. Thank you.

Mr. WISE. Thank you very much, Mr. Robinson. I greatly appreciate your testimony.

Let me just ask a brief question of Commissioner VanKirk. In the construction of an ARC highway, are you complying fully with the Department of Transportation procedures for constructing highways and all the environmental regulations, DOT regulations, and all that must be complied with in a normal Federal Highway Administration project.

Mr. VANKIRK. Absolutely. The development highway system under ARC is administered through the Federal Highway Administration. We follow all of the guidelines and regulations that apply to any highway in the United States.

Mr. WISE. Is there a matching requirement for the State?

Mr. VANKIRK. Currently, the matching on all highway programs is 80-20; 20 percent matching on behalf of any State.

Mr. WISE. So an ARC State building or constructing an ARC highway must meet the same match as it would for any other highway of the Federal Government?

Mr. VANKIRK. Absolutely.

Mr. WISE. Mr. Boehlert.

Mr. BOEHLERT. Thank you, Mr. Chairman. I want to thank all the witnesses for their excellent testimony, and I want you to know I am one Republican who fought all the way during the Republican years when they tried to eliminate funding for ARC because I think it is a very good program.

And as you observed, Mr. Chairman, in your comments, our people like to live where they are. They want the opportunity where they are because of the quality of life, if they can earn their way.

And Kay Adams, thank you so much for the great work you are doing. Talking about telecommunication infrastructure of America, that is a great unmet need and we are leading the way in this development in New York and I thank you for what you are doing.

Mr. Robinson, you are driving me crazy. I can't name the seven State capitals that you are closest to. Would you help me out?

Mr. ROBINSON. Well, we will start off with West Virginia.

Mr. BOEHLERT. Got that.

Mr. ROBINSON. Ohio.

Mr. BOEHLERT. Got that.

Mr. ROBINSON. Tennessee.

Mr. BOEHLERT. Got that. Kentucky.

Mr. ROBINSON. Georgia.

Mr. BOEHLERT. Georgia.

Mr. ROBINSON. We are closer to Atlanta than we are Richmond.

Mr. BOEHLERT. That is the one I had trouble with. All right.

Mr. WISE. Will the gentleman yield on just that point?

Mr. BOEHLERT. Sure.

Mr. WISE. Because if I had my way, of course, back in the recent unpleasantness of the 1860s, the line would have been drawn a little different and you would have been where you should have been, with the capital in Charleston.

Mr. ROBINSON. Mr. Chairman, my ancestors came from that section that is now West Virginia.

Mr. BOEHLERT. Yes, West Virginia was formed because you were with the good guys; right?

Mr. WISE. Well, we won't get into that history.

Mr. BOEHLERT. We are talking about the unpleasantness of the 1860s. Isn't that really the reason why Virginia was partitioned?

Mr. WISE. It was where Abraham Lincoln drew the line, and he did not see the wisdom of keeping Wise County where it should have been; that is correct. It may also have been the place where somebody stopped the treaty, I am not sure.

Mr. BOEHLERT. Ms. Gayheart, your testimony was heart wrenching, because it is a story that exists and we don't like to accept the fact of the high rate of unemployment and youngsters leaving and never wanting to come back.

If you were prioritizing, obviously you would like us to approve more money for ARC, I can understand that, but if you had your wish list, the top couple of priorities for funding in your area for next year, what would those two items be?

Ms. GAYHEART. I think I can speak on behalf of the citizens that worked with us this past year, jobs, leadership development and that surprised me. I am pleased that people understand the need for good leadership and are going to demand that.

Mr. BOEHLERT. But if you were to submit applications to ARC for funding projects, what would the two projects be if you had your top two priorities, you don't submit an application for jobs broad category.

Ms. GAYHEART. Probably a telecommunications system would be one, which would create jobs.

Mr. BOEHLERT. So you identify with Ms. Adams' testimony.

Ms. GAYHEART. Oh, yes. We are working now trying to develop a telecommunications system. Also, jobs. Some type of job development in the wood industry. We see that as a potential. We would probably do solid waste. Those would be the three I would go for.

Mr. BOEHLERT. Okay.

As I look at what we have had, Kay, the last year in New York, one, it was not a heck of a lot of money. Of course, there was not a heck of a lot of money to go around, and most people are surprised when you talk about New York being ARC, they don't think we could identify with ARC problems, but we do.

If I asked you the same question about your top priorities, what would the top two be for you?

Ms. ADAMS. Well, I would have to say telecommunications again. We believe that we have made inroads in our other infrastructure and that telecommunications are now a real basic infrastructure need and is one of the lacking in our rural area. As I indicated, out of our 10 counties there is only a single county that has ISDN software.

Mr. BOEHLERT. Tompkins County.

Ms. ADAMS. Tompkins County because of the supercomputer. If Cornell was not located in Tompkins County, we would not have that.

And thank you very much for the supercomputer, I appreciate that. Trust me, I am not complaining. I just meant that in my region we do not have that capability. So I think telecommunications would be my first.

I would promote very much the health care networking that is going on and I see that as another basic need for our area, that must continue to develop. We have been supporting the development of these networks and working together with the doctors of the rural community hospitals. Bassett is one of the hospitals that is considering the establishment of a telecommunication network.

Mr. BOEHLERT. The Bassett Hospital is magnificent.

Ms. ADAMS. They are an applicant for ARC funding right now to become a networking facility. I am very interested in seeing that expansion take place.

Again, I feel that we can never have enough of the funding for sewer or the hazardous waste problems. ARC funding remains key in that direction also.

Mr. BOEHLERT. Thank you very much. Thank you, Mr. Chairman.

Mr. WISE. I thank you, and I would like to just state to Ms. Adams and to all those that Mr. Boehlert is a tireless Representative on behalf of the ARC. What I appreciate about him is not only his work in Congress but also his previous work. He knows not only about the ARC and the EDA but he knows how to make them work. I'm looking forward to working with you as we move towards authorization.

The gentleman from Georgia is also new on the committee but I am happy to say a great advocate for the ARC as well.

Mr. DEAL. Thank you, Mr. Chairman. I would just like to express my appreciation to all the members of the panel, and especially to Mr. Whitener from my district, who has brought to light some of the human elements of trying to get people who are in a district that need more job opportunities, and I appreciate all of your being here today. Thank you.

Mr. WISE. Thank you. And the gentleman from Florida, Mr. Mica.

Mr. MICA. Thank you, Mr. Chairman. I am also new on the committee and not that familiar with the ARC, but I am going to take a half day during the recess, July 5th and visit Ms. Adams in Endicott, New York, and see what she is doing during the recess. So I will be able to report back to the committee on what I find. She didn't know that but—

Ms. ADAMS. No, but I welcome it.

Mr. MICA. She will have a visitor that week.

Ms. ADAMS. Would love to have you. Thank you.

Mr. WISE. We look forward to that report. I would ask Congressman Boehlert whether you will stamp his visa?

One time I had a Member tell me I was permitted in the District but to be out by sundown.

Now, with Mr. Mica, we do look forward to that, because I think what she is talking about is important and significant for many regions of our country.

Mr. Franks.

Mr. FRANKS. Mr. Chairman, as a new member, it was an enlightening discussion for me. Thank you very much.

Mr. WISE. Thank you for your attendance.

I want to thank all the witnesses. Since I had my editorial comment earlier, following Ms. Gayheart's remarks, I will refrain except to say I want to thank you for testifying to a broad range of what the ARC does. I am struck by the fact that many of you in your own ways have mentioned telecommunications. What I think that does is to reflect the changes that the entire Appalachian region is going through and, indeed, that the ARC needs to keep up with those as well.

The indication is, whether it is telecommunications or solid waste disposal or whatever it is, that the ARC is meeting those needs but there are some things that can be done in the authorizing legislation to assist that and promote it. Certainly in my region of the country, telecommunications has become essential with the advent of fiber-optic cable and the decision made to make West Virginia one of the most wired for fiber optic in the country. We are beginning to see some benefits come from that. That is something that brings hope to those areas that have seen the decline in employment from traditional industries.

At any rate, I want to thank you. The subcommittee will be moving forward on authorizing language. We will be working on that this summer, and I would greatly welcome your thoughts that you may have at any time, either through contacting your Representatives that are represented here or simply contacting the subcommittee directly if you don't have someone who is on the subcommittee. But each of you has a wealth of experience and we appreciate your sharing it with us.

If there are no further comments, then I declare the hearing adjourned.

[Whereupon, at 12:10 p.m., the subcommittee was adjourned.]

PREPARED STATEMENTS SUBMITTED
BY WITNESSES

House of Public Works Committee
Subcommittee on Economic Development
Room 2167
Rayburn House Office Building
Washington, D.C.

June 22, 1993
10:00 AM

Reauthorization of the
Appalachian Regional Commission

Testimony of E. K. Adams
Executive Director
University Industry Public Partnership for Economic Growth (UNIPEG)
1310 North Street
Endicott, NY 13760

June 17, 1993

House Public Works Committee
Subcommittee on Economic Development

Honorable Members,

It is with great enthusiasm that we provide this testimony addressing the re-authorization of the Appalachian Regional Commission (ARC) program.

As an example, this program has provided over \$48 million to 392 projects over the past 27 years from one local delivery agency called the Southern Tier East Regional Planning Board covering eight (8) rural counties in the Southern Tier of New York.

The ARC program has proven the effectiveness of providing federal funds for the support of local economic development initiatives year after year. \$5 million of the \$48 million was targeted for industrial infrastructure programs. As a direct result, this \$5 million leveraged \$25 million in local funds and effected 3,700 jobs - a five to one leverage on federal dollars or a cost of \$1,430 per job. We are very grateful for these funds and the resulting jobs.

During the 80's, as the industries began to globally expand, the local marketplace became one of fierce competition for scarce resources. At the same time, the definition of vital infrastructure needed to support industrial activity was expanded beyond the 60's view of water, sewer, road and electricity to include telecommunications. This expansion has moved forward until, now, telecommunication is viewed as the vital infrastructure of the 90's. The past thinking of economic development was water, sewer, and electric only. Telecommunications was always provided so was thought of as pre-1982 divestiture. De-regulated competition was not recognized and the fast changing technology was not recognized until recently - now, changes are beginning.

As Governor Jones indicated in his earlier testimony, ARC funds are a way for regions to work themselves out of poverty and provide these areas with the tools to become economically stable. We believe that local selection of programs to use ARC funds is a key part of the success of this program.

In recognition of this new paradigm, the STERP organization boldly stepped forward and financially supported the development of a Regional Telecommunication Plan using \$56K of ARC funds. This project is a shining example of the "high use" value ARC funds supplies to the economic development environment in our region. This planning study was completed by the Northeast Networking consulting group and, using a five (5) month process of sixty (60) face to face interviews, over twenty (20) focus group sessions and semi-weekly task force meetings across ten (10) counties over a period of six (6) months, our Regional Telecommunications Plan was developed.

This strategy was identified as a way to provide needed planning for the development of the telecommunication structure we believe is needed to provide rural counties with equal economic development opportunities.

This study was undertaken to plan a comprehensive telecommunication strategy for the Southern Tier of New York and the results identify the following network proposal. Nine (9) regional hubs are proposed to interconnect community networks and support network traffic between hubs. Fifteen (15) rural access points connect networks within communities and connect community networks to the regional backbone. Community networks connect hospitals, schools, government agencies, and businesses locally and also provide access to the regional hub by means of the closest rural access point. All of these services can be supplied by a variety of carriers. We refrained from defining carriers on purpose!

As indicated, this planning study provides a road map for an open structure of various networks, all capable of supplying the badly needed telecommunications system to our rural region. Today's system provides basic two wire telephone access to everyone but a very few residential customers. During the 60's, this two wire service was adequate to fill the needs for our

industrial companies, but now that is not true.

The services required to do business in today's global marketplace must be flexible, easy to access, complex, high-speed, data networks. These ties are not available to more than 10% of the 900 industrial companies in our Southern Tier telecommunication system of today and to only 5% of the residential homes. In specific, only one county, out of our ten county region, has a telecommunication switch that has ISDN software. This brings up the question of "When will these services be available, who should supply these services, and how can they be made available to all users?"

Our planning study is a good road map filled with possibilities and suggested solutions but, frankly, the funds for the implementation of these programs are not available. The various voice only telecommunication, cable TV, or private network developers responsible for developing such networks are currently not willing to invest the funds required to develop these networks in our rural region.

The telecommunication need is there but the expansion of this infrastructure will not occur in the near future without financial investment. In addition, the lack of this infrastructure continues to hinder the economic growth possibilities in our rural region.

On a statewide basis, New York has established a "Telecommunications Exchange" that is looking at key telecommunication issues effecting the economic growth of New York and seeking solutions for these issues. A working draft of proposals under consideration by this exchange was discussed at a full day seminar June 17, 1993. The overview supplied here identified five (5) major areas for study:

1) **TELECOMMUNICATIONS - BASED INDUSTRY**

Business User Needs

Draft ISDN Recommendation

The Telecommunications-Economic Development Link

Economic Impacts of Regulatory and Tax Policies

2) TECHNOLOGY DIFFUSION

- Vision/Basic Goals
- Quality of Life
- Social Equity and Access
- Technology Diffusion

3) Infrastructure Technology and Investment

- Relation to Federal Policies
- Consensus on Network of Networks, Importance of Interconnection & Interoperability Standards
- Customer Premise Equipment
- Infrastructure and Investment Objectives
- Market (Demand) Driven and Policy (Supply) Driven Infrastructure Approaches

4) Regulatory Options

- Telecommunications Market Framework
- Basic and Universal Service/Access
- Unified Regulatory Process, Structures and Standards
- Tax Issues

5) Public Sector Applications

- Vision
- "Public Sector" Definition and Strategy for Inclusion
- Interconnectivity and Interoperability
- Network Modernization Incentives
- Relation to Public Networks/Investment Leverage/Economic

Although the exchange is only 50% completed with their study, as a member of the supporting Task Force group, the need for telecommunication infrastructure development has been clearly identified. It is a hope that future programs will become available to support the development of this telecommunication infrastructure but, until that occurs, the un-met need exists, which brings us back to why we believe ARC funding is important.

ARC funding can supply the same type of support for telecommunication needs that they have provided for other infrastructure in the past. We believe the need is there.

As part of a solution for addressing that need, it is my hope that ARC will continue to provide their funds to help solve these needs. ARC support is vital and the path for moving forward

towards a universal solution to this problem is unclear. Most certainly, great states, industries, universities, and private groups are all working on finding a solution, but nothing appears to be simple or fast. As long as this problem exists, the need for ARC support will exist. The hurdle of developing a flexible telecommunication network that will supply universal access to all appears as large as the past need for electrifying the United States. But, this time we begin with one of the best telecommunication infrastructure bases in the world today; we just need to make that jump toward universal access for all. The ARC region deserves equal opportunities. The ARC program is one way to help achieve these needed changes.

I would like to submit, at a later time frame, a copy of supporting documentation on one of the existing programs that is successfully operating in Athens, Ohio concerning Flexible Manufacturing Networks.

Thank you for your time and for allowing me to address you today.

**Southern Tier East
Regional Planning Board
(Summary)**

ARC IN THE SOUTHERN TIER EAST REGION OF NEW YORK STATE

For over twenty-five years, the Appalachian Regional Commission (ARC) has been a critical provider of development assistance throughout the fourteen Appalachian counties along the Southern Tier of New York State. ARC assistance is administered in this area through the oversight of the Governor of the State of New York and the New York State Department of State. In addition, the fourteen counties in the Southern Tier are divided into three regional planning areas (Southern Tier East, Southern Tier Central and Southern Tier West) governed by Regional Planning Boards formed under the New York State General Municipal Law. These Regional Boards are comprised of elected and citizen representatives from each of the counties served by the Boards. These Regions were designated by New York State and the Appalachian Regional Commission as Local Development Districts to provide the grassroots planning and priority setting which were deemed to be essential for the ARC investment process.

The following comments focus on ARC investments in the Southern Tier East Region and in particular, on investments directly affecting economic development. The comments are meant to be illustrative only.

Background Geography - Southern Tier East Region

The Southern Tier East Region or Local Development District (LDD) is comprised of eight counties: Broome, Chenango, Cortland, Delaware, Otsego, Schoharie, Tioga and Tompkins. This area encompasses almost 6,200 square miles and includes 5 cities, 130 towns, 57 villages and 71 school districts. The 1990 population for the Region was 598,926. With the exception of the urbanized area in Broome County, the Region is predominantly rural. The Region is blessed with cultural and physical diversity ranging from the Finger Lakes area in the west to the Catskill area in the east.

ARC INVESTMENTS

According to the New York State Appalachian Development Plan 1991 - 1994, prepared by the New York State Department of State, ARC - during the period from 1966 to 1990 - invested \$48,753,643 in 392 Area Development Projects in the Southern Tier East Region of New York State. This funding provided badly needed assistance for implementing physical infrastructure improvements - often tied to economic development initiatives (e.g., water and sewer extensions to industrial sites), enterprise development (e.g., business incubators), job-training, basic skills, employer-supported day care and other child development activities and rural health care. Additional investments have been made over the past few years. Given the history of ARC investment in the Region and the extent of those investments affecting communities across the Region, it is those investments affecting communities across the Region, it is probably safe to say that today there are few people or areas in this region which have not been impacted in some way by the ARC program.

Examples of the kinds of investments made by ARC affecting economic development over the years in this Region include:

Tioga County Farm Infrastructure (1986) - ARC supported water and sewer extensions to an industrial site north of the Village of Owego in Tioga County. The \$2,000,000 financing package, which included assistance from economic Development Administration and the New York State Regional Economic Development Partnership Program allowed the development of a major electronics assembly operation creating between 300 to 400 new jobs.

South Central Livestock Program (1981-84) - Multi-year funding to the South Central New York Resource Conservation and Development Council (RC&D) to implement a regionwide demonstration program for promoting quality beef and sheep production through more efficient grassland management. This project exemplifies the broad public-private partnership approach to project development and implementation encouraged by ARC. In addition to ARC, this project involved the participation of the U.S. Department of Agriculture, The NYS Department of Agriculture and Markets, Heifer Project International Farmers and rural resident producers and local agribusinesses. The program began with a small number of participating producers scattered over an eight county area and now numbers 1,100 producers over an eleven county area served by the RC & D.

Broome Industrial Incubator (1978) - one of the nation's first industrial incubators, this project received \$100,000 in ARC assistance matched with over \$4.5 million in other funding. As of 1991, the facility was still operating successfully with five tenants employing 36 people. A total of 15 firms employing 650 people had graduated successfully, since the facility began operations in 1979.

Other Industrial Development Projects - ARC has a long history in the Region of supporting infrastructure improvements, access roads, site development and so forth in support of industrial development projects leading to the direct creation and/or retention of private sector employment. Attached to this statement is a summary listing of ARC Assisted Industrial Development Projects funded by ARC in the Southern Tier East Region through 1989. As the list reveals, twenty-five projects received a total of \$5,282,488 in ARC assistance. Each dollar of ARC assistance on these projects levered almost 5 dollars in other funding. In addition, employment associated with these projects as of 1991 was almost 3,700, resulting in an ARC Per Job Cost figure of just \$1,430!

Strategic Telecommunications Initiative (1992) - This is a recently funded effort in which ARC has provided a grant of \$56,000 for the development of a strategic telecommunications plan aimed at addressing the economic development, health, education and governmental needs in the eleven county Southern Tier East and Southern Tier Central Regions of Appalachian New York. This project funding by ARC is a prime example of the unique role ARC has played and continues to play in offering a source of assistance to support new initiatives and technologies. Similar to ARC support in recent years of elder care, the funding of this project by ARC recognizes the timeless and immediacy of need with regard to the rapidly expanding field of telecommunications and its critical relevance for future development. As with most ARC assisted efforts, this project has focussed on building regional support and consensus from the ground up. Local focus groups comprised of representatives from industry, healthcare, education, small business, agriculture and government have played a vital role in identifying local area needs. In addition, a regional committee was established to provide overall direction

for the development of a regional strategic plan.

Local Development District Planning (ongoing) - in addition to funding specific projects, ARC also provides planning grant support to the Southern Tier East Regional Planning Development Board as a Local Development District for the ARC Program. This assistance, matched by member county contributions, helps to maintain a professional staff to provide direct planning and project development assistance to communities and organizations throughout the eight county region. The District annually updates its Appalachian Development Plan and coordinates this regional planning effort with other local, state and regional development programs. Since the late 1970's, the Regional Board has had an Economic Advisory Committee comprised of representatives from other state, local and regional economic development agencies or organizations. Such organizations as the New York State Department of Economic Development, county industrial development agencies, UNIPPEG - the Southern Tier's regionally designated Industrial Technology Council, and others actively participate on the committee. These individuals provide direct input to the development of the Region's economic development goals and objectives and assist in setting annual priorities for projects seeking ARC assistance.

CONCLUDING COMMENTS

ARC has been a driving force ^{for} much of the development in this Region for over 25 years. Today, there are rural health clinics, home health care programs, child care programs, educational and cultural facilities, industrial parks and many other developments across this region which owe their existence to ARC assistance. As some of the information presented here testifies, literally thousands of jobs have been impacted in this Region alone by ARC investments and at very low cost. ARC seems unique among government programs for a variety of reasons, including:

- Its reliance on state and local priority setting.
- Its encouragement of grassroots planning and involvement in the development process.
- Its recognition that human development and economic development are not mutually exclusive concepts.
- Its willingness to support innovative and exploratory approaches to social (e.g., employer supported day care and elder care) and economic issues and problems (e.g., telecommunications, technology transfer).
- Its support and encouragement of strategic development planning within a regional context, involving the cooperative participation of federal, state, local, public and private entities.
- Its commitment to leveraging other resources for more cost effective project development.

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02/14/91SOUTHERN TIER EAST REGION
ARC ASSISTED INDUSTRIAL DEVELOPMENT PROJECTS

[A42:INDUSTRY.DBF,INDUSTRY.FRM]

YEAR	PROJECT	LOCATION	ARC FUNDS	TOTAL FUNDS	TOTAL JOBS AFFECTED
1977	KIRKWOOD INDUSTRIAL PARK DEVELOPMENT	T. OF KIRKWOOD (BROOME)	135000	492388	546
1978	BROOME INDUSTRIAL INCUBATOR	V. JOHNSON CITY (BROOME)	100000	4547185	36
1981	TOWN OF KIRKWOOD INDUSTRIAL WATER SUPPLY	T. KIRKWOOD (BROOME)	414667	622000	0
1981	DEPOSIT INDUSTRIAL BLDG. PROJECT	V. DEPOSIT (BROOME)	167000	211309	32
1984	BROOME COUNTY IDA (CORPORATE PARK DEV)	T. CONKLIN (BROOME)	372690	3800000	607
1985	LIBERTY ST. RAILYARD INDUSTRIAL SITE	C. BINGHAMTON (BROOME)	180000	360000	140
1985	DEPOSIT INDUSTRIAL WATER	V. DEPOSIT (BROOME)	166320	332640	110
1986	DEPOSIT SANITARY SEWER	V. DEPOSIT (BROOME)	150000	407000	20
1989	BINGHAMTON (D & H) RAIL LAND ACQUISITION	C. BINGHAMTON (BROOME)	142800	285600	0
1989	CHENANGO AIRPORT INDUST. PARK INCUBATOR	T. NORTH NORWICH (CHENANGO)	150000	600000	7
1979	WICKWIRE (NOSS) INDUSTRIAL PARK	C. CORTLAND (CORTLAND)	286000	387114	85
1985	PORT WATSON IND. PARK (Essex Steel Site)	C. CORTLAND (CORTLAND)	318265	676865	79
1977	SIDNEY AIRPORT INDUSTRIAL PARK	V. SIDNEY (DELAWARE)	438120	647650	114
1979	HOBART INDUSTRIAL PARK - PHASE 2	V. HOBART (DELAWARE)	109428	153922	177

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02/14/91

SOUTHERN TIER EAST REGION
ARC ASSISTED INDUSTRIAL DEVELOPMENT PROJECTS

[A42: INUSTRY.DBF, INUSTRY.FRM]

YEAR	PROJECT	LOCATION	ARC FUNDS	TOTAL FUNDS	TOTAL JOBS AFFECTED
1979	WALTON INDUSTRIAL PARK	V. WALTON (DELAWARE)	145668	222706	6
1989	HOBART WASTEWATER SYSTEM	V. HOBART (DELAWARE)	150000	2097000	177
1981	PONY FARM INDUSTRIAL PARK	T. ONEONTA (OTSEGO)	313750	1206782	294
1983	SCHOHARIE COUNTY INDUST. SITE DEVELOP.	V. COBLESKILL (SCHOHARIE)	34874	1790000	400
1987	CEMENT PLANT SITE IMPROVEMENTS	T. COBLESKILL (SCHOHARIE)	100000	202200	54
1987	TIOGA COUNTY FARM PROJECT	T. OWEGO (TIOGA)	150000	2000000	480
1986	WAVERLY WATER & SEWER (EXPRESSWAY I. P.)	T. BARTON (TIOGA)	107500	332000	80
1976	TOMPKINS COUNTY INDUST. PARK WATER	T. LANSING (TOMPKINS)	394000	684950	0
1979	CHERRY ST. INDUSTRIAL PARK	C. ITHACA (TOMPKINS)	394000	684950	111
1981	AIRPORT INDUSTRIAL PARK WATER	T. LANSING (TOMPKINS)	337283	2299783	110
1986	INCUBATOR BLDG. IMPROVEMENTS	T. LANSING (TOMPKINS)	25126	49753	60
*** Total ***			5282488	24993797	3695

Southern Tier

Telecommunication Planning Study



STRATEGIC
TELECOMMUNICATIONS
INITIATIVE

Prepared for the New York State
Southern Tier East Regional Planning Development Board and the
Southern Tier Central Regional Planning and Development Board

APRIL 1993

**NORTHEAST
NETWORKING**
311 Exchange Avenue
Endicott, New York 13760
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STRATEGIC TELECOMMUNICATIONS INITIATIVE**Executive Summary**

The Strategic Telecommunications Initiative (STI) is a plan to design and implement a comprehensive telecommunication strategy for the Southern Tier of New York.

Specifically, the STI objectives are to design a telecommunication network and articulate an implementation strategy addressing the economic development, health care, educational, and governmental needs in the region.

The goals are to increase productivity and cost efficiencies, improve the quality of public services, and stimulate economic growth.

The economic development strategy of attracting new business and industry has often failed in the past because companies were not given the proper inducement to relocate, or stay. Correct incentives include a properly skilled workforce, training/retraining opportunities for workers, and an existing telecommunication infrastructure to support quick and easy information access and exchange.

Research supports the contention that an enhanced telecommunication capability by itself does not promote rural economic development. Such an initiative can only be successful if the right issues are examined in the right context. The STI plan is a pragmatic approach to the design and implementation of a network in the Southern Tier.

Section I - Strategic Telecommunications Initiative explains the project background and the work of the coordinating committee and subregional focus groups. More than 130 individuals from the 11 counties, representing health care, education, business, government, and service providers, participated in six subregional focus group sessions and helped to formulate the general design requirements:

STRATEGIC TELECOMMUNICATIONS INITIATIVE

- Network capabilities
- Global access
- Training and technical support
- Accessibility
- Cost-effectiveness
- Reliability
- Security
- Ownership
- Growth
- Regional and local initiatives
- Universality

Section II - Telecommunication Technologies Today paints a picture of telecommunication technology trends, reports, national networks, and initiatives in other states. Information presented here focuses on what's happening in telecommunications and what other people are thinking and doing about it.

Section III - Conceptual Network Design gets to the heart of the matter by identifying key components of the design.

Nine regional hubs are proposed to interconnect community networks and support network traffic between hubs. Fifteen rural access points connect networks within communities and connect community networks to the regional backbone. Community networks connect hospitals, schools, government agencies, and businesses locally and also provide access to the regional hub by means of the closest rural access point.

Section IV - Implementation Strategy documents the systematic approach used to develop the implementation plan. Based on information from the project coordinating committee, the subregional focus groups, other networks and initiatives, interviews, and research, the overall strategy is presented in three steps: key findings, issues and strategies, and the implementation plan itself.

Key findings and strategies appear on the following pages.

STRATEGIC TELECOMMUNICATIONS INITIATIVE**Key Findings**

- *Local community involvement is a critical component of successful implementation.*
- *For the most part, people are unaware of the potentials of communication technologies.*
- *Applications must be defined more specifically.*
- *Many telecommunication networks and initiatives already exist.*
- *Real and perceived regulatory restraints have impeded creativity.*
- *A considerable amount of telecommunication infrastructure is in place today in the 11-county region.*
- *There is no shortcut to implementing a strategic telecommunications plan in the Southern Tier.*
- *There is no focal point or coordinating entity here (or elsewhere in the state) that can carry out a strategic plan for the Southern Tier.*
- *Interest in expanding telecommunications in the Southern Tier continues to grow.*

STRATEGIC TELECOMMUNICATIONS INITIATIVE**Implementation Strategies**

- *The development of compatible, common-access points and clusters of users on community networks should provide incentives for informed implementation efforts.*
- *The overall role of local, state, and federal governments should be one of leadership and coordination.*
- *Existing and planned private-sector infrastructure investments should not be jeopardized by public construction and ownership of a network in the Southern Tier. Telephone and television cable companies should play prominent roles in ownership and operation.*
- *Telecommunication initiatives should be encouraged and supported as long as they are consistent with the STI overall design strategy.*
- *Network engineering of the regional hubs and rural access points should be developed by a design team composed of representatives from the telephone industry, cable TV industry, government, education, health care, and business. Such participation in the design will help to establish standards and protocols both for users and service providers.*
- *Close coordination with the Telecommunications Exchange and major existing networks, such as Empire Net, SUNYNet, TNT, and NYSErNet, helps to ensure that the Southern Tier will be able to support connections to the major networks.*
- *Once user needs, applications, and engineering specifications are defined more clearly, effort must be made to seek regulatory relief in areas of conflict and to create a testbed that will drive regulatory change statewide.*
- *The currently established regional coordinating committee should continue the initiative and provide overall direction.*

STRATEGIC TELECOMMUNICATIONS INITIATIVE

- *The coverage area of the plan should be expanded to include all of the Appalachian counties of New York State.*
- *Tier Information and Enterprise Resources, Incorporated (TIER, Inc.) can serve as a coordinating mechanism for the regional planning boards and also for identifying and helping to secure funding sources.*
- *An STI project coordinator should be assigned responsibility for coordinating initial and ongoing local and regional effort, in consonance with the overall plan.*
- *The non-profit Schoharie County Public, Educational, and Governmental Access Corporation (SCHOPEG Access, Inc.) could be expanded to serve as an implementation committee for a community network in Schoharie County.*
- *Funding is necessary for overall coordination, education, awareness, network engineering, and the implementation of a community network. The plan must receive appropriate endorsements from the Telecom Exchange, the Public Services Commission, cable TV companies, telephone companies, government agencies, elected public officials, as well as large and small businesses, health-care providers, and educational institutions.*

**New York State
Telecommunication Exchange
(Overview)**

STATE OF NEW YORK
Mario M. Cuomo, Governor

Office of Economic Development
Vincent Testa, Director



Department of Public Service
Peter A. Bradford, Chairman

Telecommunications Exchange
Division of Policy and Research
One Commerce Plaza
Albany, New York 12246
518 473-4888 Fax: 518 473-9748

John J. Phelan, Jr.
Chairman

Jay R. Yablon
Director

WORKING DRAFT OF PROPOSALS UNDER CONSIDERATION BY
THE TELECOMMUNICATIONS EXCHANGE,
FOR DISCUSSION AT THE GOVERNOR'S
TELECOMMUNICATIONS CONFERENCE

prepared by

Telecommunications Exchange Staff

June 1, 1993

Notice

This working draft paper was prepared by the staff of the Telecommunications Exchange in consultation with the Exchange membership. It is intended solely to provide background information for participants at the Governor's Telecommunications Conference as they examine telecommunications policy options, and to provide a point of departure for fruitful discussion. Staff assumes full responsibility for any errors or inaccuracies.

DRAFT — FOR GOVERNOR'S
TELECOMMUNICATIONS CONFERENCE USE ONLY

OVERVIEW

PURPOSE OF THIS PAPER

The purpose of this draft staff working paper is to:

- highlight key priority issues and areas of discussion on which the various Telecommunications Exchange task forces have focused their efforts to date,
- provide a basis for discussion at the Governor's Telecommunications Conference.

This paper being distributed to all Governor's Conference participants prior to the conference, to enhance input and discussion at the conference. Additional materials will be made available at the conference.

OUTLINE OF THIS PAPER

The present section of this paper provides an introduction to the Telecommunications Exchange and the critical policy concerns which led the Governor to the formation of the Exchange, and outlines the purposes and objectives of the June 16-17 Governor's Conference on Telecommunications.

The following section summarizes highlights and key issues emerging from the task force work to date. In particular, since each task force has in fact given highest priority to and made the most progress to date on a key subset of these issues, this section attempts to outline and highlight these key issues on which the various task forces have focused most directly in their preliminary deliberations through June, 1993.

Finally, the concluding section outlines the various projects in progress and papers under development by the various task forces.

THE GOVERNOR'S TELECOMMUNICATIONS EXCHANGE

Advanced telecommunications technology will have an impact on the next generation that will likely be as fundamental and profound as the impacts which transportation, telephones, computers, and electric power have had on previous generations. The impacts of this emerging technology will touch virtually every aspect of how we live and work.

To ensure that New York is in position to seize the economic and human opportunities presented by this fundamentally transforming and empowering technology, Governor Mario M. Cuomo established the Telecommunications Exchange to bring policymakers together with industry, users, and other interested groups to develop and recommend a comprehensive state policy and strategy for telecommunications.

The mission of the Telecommunications Exchange is to develop and gain acceptance of a Statewide, comprehensive telecommunications policy to fully exploit all opportunities that may be created by new telecommunications technologies — while assuring the availability of high quality telecommunications services to all of the State's citizens at affordable prices.

As part of this mission, the Exchange is exploring ways in which advanced telecommunications can be employed to strengthen New York's competitive position in the global economy and foster economic development, and to enhance the quality of life and expand opportunity for all New Yorkers. The Exchange will present its findings and recommendations to the Governor in a written report, by the end of 1993.

To facilitate development of its work product, the Exchange has been established with five task forces working in the following areas:

- Telecommunications-Based and Related Industry
- Technology Diffusion
- Infrastructure, Technology and Investment
- Regulatory Options
- Public Sector Applications

The Exchange is exploring how New York can utilize telecommunications as an instrument to help address some of the today's most fundamental public policy issues, such as:

- Building and maintaining a leading position in the global economy by identifying key businesses and industries in New York that rely upon communications to compete and ensuring that the capability to meet their evolving needs is in place.
- Strengthening the competitive position of large and small manufacturing and service firms, by providing a telecommunication infrastructure with the most advanced capabilities possible, and by assisting these firms in the application and use of this infrastructure.
- Enhancing the capability of New York's entrepreneurs and academic institutions for leading-edge research and development by ensuring access to and compatibility with evolving networks and standards such as the National Research and Education Network (NREN).
- Fostering more and better jobs by identifying likely impacts of telecommunications on the workforce and pinpointing new opportunities for technical workers in technology deployment.
- Helping people acquire the education and skills to work productively in the information economy and become better citizens by encouraging distance learning and other forms of instruction that can reach wider audiences.

- o Expanding opportunity by providing better access to emerging information technologies which allow participation in the economic and social mainstream.
- o Providing better health care at lower cost by encouraging such approaches as remote diagnostics and enhanced home health care delivery.
- o Alleviating transportation congestion and environmental impact by encouraging substitution of the movement of images and information for the movement of people, and "smart" transportation systems.
- o Reducing the cost of government while simultaneously providing better services to taxpayers, by encouraging new ways of using telecommunications and information and possibly consolidating the delivery of multi-agency services to the consumers of these services.
- o Extending individual participation in the marketplace of Ideas and contributing to the enlightened functioning of the democratic process by fostering new ways for people to communicate and exchange information.

Issues which the Exchange is addressing to help achieve these goals include:

- How to make optimal use of New York's vast array of information and communications resources, such as telephone companies, cable television companies, wireless service providers, alternative network providers, information providers including publishers, and others, to ensure that New York retains a premier role in the emerging information marketplace.
- How to define or redefine basic / universal service in light of changing technologies and changing conceptions of the level of access to information that is necessary for mainstream participation in the society and economy.
- Appropriate roles for market-driven and infrastructure-driven approaches to the development and deployment of advanced telecommunications.
- The role of the regulatory process in promoting economic development, educational, health care and other public policy goals, and in navigating through the transition to a more competitive telecommunications environment.
- Whether and how the public sector should and can leverage its huge purchasing power and investments in telecommunications and information technology and service to achieve various policy objectives, including appropriate enhancements to public networks.

STATEMENT

PRESENTED TO

**SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION**

FOR THE APPALACHIAN REGIONAL COMMISSION

TUESDAY, JUNE 22, 1993

**ROOM 2167 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D. C.**

BY

**LINDA G. GAYHEART
EXECUTIVE DIRECTOR**

**KENTUCKY RIVER AREA DEVELOPMENT DISTRICT
381 PERRY COUNTY PARK ROAD
HAZARD, KENTUCKY 41701**

PHONE: 606/436-3158

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GOOD MORNING

MY NAME IS LINDA GAYHEART AND I AM EXECUTIVE DIRECTOR OF THE KENTUCKY RIVER AREA DEVELOPMENT DISTRICT. OUR DISTRICT IS LOCATED IN SOUTHEASTERN KENTUCKY, WHICH IS THE HEART OF THE APPALACHIAN REGIONAL COMMISSION AREA.

I AM HERE TODAY REPRESENTING ONE OF THE MOST DEPRESSED AREAS OF OUR NATION. AS YOU WILL SEE FROM WHAT I HAVE TO SAY TODAY, WE HAVE MADE GREAT STRIDES, BUT WE HAVE FAR TO GO.

OUR AREA CONSISTS 2566 SQUARE MILES IN AN EIGHT COUNTIES, AND 123,495 INDIVIDUALS RESIDE IN OUR AREA. EVEN THOUGH OUR AREA HAS IMPROVED GREATLY IN THE PAST TWENTY YEARS, WE CONTINUE TO BE PLAGUED WITH MANY PROBLEMS. WE ARE AN AREA THAT IS LOSING ITS' PEOPLE. ACCORDING TO THE 1990 CENSUS, WE LOST 8% OF OUR POPULATION PRIMARILY DUE TO OUTMIGRATION. THE OFFICIAL POVERTY RATE FOR OUR AREA RANGES FROM 25 TO 48%, WITH AN AVERAGE PER CAPITA INCOME OF \$9,269, COMPARED TO THE KY RATE OF \$13,823 AND U.S. RATE OF \$17,591. ALL OF OUR COUNTIES ARE CLASSIFIED BY THE APPALACHIAN REGIONAL COMMISSION AS DISTRESSED.

BEING REALISTIC, I THINK IT IS FAIR TO SAY THAT OUR AREA MUST BE CONSIDERED HARD CORE APPALACHIA, LAGGING BEHIND THE REST OF THE NATION IN ALMOST ALL MEASURES OF QUALITY OF LIFE.

AS I STATED ABOVE, WE HAVE MADE GREAT STRIDES IN OUR AREA OVER THE LAST 20 YEARS. AND ARC HAS BEEN THE KEY FACTOR IN

THIS GROWTH. IT HAS BEEN THE GLUE THAT HAS HELD PROJECTS TOGETHER AND MADE THEM WORK. IT HAS GIVEN US THAT EDGE THAT WE HAD TO HAVE TO MAKE A PROJECT WORK. IT HAS ENABLED US TO LEVERAGE OTHER FUNDS NECESSARY TO PUT A PROJECT TOGETHER. IT HAS ENABLED US TO BUILD A FOUNDATION IN THE AREA OF BASIC COMMUNITY SERVICES ON WHICH WE NOW MUST FURTHER BUILD.

COAL INDUSTRY

HISTORICALLY, WE ARE A ONE INDUSTRY ECONOMY. COAL MINING HAS BEEN AND CONTINUES TO BE THE DOMINANT INDUSTRY IN THE AREA. THEREFORE, THE ECONOMY OF THE AREA HAS BEEN DIRECTLY RELATED TO THE BOOM AND BUST CYCLE OF THE COAL INDUSTRY. BUT, ACCORDING TO THE KY GEOLOGICAL SURVEY, WE HAVE ONLY ENOUGH COAL TO MINE FOR THE NEXT 20 YEARS. IN ADDITION, MAINLY DUE TO MECHANIZATION, EMPLOYMENT IN THE COAL INDUSTRY CONTINUES TO DECREASE. IN 1978, IT TOOK 18,670 MINERS TO PRODUCE 30 MILLION TONS OF COAL. IN 1990, IT TOOK 14,351 MINERS TO PRODUCE 45 MILLION TONS OF COAL.

WE HAVE FEWER THAN 800 MANUFACTURING JOBS IN THE AREA.

UNEMPLOYMENT

WITHIN THE EIGHT COUNTY AREA AT PRESENT, THE OFFICIAL UNEMPLOYMENT RATE IS 15 %. BUT, WE HAVE MANY INDIVIDUALS WHO ARE UNEMPLOYED, BUT ARE NOT LISTED IN THE OFFICIAL RATES BECAUSE THEY ARE WHAT WE CALL DISCOURAGED WORKERS, ARE NOT ACTIVELY SEEKING EMPLOYMENT. SO, WE FEEL THAT WE HAVE A TRUE UNEMPLOYMENT RATE OF 30% , AND IN SOME COUNTIES ,

UP TO 50%.

POPULATION LOSS

WITH OUR POPULATION LOSS, WE FEEL THAT WE ARE LOSING OUR BRIGHTEST AND BEST. WE ARE LOSING OUR YOUNG PEOPLE. AFTER THEY COMPLETE HIGH SCHOOL, THEY MOVE AWAY TO ATTEND COLLEGE OR TRAINING OR GET A JOB ELSEWHERE AND DO NOT RETURN.

DIVERSIFYING THE ECONOMY

SO, AS YOU CAN SEE, IT IS IMPERATIVE THAT WE DO SOMETHING ABOUT OUR JOB SITUATION IN THIS AREA---WE MUST FOCUS ON DIVERSIFYING THE ECONOMY AND CREATING JOBS FOR OUR PRESENT POPULATION AS WELL AS OUR FUTURE GENERATIONS.

BUT, THIS IS EXTREMELY DIFFICULT. IT IS DIFFICULT TO RECRUIT INDUSTRY IN---THERE IS NO ADVANTAGE FOR AN INDUSTRY TO COME TO HAZARD, KENTUCKY WHEN THEY CAN LOCATE IN AREAS CLOSER TO INTERSTATES AND AREAS WITH BETTER INFRASTRUCTURE.

EFFORTS ARE UNDERWAY IN THE AREA TO DO THIS, TARGETING ON TELECOMMUNICATIONS, THE WOOD INDUSTRY, DEVELOPMENT OF SMALL BUSINESSES, TOURISM AND RECRUITMENT OF INDUSTRY FROM OUTSIDE. PROGRAMS SUCH AS THE REVOLVING LOAN FUND THROUGH ARC ARE CRITICAL IN OUR AREA. WE MUST HAVE THIS EXTRA HELP AS WE TRY TO DEVELOP JOBS IN ORDER TO COMPETE WITH OTHER MORE DEVELOPED PARTS OF THE COUNTRY.

VOCATIONAL EDUCATION

TRAINING AND RETRAINING OF OUR WORK FORCE IS CRITICAL. ARC HAS PLAYED A SIGNIFICANT ROLE IN THE DEVELOPMENT OF

VOCATIONAL EDUCATION IN OUR AREA. BECAUSE OF ARC, WE NOW HAVE A VOCATIONAL TRAINING CENTER WITHIN A HALF HOUR'S DRIVE OF ALL OF THE RESIDENTS OF THE DISTRICT. ARC FUNDED 72% OF THE BUILDINGS AND EQUIPMENT FOR THESE FACILITIES. NOW, WITH THE HELP AND SUPPORT OF ARC, WE MUST DEAL WITH OUR "DISLOCATED WORKER", THE MEN AND WOMEN LAID OFF FROM THE COAL INDUSTRY.

AS WE TRY TO DIVERSIFY THE ECONOMY, WE MUST PREPARE OUR WORKFORCE FOR THESE JOBS.

WATER SYSTEMS

ARC HAS ASSISTED OUR MUNICIPALITIES IN CONSTRUCTING WATER PLANTS AND RUNNING WATER LINES. EACH OF OUR 12 MUNICIPALITIES NOW HAS A WATER TREATMENT PLANT AND PROVIDE WATER TO RESIDENTS WHO RESIDE IN AND NEAR THESE TOWNS. BUT, IN A RECENT STUDY IN KY, IT WAS POINTED OUT THAT 25 % OF THE POPULATION IN KENTUCKY WITHOUT TREATED WATER RESIDE IN OUR DISTRICT. THIS IS OVERWHELMING WHEN COMPARED TO THE FACT THAT LESS THAN 1% OF KY.'S POPULATION RESIDES HERE. OVER 65% OF THE RESIDENTS IN OUR AREA ARE NOT SERVED BY PUBLIC WATER AND SEWER SYSTEMS.

ROADS

ARC HAS BEEN RESPONSIBLE FOR GREAT STRIDES IN THE ROAD SYSTEM IN THE AREA. A LARGE PERCENTAGE OF THE ARC CORRIDORS HAVE BEEN COMPLETED, BUT SOME CRITICAL PIECES REMAIN.

SOLID WASTE

A MAJOR PROBLEM IN OUR AREA IS PROPER DISPOSAL OF SOLID WASTE. IT HAS ONLY BEEN IN THE PAST 5 OR 6 YEARS THAT WE HAVE BEEN ABLE TO EFFECTIVELY DEAL WITH THIS PROBLEM---AND WE ARE BY NO MEANS FINISHED.

ONE OF OUR COUNTIES HAS TAKEN THE LEAD STATEWIDE BY IMPLEMENTING A DOOR TO DOOR COUNTY WIDE COLLECTION SYSTEM. IT WAS ONLY WITH THE HELP OF ARC THAT THIS WAS POSSIBLE. ARC PROVIDED GRANT FUNDS FOR KNOTT COUNTY TO PURCHASE GARBAGE TRUCKS, SOME THAT HAD TO BE SPECIALLY EQUIPPED FOR FOUR WHEEL DRIVE TO SERVE THIS RUGGED TERRAIN. IN THE AREA OF SOLID WASTE, LIKE SO MANY OTHERS, THE BURDEN OF THE SERVICE IS FALLING MORE AND MORE ON LOCAL GOVERNMENTS--WITHOUT FUNDS TO PROVIDE THE SERVICES. THIS BECOMES AN EVEN GREATER PROBLEM IN AREAS SUCH AS OURS, WITH LESS LOCAL REVENUE THAN IN PERHAPS OTHER AREAS.

REGIONALISM

I WOULD BE AMISS IF I DID NOT ADDRESS THE AREA MOST DEAR TO MY HEART AND THAT IS REGIONALISM. THROUGHOUT THE ARC AREA, THE LOCAL DEVELOPMENT DISTRICTS, WITH THE SUPPORT OF ARC AND EDA, ARE ACTIVELY WORKING WITH LOCAL COMMUNITIES TO SOLVE THE MANY PROBLEMS OF THE AREA. WE BRING LOCAL OFFICIALS AND CITIZENS TOGETHER MONTHLY TO SIT DOWN TOGETHER AND SHARE COMMON CONCERNS. MORE IMPORTANTLY, WE GIVE THEM AN OPPORTUNITY TO SOLVE PROBLEMS TOGETHER. ALTHOUGH THERE REMAINS SOME PAROCHIALISM, WE ARE BREAKING DOWN COUNTY LINES. THEY ARE BECOMING LESS AND LESS A BARRIER TO COOPERATION. WE

ARE IMPLEMENTING A JOINT PURCHASING PROGRAM WHICH ENABLES LOCAL UNITS OF GOVERNMENT TO BUY MATERIALS AND SUPPLIES TOGETHER AND THUS CUT COSTS.

WE ARE WORKING WITH THE COUNTIES TO DEVELOP A REGIONAL APPROACH TO THE OVERALL PROBLEM OF THE DISPOSAL OF SOLID WASTE. WE HAVE A NEW REGIONAL MEDICAL CENTER IN OUR AREA AS A RESULT OF COMMUNITY LEADERS WORKING TOGETHER. MANY OF OUR HEALTH AND HUMAN SERVICES ARE DELIVERED ON A REGIONAL BASIS, INCLUDING MENTAL HEALTH SERVICES AND PUBLIC HEALTH SERVICES. WE HAVE A REGIONAL SPOUSE ABUSE CENTER AND MANY OF THE PROGRAMS FOR THE ELDERLY ARE PROVIDED FROM A REGIONAL BASE. THROUGHOUT APPALACHIA, THERE ARE MANY EXAMPLES OF REGIONAL APPROACHES TO PROBLEM SOLVING.

BESIDES PROVIDING THE OPPORTUNITIES FOR REGIONAL PROGRAMS, WE PROVIDE THE PROFESSIONAL STAFFING TO OUR COMMUNITIES THAT THEY COULD NOT OTHERWISE AFFORD. WE ASSIST WITH A WIDE RANGE OF SERVICES TO HELP THE LOCAL GOVERNMENTS AND OTHER ORGANIZATIONS. THIS RANGES FROM ASSISTANCE WITH THE BUDGETING PROCESS TO HELP WITH DEVELOPING PROJECT APPLICATIONS. WE ASSIST SMALL BUSINESSES WITH FINANCING OTHERWISE NOT AVAILABLE THROUGH OUR REVOLVING LOAN PROGRAM. IN OUR AREA, WE ARE IN A PROCESS OF STRATEGIC PLANNING TO INSURE THAT WE UTILIZE WHAT WE HAVE TO THE MAXIMUM AND MOVE IN THE RIGHT DIRECTION. AND ON AND ON. IN A SENSE, I SEE US AS THE LOCAL ARM OF ENTITIES SUCH AS ARC AND EDA. WE ARE OUT THERE ON THE FRONT LINES--WHERE THE RUBBER MEETS THE

ROAD---WE ARE A WAY TO MESH THE NEEDS OF LOCAL COMMUNITIES WITH THE INTENT OF PROGRAMS OUT OF THE STATE AND FEDERAL GOVERNMENTS AND TO BUILD THE CAPACITY OF LOCAL GOVERNMENTS.

I FEEL THAT THE LOCAL DEVELOPMENT DISTRICT PROGRAM IS, OVERALL, PERHAPS ONE OF THE MOST CRITICAL PROGRAMS THAT ARC IS FUNDING. WE MAKE THE ARC PROGRAMS WORK. WITHOUT ARC AND THE LOCAL DEVELOPMENT DISTRICTS, WE TAKE AWAY THE ONLY OPPORTUNITY FOR LOCAL COMMUNITIES TO WORK TOGETHER AND TAKE AWAY THEIR PROFESSIONAL STAFF, THAT ARE SO CRITICAL IN ALL AREAS, RANGING FROM HUMAN SERVICES TO SOLID WASTE TO WATER AND SEWER TO ECONOMIC DEVELOPMENT.

WITHOUT THE LDD'S, I BELIEVE THAT OUR AREA AND COMMUNITIES WOULD BE SET BACK AT LEAST 20 YEARS.

I TALKED EARLIER ABOUT ECONOMIC DEVELOPMENT. THIS HAS TO BE APPROACHED ON A REGIONAL BASIS, WHICH IS WHAT WE ARE DOING, WITH THE HELP OF ARC IN OUR AREA. EVEN WITH AN ACTIVE ECONOMIC DEVELOPMENT OFFICE IN OUR STATE CAPITOL, DEPRESSED AREAS SUCH AS OURS MUST HAVE GREATER SUPPORT IF WE ARE TO CREATE JOBS. ARC RECENTLY PROVIDED FUNDS TO ENABLE US TO EXPLORE THE POTENTIAL OF A WOOD INDUSTRY IN EASTERN KENTUCKY. APPROXIMATELY 80% OF THE AREA IS FOREST, AND THIS POTENTIAL NEEDS TO BE EXPLORED AND DEVELOPED TO THE FULLEST.

LEADERSHIP

EVERYTHING THAT ARC HAS DONE IN THE AREA WILL CERTAINLY HAVE LASTING RESULTS. BUT, PERHAPS THE ONE THAT IS SIGNIFICANTLY

DIFFERENT IS HELP THAT ARC HAS PROVIDED US IN LEADERSHIP DEVELOPMENT. OUR CITIZENS HAVE LITTLE, IF ANY, OPPORTUNITY FOR LEADERSHIP TRAINING. LEADERSHIP IN THE AREA HAS IMPROVED, BOTH WITH THE ELECTED LEADERSHIP AS WELL AS CITIZEN LEADERSHIP.

OUR DISTRICT HAS BENEFITED FROM THE ROLE THAT ARC HAS PLAYED IN LEADERSHIP IN TWO WAYS. LAST YEAR, ARC FUNDED A YOUTH LEADERSHIP PROJECT IN OUR AREA THAT ENABLED US TO WORK WITH YOUNG PEOPLE FROM THROUGHOUT OUR REGION. THEY WERE EXPOSED TO LOTS OF DIFFERENT THINGS THROUGH THIS PROJECT, GAINING A KNOWLEDGE AND APPRECIATION FOR THE ROLE OF ELECTED AND NON ELECTED LEADERS IN OUR COMMUNITIES, UNDERSTANDING THE IMPORTANCE OF EVERYONE WORKING TOGETHER ON A REGIONAL BASIS. THEY WERE ALSO RESPONSIBLE FOR DEVELOPING A PROJECT, TAKING IT FROM JUST AN IDEA TO ACTUAL IMPLEMENTATION. THEY WERE ABLE TO USE THE ARC FUNDS TO LEVERAGE LOCAL GOVERNMENT AND PRIVATE DOLLARS AND LEARNED HOW TO COMPLETE AN APPLICATION FOR A PROJECT AND HOW TO OVERSEE IMPLEMENTATION. PERHAPS THE MOST IMPORTANT BENEFIT OF THIS PROGRAM IS THAT OUR KIDS LEARNED THAT THEY CAN MAKE A DIFFERENCE IN THEIR COMMUNITIES. WE HOPE THAT SOME OF THEM WILL DECIDE TO MAKE THAT DIFFERENCE BY REMAINING IN THE REGION AS ADULTS. THERE IS NO WAY THAT WE COULD HAVE GIVEN THESE YOUNG PEOPLE THIS EXPERIENCE WITHOUT THE HELP OF ARC.

THE SECOND WAY THAT WE HAVE BEEN INVOLVED IN LEADERSHIP DEVELOPMENT WITH ARC HAS BEEN IN WORKING WITH THE BRUSHY FORK

INSTITUTE, WHICH IS AFFILIATED WITH BEREA COLLEGE IN KENTUCKY. THROUGH THE HELP OF ARC, BRUSHY FORK HAS BEEN ABLE TO TRAIN TEAMS OF LEADERS FROM VARIOUS COMMUNITIES, WHO THEN HAVE BEEN ABLE TO BECOME CHANGE AGENTS IN THEIR COMMUNITIES. ALL KINDS OF INTERESTING PROJECTS HAVE RESULTED OUT OF THE BRUSHY FORK TRAINING. ONE IN OUR DISTRICT WAS THE ESTABLISHMENT OF A SELF-HELP PROGRAM CALLED WORKERS OF RURAL KENTUCKY IN OWSLEY COUNTY, ONE OF THE POOREST COUNTIES IN OUR NATION. A COOPERATIVE WAS FORMED, PRIVATE FOUNDATION MONEY WAS OBTAINED AND A BUILDING PURCHASED. THIS BUILDING BECAME SORT OF A SMALL INCUBATOR, SERVING AS SPACE FOR A TEE SHIRT SHOP THAT WAS OPENED BY ONE OF THE MEMBERS, A CARPET CLEANING BUSINESS, AND A USED CLOTHING STORE. THE COOPERATIVE PROVIDES A COMPUTER AVAILABLE FOR THE BUSINESSES AND A COMMON RECEPTION AND PHONE AREA. IT ALSO SERVES AS A MEETING PLACE FOR MEMBERS OF THE COOPERATIVE AND OTHERS FOR WORKSHOPS AND TRAINING SESSIONS.

CLOSING

WE RECENTLY COMPLETED A CITIZENS SURVEY AND COMMUNITY MEETINGS THROUGHOUT OUR AREA AS A PART OF OUR STRATEGIC PLANNING EFFORT. OF THE 1500 CITIZENS THAT WE SURVEYED, THE TOP NEEDS IDENTIFIED WERE: JOB CREATION, CLEANING UP THE ENVIRONMENT, BETTER ROADS, WATER AND SEWER SERVICES, BETTER AND MORE AFFORDABLE HEALTH CARE, BETTER SCHOOLS AND BETTER HOUSING AND IMPROVED LEADERSHIP.. THESE RESULTS REFLECT THE AREAS IN WHICH COMMUNITY LEADERS NEED TO FOCUS THEIR ENERGIES.

SOME VERY IMPORTANT THINGS ARE HAPPENING IN KENTUCKY--
EDUCATION REFORM, AND MORE RECENTLY HEALTH CARE REFORM.
THESE ARE IMPORTANT FOR ALL OF KY, BUT ESPECIALLY EAST KY.
AS I HAVE SAID PREVIOUSLY, WE HAVE BUILT A FOUNDATION
WITH A NETWORK OF BASIC INFRASTRUCTURE AND BASIC SERVICES.
WE NOW CAN FOCUS ON EXPANSION OF THESE SERVICES AND TARGET IN
ON ECONOMIC DEVELOPMENT AND HUMAN SERVICES. ALTHOUGH IT IS
GOING TO BE DIFFICULT TO CREATE JOBS IN OUR AREA AND TO
CONTINUE TO EXPAND ON THE SERVICES WE NOW HAVE IN PLACE,
THESE ARE NOT INSURMOUNTABLE PROBLEMS. WITH ADEQUATE
HIGHWAY ACCESS, BETTER FLOOD CONTROL, BETTER EDUCATION AND
BETTER HEALTH CARE, WE CAN CONTINUE TO CONSTRUCT OUR
BASIC FOUNDATION AND MAKE IT PAY OFF.

I URGE YOUR SUPPORT FOR THE APPALACHIAN PROGRAM TO ENABLE US
TO CONTINUE TO IMPROVE THE QUALITY OF LIFE FOR OUR PEOPLE.
IT IS NOT AN EASY TASK, BUT WE MUST NOT GIVE UP.

STATEMENT OF CONGRESSMAN BOB GOODLATTE
BEFORE THE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
June 22, 1993

Mr. Chairman,

I join my fellow Virginian, Congressman Boucher, to request additions to the Appalachian Regional Commission. Congressman Boucher and I have introduced legislation that would include the counties of Roanoke, Rockbridge, Montgomery, and the contiguous, independent cities of Roanoke, Salem, Radford, Lexington and Buena Vista as part of the Appalachian Regional Commission. Roanoke and Rockbridge Counties are in my congressional district. Roanoke County is contiguous to Montgomery County in Congressman Boucher's district. Rockbridge County is contiguous to three counties already in the ARC.

When the ARC was created over twenty-five years ago, Roanoke, Rockbridge and Montgomery Counties were asked to join. At that time the local officials decided not to become members.

In hindsight, this decision was a mistake, not only for the three counties, but also for the area counties which are members. Many economic development projects require the participation of adjoining counties. Yet, Roanoke, Rockbridge and Montgomery Counties are excluded from any project funded by the ARC.

Already a part of the Appalachian region both geographically and culturally, these three counties have demonstrated a clear need for the development opportunities available through the ARC. If these counties and the contiguous independent cities are designated as part of the ARC region there will be an enhanced opportunity to pursue joint programs. The potential for combined efforts in tourism, infrastructure projects and strengthening competitiveness in

attracting new businesses would be tremendous.

In addition, for the ARC to ultimately succeed in its mission to provide Appalachia with the infrastructure it needs to develop into an economically viable region, it only makes sense that these three important counties be added to its membership.

Their addition will provide an essential sense of regionalism with the counties already within ARC, allowing them to work together to solve the many problems of the area. It's time to realize that city, county and even state lines are becoming less and less a barrier to cooperation.

Finally, by designating the Roanoke Valley, Rockbridge County and Montgomery County as a part of ARC, Congress will be strengthening the partnership between western and southwestern Virginia.

Mr. Timothy Gubala, the Director of Economic Development for Roanoke County, and Mr. Stewart Litvin, Executive Director for Economic Development for Rockbridge County, are accompanying me today. I am sure they will explain in more detail the types of cooperative efforts that will be possible if these counties are included in the ARC.

In closing, I want to thank the subcommittee for its consideration, and urge the members to favorably support this important piece of legislation.

**A Statement to the Public Works Subcommittee
in support of designating Roanoke County and the
Roanoke Valley within the boundaries of the
Appalachian Regional Commission**

submitted by Timothy Gubala, Director of Economic Development,
Roanoke County

Roanoke County is seeking to join the Appalachian Regional Commission with other Roanoke Valley and western Virginia communities. The regional relationship of Roanoke County with the western Virginia area is well established with the inflow of people into the County for shopping, employment opportunities, and medical services. The Roanoke Valley communities together comprise a regional center offering air transportation, financial services, and cultural/arts experiences to over 650,000 people in the western Virginia area.

The Appalachian Regional Commission's (ARC) current boundaries do not encompass Roanoke County, the cities of Roanoke and Salem, nor neighboring Montgomery County. Two other neighboring counties (Craig and Botetourt) both of which are members of the Roanoke Metropolitan Statistical Area, are currently included within the ARC area.

Roanoke County desires the Appalachian Regional Commission destination in order to have access to programs and funding opportunities that will address program and funding opportunities that will address current challenges of under-employment, infrastructure, and educational disparities.

The recent recession and economic downturn had its impacts in the Roanoke Valley. Various companies announced job losses of 3,600 people in the Roanoke Valley since June 1992.

The job losses and recession hit hard at two local companies.

Roanoke County citizens comprised over one half of the 1,200 jobs lost at Dominion Bankshares and Cooper industries. There was a "ripple effect" through the Valley area as the layoffs affected supporting business and services and the earning power of many families.

The Appalachian Regional Commission's economic development programs offer Roanoke County the ability to expand and diversify the employment base. The industrial site program could assist Roanoke County's efforts to develop its 177 acre Valley TechPark industrial park. County and state of Virginia funds are currently being used to develop an access road and to extend public water and sewer for Phase I of the development plan for the property. Matching federal funds through ARC could be a factor in completing the other two phases of the industrial park development.

Seventeen miles of Interstate I-81, the "main thoroughfare" through western Virginia, has six interchanges in Roanoke County. Over 27,200 vehicles a day travel through Roanoke County. The Roanoke Valley Convention and Visitors Bureau indicates that there are 16 million potential visitors traveling I-81 annually. The County wants to attract these travelers into the Roanoke Valley for shopping, travel services, and cultural events/festivals.

ARC's tourism emphasis could provide matching program funds for the development of projects aimed at bringing tourists into Roanoke County such as the innovative visitors information radio project proposed by the Convention and Visitors Bureau.

Roanoke County is also fortunate to have 27 miles of the Blue Ridge Parkway and four access/exit ramps in the County. Over 8 million visitors enjoyed the scenic Appalachian beauty and mountain heritage along the Blue Ridge Parkway in Virginia in 1991.

Roanoke County is involved in a public private partnership to develop the Explore project, Virginia's environmental Education Center, with the state of Virginia and private sector foundation. Twelve million dollars from the Federal Highway Administration is being used to develop a 1.8 mile access road extension from the Blue Ridge Parkway into Explore.

Part of this Explore project envisions the location of a Blue Ridge Region Visitors Center on the Blue Ridge Parkway in Roanoke County. This facility would provide general information on the communities and attractions of the Blue Ridge Region and interpret the Appalachian cultural heritage of western Virginia to the visitors who use the Blue Ridge Parkway. The Appalachian Regional Commission could be a potential partner in developing the Visitors Center.

Roanoke County is an urbanizing county with a history of cooperative agreements and joint ventures with neighboring Botetourt County (in ARC). Three projects completed with joint funding include the Hollins Community Development project (housing

and rehabilitation for 28 units, water and sewer service, and road improvements); the development of the 65 acre Jack Smith Industrial Park, the construction and operation of the joint county Blue Ridge Library and a joint county Read Mountain fire station. Further joint projects are envisioned for an industrial park in the I-81 corridor with Botetourt County.

Roanoke County has the perspective that during the 1990's local governments should pursue regional solutions to address common problems. Inclusion of Roanoke County within the boundaries of the Appalachian Regional Commission is another resource for Roanoke County to use in addressing challenges and opportunities within the Roanoke Valley.

Between October 24-28, 1993, the Appalachian Regional Commission will hold its full conference in Roanoke, Virginia. It would be a fitting and proper location to announce the inclusion of Roanoke County and its neighboring communities and welcome them into the Appalachian Regional Commission.

Testimony Of Honorable Brereton C. Jones
Governor Of Kentucky
To
House Economic Development Subcommittee
Honorable Bob Wise (D-WV), Chairman
Tuesday, June 22, 1993

Chairman Wise, Ranking Minority Member Molinari, and other Members. It is a pleasure to appear today before you on behalf of the Governors of the thirteen Appalachian states and to speak in support of the Appalachian Regional Commission.

As you may know, Governor Doug Wilder of Virginia is our States' Co-Chairman this year. He sends his apologies for not being able to be here today.

This Subcommittee has been steadfast in its support of the Appalachian Regional Commission. As Governor of Kentucky, in the heart of Appalachia, I know first-hand what your support of this program has meant to our citizens -- and I thank you.

In fact, Mr. Chairman, as you well know, it is in our two states that the effort to change the face of Appalachia began. You and I have both seen the dramatic impact of ARC programs on the quality of life in much of the Region.

I personally applaud your aggressive leadership in holding these hearings and in promoting multi-year re-authorization legislation.

I also applaud President Clinton. For the first time in thirteen years we have a budget recommendation from the President which contains adequate funding for the Appalachian Regional Commission. Of course, we could effectively spend considerably more money to improve the quality of life and create jobs in Appalachia. But we recognize the fiscal realities, and we are grateful for the President's support of a funding level which is consistent with what the Congress, in its wisdom, has provided us for the past two years.

Let me also say that we pride ourselves on the bi-partisan support we have had in Congress over the years, particularly on this Committee. For years Bill Clinger from Appalachian Pennsylvania was the Ranking Minority Member and a strong advocate for the Commission. Representative Molinari, you may not represent a district in Appalachia, but we do appreciate your sensitivity to the needs of the Region.

There is strong bi-partisan support among the Governors, as well.

In 1981 it was the bi-partisan leadership of Governors Lamar Alexander of Tennessee and Jay Rockefeller of West Virginia which resulted in all thirteen

Appalachian Governors, nine Democrats and four Republicans, at that time, standing strong and united against the Reagan Administration's effort to abolish the Appalachian Regional Commission.

Earlier this year, Mr. Chairman, the thirteen Appalachian Governors, now ten Democrats and three Republicans, unanimously re-affirmed their strong support in a resolution recommending continuation of the Appalachian Regional Commission. With your permission I would like to enter this resolution as part of the record of this hearing.

The resolution extols the work of the ARC in helping the thirteen Appalachian states to:

- 1) overcome the isolation of the Region by completing more than 2,200 miles of a planned highway network of 3,025 miles;
- 2) enhance the quality of job training and readiness for employment;
- 3) expand access to health care;
- 4) create more than 2 million new private sector jobs in the Region through investments in physical infrastructure and human development; and
- 5) put our states on the cutting edge of issues such as job skills and training, rural education reform, technology transfer, export promotion, telecommunications, and manufacturing competitiveness.

Because of the ARC:

- 1) more than 700 vocational and technical education facilities with the capacity to serve over 400,000 students per school year have been created.
- 2) A network of health care facilities and personnel has brought primary care within 30 minutes of virtually every resident.
- 3) 20,000 housing units have been rehabilitated.
- 4) More than 2,000 water, sewer, waste disposal, and other community development projects to provide basic services, enhance the quality of life, and attract private sector jobs, have

been completed.

- 5) We are involved in demonstration projects in manufacturing competitiveness, telecommunications, and workforce training.
- 6) And our highway system is more than two-thirds complete.

The resolution also identifies the unique characteristics of the ARC which have enabled it to deliver on its promises.

First, its Federal-state-local partnership substantially reduces bureaucratic red tape and insures more responsible and responsive decision-making.

Second, the flexibility of its programs allows locally determined needs to be addressed without federally-imposed artificial restrictions.

Third, its regional approach produces significant economies of scale and helps to focus attention on economically distressed rural areas, which otherwise could be easily ignored. For such areas it supplements rather than duplicates the work of other government agencies.

Fourth, it requires cost sharing by state and local governments in both program and administrative expenditures. This magnifies the impact and insures that scarce Federal dollars are spent efficiently. ARC's \$2.2 billion in non-highway funding has attracted more than \$5.5 billion in other government funds. By working in close partnership with the private sector, ARC has managed in some cases to leverage its spending at a ratio of better than 6 to 1.

But, Mr. Chairman, despite the significant progress we have made, much of Appalachia still lags behind the nation in key indicators such as per capita market income, rates of poverty and unemployment, condition of infrastructure and levels of literacy and access to health care.

In 1990 Appalachia's per capita income was 80% of the US per capita income.

In 1990 15.2% of our people lived in poverty, compared with 13.1% in the United States.

In December, 1992 one-fourth of Appalachia's 399 counties had unemployment rates of at least 150% of the national average.

More than one-third of Appalachia's 300 non-metropolitan counties are considered economically distressed.

During the decade of the 1980s our population grew by approximately one-quarter of the rate that the US population grew.

Our manufacturing employment has declined by a rate greater than the national average, our regional share of national coal output has fallen, and our regional mining employment has been cut almost in half.

To compound the problem Appalachia receives approximately 15% less than the per capita national average in Federal expenditures.

We have seen the progress, Mr. Chairman, but we also know how much remains to be done.

That is why the Governors unanimously and enthusiastically support multi-year authorizing legislation for the Appalachian Regional Commission. We believe that a bill of three to five years in duration at a funding level at least consistent with the current funding level would enable us to continue significant progress toward achieving parity of economic opportunity with the nation.

At the same time we would welcome increased flexibility in the allocation of funds between highway and area development programs. This would enable us to insure that we get the maximum impact from our dollars.

Of course, Mr. Chairman, we would be happy to discuss with you any other provisions which you may wish to consider.

I want to make one other point. We believe that the flexibility, the responsiveness, the cost effectiveness, and the broad local, state, and national support for the ARC partnership make it a model for how to effectively address concentrations of rural economic distress wherever they may exist. As you can see on this map, the primary concentrations of severe rural economic distress, denoted by the solid red, are in central Appalachia, the Lower Mississippi Delta, and along our border with Mexico.

We believe that a serious examination of ways in which the ARC programs can be strengthened and its lessons applied to other concentrations of rural economic distress is in order. We would welcome the opportunity to work with the Congress and the Administration to accomplish such an examination.

Mr. Chairman, I appreciate the opportunity to appear before you this morning. I would welcome any questions you might have.

Thank you very much.



Rockbridge Area Economic Development Commission

6 South Randolph Street Lexington, Virginia 24450 (703) 463-7346 FAX: (703) 463-7348

STUART L. LITVIN, CED
Executive Director

PREPARED REMARKS

OF

STUART L. LITVIN, CED

FOR

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

JUNE 22, 1993



Rockbridge Area Economic Development Commission

6 South Randolph Street Lexington, Virginia 24450 (703) 463-7346 FAX: (703) 463-7348

June 22, 1993

STUART L. LITVIN, CED
Executive Director

My name is Stuart Litvin and I am Executive Director of the Rockbridge Area Economic Development Commission representing the County of Rockbridge and the two independent Cities of Lexington and Buena Vista located in the central western portion of Virginia.

In 1965, for whatever reasons, the jurisdictions of the Rockbridge Area chose not to apply for membership in the Appalachian Regional Commission. In 1977 the local jurisdictions and, again in 1988, the Commission, investigated the possibility of reversing that decision and becoming a member of ARC. I am here today to respectfully request the passage of the bill before you that would allow the Rockbridge Area that opportunity.

We do not ask this lightly, but with full appreciation and respect for what the Appalachian Regional Commission was established for and the accomplishments it has helped communities achieve.

In March of this year, our Area unemployment figure was 9.2%, well above the State and National levels of 5.2% and 7.3% respectively. Buena Vista alone had an 11.6% figure reflective of the impact of the recent recession, especially with the closing of the Blue Bird Bus Body facility and the additional impact of the 1985 flood.

The Rockbridge Area is bordered on its west by the counties of Alleghany, Bath and Highland, as well as the cities of Clifton Forge and Covington, all present members of the Appalachian Regional Commission. There exists among these five localities and the Rockbridge Area a great deal of commonality and cooperation. The community college, Dabney S. Lancaster, located in Clifton Forge serves these five communities as well as the Rockbridge Area. These same jurisdictions are presently investigating a regional approach, along with the Rockbridge Area, in the establishment of a recycling center that would serve the needs of all the citizens within the region. There are also discussions concerning the possibility of a regional landfill as well. These are the same jurisdictions that comprise the Western Virginia Educational Consortium that is involved in a Tech Prep Program which advocates a life-long learning approach to education. These are a fair sampling of the cooperation that exists between these jurisdictions; there are other examples that are indicative of the commonality of the region such as shopping, cultural and recreational patterns.

By allowing the Rockbridge Area to be admitted to the Appalachian Regional Commission you would be of great assistance in ensuring that these projects and other levels of cooperation continue within the region of western Virginia. A cooperation that would benefit all of its citizens.

If the Rockbridge Area is accepted in the Appalachian Regional Commission along with Roanoke and Montgomery County, that will further pave way for cooperation between members of the Appalachian Regional Commission with both the Blue Ridge Region organization and the Blue Ridge Region Economic Development Commission as established by the Virginia General Assembly in 1991. Rockbridge and Roanoke County have already cooperated in the area of tourism promotion and, with our regional airport gateway being located in Roanoke, the ties between the two counties already exist, especially between the economic development organizations.

With Virginia Polytechnic Institute and State University located in Montgomery County, the Rockbridge Area has continued to seek higher levels of cooperation, not only with Virginia Tech's economic development program offered through the Cooperative Extension Service--the Community Resource Development Program--and through the University's Public Service Program which includes the Economic Development Assistance Center, but with Montgomery County governments as well. There is a natural relationship that exists

between these communities--Rockbridge, Roanoke and Montgomery County--with their neighbors just to their west who are already members of the Appalachian Regional Commission. Therefore, I respectfully request on behalf of all three jurisdictions comprising the Rockbridge Area--the County of Rockbridge, the City of Lexington and the City of Buena Vista--your support of this bill which will serve not only the Rockbridge Area but the entire region of western Virginia.

STATEMENT

PRESENTED TO

**SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION**

FOR THE APPALACHIAN REGIONAL COMMISSION

TUESDAY, JUNE 22, 1993

**ROOM 2167 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D. C.**

BY

**DAVID PATTERSON
PRESIDENT**

**TENNESSEE TECHNOLOGY FOUNDATION
P. O. BOX 23184
KNOXVILLE, TENNESSEE 37933-1184**

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Testimony - House Public Works Committee
Subcommittee on Economic Development
June 22, 1993

My name is David Patterson. I am President of the Tennessee Technology Foundation (TTF), a small non-profit organization focused on technology-based economic development in Tennessee. The bulk of our efforts go to help new and existing small businesses get started and expand. We also work with other organizations, private and governmental, to encourage entrepreneurship, and expand the region's commercial application of the research and development resources at Oak Ridge and the University of Tennessee. The Tennessee Valley Authority, Martin Marietta Energy Systems, and Pellissippi State Technical Community College are all important cooperators with us in this effort. Most of our funding has come from the State of Tennessee.

The Foundation was started in 1982 and the Appalachian Regional Commission provided our first infusion of funds the following year with a contract that yielded \$1.2 million over a five year period. This was supplemented with \$2 million from the State, which we have treated as an endowment, and periodic contracts from the State to cover the balance of our budget. Our ordinary expenditures have averaged about \$400,000 per year for a staff of five, an occasional consultant, and part-time student interns from the University of Tennessee. There have been some extraordinary items in which the ARC was involved which I will describe in a moment.

Was the initial investment by the ARC a good one? It helped the TTF get started and was managed by ARC with an absolute minimum of interference and no real bureaucracy. With ARC's funding and the subsequent State funding, we, and a number of people in our region, believe the Foundation is doing that which it was intended to do. Of course, no one in the economic development business can claim full credit for success because, no matter the level of effort extended, success always depends on a number of other people (and luck!). But over 14,000 technology-based jobs have been created in the Oak Ridge/Knoxville Technology Corridor since 1983, and we believe a significant number of these are the direct or indirect results of the TTF.

We are proud of a very significant increase in the level of entrepreneurial activity and general understanding of the importance of technology for the future of our region and the Nation. We have been moderately successful in helping small start-up firms obtain some of their capital needs, and in developing a few of the very important venture capital contacts they usually need to survive and grow. Judging by the number of entrepreneurs referred to us for help, usually by people with whom we have worked in the past, we have also been successful in our "hand-holding" activities with small businesses.

Using ARC funds, TTF started and spun-off a non-profit research and development organization now called the Tennessee Center for Research and Development (TCRD). TCRD now employs 35 people and operates

several centers--the most important of which are an Electric Power Research Institute (EPRI) Power Electronics Applications Center and a Power Quality Center.

The TTF has designed and managed a promotion and support activity to encourage participation in the Federal Small Business Innovation Research (SBIR) program. This has contributed to Tennessee realizing nearly \$50 million in these small business research contracts since 1983. Finally, I believe we have had some small hand in encouraging change in our State and local institutions with respect to their own understanding of and support for technology-based economic development, including the technology needs of small and mid-sized manufacturing firms.

Within the original workplan agreed to under the original TTF/ARC contract was a charge to define the weaknesses of the local region. Three major weaknesses were identified and addressed by TTF. Two of these are referred to above: the lack of technical entrepreneurship, and near-total State and local lack of understanding of the economic development potential of the technology base offered by the University and the DOE Oak Ridge people and facilities. The third major weakness of the area is best defined as the near total lack of cooperation among the various cities and counties making up the Knoxville/Oak Ridge region. The very organization of the TTF, with a Board dominated by business and community leaders from the three largest counties, was an important step toward meaningful regional cooperation. Today, the region is working together on a number of

items of regional interest including the highway system, airport, marketing for industrial development, a foreign trade zone and support for continued funding for the Technology Foundation. And, now with the defense cutbacks affecting regional employment, there is the will and means for working together to mitigate those impacts that would not have been possible several years ago.

TTF has also participated in other ventures with ARC--some of which have been more, some less, successful. They are worth some detail because of the lessons learned.

- o The Foundation participated as the manager and "owner" of a building project at Tullahoma, Tennessee. With funds provided by the State and ARC, TTF enabled a non-profit R&D organization to win an important contract with NASA. That organization, the Center for Space Technology and Applied Research (CSTAR), now has about 40 employees and is clearly a success. The TTF was able to have an office/research facility constructed on time and under budget which we lease for \$1 per year to CSTAR. We returned in excess of \$13,500 to the ARC (plus interest of more than \$20,000 to the Treasury) upon completion of the project. This is another example of the best of ARC. They listened to the proposal, obtained cooperation with the Tennessee Valley Authority and the State of Tennessee, then let us go to work with the minimum oversight required.

- o TTF developed a proposal for the Tennessee Center for Research and Development to establish a Laser Technology Center and to develop a curriculum and perform technical training for laser technicians. The intent was to develop the pilot, test it here, then extend this sort of training through the community college system as well as to other small colleges in the ARC region. The first step was accomplished successfully, but we clearly underestimated the difficulty and expense of accomplishing the remaining steps to extend this service to the larger region. At some point, I think this opportunity should be revisited, particularly with respect to upgrading the equipment and skills of those responsible for technical and scientific training and education throughout the region.

I would like to conclude on two points. First, the ARC is an unusual non-bureaucratic Federal organization that is successful because it is based on cooperation with State and local government and other appropriate organizations. I am proud to have the opportunity to testify on its behalf. Second, I would suggest the ARC address additional efforts to promote the appropriate infrastructure to support technology-based economic development around its region.

The ARC has helped communities a great deal by supporting efforts to improve the traditional sorts of infrastructure necessary for economic development--roads, sewers, water systems, etc. Technology is the driver for economic development of the present and the future.

Whether for so-called "high-tech" products or relatively prosaic ones, the firm that doesn't have technology in its process of manufacture or service may not survive or grow. The small and middle-sized firms that dominate most of the Appalachian region need to be able to access technology easily. The colleges and technical schools need to be educating people to use technology, and the financial systems must somehow adapt to help firms invest in appropriate technology. There should be strong efforts to get wider participation by small firms in the Federal SBIR program. These are the infrastructure needs of this decade and, if they are not provided, the region will not fulfill the promise its people deserve.

STATEMENT

PRESENTED TO

**SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION**

FOR THE APPALACHIAN REGIONAL COMMISSION

TUESDAY, JUNE 22, 1993

**ROOM 2167 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D. C.**

BY

**JAMES W. ROBINSON
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Testimony of James W. Robinson
to the
House Public Works Subcommittee on
Economic Development

The Honorable Bob Wise, Chairman
June 22, 1993
10:00 a.m.

Good morning. Thank you very much, Mr. Chairman. It is a pleasure to be here to represent the citizens of Virginia's Appalachian region, particularly the coalfield area of the Commonwealth.

I am Jim Robinson, former banker with the Wise County National Bank and past Wise County representative in the Virginia General Assembly. I am currently Chairman of the Virginia Board of Housing and Community Development and Chairman of the Coalfield Economic Development Authority, a regional economic development marketing agency serving the coalfields of Southwest Virginia.

Jobs in the coalfields are our number one priority. We cannot go it alone. ARC resources and funds are very instrumental in helping us to improve our region. Jobs in the coalfields have been in a constant state of decline over the past decade. Coal mining employment in the three-county area where I reside has gone from 5,842 persons in 1982 to 3,571 at the present time, a decline of almost 40 percent. There have been corresponding declines in other employment sectors, since mining is still the greatest basic-sector employer. Also, this trend is indicative of conditions in neighboring West Virginia and Kentucky.

We certainly do not expect our federal government to be the cure-all for our economic problems. Through the Virginia Coalfield Economic Development Authority (VCEDA), we have created over 2,000 new basic jobs since 1988. At least five of the projects we have funded have required ARC financial assistance for off-site infrastructure. That is why I think of ARC as an investment tool, and not another federal grant-in-aid program with few tangible results. Because of ARC, we are beginning to offer new jobs to our people offering meaningful wages. The alternative is a life of dependence on various types of public assistance. Surely it makes more sense to invest through ARC's programs to allow us to help ourselves.

Why is ARC so important to the Central Appalachian area I serve? While the official unemployment rate in the 21 Virginia ARC counties is about 9 percent, the rate in the seven Virginia coalfield counties is 11 percent. If discouraged workers were added (those who would otherwise be counted as members of the labor force, but have given up looking for employment because it simply doesn't exist), the true unemployment rate would be over 35 percent.

Allow me to cite two recent examples of the way ARC projects work in conjunction with the VCEDA. The coalfield counties of Wise--my home county--and Dickenson mounted an aggressive campaign to recruit--yes, recruit--a maximum security state prison. The two counties capitalized on a generous agreement from one of our local coal corporations to donate a large tract of land to the Commonwealth of Virginia for the prison. We are now finishing financing

arrangements for nearly 3 million dollars in off-site water and sewer work, and over 5 million dollars in access road improvements to support the prison. Although local public finances in the Appalachian region are in very short supply, at least two million dollars of local funds were committed. Other state and federal sources were also tapped, including a \$500,000 ARC grant to assist with waterline construction. When this 52 million dollar facility opens in 1995, 350 new jobs will be available for an area that desperately needs economic growth.

We are also presently working with a Fortune 500 company that would provide between 750 to 1,000 new manufacturing jobs in one of our counties. The company will be making a \$30 million investment. We are presently proposing to utilize \$500,000 in ARC assistance for some off-site improvements. Without these funds, VCEDA may not be able to land this project. You have no idea what a major impact such a project would have on the coalfield counties.

These are just two recent projects. I haven't mentioned the changes brought by the ARC's Corridor Highway Program. Through my home county, ARC Corridor "B"--better known as U.S. 23--has broken the chain of isolation. We now feel like we're in the mainstream of commerce in this nation. Another local project of note is the regional industrial park in Duffield, Virginia--just 30 miles from my home. Here, total public investments of just 7 million dollars since 1969 (including some ARC funds) have yielded a 325-acre industrial park where 1,400 persons work each day. Before ARC, it was an empty and useless piece of property. Before ARC, those

1,400 persons had no jobs. Because of that investment of 7 million dollars, over \$50 million in private investment has been made there. Can you think of the federal taxes those 1,400 persons have paid over the last decade alone? The federal treasury has recovered that investment many times over in the ensuing years. Again, this park would have never happened without ARC and other federal programs.

The people of the Appalachian Region want no more than a fair chance. The ARC program is a model of a local-state-federal partnership. The investments of scarce federal resources through ARC is a "bottom-up" approach that allows us to apply ARC funding to the projects that have the best chance of improving our economy. We are working hard to help ourselves, to build capacity, to find resources to invest in our future.

The Appalachian Regional Commission was identified over 30 years ago as a target area for federal assistance. We have historically ridden an economic roller coaster that unfortunately has many more downs than ups. Without ARC, I am certain conditions would be much worse than they are now. Also, the ARC is relatively insignificant dollar-wise considering the overall federal budget. That is why I urge Congress and the Administration not to abandon a region that is trying to pull itself up by the bootstraps. The Appalachian Regional Commission is our best hope--a unique tool for reinvigorating Appalachian Virginia.

Thank you very much. I would be pleased to answer any questions.

STATEMENT OF FRED VANKIRK
DEPUTY SECRETARY AND
STATE HIGHWAY ENGINEER/COMMISSIONER
WEST VIRGINIA DEPARTMENT OF
TRANSPORTATION, DIVISION OF HIGHWAYS
ON

REAUTHORIZATION OF THE
APPALACHIAN REGIONAL COMMISSION

Prepared for Presentation Before the:

U S HOUSE OF REPRESENTATIVES

PUBLIC WORKS AND TRANSPORTATION
COMMITTEE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

WASHINGTON, DC

JUNE 22, 1993

INTRODUCTION

Mr. Chairman, members of the Committee, I am Fred VanKirk, Commissioner of the Division of Highways and Deputy Secretary of the West Virginia Department of Transportation. I am honored to appear before the Committee to express our support for the activities of the Appalachian Regional Commission and its programs, most especially its Development Highway Program. As the ARC nears thirty (30) years of existence, its achievements over that period of time have greatly transformed the transportation system, both in West Virginia and throughout the Appalachian region. Much has been accomplished; unfortunately, much also remains to be done.

BACKGROUND

One of the major factors that has contributed to the economic stagnation of the Appalachian region has been its geographic isolation. The rugged terrain made providing highway facilities difficult and expensive, and they typically followed river and valley courses or ridge lines. The resulting facilities, mostly two lanes, had to be squeezed into available spaces, and were characterized by extensive curvature and grades, low travel speeds, long travel distances caused by indirection, and poor safety records.

With the exception of rail facilities necessary for extractive industries such as coal, timber and petroleum, major transportation corridors tended to bypass the more mountainous regions of Appalachia. One of the nation's earliest public works projects, the National Road, a course later followed by US 40 and then I-70, barely touched our state in its Northern Panhandle area

at Wheeling. The idea of ending this economic isolation through the development of adequate transportation facilities was conceived by a group of eastern governors in the early 1960's. Following discussions with the Kennedy Administration, the concept reached fruition with the establishment of the Appalachian Regional Commission in 1965 under President Johnson.

Although marking out a single geographic region for special treatment to enhance its economy may appear to be a unique approach, it has its precedents in our past, notably the Tennessee Valley Authority, the development of the west by inducements to the railroads, and the establishment of irrigation and water supply systems in our western states. The most distinguishing aspect of the Appalachian Regional Commission during its history has been its unique federal-state partnership with both parties working together to identify problems and potential solutions on an equal footing.

PURPOSE

The Appalachian Regional Development Act of 1965 authorized the Secretary of Transportation to assist in the construction of a development highway system and local access roads which would, in conjunction with the Interstate System and other Federal-aid highways, open up areas with development potential where commerce and communication have been inhibited by lack of adequate access. The Act recognized that the provision of highways alone would not guarantee economic and social growth in the region, but it noted that good access to national markets was an essential prerequisite

to growth. Thus, the Act also included provisions for upgrading health, education and community services and for housing, recreation and community development. Rather than operating in a single mode, the Commission has attempted to use an integrated, comprehensive approach to development in the Appalachian region.

STATUS

As Table #1 shows, almost three quarters (3/4) of the Appalachian Development Highways have been completed in the twenty-eight (28) year life of the Commission. After a promising start, construction activities were greatly curtailed in the 1980's by funding cutbacks and attempts to eliminate the ARC. Highway funding in 1981 was in excess of two hundred million dollars (\$200 million) ; by the late 1980's this had been reduced to the sixty to seventy million dollar (\$60-70 million) range for the entire thirteen (13) state region. With construction costs in excess of ten million dollars (\$10 million) per mile in West Virginia, allocations had to be husbanded carefully to keep the construction program alive.

TABLE #1
 APPALACHIAN DEVELOPMENT HIGHWAY PROGRAM
 CUMULATIVE MILEAGE SUMMARY
 AS OF SEPTEMBER 30, 1992

STATE	CONSTRUCTION REQUIRED	CONSTRUCTION COMPLETED OR UNDERWAY	REMAINING MILES TO COMPLETE
AL	232.4	126.1	106.3
GA	131.9	101.5	30.4
KY	431.7	367.7	64.0
MD	83.2	77.0	6.2
MS	116.8	82.1	34.7
NY	219.5	204.1	15.4
NC	203.6	155.7	47.9
OH	201.6	146.0	55.6
PA	454.4	233.7	220.7
SC	22.9	16.6	6.3
TN	327.8	268.1	59.7
VA	191.3	154.4	36.9
WV	411.0	283.7	127.3
ADHS TOTAL	3,028.1	2,216.7	811.4

In West Virginia there are four (4) major areas of activities for the Development Highway System:

- 1) Appalachian Corridor H from I-79 to I-81 in Virginia - work has been concentrated on the western portion of this route while a final alignment was being evaluated in an environmentally sensitive area. With the selection of a recommended alignment this spring, we are ready to proceed with development of this route.
- 2) Appalachian Corridor G from Kentucky to I-64/I-77 in Charleston - less than twenty (20) miles remain to be completed on this route vitally important to our southern coalfields. The remaining sections will soon be constructed.

- 3) Appalachian Corridor D from Ohio to I-77 in the Parkersburg-Belpre area - a draft Environmental Impact Statement is currently being prepared for this section of roadway.
- 4) Upgrading of the northern sections of Corridor L from two lanes to four lanes - at the time of its design and construction, four lanes could not be justified by the anticipated traffic on the northern section of this route. Since that time traffic has grown phenomenally (121% from 1979 to 1991) because the route serves as a more direct connection between I-77 and I-79 for north-south travel. If anyone should doubt the regional importance of the Appalachian Highway System, I would invite that person to travel this route and witness the number of trucks and out-of-state vehicles.

BENEFITS

One of the most significant benefits of the Appalachian Highway System has been the decrease in travel times resulting from the improved highway geometrics on the corridors. Table #2 shows typical time savings for trips from selected points in West Virginia to its borders.

TABLE #2

COMPARISON OF MILEAGE AND TIME FROM SELECTED CITIES IN WEST VIRGINIA TO STATE BORDER						
CORRIDOR	DESCRIPTION	APPALACHIAN MILEAGE	ORIGINAL MILEAGE	APPALACHIAN TIME (MINUTES)	ORIGINAL TIME (MINUTES)	TIME SAVINGS (MINUTES)
Corridor D	Clarkeburg to Ohio State Line	82	94	83	141	58*
Corridor E (Now I-68)	Morgantown to Maryland State Line	31.8	36	35	54	19
Corridor G	Charleston to Kentucky State Line (Williamson)	79	98	90	167	37*
Corridor H	Weston to Virginia State Line	134.7	152	152	227	75*
Corridor L	Beckley to I-79 Sutton	69.7	125	76	173	97
Corridor Q	Bluefield to Virginia State Line	27	29	29	42	13

*WHERE COMPLETED

Equally important has been the increased in highway safety for users of the APD highways. Their accident rate was thirty-nine percent (39%) that of the rural two-lane highways that they replaced (99 versus 251 accidents per one hundred million [100 million] vehicle miles of travel). This translates to twenty-six hundred (2600) fewer accidents per year with a resultant decrease in injuries, fatalities and societal costs. If the system were complete in West Virginia, such a difference in rates could result in thirty-one hundred (3100) fewer accidents per year.

While many areas of increased economic activity can be identified throughout the region, I would like to reference a few specific advantages the Appalachian System has given West Virginia. Appalachian Development Highway Corridor "E" in West Virginia has recently been designated "Interstate 68" through West Virginia and Maryland. While this route runs through a rural area in West

Virginia it is expected to be of great benefit to the economic development of western Maryland. Also, it provides a high type transportation facility that will tie the proposed Mon-Valley Expressway into Pittsburgh, Pennsylvania from West Virginia. As noted earlier, Appalachian Corridor "L" has provided invaluable relief to the Interstate System in central West Virginia by serving as a bypass of Charleston, West Virginia and serving long distance traffic with termini north of Sutton on I-79 or south of Beckley on I-77. This Appalachian Corridor has served such a significant transportation need that it is now being upgraded to four lanes for its entire length.

Even as we speak a major retail, commercial and governmental development is being completed immediately south of Charleston on Appalachian Corridor "G." In addition to retail stores (Wal-Mart, Sam's Club, the states largest Lowes), the development will also contain office space and areas for light industry along with a regional detention facility and USPS mail sorting facility. Initial employment applications were taken last week for the first store to be opened; 800 to 1000 persons applied on the first day for the 240 available positions. It is impossible to believe that the owners would have spent the millions of dollars necessary to develop the site without the improved accessibility provided by Corridor "G."

In addition, Corridor "H," when completed, has the potential to become the most beneficial corridor of all to the state and region. It will provide an excellent access from the Washington-

Baltimore area to the recreational and scenic areas of West Virginia and the industrial base of the Ohio Valley. The potential benefits are immeasurable.

FUTURE OF THE ARC

At the time the ARC was created it was assumed that the economic bases of the region would remain unchanged for a generation or more. West Virginia would continue to rely on coal, primary metals, chemicals, and glass with a gradual diversification into business such as textiles, light manufacturing and components for items such as automobiles and appliances.

No one foresaw the blossoming of the Sun Belt and the decline of the Rust Belt or the shift of manufacturing activity to the Third World as our economy became increasingly global in nature.

There have been fundamental changes in the practices of industry in transportation over the past decade. The concept of "just in time" delivery, popularized by the Japanese and adopted by manufacturers in this country such as the Saturn plant in Tennessee has placed increasing demands on the highway system.

What began twenty-eight (28) years ago as an effort to provide the framework for coordinating federal, state and local initiatives to respond to economic competitive challenges has provided an outstanding model of such cooperation. The original intent and purpose of this effort could not have been better structured to meet the challenges of today. The ability of the United States to compete in an international market requires, in fact demands, that

every part of our nation participate in an economic, mutually supportive way.

It follows, therefore, that our nation must include every area in its economic base if we are to maximize all of our potential. Appalachia, comprising two hundred thousand (200,000) square miles and a significant percentage of our population, must not be excluded from that base. Thus, if this area is to become fully integrated into our economic foundation and function in the industrial and service environment, transportation facilities are absolutely essential.

CONCLUSION

As we reflect upon the original intent of the legislation which created the program and look to the future, one basic principle should be realized. The intent of the program was, and is, to provide transportation service facilities not addressed in the normal efforts of federal, state and local governments. Rather, the need to provide transportation facilities in this region that go beyond conventional highway trust fund programs was fundamental. That premise remains true today for those facilities remaining to be completed.

It is, thus, of significant interest to our nation to continue the Appalachian Program. The states cannot, within their limited resources and normal federal programs, build projects unilaterally of this magnitude. Without the completion of this vital highway system, the full potential for continued growth and development,

and for improvement in social conditions in Appalachia, will not be achieved. The Appalachian Regional Commission can function to focus efforts on development in this region and to aggressively pursue the completion of this much needed highway system. Failure to continue the program to a timely completion will result in a regression of the accomplishment achieved in the last twenty-eight (28) years. Thus, the investment committed to the thirteen (13) state regions known as Appalachia will not achieve the potential intended.

Thank you very much.

U.S. House of Representatives
Economic Development Subcommittee

Tuesday, June 22, 1993
10:00 AM

*E. Randall Wertz
Deputy Assistant County Administrator
Montgomery County, Virginia*

It is a privilege for me to address this Subcommittee on behalf of the Montgomery County Board of Supervisors and the citizens of our County. I am here in support of House Resolution 1451 which seeks to include Montgomery County, Virginia in the Appalachian Region so that the County may qualify for programs administered by the Appalachian Regional Commission. This action was requested by resolution of the Montgomery County Board of Supervisors in October 1991.

Nestled between the Appalachian Plateau and the Blue Ridge Mountains, Montgomery County, a community of 74,000 people, is geographically a part of the Appalachian Region. Our cultural heritage is that of hard-working discipline, hearty survivorship and a strong work ethic which the Appalachian people have come to represent. Not surprisingly, the economic development goals of Montgomery County are those of the ARC: to provide our citizens with the education and skills needed to compete worldwide for economic opportunities; to diversify our economic base; and to protect our environment so that we can support a population with enhanced job opportunities, increased incomes, and improved standards of living.

Although Montgomery County is blessed with an abundance of natural resources and creative people, our unemployment, poverty and income data indicate that a number of our citizens are not sharing in the American dream. Indeed, our County is a study in contrasts. Home to Virginia Tech, the largest university in Virginia, the Town of Blacksburg in Montgomery County has been recognized as having the fourth highest concentration of Ph.D.'s per capita in the nation. Yet, in 1990, 26 percent of all Montgomery County residents aged 25 and over did not have a high school education, and in the more rural areas of the County this figure exceeded 50 percent.

While Montgomery County has seen continued population growth through the decades - 16 percent growth during the 1980s -- employment opportunities have not been able to keep pace with the growing labor force. The result is increasing unemployment. As an illustration, throughout the early 1980s, the unemployment rate in Montgomery County remained below the national average, but by 1986 it met the national average and then surpassed it in 1988. During 1992, Montgomery County's unemployment rate averaged 8.3 percent, compared with a national average of 7.4 percent.

According to the 1990 Census, over 14,000 persons, representing 22 percent of the population, had incomes below the poverty level during 1989; this is an increase of 2 percentage points and 3,500 people over the 1979 figures. The 1990 Census also revealed the County's per capita income was only \$10,979 during 1989.

For a number of years, jurisdictions in our region have worked cooperatively to assure improved services to our residents. We know how valuable regional efforts, as emphasized by the ARC, are to local governments.

Recently, a critically needed tool and die training program was established at New River Community College with the assistance of a \$200,000 ARC grant. Montgomery County economic development staff had worked diligently for a number of years to see this effort become a reality. Regrettably, we could not participate as an applicant since the County was not within the defined Appalachian Region.

Over the past three decades Montgomery County has attempted to address social welfare needs and provide economic opportunities for all of its citizens. Although many gains have been achieved by taking this course, the County recognizes that inclusion in the Appalachian Region at this time would greatly assist us in the goal of equipping our citizens with all the tools needed to attain comprehensive, balanced and enduring economic development objectives.

Geographically and economically, Montgomery County is a candidate for inclusion in the Appalachian Region. Our citizens' quality of life would greatly benefit from the housing, health, educational, transportation, infrastructure and environmental opportunities that are available through the programs administered by the ARC. On behalf of the Board of Supervisors and citizens of Montgomery County, I respectfully request that members of this subcommittee recommend House Resolution 1451 for approval so that Montgomery County can join with 21 other counties and 5 cities in the Commonwealth of Virginia which are presently included in the Appalachian Regional Commission.

Thank you for the opportunity to address the subcommittee on this issue of critical importance to the citizens of Montgomery County. This concludes my verbal remarks; however, I would like to submit for the record written testimony which includes the text of the Montgomery County Board of Supervisors' resolution requesting inclusion in the ARC and a 1991 economic report which provides more detail on Montgomery County's economic condition and trends.

STATEMENT

PRESENTED TO

**SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION**

FOR THE APPALACHIAN REGIONAL COMMISSION

TUESDAY, JUNE 22, 1993

**ROOM 2167 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D. C.**

BY

**GORDON WHITENER
VICE PRESIDENT OF MARKETING**

**COLLINS & AIKMAN CORPORATION
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REMARKS BY GORDON WHITENER
TO THE ECONOMIC DEVELOPMENT SUB-COMMITTEE
OF THE PUBLIC WORKS COMMITTEE
UNITED STATES CONGRESS
JUNE 22, 1993

MR. CHAIRMAN, LET ME BEGIN BY SAYING THANK YOU FOR THE OPPORTUNITY TO REPRESENT MANY FINE PEOPLE FROM THE DALTON, GEORGIA AREA. IT IS AN HONOR FOR ME TO COME BEFORE THIS SUB-COMMITTEE AND PRESENT OUR APPRENTICESHIP PROGRAM. I WANT TO START BY RECOGNIZING THE THREE MOST CRITICAL ELEMENTS OF OUR PROGRAM: 1) THE DALTON PUBLIC SCHOOL SYSTEM, 2) THE APPALACHIAN REGIONAL COMMISSION AND OF COURSE 3) THE CARPET INDUSTRY INCLUDING SPECIAL APPRECIATION TO COLLINS & AIKMAN. I AM PARTICULARLY GRATEFUL TO MR. CHARLIE EITEL, PRESIDENT OF C & A FLOOR COVERINGS, FOR GIVING ME THE FREEDOM TO BE A CATALYST BY STARTING UP AND PARTICIPATING IN PROGRAMS LIKE THE ONE I AM PRESENTING TO YOU TODAY. AND MOST GRACIOUS AND LOVING THANKS TO MY WIFE, GEORGEANN FOR HER SUPPORT.

INDUSTRY AND EDUCATION SHOULD WORK TOGETHER, NOT TO SAVE EDUCATION, BUT TO TAKE LEARNING TO A NEW LEVEL. WE ARE IN A CRITICAL TIME IN AMERICAN BUSINESS. STRONG FOREIGN COMPETITION IS PRESENT IN EVERY INDUSTRY, AND WE HAVE NO CHOICE BUT TO FIGHT TO WIN. WHEN PLANNING THE ULTIMATE STRATEGY FOR GLOBAL COMPETITION, THE OBVIOUS PLACE TO FOCUS IS EDUCATION. AMERICAN BUSINESS HAS, AND WILL CONTINUE TO HAVE, A FIDUCIARY RESPONSIBILITY TO GET INVOLVED IN EDUCATION. IN ADDITION, EDUCATORS WILL HAVE A

RESPONSIBILITY TO TAKE A PROACTIVE POSITION IN THE SEARCH FOR BUSINESS PARTNERS. BUSINESS EXCELLENCE IN AMERICA WILL TAKE A TOTAL TEAM EFFORT.

THE NATIONAL ASSOCIATION OF MANUFACTURERS, IN A NOVEMBER 1991 REPORT, ESTIMATED THAT "THE AVERAGE MANUFACTURER REJECTS FIVE OUT OF EVERY SIX CANDIDATES. TWO-THIRDS OF COMPANIES REGULARLY REJECT APPLICANTS AS UNFITTED FOR THE WORK ENVIRONMENT; A THIRD REGULARLY REJECT APPLICANTS BECAUSE THEY CANNOT READ OR WRITE ADEQUATELY; AND ONE FOURTH REJECT APPLICANTS BECAUSE OF POOR COMMUNICATION AND MATH SKILLS." IN ADDITION, THESE SAME MANUFACTURERS CONVEY "MAJOR EMPLOYEE SKILLS DEFICIENCIES IN BASIC MATH, READING AND PROBLEM-SOLVING IN THEIR EXISTING EMPLOYEE POPULATIONS." THE SAME SURVEY REVEALS THAT "MORE THAN 60 PERCENT OF COMPANIES CLAIM THAT PART-TIME, ON-SITE WORK EXPERIENCE IS THE MOST IMPORTANT SCHOOLWORK LINKAGE, BUT FAR FEWER COMPANIES ARE ACTUALLY INVOLVED IN THESE PROGRAMS." AND FINALLY THE SAME STUDY, DISCOVERED THAT "SMALLER COMPANIES ARE AT MUCH GREATER RISK THAN OTHERS FROM LABOR SHORTAGES AND SKILLS GAPS IN THE APPLICANT POOL AND EMPLOYED WORK FORCE." THIS LAST STATEMENT IS THE ONE THAT I THINK IS THE MOST DAMAGING BECAUSE, AS YOU KNOW, MOST JOBS ARE CREATED BY SMALL BUSINESS. NOW, I REALIZE THAT THE MEMBERS OF THIS COMMITTEE ARE DELUGED WITH STATISTICS ON EDUCATION AND OTHER SUBJECTS. BUT THERE IS ONE STATISTIC THAT I WANT YOU TO REMEMBER. WHEN WE DISCOVERED THAT MORE THAN ONE THIRD OF OUR EMPLOYEES AT COLLINS & AIKMAN DID NOT HAVE A HIGH SCHOOL DIPLOMA, WE KNEW WE MUST DO SOMETHING ABOUT IT. IT DOESN'T TAKE A TOP-NOTCH INDUSTRY ANALYST

TO SURMISE THAT A COMPANY CANNOT CONTINUE TO COMPETE GLOBALLY WHEN MORE THAN ONE THIRD OF ITS WORK FORCE IS COMPRISED OF HIGH SCHOOL DROP-OUTS. SO, THE BIG QUESTION IS HOW DO WE RESPOND TO THIS CRISIS?

I HAVE BEEN A VERY FORTUNATE MAN. MY MOTHER AND FATHER ARE GREAT PARENTS AS WELL AS WONDERFUL ROLE MODELS. I AM BLESSED TO HAVE BEEN REARED IN THE DALTON PUBLIC SCHOOL SYSTEM AND IN A COMMUNITY THAT GENUINELY CARES ABOUT ITS OWN. FOR THESE REASONS, I HAD LONG FELT THE NEED TO GIVE SOMETHING BACK TO THE SCHOOL SYSTEM AND THE COMMUNITY. I HAD DISCUSSED SOME BROAD IDEAS WITH A CLOSE FRIEND AND THE ONE NEGATIVE THAT HE REVIEWED WITH ME WAS THAT I WOULD MOST LIKELY RUN INTO A BUREAUCRATIC NIGHTMARE ONCE I TRIED TO GET INVOLVED WITH MY PUBLIC SCHOOL SYSTEM. BUT WHEN I WENT DIRECTLY TO THE DALTON PUBLIC SCHOOL SUPERINTENDENT, FRANK THOMASON AND SHARED MY VISION, HE WAS VERY RECEPTIVE. HE THEN INTRODUCED ME TO THE DALTON HIGH SCHOOL PRINCIPAL, DR. JOHN MCMILLAN. I MET WITH DR. MCMILLAN SEVERAL TIMES AND IT WAS OBVIOUS THAT THIS MAN WAS ONE OF THE MOST FORWARD THINKING INDIVIDUALS I HAD EVER MET.

MY MAIN IDEAS REVOLVED AROUND THE FACT THAT I CAME THROUGH SCHOOL IN DALTON AND NEVER REALLY HAD A GRASP OF WHAT THE CARPET INDUSTRY WAS ALL ABOUT. THE BASIC MYTH WAS THAT YOU EITHER OWNED A CARPET COMPANY OR YOU WORKED ON A TUFTING MACHINE. WE NEVER DISCUSSED THE INDUSTRY OR ANYTHING ABOUT IT DURING SCHOOL. I CHOSE TO FOCUS MY EFFORTS ON THIS DEFICIENCY. IN THE SPRING OF

1991, I PUT TOGETHER A GROUP OF INDIVIDUALS WE CALLED THE DALTON PLAN: INDUSTRY AND EDUCATION WORKING TOGETHER. THIS GROUP WORKED HARD TO START SEVERAL PHASES OF THE OVERALL PROGRAM WE ULTIMATELY NAMED "INSIDE TRACK". WE HAVE HELD A CARPET CAREERS WEEK, HAD TEACHER/EMPLOYEE EXCHANGES, CREATED DISPLAY WINDOWS TO SHOWCASE THE CARPET INDUSTRY, HELD LEADERSHIP SEMINARS FOR SENIORS AND STARTED THE APPRENTICESHIP PROGRAM.

THE APPRENTICESHIP PROGRAM HAS DEFINITELY BEEN THE MOST REWARDING BECAUSE WE CREATED JOBS. DR. MCMILLAN, ALONG WITH HIS COLLEAGUES, WENDY HANSON AND MARY SMITH HAVE ALL GIVEN A GREAT DEAL OF THEIR TIME TO MAKE THIS AN EFFECTIVE PROGRAM. THE MAIN DRIVING FORCE BEHIND OUR APPRENTICESHIP PROGRAM WAS TO GIVE STUDENTS AN "INSIDE TRACK" TO A BETTER CAREER.

I WANT TO SHARE TWO STORIES ABOUT OUR APPRENTICES WITH YOU. ONE IS ABOUT ALONZO WASHINGTON AND THE OTHER IS ABOUT GODFREY POPE. THESE TWO YOUNG MEN PERSONIFY WHAT THIS PROGRAM IS ALL ABOUT. I WAS INTRODUCED TO ALONZO IN LATE FALL OF 1991. HE WAS EXTREMELY SHY. DR. MCMILLAN ASKED ME TO CONSIDER ALONZO FOR OUR FIRST APPRENTICESHIP. ALONZO HAD JUST RECEIVED ONE OF THE HIGHEST SAT SCORES IN THE SYSTEM AND WANTED TO BE AN ENGINEER. HE HAD A VERY DIFFICULT HOME LIFE AND WAS WORKING AT A FAST FOOD RESTAURANT FROM AFTER SCHOOL UNTIL VERY LATE AT NIGHT. I INTERVIEWED HIM AND WE HIRED HIM ON DECEMBER 30, 1991. WITHIN DAYS OF HIS ARRIVAL AT COLLINS & AIKMAN, HIS MANAGER INFORMED ME THAT ALONZO WAS SPECIAL AND THAT HE HAD THE ABILITY TO ACCOMPLISH ANYTHING HE WANTED IN THE ENGINEERING FIELD. HE MADE AN IMMEDIATE POSITIVE IMPACT ON

THE DEPARTMENT NOT ONLY IN PRODUCTIVITY, BUT IN THE FACT THAT EVERYONE HAD AN INTEREST IN SEEING ALONZO SUCCEED. ALONZO GRADUATED HIGH SCHOOL IN THE SPRING OF 1997 AND ENTERED GEORGIA TECH. HE CONTINUES TO WORK FOR US ON BREAKS AND IN THE SUMMER AND WILL BE OFFERED A POSITION WHEN HE HAS GRADUATED FROM COLLEGE. MY PREDICTION IS THAT WE WILL HAVE TO MAKE HIM AN ATTRACTIVE OFFER TO GET HIM BECAUSE I THINK HE WILL BE HEAVILY RECRUITED BY MAJOR COMPANIES EVERYWHERE.

THIS NEXT STORY IS ABOUT GODFREY POPE. GODFREY, WHO WAS SOCIALLY WITHDRAWN AND A BELOW AVERAGE STUDENT, ATTENDED ONE OF "INSIDE TRACK'S" SENIOR LEADERSHIP SEMINARS. AFTERWARDS, GODFREY TOOK THE SEMINAR SPEAKER (WHO HAPPENED TO BE COLLINS & AIKMAN FLOOR COVERINGS PRESIDENT, CHARLIE EITEL) ASIDE AND TOLD HIM HE WAS INSPIRED BY THE SPEECH AND WANTED TO KNOW MORE ABOUT "INSIDE TRACK." GODFREY BECAME AN OBVIOUS CHOICE FOR THE APPRENTICESHIP PROGRAM AND COLLINS & AIKMAN. HE STARTED WORK ON NOVEMBER 4, 1992 IN OUR DISTRIBUTION AREA AND NOW HAS AN OSHA APPROVED OPERATOR'S LICENSE FOR LIFT TRUCKS. ONE EXCITING NOTE IS THAT GODFREY MADE THE HONOR ROLL HIS LAST SEMESTER AT DALTON. HE HAS NOW GRADUATED AND PLANS TO ATTEND COLLEGE AND HAS A GOAL TO BECOME AN ELECTRICAL ENGINEER. WE HAVE OFFERED HIM THE SAME EMPLOYMENT OPPORTUNITIES AS ALONZO. THESE TWO CASES PORTRAY THE IMPORTANCE AND EFFECTIVENESS OF AN APPRENTICESHIP PROGRAM AND HOW IT CAN HELP BOTH INDIVIDUALS AND COMPANIES.

IN CLOSING, I WANT TO TELL YOU THAT WE ARE MOST SATISFIED.

WE PLAN TO GROW THIS PROGRAM. BUT, THIS PROGRAM WOULDN'T HAVE BEEN POSSIBLE WITHOUT THE COOPERATION OF THE APPALACHIAN REGIONAL COMMISSION. WE DID NOT EXPERIENCE ANY OF THE BUREAUCRATIC RED TAPE YOU HEAR SO MUCH ABOUT. IN FACT, I WOULD LIKE TO PUBLICLY COMMEND THE APPALACHIAN REGIONAL COMMISSION FOR THEIR EFFICIENCY IN HANDLING OUR REQUESTS.

WE ARE EXPANDING BOTH INSIDE AND OUTSIDE THE CARPET INDUSTRY. A WORKPLACE READINESS CLASS WILL BE ADDED TO THE CURRICULUM AND WE PLAN TO STUDY THE POSSIBILITY OF MAKING THIS A YEAR ROUND PROGRAM. THERE ARE MANY MORE WONDERFUL STORIES, BUT TIME PROHIBITS ME FROM SHARING THEM TODAY. I WILL BE HAPPY TO SPEAK FURTHER WITH ANYONE REGARDING OUR EFFORTS.

THANK YOU FOR THIS TIME AND I'LL BE HAPPY TO ENTERTAIN QUESTIONS.



THE DALTON PLAN: INDUSTRY and EDUCATION WORKING TOGETHER

by Gordon Whitener

INSIDETRACK

Industry and Education should work together. Not to save education, but to take learning to a new level. We are in a critical time in American business. Strong foreign competition is present in every industry, and we have no choice but to fight to win. When planning the ultimate strategy for global competition, the obvious place to focus is education. American business has and will have a fiduciary responsibility to get involved in education. In addition, Education will have a responsibility to take a proactive position in the search for business partners. Business excellence in America will take a total team effort.

For these reasons we decided to create a partnership called The Dalton Plan: Industry and Education Working Together. In Dalton, we have a unique situation. We are fortunate to have a wonderful industry in carpet, and we have outstanding schools. This scenario would be enough for most communities, but in Dalton there has always been a drive to be the best. From high school football to the carpet industry, we have always been a leader. That is why it is natural to implement the plan we call Inside Track.

Inside Track is a program that will utilize the talents from both the carpet industry and Dalton High School to enhance the career opportunities for the student (customer). This program targets all students, gifted as well as non-gifted, college bound and those who will not attend college.

Gordon Whitener
Collins & Aikman

Frank Thomason
Dalton Public Schools

Dr. John McMillian
Dalton High School

Sara Kidd
Dalton High School

Ronnie Booher
Dalton High School

Wendy Hanson
Dalton High School

Jewell Dale
Dalton High School

Robin Martin
Dalton High School

Rick Bell
Collins & Aikman

Dobbins Callahan
Collins & Aikman

Hank Millsaps
Collins & Aikman

Sara Hicks
Carpet & Rug Institute

Keith McLoughlin
E.I. DuPont
De Nemours & Company

Ann Douglas
Collins & Aikman

The Dalton Plan:
Industry and Education
Working Together

1500 Manly Street
Dalton, Georgia 30720
404.278.8757



INSIDETRACK

DALTON HIGH SCHOOL

"INSIDE TRACK PROGRAM"

CARPET CAREER DEVELOPMENT PLAN

Gordon Whitener
Collins & Aikman

Frank Thomason
Dalton Public Schools

Dr. John McMillan
Dalton High School

Sara Kidd
Dalton High School

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Collins & Aikman

Career guidance at the high school level should provide a variety of activities to meet the needs of students at various stages of development. Research studies indicate that students this age are limited in their ability to assess their own skills and interests. Also, that they have a limited awareness of career opportunities and requirements. This can be especially true for special populations, such as women, minorities, and the handicapped. Several general areas of career development which are appropriate to address at the high school level are career awareness, individual assessment, career exploration, and career training.

The "Inside Track" program is one that utilizes the talents of both carpet industry and Dalton High School personnel to enhance career opportunities for the student. Through a partnership between the school and Collins & Aikman, several activities have been implemented and more are planned for the future. Overall goals of the program are:

The Dalton Plan:
Industry and Education
Working Together

1500 Masby Street
Dalton, Georgia 30720
404.278.8757

1. to increase students' knowledge about careers available in the carpet industry.
2. to enhance the role of industry within our school.
3. to provide students with a better understanding of the relationship between school subjects and future careers.
4. to assist teachers to make their instruction more relevant to the world of work.

The Carpet Career Development Plan, as a part of our school's overall developmental guidance program, will provide a variety of carpet-related activities progressing in a planned sequence from awareness to training. These will be available in addition to other school-wide career development activities. It is hoped that students of all ability levels will consider the many career opportunities available in our primary local industry. (Refer to Carpet Career Development Flow Chart for activities.)

GRADE 9 - AWARENESS: Students will develop a greater awareness of carpet-related careers and the carpet manufacturing process.

GRADE 10 - INDIVIDUAL ASSESSMENT: Students will develop a better understanding of their abilities and interests as related to a possible career in the carpet industry.

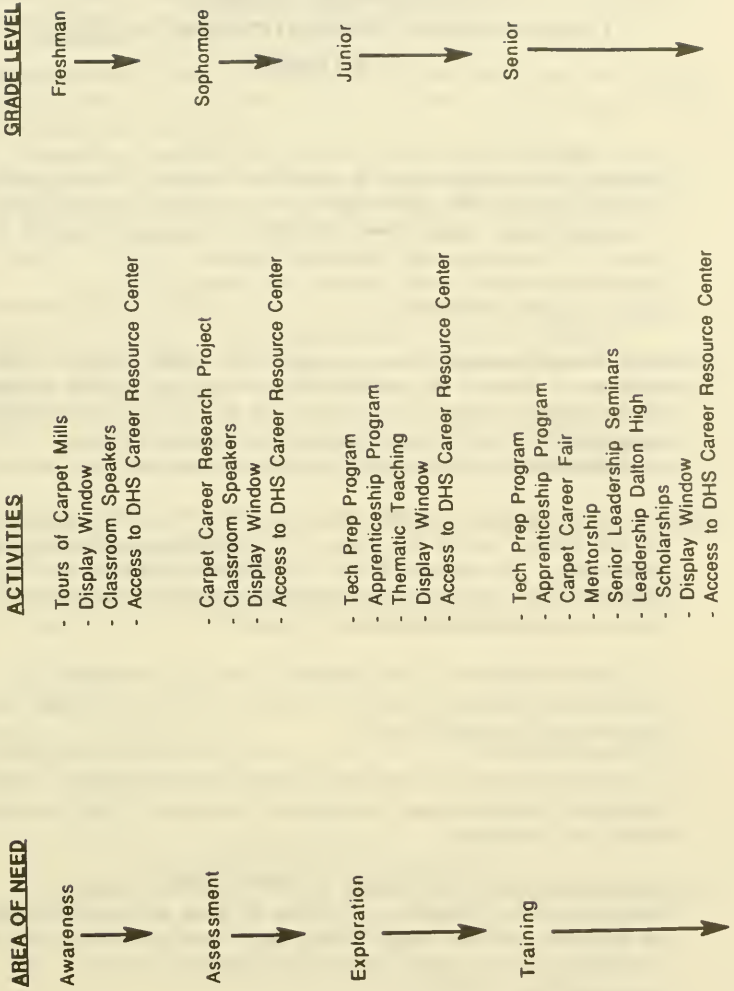
GRADE 11 - CAREER EXPLORATION: Students will enhance their understanding exposure to carpet careers as they relate to school curriculum.

GRADE 12 - CAREER TRAINING: Students will participate in activities which are directly related to their career choice and learn skills necessary for employment and/or further education.

In addition to student activities, the Dalton High School faculty will be involved in several activities designed to enhance awareness of carpet-related careers.

1. Faculty tours of carpet mills
2. Teacher/Employee exchange
3. Linkages with industry representatives in each area of the curriculum

CARPET CAREER DEVELOPMENT FLOW CHART



**DALTON HIGH SCHOOL
STUDENT/PARENT APPRENTICESHIP PROGRAM
CONTRACT**

1. The Student/Apprentice can receive 1 1/2 Carnegie units each semester for the Apprenticeship Program. The job will be approved by the Apprenticeship Coordinator who will work with the employer in developing the Apprenticeship Program. The parent will not contact the Apprenticeship Supervisor relative to the Student/Apprentice's work without first consulting the Apprenticeship Coordinator.
2. When the Student/Apprentice is absent from school, he/she is not permitted to work in the afternoon unless approval is first obtained from the Apprenticeship Coordinator. It is the Student/Apprentice's responsibility to notify the Apprenticeship Supervisor and Apprenticeship Coordinator each day of any absence.
3. When job situations become unpleasant for the Student/Apprentice for any reason, he/she will inform the Apprenticeship Coordinator immediately. By conference with the Student/Apprentice and the Apprenticeship Supervisor, the Apprenticeship Coordinator will determine the appropriate course of action.
4. If a Student/Apprentice loses his/her job through negligence or misdemeanor, he/she is subject to dismissal from the program and may not receive school credit.
5. The Student/Apprentice must work a minimum of 20 hours a week throughout the school year, completing a minimum of 360 hours on-the-job per semester.
6. Student/Apprentices are required to work on a daily basis. If exceptions occur, students are required to leave the school grounds at the conclusion of their regular school day. They are not to come back on campus for any reason without prior approval from the Apprenticeship Coordinator.

7. Apprenticeship students must maintain a satisfactory relationship with the school, teachers, and employers.
8. Apprenticeship students will maintain a file folder that will include current work reports, training plans, and other items directed by the Apprenticeship Coordinator.
9. Apprenticeship students will keep a daily journal listing activities in which they participated on the job that day. The journal will be one of the sources used in determining the student's grade for the program.
10. Parents and/or guardians will assume full responsibility for the conduct and safety of the Apprenticeship student in traveling between home, school, and work as well as while engaged in school-related projects and activities off campus. If there is a need, Dalton High School will provide transportation from school to the job site only. Parents or students are held personally liable if transporting another student, and the school will assume no responsibility.
11. Apprenticeship students must maintain passing grades in their school based academic classes.
12. Apprenticeship students may be required to stay at school all day if an extended-period bell schedule is in effect for that day.

Student/Apprentice

Parent/Guardian

Apprenticeship Coordinator

**DALTON HIGH SCHOOL
Apprenticeship Program
Training Agreement**

STUDENT/APPRENTICE'S NAME _____

SOCIAL SECURITY NUMBER _____ BIRTH DATE _____

MAILING ADDRESS _____ TELEPHONE NO. _____

APPRENTICESHIP COORDINATOR _____ TELEPHONE NO. _____

TRAINING STATION _____ TELEPHONE NO. _____

ADDRESS OF TRAINING STATION _____

APPRENTICESHIP SUPERVISOR'S NAME _____

APPRENTICESHIP SUPERVISOR'S POSITION _____

STARTING DATE OF STUDENT/APPRENTICE EMPLOYMENT _____

STUDENT/APPRENTICE'S RATE OF BEGINNING PAY _____

OCCUPATIONAL OBJECTIVE _____

RESPONSIBILITIES

The Student/Apprentice agrees:

1. To be regular in attendance, both in school and on the job.
2. To inform the Apprenticeship Supervisor promptly if illness or other emergency prevents or delays attendance.
3. To perform training station responsibilities and regular class responsibilities in a satisfactory manner.
4. To show honesty, punctuality, courtesy, a cooperative attitude, proper health and grooming habits, appropriate dress, and a willingness to learn.
5. To conform to the rules and regulations of the training station.
6. To furnish the Apprenticeship Coordinator with necessary information about the training program and to promptly complete all necessary reports.

7. To keep a journal containing daily activities and experiences he/she encounters at the training station. The Student/Apprentice will provide the journal to the Apprenticeship Coordinator in a timely fashion.
8. To consult the Apprenticeship Coordinator about any difficulties arising at the training station or related to his/her Apprenticeship Plan.

The parent/guardian of the Student/Apprentice agree:

1. To encourage the Student/Apprentice to perform all the job duties and responsibilities effectively.
2. To share the responsibility for the conduct of the Student/Apprentice while training in the program.
3. To accept responsibility for the safety and conduct of the Student/Apprentice while traveling to and from the school, the work site, and home.
4. To approve the training station hours and work activities.

The Apprenticeship Coordinator agrees:

1. To work with the Apprenticeship Coordinator in developing an Apprenticeship Plan that will include a list of job tasks, skills, and performance indicators. This Apprenticeship Plan will provide a basis for the student's future full-time employment in his/her chosen field.
2. To provide a variety of work experiences for the Student/Apprentice that will contribute to the attainment of the Apprenticeship Plan.
3. To employ the Student/Apprentice for a minimum of 360 hours per semester, (approximately 20 hours per week) for the entire training period at an appropriate wage.
4. To adhere to all Federal and State guidelines concerning safety, child labor laws and minimum wage regulations.
5. To assist in the over-all evaluation of the Student/Apprentice and to serve as primary evaluator for on-the-job skill attainment.
6. To provide time for consultation with the Apprenticeship Coordinator concerning the Student/Apprentice.
7. To assist in providing instructional materials and occupational guidance for the Student/Apprentice.
8. To adhere to policies and practices which prohibit discrimination on the basis of race, color, national origin, sex, and handicap in recruitment, hiring, placement, assignment to work task, hours of employment, levels of responsibility and pay.
9. To provide a safe and appropriate work environment for the Student/Apprentice.

The Apprenticeship Coordinator agrees:

1. To serve as liason between Dalton High School and the Apprenticeship Supervisor to ensure that all Quality Core Curriculum objectives are addressed as required by Georgia State law and that Apprenticeship credit is granted.
2. To ensure that any necessary classroom instruction related to the job tasks is provided.
3. To make periodic visits to the training station to observe the Student/Apprentice, consult with the Apprenticeship Supervisor, and render any needed assistance.
4. To assist in the evaluation of the Student/Apprentice.
5. To keep accurate records pertinent to the Student/Apprentice and to the school.
6. To regularly inform parents of the Student/Apprentice's progress at the training station.
7. To assist in providing instructional materials and occupational guidance for the Student/Apprentice.

Has a Work Permit been obtained by the Student? Yes No

 Apprenticeship Supervisor

Date

 Parent/Guardian

Date

 Apprenticeship Coordinator

Date

 Student/Apprentice

Date

APPRENTICESHIP TRAINING PLAN

STUDENT APPRENTICE: _____

APPRENTICESHIP WORK SITE: _____

APPRENTICESHIP JOB AREA: _____

JOB SUPERVISOR: _____

SCHOOL OBJECTIVES

	Supervisor's Initials	Teacher's Initials
--	--------------------------	-----------------------

A. JOB ENTRY SKILLS DEVELOPMENT

- | | | |
|--|--|--|
| <ol style="list-style-type: none"> 1. Identifies and demonstrates use of tool equipment in trade, industrial and health occupations 2. Develops and applies mathematical concepts and skills required by the job 3. Develops and applies oral and written communication skills as required by business and industry 4. Develops basic and advanced craft skills required for entry into trade, industrial, and health occupations 5. Develops skills in the technical and scientific aspects of new products, processes and techniques 6. Demonstrates a basic awareness of computer operations through applications associated with the job | _____

_____ | _____

_____ |
|--|--|--|

B. CAREER ORIENTATION SKILLS

- | | | |
|---|----------------------------------|----------------------------------|
| <ol style="list-style-type: none"> 1. Describes the basic characteristics, limitations and benefits of the American economic system 2. Describes the role of the consumer in the economic system and awareness of the entrepreneur opportunities 3. Demonstrates consumer considerations and responsibilities 4. Demonstrates the ability to research and plan career paths utilizing a variety of techniques and resources | _____

_____ | _____

_____ |
|---|----------------------------------|----------------------------------|

Supervisor's
InitialsTeacher's
Initials**C. EMPLOYABILITY SKILLS**

1. Develops communication and organizational skills essential to employment acquisition
2. Demonstrates oral and written communication skills essential to employment and retention
3. Describes personal qualities essential to employment retention
4. Demonstrates abilities essential to personal financial management
5. Lists courtesies that should be extended to an employer prior to employment severance
6. Demonstrates respect for dignity of work
7. Demonstrates the ability to cope with changes in the work environment

D. LEADERSHIP DEVELOPMENT SKILLS

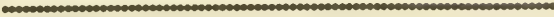
1. Demonstrates leadership abilities through human relations skills and decision-making techniques
2. Develops pride, self-worth concepts, and personal code of ethics
3. Demonstrates the ability to communicate effectively with individuals and groups
4. Demonstrates the ability to overcome personal barriers through self-improvement
5. Distinguishes between effective and ineffective leadership styles

E. SAFETY SKILL DEVELOPMENT

1. Develops knowledge and attitudes toward safety in the work place
2. Determines and demonstrates proficiency in the safe and proper use of tools and equipment
3. Develops skills relative to maintaining cleanliness, sanitation and good personal hygiene
4. Develops skills in the application of legally mandated health and safety practices, including the proper use of personal protective clothing and equipment in the work place
5. Develops skills in fire safety, prevention, and emergency procedures

	Supervisor's Initials	Teacher's Initials
	_____	_____

6. Develops skills in the identification of electrical hazards
7. Develops skills in the identification of hazards associated with toxic chemicals, fumes, waste, and other harmful agents
8. Develops skills in identification of noise hazards and in preventive equipment and techniques
9. Develops skills in the application of first aid and emergency techniques and procedures



SPECIFIC APPRENTICESHIP JOB TRAINING

GOAL: The student-apprentice will have a broad understanding of the carpet making process and be specifically trained in the area of



CAREER LADDER

COORDINATOR/TEACHER APPRENTICESHIP PROGRAM

QUALIFICATIONS:

1. Bachelor's degree with Master's degree preferred. T4 or T5 certificate in appropriate teaching field, with preference to a Vocational area.
2. Successful student teaching experience.
3. Ability to guide and direct the learning process; knowledge of the subject matter to be taught; knowledge of child growth and development.
4. Knowledge and/or experience in the Business/Industry Community preferred.

REPORTS TO:

Principal

JOB GOAL:

To provide appropriate learning experiences and educational opportunities for students in the Apprenticeship Program and to serve as a liaison between the Business/Industry community and the school.

PERFORMANCE RESPONSIBILITIES:

1. Establishes a classroom climate conducive to learning and effective study.
2. Assists pupils in dealing with academic, personal, social, and vocational problems.
3. Works closely with guidance counselor and instructional team on specific problems of individual pupils, and confers with parents, pupils and employers regarding the progress and problems of pupils.
4. Studies new ideas in his/her special teaching field and keeps abreast of the trends in the general field of education.
5. Works with the principal and fellow teachers cooperatively in matters affecting the school system.
6. Sets an example based on high moral and ethical standards.
7. Promotes good home, school and employer relations.
8. Seeks help in problems of instruction and child adjustment from administrative and supervisory staff, bringing the problem to the building principal first.

9. Maintains records and keeps in contact with students employers. Is responsible for furnishing the employer with an evaluation sheet of the student and keeps accurate records concerning the student's work record. Develops appropriate contractual agreements between parent, school, students and Business/Industry partner.
10. Coordinates job leads, recruitment activities and placement of apprenticeship students. Assures that students are placed in program and on-the-job in accordance with Program Guidelines and/or student's career objective. Works with Counseling office and appropriate administrative staff concerning student placement in program and number of students enrolled in program.
11. Maintains follow-up surveys on students previously enrolled in program for at least two years.
12. Assists in transition to permanent employment upon graduation.
13. Coordinates the modification and adaptation of existing curriculum so as to meet state and local system requirements as well as to meet individual student needs.
14. Prepares a program evaluation report at the end of each school year and/or at other times as needed.
15. Performs such duties as may from time to time be assigned.

ADDITIONS TO THE RECORD

**TESTIMONY OF REPRESENTATIVE RICK BOUCHER
ADDING MONTGOMERY, ROANOKE AND ROCKBRIDGE COUNTIES, VIRGINIA
TO THE APPALACHIAN REGION
BEFORE THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
JUNE 22, 1993**

Mr. Chairman, let me first thank you for holding today's hearing on reauthorization of the Appalachian Regional Development Act, and for inviting Congressman Goodlatte and me to testify in support of our legislation, H.R. 1451, that would add Montgomery, Roanoke and Rockbridge Counties, Virginia, to the Appalachian Region. I represent Montgomery County and share representation of Roanoke County with Mr. Goodlatte.

While these counties are blessed with an abundance of natural resources and creative people, their unemployment, poverty and income data have restricted their efforts to address social welfare needs and provide economic opportunities for their citizens. Inclusion in the Appalachian Region would greatly assist these communities in their goal of equipping their citizens with the tools needed to obtain comprehensive, balanced and enduring economic development objectives.

Since the Appalachian Regional Commission (ARC) was formed in 1965, virtually every industrial park constructed in my district, every water and sewer system, most of the vocational schools and community clinics, and many of the libraries were constructed with assistance from the ARC. In the absence of the Commission's valuable contributions, those facilities would not have been constructed.

The growth experienced during the last several decades by those areas of Southwest Virginia served by the Commission is directly attributable to the assistance provided by the

ARC. This fact has not gone unnoticed by jurisdictions that are not served by the ARC, but are very much in need of the Commission's assistance. That is why we are proposing to make Montgomery, Roanoke and Rockbridge Counties eligible for ARC assistance.

I am pleased that Mr. Randy Wertz, Assistant Deputy County Administrator for Montgomery County, Virginia, is here to provide a more detailed accounting of that county's specific needs.

Already a part of the Appalachian Region both geographically and culturally, Montgomery, Roanoke and Rockbridge Counties have demonstrated a clear need for the development opportunities available through the ARC. I very much hope it will be the subcommittee's pleasure to act favorably on our proposal as you reauthorize the Appalachian Regional Commission.



FIFTH PLANNING DISTRICT COMMISSION

313 Luck Avenue, S.W.
 Post Office Box 2369
 Roanoke, Virginia 24010

Ph: (703)343-4417
 Fax: (703)343-4416

**STATEMENT OF
 WAYNE STRICKLAND, EXECUTIVE DIRECTOR
 FIFTH PLANNING DISTRICT DIRECTOR
 PREPARED FOR THE
 SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
 COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
 JUNE 22, 1993**

In 1965, Roanoke County and the Cities of Roanoke and Salem were invited to join the Appalachian Regional Commission (ARC). At that time, the regional economic linkages between the Roanoke area and southwestern Virginia were not clear nor were they well articulated and the result was these communities declined to join the ARC. Since the mid-1960's, the complexion of economic development in western and southwestern Virginia has changed dramatically while the regional linkages have grown clearer. This is particularly true in that portion of western Virginia served by the Appalachian Regional Commission.

The Roanoke Valley is the urban center which serves southwest Virginia. The regional airport serves an 80-mile radius extending from Wytheville to Covington to Lexington. The medical complexes in the Roanoke Valley serve all of southwest Virginia as well as parts of southern West Virginia, northwestern North Carolina and eastern Tennessee. The electronic and printed media in Roanoke serves all of western Virginia. The Roanoke Valley's retail service area encompasses 20 counties in southwestern Virginia and

Alleghany County • Botetourt County • Craig County • Roanoke County
 City of Clifton Forge • City of Covington • City of Roanoke • City of Salem • Town of Vinton

southern West Virginia. Roanoke is recognized as the shopping and cultural center of southwest Virginia.

Coal from southwestern Virginia's coal fields passes through Roanoke on its way to eastern ports, but more importantly, the banks, legal services, accounting services and insurance companies found in the Roanoke Valley are integral to operations of businesses in neighboring ARC communities. In short, that part of Virginia currently in the ARC, as well as southern West Virginia and Roanoke, are truly economically linked. What happens in Roanoke effects those areas and vice versa. However, because the communities in the Roanoke area are not currently designated as a part of the Appalachian Regional Commission, opportunities are lost to further strengthen economic and community development activities.

The regional approach to resolving long-term economic and community development problems has been recognized nationally. In fact, the ARC is an example of a regional program that can make a difference! The federal government, the National Association of Counties, the National League of Cities, as well as state governments including the Commonwealth of Virginia have all stated the need to pursue regional solutions to issues related to economic development, infrastructure improvements, transportation and the environment.

Since the Roanoke Valley is not a part of the ARC region, and therefore cannot participate in programs of the ARC, the ability of Roanoke's communities and neighboring ARC communities to pursue important cooperative projects is substantially curtailed. If jurisdictions within the Roanoke Valley were designated in the ARC region, the potential for major tourism-related projects, vocational training projects and infrastructure-related projects would be greatly enhanced. Joint efforts to strengthen this region's competitiveness in attracting new business could be enhanced significantly if all communities in the region had access to various ARC programs and could jointly apply for projects.

Just as urban centers such as Asheville, North Carolina and Huntsville, Alabama have utilized ARC programs to strengthen regional economic development, the same thing could occur in the greater Roanoke region.

Currently, five of the nine member governments in the Fifth Planning District of Virginia are situated in the ARC region (the Fifth Planning District Commission is the regional planning agency which serves the Roanoke Valley and Alleghany Highlands). Some cooperative efforts between the Roanoke Valley and neighboring ARC communities have been pursued, but because the Roanoke Valley is not a part of the ARC, limitations toward even greater cooperative ventures exist. For example, a few years ago Botetourt County (an ARC community), which is in the ARC region, was attempting to

develop an industrial park in conjunction with Roanoke County (a non-ARC community). Since ARC is limited to participating in only those jurisdictions designated by ARC, ARC support for this cooperative project was not pursued. Joint economic development activities could be expanded if the communities within the Roanoke Valley were also part of the ARC region. It is clear that citizens of the Roanoke Valley, as well as surrounding ARC communities, would benefit from the expansion of the ARC boundary in this region.

Another example of the benefit of expanding the ARC boundary to include the Roanoke Valley is in the area of tourism development. The new buzz word in the field of tourism is "eco-tourism". That is, many people, as they look for vacation opportunities, are choosing to go back to the environment. Whether that's hiking in the mountains, horseback trails or white-water rafting down the New River, what all the experts tell us is that eco-tourism will be the growth area in the travel industry in the future. The opportunities to promote the mountains of Virginia between the Roanoke area and its surrounding ARC communities and the vast national forests that are within their boundaries is tremendous. Without the strength of draw that Roanoke provides, both in terms of transportation and hotels, restaurants, other support services, as well as a variety of experiences a traveler would get in an urban area like Roanoke, the potential of joint

marketing efforts for the ARC component is reduced significantly and weakens the region-wide effort.

In conclusion, the Appalachian Regional Commission, since its inception, has been a partnership between federal, state and local governments. By designating the Roanoke Valley as a part of the Appalachian Regional Commission, Congress will be enhancing this partnership within western and southwestern Virginia. The expansion of the ARC boundaries to include the communities of Roanoke County and the Cities of Roanoke and Salem would help to strengthen existing economic linkages, expand economic benefits and promote a higher quality of life for citizens of the entire region.

**TO EXAMINE EXISTING PROGRAMS UNDER
THE PUBLIC WORKS AND ECONOMIC DE-
VELOPMENT ACT OF 1965 AND THE APPA-
LACHIAN REGIONAL DEVELOPMENT ACT OF
1965 AND TO CONSIDER PROPOSALS TO RE-
AUTHORIZE THE PROGRAMS AS WELL AS
NEW INITIATIVES TO PROMOTE GROWTH
AND DEVELOPMENT**

THURSDAY, JUNE 24, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, DC.

The subcommittee met, pursuant to call, at 10:40 a.m., in Room 2167, Rayburn House Office Building, Hon. Robert E. Wise, Jr. (chairman of the subcommittee) presiding.

Mr. WISE. This hearing of the Subcommittee on Economic Development for the Public Works and Transportation Committee will come to order.

This is the third in a series of hearings on the Economic Development Administration and the Appalachian Regional Commission. And we are very, very appreciative of the witnesses, some of whom have traveled long distances to be here.

On the first day of hearings, we focused on the Economic Development Administration, the EDA. Yesterday, was the ARC. And we are back again to the EDA. I am delighted to be the Chair of this subcommittee at this time, since I believe that this administration intends to move forward on an EDA authorization, and it is our goal to work with them.

As you know, funding for the EDA was included in the administration's budget request \$30.1 million for salary and expenses and \$223 million for program assistance, including \$33 million for defense, economic adjustment.

EDA officials have testified before the appropriations subcommittee and I believe the full appropriations committee meets today to mark up the full Commerce, Justice, State and Judiciary bill with funding for those programs.

Second, the administration sent up a draft bill calling for a one year authorization and a few technical amendments, which I introduced by request with my colleagues, Representatives Mineta, Shuster, and Molinari.

The bill, H.R. 2442 has been referred exclusively to our committee. As I mentioned in our initial hearing, my hope is to develop a longer life bill with amendments to address some of the criticisms that have been brought to the committee's attention. I anticipate working closely with the administration, and I had a chance to run into Commerce Secretary Ron Brown this week and brought up this matter with him. It is our hope to coordinate our efforts with the administration.

Today, I will insert my full statement in the record, but we are particularly interested in hearing from economic development experts with their experience with any existing EDA programs, what new initiatives and ideas we might try and what legislative and other suggestions they can recommend that will help promote development and lead to development of jobs in the distressed areas of the Nation.

Let me say to those on the panel, thank you very much for being here. You are getting probably the last chance to officially address the subcommittee before the subcommittee begins working on the legislation. It is not anticipated to hold another hearing, all things of course in this body, particularly this year, are subject to change. But, at this point it would be the Chair's intention to work closely with all Members and to try and begin actually drafting an EDA authorization following this hearing and over the next month or so.

Thank you again for being here and I turn to the Ranking Member, Ms. Molinari.

[Mr. Wise's prepared statement follows:]

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JACK SCHNEIDER, Minority Staff Director

U.S. House of Representatives
COMMITTEE ON PUBLIC WORKS
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REMARKS OF
THE HONORABLE ROBERT E. WISE, JR.
CHAIRMAN, SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

CONTINUATION OF HEARINGS ON REAUTHORIZATION OF
THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT
AND
THE APPALACHIAN REGIONAL DEVELOPMENT ACT

JUNE 24, 1993

GOOD MORNING. THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT WILL PLEASE COME TO ORDER. THIS MORNING THE SUBCOMMITTEE IS CONTINUING ITS HEARINGS TO REVIEW AND REAUTHORIZE THE PROGRAMS ADMINISTERED BY THE ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) AND THE APPALACHIAN REGIONAL COMMISSION (ARC).

ON OUR FIRST DAY OF HEARINGS WE FOCUSED ON THE ECONOMIC DEVELOPMENT ADMINISTRATION. ON OUR SECOND DAY - THIS PAST TUESDAY - WE FOCUSED ON THE APPALACHIAN REGIONAL COMMISSION. TODAY WE ARE AGAIN TURNING OUR ATTENTION TO THE EDA AND I WANT TO WELCOME OUR WITNESSES AND EXTEND OUR APPRECIATION FOR YOUR TAKING THE TIME TO COME AND TESTIFY.

AFTER 12 YEARS OF A STEADFAST CONGRESS HOLDING FIRM AGAINST EFFORTS TO TERMINATE EDA, IT IS MY GREAT PLEASURE TO BE CHAIRMAN OF THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT AT A TIME WHEN A NEW ADMINISTRATION HAS RECOGNIZED NOT ONLY THE VALUE OF THE PROGRAMS BUT THE CONTINUING NEED FOR THEM.

IN RECENT WEEKS WE HAVE BEEN SEEING POSITIVE ACTION RELATED TO EDA. FIRST, AS YOU KNOW, FUNDING FOR EDA WAS INCLUDED IN THE ADMINISTRATION'S BUDGET REQUEST - \$30.151 MILLION FOR SALARIES AND EXPENSES AND \$223.150 MILLION FOR PROGRAM ASSISTANCE, INCLUDING \$33 MILLION FOR DEFENSE ECONOMIC ADJUSTMENT - AND, EDA OFFICIALS TESTIFIED BEFORE THE APPROPRIATIONS SUBCOMMITTEE. TODAY THE FULL APPROPRIATIONS COMMITTEE IS MEETING TO MARK UP THE COMMERCE, JUSTICE, STATE AND JUDICIARY APPROPRIATIONS BILL THAT INCLUDES FUNDS FOR THESE PROGRAMS.

SECOND, THE ADMINISTRATION SENT UP A DRAFT BILL CALLING FOR A ONE-YEAR AUTHORIZATION AND A FEW TECHNICAL AMENDMENTS, WHICH I INTRODUCED BY REQUEST WITH MY COLLEAGUES REPRESENTATIVES MINETA, SHUSTER AND MOLINARI. THE BILL, H.R. 2442, HAS BEEN REFERRED EXCLUSIVELY TO OUR COMMITTEE. AS I MENTIONED AT OUR INITIAL HEARING, MY HOPE IS TO DEVELOP A TWO-YEAR BILL WITH AMENDMENTS TO ADDRESS SOME OF THE CRITICISMS AND DIFFICULTIES WITH THE PROGRAMS THAT HAVE BEEN BROUGHT TO THE COMMITTEE'S ATTENTION. I ANTICIPATE WORKING CLOSELY WITH THE ADMINISTRATION SO THAT WE MAY COORDINATE OUR LEGISLATIVE EFFORTS.

AT THIS POINT IN TIME, I DON'T BELIEVE THERE IS ANY REAL QUESTION THAT SINCE THEIR INCEPTION EDA'S PROGRAMS HAVE HAD A POSITIVE IMPACT IN HELPING SEVERELY DISTRESSED COMMUNITIES AND REGIONS. THE SUBCOMMITTEE'S HEARING RECORD OVER THE YEARS - AND AGAIN IN TESTIMONY PROVIDED ON OUR FIRST DAY - SPEAKS TO THE EFFECTIVENESS OF EDA ASSISTANCE IN PROMOTING ECONOMIC RENEWAL AND GROWTH AND THE FACT THAT, BECAUSE OF EDA HELP, MANY JOB-CREATING PROJECTS WERE ABLE TO GO FORWARD.

HOWEVER, THE WORLD HAS CHANGED. THE COLD WAR HAS ENDED AND THERE HAVE BEEN EXTRAORDINARY ECONOMIC AND POLITICAL CHANGES NATIONALLY AND INTERNATIONALLY OVER THE YEARS. OUR NATION FACES MANY DIFFERENT CHALLENGES AS WE STRIVE TO BE ECONOMICALLY STRONG AND GLOBALLY COMPETITIVE - NOT THE LEAST OF WHICH IS CONVERTING FROM MILITARY TO CIVILIAN-RELATED RESOURCES. NOW WE MUST DETERMINE THE BEST WAY TO PROVIDE FEDERAL ASSISTANCE THAT WILL SUPPORT THE EFFORTS OF LOCAL COMMUNITIES TO DIVERSIFY AND STRENGTHEN THEIR ECONOMIES. FOR THAT IS WHAT WILL KEEP OUR NATION GREAT.

SO, WE ARE ESPECIALLY INTERESTED IN HEARING FROM ECONOMIC DEVELOPMENT EXPERTS ABOUT THEIR EXPERIENCE WITH EXISTING EDA PROGRAMS AND WHAT HAS BEEN PARTICULARLY HELPFUL, AS WELL AS WHAT NEW INITIATIVES AND IDEAS WE MIGHT TRY AND WHAT LEGISLATIVE AND OTHER SUGGESTIONS THEY CAN RECOMMEND THAT WILL HELP PROMOTE DEVELOPMENT AND LEAD TO THE CREATION OF JOBS IN DISTRESSED AREAS OF THE NATION.

TODAY WE LOOK FORWARD TO LEARNING MORE ABOUT THE EDA PROGRAMS FROM THOSE WHO WORK CLOSELY WITH THEM.

Ms. MOLINARI. Thank you, Mr. Chairman.

I want to join you in welcoming our witnesses and I look forward to hearing from these people who work directly with the EDA.

I have to take a moment out to welcome particularly Rabbi Morris Shmidman of Boro Park, Brooklyn. The work of the Business Outreach Center, he will tell us, has helped many small businesses throughout our district. I am glad that the Rabbi is able to join us and share the success of the program. I am glad he brought Paul Chernick with him.

Thank you for holding these hearings, Mr. Chairman. And I think with the help of the witnesses that have come before us, that the EDA will continue to be as valuable in the future as it has been in the past, if not more so.

Thank you.

Mr. WISE. I thank the gentlewoman and turn to the gentleman from California, Mr. Hamburg.

Mr. HAMBURG. No opening statement, but I, too, thank you for holding these hearings, and I am appreciative of the vision that this administration is showing in bringing EDA back to the fore as an agent for economic development. I know my district very much benefits from the work of EDA and I hope to, as a member of this committee, to work to strengthen this agency and work with the administration to do so.

Thank you.

Mr. WISE. Thank the gentleman and turn to the gentleman from Pennsylvania, Mr. Clinger.

Do you have any opening remarks? Thank you.

At this point, now that we have made all of our opening statements, I am going to recess the hearing for the purpose of a vote and the subcommittee will resume as soon as possible, which hopefully will be no more than 15 minutes. Thank you.

[Brief Recess.]

Mr. WISE. The subcommittee will resume its hearing and I thank the patience of the witnesses. The Energy and Water appropriation bill is on the floor. It is under a five-minute rule, which means that amendments can be voted on at any time so we will try to move as expeditiously as possible.

In our first panel of witnesses, I am delighted to see two old friends from West Virginia as well as others who have been so active in behalf of economic development. Our first panel will feature Kenneth Green, Executive Director of Eastern Panhandle Regional Planning and Development Council for Martinsburg, West Virginia. He is speaking on behalf of the National Association of Regional Councils.

Also on the panel is Thomas McClure, Director of the Economic Development Administration University Center, Western Carolina University, in Cullowhee, North Carolina, speaks as President of the National Association of Management and Technical Assistance Centers, and he is accompanied by an old friend, Stafford Thornton, Technical Assistance Center, West Virginia Institute of Technology in Montgomery, West Virginia; and our final witness, Robert Paciocco, Executive Director of the Mid-East Commission from Washington, North Carolina, and he is speaking on behalf of the National Association of Development Organizations.

Gentleman, we welcome all of you. Your written statements will made a part of the record and we invite you to proceed in any way that you wish. And we will start with Mr. Green.

TESTIMONY OF KENNETH GREEN, EXECUTIVE DIRECTOR, EASTERN PANHANDLE REGIONAL PLANNING AND DEVELOPMENT COUNCIL, MARTINSBURG, WV, SPEAKING ON BEHALF OF THE NATIONAL ASSOCIATION OF REGIONAL COUNCILS (NARC); THOMAS E. McCLURE, DIRECTOR, ECONOMIC DEVELOPMENT ADMINISTRATION UNIVERSITY CENTER, WESTERN CAROLINA UNIVERSITY, CULLOWHEE, NC, AND PRESIDENT-ELECT, NATIONAL ASSOCIATION OF MANAGEMENT TECHNICAL ASSISTANCE CENTERS (NAMTAC), ACCOMPANIED BY STAFFORD THORNTON, TECHNICAL ASSISTANCE CENTER, WEST VIRGINIA INSTITUTE OF TECHNOLOGY, MONTGOMERY, WV; ROBERT PACIOCCO, EXECUTIVE DIRECTOR, MID-EAST COMMISSION, WASHINGTON, NC, AND PRESIDENT NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS (NADO)

Mr. GREEN. Good morning, Mr. Chairman, and members of the subcommittee and panel.

I would like to begin by stipulating on some preamble that you wanted us to discuss from a developer-practitioner standpoint. Having had the opportunity previously to discuss that in detail, I am sure that I already have volumes on record. And I would like to address some side and important issues regarding EDA this morning.

We appreciate the opportunity to present some of our thoughts on the reauthorization of the Economic Development Administration and the Appalachian Regional Commission.

As was previously stated, my name is Dr. Kenneth Green, Executive Director of West Virginia's Eastern Panhandle Regional Planning and Development Council and President of the executive director's committee of the statewide West Virginia Association of Regional Planning and Development Councils. My council and the other 10 councils in the State operate as economic development districts under the economic auspices of the EDA programs and as local development districts under the auspices of the ARC legislation.

I am here today as a representative of the National Association of Regional Councils, an organization that services regional councils throughout the United States.

The brief expressions of support that I am making this morning are founded on my career involvement and academic understanding of the necessary conditions for successful and meaningful grass root economic and community development efforts—citizens that are given a little bit of resources to become more resourceful and to become active players in their own destinies for well-being.

I started out this career in Congressman "Bizz" Johnson's district back in California. And I am sure that all of you recognize his picture in the back of the room. And aside from that, I think that he is generally recognized as the father of the public works legislation, 1965, and the creation of EDA and many of the programs that were initiated under the Economic Development Administration.

The beliefs that I hold today regarding EDA are those which he conveyed to me as relayed by the intentions of the Congress at that time on this particular issue.

Since those days, I went on to earn a master's degree and Ph.D. in rural sociology and community development, and even with such tapestry, I cannot find fault with the original intentions regarding the public works act.

Within the next two weeks, the National Association of Regional Councils will have completed a survey of several economic development districts located in EDA regions regarding their use of EDA funding with descriptions of activities that have been accomplished at the district level. That survey will be presented to members of the appropriate Senate subcommittee and other Members of Congress. We anticipate and fully expect the results of this survey to show that despite the lack of support during the past 12 years of inadequate funding, EDA programs have been beneficial to our rural regions.

We are aware that the administration is seeking a one-year reauthorization of the EDA and ARC. For several reasons, the National Association of Regional Councils would like to see a two-year reauthorization of programs at this time.

First, a two-year reauthorization would allow the Economic Development Administration to develop a mission statement for the agency that is relevant to the administration's programs to revitalize the Nation's economy.

Currently, no one has been appointed to head the agency, which hampers the development of any such roles. It could be several months before there is an appointee. A two-year reauthorization would not put pressure on the Economic Development Administration regarding a well thought out proposal on the reorientation of the EDA programs to meet the priorities of the Clinton administration.

Second, next year is an election year, adding to Congress' activities and work load and make it difficult to address the long-term future of the Economic Development Administration.

Third, the Economic Development Administration needs time to realize that it is no longer an agency under orders by the administration to dismantle itself. It needs to readjust and reassess its position in the order of national economic development processes.

The Clinton administration has recognized the need for long-term planning, not only at the national and State levels but the regional level as well. It is only through planning that our local communities can develop a strategy for growth, can cooperate with each other in finding the best solutions to their economic and community problems.

These plans have served as a road map for rural communities as they struggle not just to survive but to provide for their economic future, especially in the generation of decent paying jobs for local residents.

But EDA planning funds have remained static for several years, the amount of money going back to economic development districts for planning has not kept pace with inflation and growing demands in the region for economic expertise. Lack of planning funds has not allowed us to develop new programs. The current \$55,000 in

planning funds barely covers the cost of keeping an economic development expert on staff and developing overall economic development plans, let alone for providing technical assistance to local governments or to become involved in new economic development programs and to assist our local businesses with marketing strategies.

Lack of adequate funds means that EDA has been unable to provide funds to 34 regions that have met all the requirements and have already been designated as economic development districts. The Economic Development Administration and the Appalachian Regional Commission are the only agencies in the Federal Government that understand, appreciate, and have the expertise to develop realistic strategies to bring economic revitalization to our Nation's most economically stressed regions. It is only logical that EDA be given a lead role in working on other Federal agencies to develop a strategic role for working with other Federal agencies to develop a strategic approach to problems that have plagued our rural areas for a number of years, including the integration of the newly proposed empowerment zones and enterprise communities.

I want to thank you for the opportunity to appear here today. If the National Association of Regional Councils, here in Washington, and we at the regional councils that service local designated economic development districts can be of any help, let us know. We stand ready to support a new and expanded role for the Economic Development Administration and continued outstanding work for the Appalachian Regional Commission.

Mr. WISE. I appreciate your remarks, Mr. Green. They are very helpful and I note with interest that it would probably be helpful if we had an administrator for the agency at this time.

Mr. GREEN. I think we have concurrence on that.

Mr. WISE. The next witness is Thomas McClure, the Director for the Economic Development Administration University Center, Western Carolina University in Cullowhee, North Carolina, and he is accompanied by Stafford Thornton with the Technical Assistance Center, West Virginia Institute of Technology, Montgomery, West Virginia.

Mr. MCCLURE. Thank you, Mr. Chairman, and members of the subcommittee.

My name is Tom McClure. For the past eight years, my day job has been director of the EDA University Center at Western Carolina University, where we serve the 28 westernmost counties in North Carolina. But I am also here to speak for the National Association of Management and Technical Assistance Centers, NAMTAC. NAMTAC is an umbrella organization composed of university and college affiliated centers.

Our mission is to assist in the transfer of academic-based information, research and technology to communities and businesses in furtherance of economic development and industrial competitiveness. Our member institutions provide assistance with management, technology and economic development programs. The EDA University Center Program is funded under the Economic Development Administration with matching funds supplied by State and local and private resources. EDA University Centers provide high value economic development and technology transfer services to urban and rural communities and businesses. The EDA University

Center Program is unique because it stands as the primary bridge between business and the critical technologies, research and expertise of American colleges and universities.

There is no "typical" or prototype EDA University Center. Each Center carves out its own niche to address the needs of the communities and businesses it serves, although, centers do have commonalities. We provide direct one-on-one advice and counsel to our clients. Second, we help communities build the human capital and physical infrastructure or capacity to support and encourage economic development. Third, we serve as a catalyst to leverage brain power and financial resources to increase the economic wealth and overall welfare of the region through the creation and enhancement of jobs.

In 1984, the majority of EDA University Center programs were funded at \$80,000 each. In 1992, Congress directed EDA to fund the centers at \$130,000. And regrettably EDA chose instead to fund most centers at \$104,000. And between 1984 and 1992, Centers were funded at levels ranging from \$40,000 to \$100,000, clearly not enough to do a credible job.

The Centers have faced a shortfall because of the cost of living over this time period. We could do a better job of program planning if we had a predictable base level of funding year to year. Further, we could effect greater positive changes for businesses and communities with additional funding to leverage each center's scarce resources.

Each center's geographic and demographic service area is vast and each center's demand for service has never been greater. We serve approximately a third of the State of North Carolina, which has mountainous terrain and whose geography makes it difficult to deliver a program to such a large service area.

So we, the EDA Centers, the Economic Development Administration, and Congress, need to seriously address these concerns. Therefore, we have set out our funding request for the upcoming fiscal year and the following five years to be included in the reauthorization of the Economic Development Act. Our authorization request also covers elements that we believe will improve the program.

To restore diminished funding and to meet client demand, beginning in fiscal year 1994, a \$150,000 funding level for each of the 64 existing centers is being requested from the appropriation committees. We have also requested an additional \$500,000 to institute a peer review-based quality evaluation program. Our total budget request for fiscal year 1994 is \$10.895 million.

The University Center directors recognize peer review as a critical need to serve to strengthen EDA centers. We are committed to implementing such a plan. We foresee establishing peer review teams similar to those which are used by the small business development center program. These teams will be composed of an EDA representative and two center directors from other regions of the country to conduct site visits at operating EDA Centers.

The 64 University Centers in place today are doing vitally important work with an extremely low budget. However, six States do not have an EDA Center. It is critically important for legislation that reauthorizes EDA to include language to provide for additional

Centers so that every State can have at least one Center with larger States having two or three. We hope that Congress and the Economic Development Administration will develop a five-year plan calling for the addition of four new Centers during each of the next five years.

The University Center program is one that deserves to be supported at least at the levels proposed in the budget item. Just as importantly, the Center directors need to know what to expect in Federal support that they can count on year to year. The Centers use the base level funding to leverage state, local, and private dollars, however when the federal dollars go down, the local dollars go down and the program diminishes.

Assuming that the fiscal year 1994 budget will provide \$150,000 per center, we suggest that this level be increased by 50,000 for each Center in each of the next three fiscal years and then held at \$300,000 in each of the final two years of the five-year reauthorization period. In my testimony there is a chart which shows how this funding was spread out, including the peer review process over that period of time.

Our request really represents a small investment of Federal funds for a program that exhibits a very strong positive impact on America's businesses and communities. The investment will be enhanced by our ability to leverage several times that amount in local program dollars.

Now, I would like to highlight just a few of some of our Centers' accomplishments with you. EDA Centers nationwide have specific technical, logical and economic development assistance delivery systems in place which can serve as a key component for future industrial expansion efforts. The wealth of experience over this time frame has permitted Centers to make numerous positive contributions to businesses and to communities.

We maintain close and regular contact with our constituencies in order to ascertain and meet their changing needs. We have created industry networks and assisted in providing vital economic and demographic information, developed capital pools for business formation, and helped to implement industry cooperatives and initiated numerous other projects. EDA University Centers' unique role of linking higher education, businesses and communities provides a foundation upon which University Centers can play a crucial role in enhancing industrial efforts.

Some examples of work that our centers have done; for example in Michigan, General Motors announced plans to close plants in six communities by 1995, impacting 18,200 jobs. The University of Michigan EDA Center is coordinating activities to help communities begin to recover from these sudden and severe economic dislocations. Michigan will also be impacted by the imminent closing of the Wurtsmith Air Force Base. That base has been responsible for a \$145 million economic impact. The University of Michigan EDA Center is working with community and political leadership to devise a plan to convert base housing into retirement housing catering to military, government and corporate retirees.

PENNTAP continues to work with clients to transfer technology. A case in point is a president of a small company who was working for another company and developed a technologically advanced

process for the improvement of cutting tools. He needed help, and the EDA Center was able to bring the resources together so that in a few short months this client had entered the Pittsburgh market, created three new jobs, served 43 customers, and achieved sales of over \$10,000 a month.

The EDA Center in Eastern Kentucky University fostered the development of a secondary wood manufacturers' network that resulted in over 100 new jobs for eastern Kentucky.

The Washington State University Center works with the Confederated Tribes of the Colville Reservation by providing management and technical advice in all aspects of tribal business.

Arkansas State University Center serves an economically depressed area of the Mississippi delta. This Center completed a regional leadership program serving 149 people from 35 towns and 14 counties. The program has been described as demonstrating a method for developing new kinds of leaders for rural America.

At Western Carolina University, we just completed a regional leadership program that graduated 38 leaders. Our graduates are encouraged to take on a tangible project. At this point, the graduates are engaged in a campaign to improve work force preparedness of the region through improving the education and training delivery system.

At Western Carolina, we are active in establishing the Mountain Commercial Lending Consortium for businesses that could not obtain traditional bank financing.

Let me say that America's taxpayer today realizes more than ever the importance of the Federal Government not to duplicate efforts or to spend money unwisely. But because of the University Centers' strong positive impact on jobs within their jurisdiction, it makes economic sense to support an expanded EDA University Center Program. The centers already have the people in place and are operating effectively. The valuable resources of their universities are linked and leveraged and the connections to the business communities and key government agencies are established and working. Therefore, the EDA University Center Program augments existing activities, whereas new programs must struggle to get up to speed before service can be provided.

Mr. Chairman, I thank you very much for the opportunity to appear and I will be happy to answer any questions.

Mr. WISE. Thank you very much, Mr. McClure.

Mr. Thornton, did you have anything you wished to add?

Mr. THORNTON. Thank you, Mr. Chairman. I am here to simply reinforce what Mr. McClure has said about all EDA university centers and give you some idea of one center and what we have been able to do in three years. We are in our third year at West Virginia Tech.

Our particular mission is to work with nonprofit organizations and government organizations within the State. Our district that we work with is the entire State. We work with economic development authorities, industrial development authorities, tourism councils, chambers of commerce, and economic planning and regional councils.

We have done all sorts of start-up proposals and most of our proposals are done by faculty either at our institution or using faculty

from other institutions that are more closely associated where these projects are going. And the times we do not have the expertise within the higher education system, we hire outside consultants.

A partial list of some things around the State that we have been able to do is labor studies for the Greensboro Valley, high-tech work at Beckley, a museum study and feasibility plan for Charleston, a renovation plan for West Washington Street, industrial site study for Clendenin.

The real beauty of our program is the ability to adapt to local situations and to give almost immediate response to the needs of people. Most of my projects are less than 60 days from inception to funding. We can give seed money to get large projects started. We can do feasibility studies so that people may follow up and have reason to continue or to discontinue their efforts on larger projects depending on what we can find out.

The biggest problem is turning away good projects. I face the problem of going back to Montgomery on Monday and deciding which one of four very good projects that we have got to fund and we only have money left for one in this fiscal year.

Thank you, Mr. Chairman. Any questions, I will be glad to try to answer.

Mr. WISE. Thank you very much.

Our final witness on this panel is Robert Paciocco, the Executive Director of the Mid-East Commission from Washington, North Carolina, and speaking on behalf as President of the National Association of Development Organizations.

Mr. PACIOCCO. Thank you. I appreciate this opportunity to testify this morning.

I would be negligent if I did not first extend to you my commendations for the extreme interest you have in our program; your program as well. But at the rural level, sometimes we feel like we are being left out up here. And we take very seriously and appreciate very much what you are doing for us back home. Thank you.

I represent two agencies, my own agency—

Mr. WISE. If I could just intervene for a second. To point out that Ms. Molinari keeps me very straight on this subject; rural versus urban allocation of assets. Thank you.

Mr. PACIOCCO. And I have already mentioned to her that I appreciate her work on base closings, being a former Navy chaplain, and how much I appreciate her concern on that.

I represent the Mid-East Commission. This is the regional organization that was established 26 years ago by the local governing bodies in our five-county area with a population of just over 200,000 people, so we are quite small.

Within those five counties, we have 40 municipalities, all of them very rural. Twenty-seven of our counties and towns do not even have a manager. And of that, 16 have only a part-time town clerk. And yet, they must keep up with all the regulations of the largest cities.

Twenty-five of our 40 towns have fewer than a thousand population. So what do we do for them? As a regional council, not only Mid-East Commission, but those around the country, perform a wide range of the technical assistance, grant writing, grant admin-

istration, the drafting of ordinances, studies, planning even to the point of helping them with their budgets and answering a multitude of questions about how do you run a town and how do you get through a public hearing and how do you determine your boundaries and these kinds of things.

We provide a great deal of small business gap financing. In many of our areas, we are the only ones providing this gap financing. In our situation, we have five different loan programs through EDA, SBA, our North Carolina Rural Development Center, and through the Durham Self-Help Center. So we do provide a real needed service for our citizens.

We assist in long-term strategic economic development plans, and then as a regional council we operate many other programs that dovetail in the work of our economic development very nicely. Things like the ages programs, the manpower and JTPA programs which work with the work force; community development, the CDBG program, criminal justice and our narcotics task forces that we administer, our senior employment program and our planning development, all of these issues seek to encourage and strengthen our economic development work.

Are we needed and used by our local governments? In the nine years I have had the privilege of serving the Mid-East Commission, we have expanded from 11 to 40 employees. We have expanded from operating 21 grants and contracts to 95. And we have seen our budget increase from \$1 million to \$6 million locally.

I give you this information certainly not to brag, but to impress on this committee the importance of regional organizations that are created and controlled completely by local government and the work these organizations are doing to help all of our citizens. And for those who watch the Statler Brothers, now Harold, he closes every week with: We ain't even started yet.

The feature of regionalism is beginning to experience a revival the likes of which I have not seen in my 20 year professional career working with regions in this State and Virginia. And why? Well, our 77 million rural Americans as compared to our urban cousins, are far poorer, with a less per capita income with a much higher unemployment rate, with more high school dropouts, with fewer high school graduates, with less capacity for a supportive tax base, and less opportunity for local leadership, and with greater boundary, geographic boundaries that we have to deal with in all of our issues.

So this morning I am here to do two things. First, I would certainly want to express my gratitude to Congress and to the administration for including EDA and ARC in budget requests for the submission of reauthorization legislation for consideration. We also urge such reauthorization legislation for a minimum of two years. And we applaud your effort, Mr. Chairman, at this particular point.

With continued congressional backing, the administration's support and adequate funding, EDA and ARC can become even more effective partnering in economic and community development efforts in rural America and in our small cities.

Secondly, I wish to request your support in four basic areas of economic development. First, public works grants. We desperately need more assistance with infrastructure needs. Our local folks just

have no way of taxing their citizens enough to pay for this needed work. In a recent survey conducted by NADO, NADO and NAMTAC, across the country the top priority was infrastructure, followed secondly by solid waste concerns. EDA has an excellent program, Title I, but they need more funding.

We request a minimum of \$100 million be added to the public works projects and we believe we can show that this money is very well spent. For your information, in fiscal year 1992, EDA awarded only 178 grants, and yet those grants totaled \$150 million of Federal money. This was leveraged by an additional \$330 million in local funds and \$798 million in private sector funds.

Ladies and gentlemen, this is a return of 7 to 1, and I think that is a pretty good deal in this day and age. On top of that, 28,489 jobs were created. That accounts for one job for every \$5,000 of Federal money spent. EDA is a proven mechanism for such a delivery system. And Mr. Chairman, I commend you in your efforts in leading this cause.

Second, has to do with the economic development districts themselves. My good friend and cohort, Ken Green, gave excellent reasons why this organization—these organizations ought to be funded at a greater level. We know that no work can get done unless you have staff to do it.

The economic development districts provide the manpower to make economic development programs work, certainly among our rural areas. We have a 25-year proven track record in administering EDA grants and providing small business loans. Studies within EDA and by a separate task force of which I have the honor of serving, attest to EDD's successes, and comments from both studies recommend increased funding to create more new EDDs, plus assisting current EDD's increases, something we haven't seen in 12 years.

Now, we did receive a slight increase 2 years ago, and most of it was taken away from us this year. This means that most of us are operating a staff, as Ken said, on \$55,000 a year, and we have been doing that for 12 years. Some of our EDA program operators are in better shape that we are and receive quite a bit more. We would like to see—we would like to see the funding for economic development districts increased to \$130,000 per EDD and to allow for the funding of at least 50 new economic development districts. We would like to get out of the fact that we are still being funded at the 1970s level and we are still being required, of course, to have our own 25 percent match.

Third, revolving loan funds. I am very are pleased to see that this committee is already looking into this program. There are areas that need to be addressed, not the least of which is the defederalization of once spent revolving loan funds, which we strongly encourage. EDA's quality action team recommendations had included that these funds be decentralized.

I applaud your strong support in this effort. Please note, ladies and gentlemen, we are not asking that accountability be done away with. We not only expect but we urge accountability. However, defederalization would give us at the local level a flexibility that would increase the effectiveness of an already strong program.

Last, defense conversion. As this issue looms larger on the horizon, many areas will experience a significant impact on their economic structure. In many cases an already extremely tough situation in the economy is going to come almost to a breaking point. We urge this committee to utilize the resources and expertise of the economic development districts as part of its defense conversion strategy.

Mr. Chairman, and ladies and gentlemen, thank you very much for giving me the opportunity to come before you and to speak my piece. I would be glad to answer any questions.

Mr. WISE. I thank the entire panel. And I just wanted to note that this Chair is feeling a little humbled because of my predecessor in this chair, Congressman Oberstar from Minnesota, and Mr. Clinger, who has altered the EDA legislation in the past years and educated a lot of us as to the significance of the ARC. I am trying to do right.

Mr. OBERSTAR. We are watching.

Mr. WISE. I have them at both ends, if you notice that.

Several of you have commented on the need for 2-year authorization. I think Mr. Green stated in his testimony the desire to get it out of an election year process which is probably what it would be in if you only had a 1-year authorization. Are there some additional reasons that anyone can come forward with as to why it ought to be more than a 1-year authorization in terms of administration, being able to plan, whatever?

Mr. PACIOCCO. Mr. Chairman, I think one of the things that I am concerned about is that EDA has had a tough row to hoe for many years now. At this point we have an administration that is very open to economic development, jobs program at the local level. We certainly have a Chairman and a committee that is very open to this. And for fear of using a cliché, I just believe in striking while the iron is hot. And I just think the situation now is conducive to this situation. And rather than do it for 1 year and have to go through this process again, I would certainly like to see us be able to nail this down a little better.

Mr. WISE. Is it your position, then, Mr. Paciocco, that you would rather see the subcommittee go through a more extensive process in terms of reviewing EDA and in terms of upgrading what needs to be improved as opposed to simply pushing through a 1-year authorization and then conducting oversight hearings to come back again next year?

Mr. PACIOCCO. Yes, sir, if need be, I certainly do.

Mr. WISE. That is part of the debate—that is actually not a debate but a question that the subcommittee needs to resolve within itself.

My initial reaction is that if you are going to have all of this, you ought to just have all this fun one time, and at least one time in a 2 to 3 year period as opposed to doing everything the subcommittee has done ie. three hearings, plus one on defense conversion, plus working out the details of a bill, taking it to the Floor, then, of course, there is another body apparently, they tell me that you must run this through, and then coming right back and having to start all over again.

The question I have for anyone on the panel, and I will ask this also of the following panel, is that there has been a lot of discussion about how much autonomy at the regional level of the EDA versus how much autonomy at the Washington headquarters as far as approving applications, grants, and whether or not there is too much of a bureaucratic delay in moving things from the local economic development representative to the regional offices, in our case, Philadelphia, and then moving it on to Washington. Does anyone care to comment on that? Mr. McClure?

Mr. MCCLURE. The EDA Center Program Directors, have had some discussion with EDA in regard to that, it would facilitate the flow of paperwork and decisionmaking considerably if, regional districts of EDA had more authority to make decisions at that level on funding requests and programmatic changes, whatever.

Mr. WISE. Am I correct, is your regional center Atlanta?

Mr. MCCLURE. Atlanta, yes.

Mr. PACIOCCO. Mr. Chairman, I would also add that a few years ago when Ms. Hambers, then Assistant Secretary, selected a committee or task force outside of her staff to study the economic development district situation, there were I think about 25 of us that were invited to be on that task force. And we looked at this issue very extensively.

The recommendation out of that committee, which the Secretary accepted, was that the EDA regional offices did, indeed, need to have more autonomy so that the paperwork flow could move much more quickly.

We found that there was no reason why the regional EDA offices in Atlanta, Philadelphia, et cetera, could not handle the approval of public work grant applications for instance up to a certain amount. Many of us, of course, would fall into that area, and just give them the authority to make those decisions and not have to go through them and then up to the national office and through all of that bureaucracy because it would get to us. It would certainly increase that:

Mr. WISE. Would it be your observation that this could be done administratively or does it actually need to be written into the legislation?

Mr. PACIOCCO. Not being an expert on what happens in Washington, I am not sure which is the best way.

Mr. WISE. I haven't figured out who is an expert on what happens in Washington.

Mr. GREEN. I think it can be worded in the legislation to direct the administration of the legislation in a manner that would decentralize the level of project funding at the regional level.

I think that in the past we have had excellent experiences of the regional offices administering programs, particularly when we had the flurry of activity under the local public works program during the Carter administration and the regional offices showed a great deal of exercise of authority on the processing and determination of expenditures for projects.

I also feel that the regional offices are much closer to us at the local level. They have a network of economic development representatives in each State. We at the local level are in constant contact with those representatives and they of course are in con-

stant contact and communicate with their regional offices, ours being in Philadelphia. By the time we process a project or application through our regional offices and go through the activities necessary to qualify that particular project for a final application invitation, we view, and I think with certain justification, that its processing on to Washington is simply a step in politics and not particularly a step in the technical aspects of putting dollars to work for economic development. And I think it would be befitting in new legislation to provide a little bit tighter guidance on the administration of the bill.

Mr. WISE. Thank you.

A final question to Mr. McClure and Mr. Thornton. Could you explain a little bit about the interaction that takes place between one of the EDA university centers and other governmental entities that are funded at least by the government to provide services to the same clientele? And I am specifically thinking of small business development centers, although there may be other enterprises as well. How do you coordinate? How do you avoid duplication? How do you maximize your resources?

Mr. McCLURE. Mr. Chairman, in answer to that question, at our Center we have the western regional office of the North Carolina small business development program. The SBOC program deals primarily with small business. The EDA Center Program: (1) deals more with the community development; (2) is beginning to work with industry to get into some tech transfer-type programs; and (3) is involved in leadership development. For example, the lending consortium that we developed, builds the infrastructure for small business development.

One of the other things we do at our Center is incubator development, that is to say, small business incubator development. We also operate a 504 loan program through a certified development corporation. These programs build the infrastructure for the other programs to come along and develop the small business clients' opportunities—the entrepreneurs. So we very carefully guard those relationships to ensure there is no overlapping and duplication. A lot of our Centers have similar programs that work along the same lines to avoid duplication.

The EDA Center will work with the larger projects such as manufacturing and the tech transfer; and the SBDC primarily works with the smaller businesses and some manufacturing. SBDC's also develop business plans, loan packages, market studies and that kind of one-on-one type counseling.

Mr. WISE. Mr. Thornton?

Mr. THORNTON. The technical assistance Center at West Virginia Tech operates both. It is my job to see that they don't—we don't have enough funds to be duplicating efforts. So these are separate, and as Mr. McClure said, that is primarily your area, EDA Center works with government communities and nonprofits rather than small businesses. However, we have helped to augment some of their programs and give technical assistance that small business people don't have the expertise to do.

Ms. MOLINARI. I would like to ask to submit Congressman Peter Hoekstra's statement in the record. And I also would be happy to

yield to Congressman Clinger so that he can ask his questions before we go vote.

[Mr. Hoekstra's prepared statement follows:]

STATEMENT BY CONGRESSMAN PETE HOEKSTRA (MI-R) BEFORE THE PUBLIC WORKS AND TRANSPORTATION SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

Thank you Mr. Chairman and Ranking Member Ms. Molinari for holding this hearing to discuss the reauthorization of the Public Works and Economic Development Act. The Clinton Administration and the Congress have talked a lot about the importance of programs that stimulate economic growth and help our country meet the challenges of a global marketplace. As a new member of Congress, I am interested in learning more about the role that the EDA plays in economic development.

I believe that various aspects of the EDA are valuable. For example, the EDA University Centers provide assistance to communities facing major job losses and economic distress. In addition, the University Centers help companies become more competitive in a global marketplace. I have been impressed by some of the accomplishments of the EDA University Centers in my state. The University Center for Economic Development at the University of Michigan has been working to help Michigan communities recover from General Motors plant closures and the imminent closure of the Wurtsmith Air Force Base. These programs can positively impact economic growth and new job creation.

I support efforts to provide economic development assistance to American businesses and communities. However, before we seek to reauthorize or expand existing programs, we must make certain that they are functioning effectively. At this time of severe budget constraints, we cannot continue to throw good money after bad. The EDA has not been reauthorized for twelve years and it is likely that some changes in the law are necessary to reflect current needs and to ensure that we spend taxpayer dollars wisely. I am pleased that this committee plans to take a close look at the EDA program to determine what works and what doesn't before moving forward with the reauthorization.

I look forward to hearing the testimony. Thank you, Mr. Chairman.

Mr. CLINGER. I thank the gentlelady, very much.

I just had a couple of questions and I want to commend the panel for their testimony here this morning. As I have indicated, we have had the EDA and the ARC has been around for a period of time and have not been reauthorized for a period of 12 years. And I think it is apparent that that may be something that is going to end.

A couple of questions about the reauthorization. One of the things that has developed since EDA was last authorized is some new Federal initiatives in the area of economic development. I am thinking specifically of the Rural Development Administration in the Department of Agriculture. How do you see that—does that change the mission, in your view, of EDA that we now have? Do you see that as a competitive kind of a thing? It is something that is going to have to be somehow integrated into an overall effort? Would you see EDA becoming a coordinating agency?

Give me your views on how we coordinate or correlate Rural Development Administration and some of the other initiatives that were contemplated by the Clinton administration with the existing EDA?

Mr. PACIOCCO. In North Carolina, sir, and most of the other States that I dealt with as they began their rural development council, the Rural Development Council itself is not really set up to do project-type activities. I am very active in North Carolina in our rural development council, being on the executive committee and serving as chairman of their executive director search committee. I see no duplication at all.

What I see, rather, is an organization through RDA that is going to help us open some bottlenecks that exist in the bureaucracy of all of our programs. Using the Monday morning management group and using the other activities of the rural development councils, I think this is going to be a tremendous assistance in my shop for my organizations where our local governments are battling a bottleneck they just can't get through any other way.

Mr. CLINGER. So you don't see this as being in any way duplicative?

Mr. PACIOCCO. No, sir, do I not. If they started coming out with loan programs or started doing public works projects, then yes, I could see possibly a duplication. But I don't think that is going to happen.

Mr. CLINGER. Anybody have a different view on that? Okay.

We have spent a couple of agonizing weeks here, Members of Congress testifying before the Base Closure Commission and today the shoes are beginning to drop over there. You testified, I think, that you hoped to see an increase in Title I funding for public works grants, but what about Title IX?

Shouldn't there be recognition here that we are going to have some pretty severe dislocations because of the base closing situation? Should we give Title IX more attention and more primacy perhaps?

Mr. PACIOCCO. Yes, sir, there is no doubt about it. That is going to be a significant piece of the puzzle that is going to have to be dealt with.

I am pleased to see in those areas—and we are fortunate at this point in our region to not have one of those bases that is on the list—but I am pleased to see that money is being set aside in various programs for the defense closures and the impact that is going to bring about. I think EDA is going to be extremely important through their Title IX program and what funding is going to be needed at this point I am not ready to speak to that.

Mr. CLINGER. All right. EDA is really best positioned to deal with this, because we have a delivery system in place, we have an established organization and a procedure for reviewing these things and also the ability to react expeditiously to the needs as they arise. Well, I know we are short of time, but I did want to get those two points in. I thank the gentlelady for allowing me to question.

Mr. WISE. If I could respond to the gentleman on RDA, the question may become academic because it is my understanding that the Ag Subcommittee has zeroed the RDA out. It is undertaking the re-organization of the EDA before the Secretary does.

At this point we will be in recess to resume in about 15 minutes. Thank you.

[Recess.]

Mr. WISE. The hearing will resume.

When we finished, the gentleman from Pennsylvania, Mr. Clinger, was asking questions. I now turn to the gentleman from New York, Mr. Nadler for any questions he might have. No?

The gentlewoman from New York, Ms. Molinari.

Ms. MOLINARI. At this point, out of respect for the members of the next panel, who are waiting and we are about to have several

more votes, we would like to at least get them seated. So I will submit the witnesses' questions in writing.

Mr. WISE. Without objection, we will leave the record open. And we will submit further questions. I thank the panel for their help. And I think that we will be in touch. Thank you.

[Subsequent to the hearing, additional questions were submitted to Mr. Paciocco by Ms. Molinari. The questions and responses follow:]

NADO

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

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July 9, 1993

The Honorable Susan Molinari
U.S. House of Representatives
123 Cannon House Office Building
Washington, DC 20515

Dear Rep. Molinari:

On behalf of all NADO members, I want to thank you for your leadership as Ranking Member of the Subcommittee on Economic Development. I appreciated the opportunity to testify before the subcommittee, and look forward to working with you as the subcommittee develops legislation to reauthorize the Economic Development Administration (EDA) and the Appalachian Regional Commission (ARC). In this regard, I am pleased to answer the following questions.

Q: *"Your testimony notes the current moratorium on new projects caused by the EDA inviting applications for additional projects in anticipation of receiving the \$94 million in President Clinton's stimulus proposal. How has this backlog affected the ability of local development organizations to plan for and move forward on projects?"*

EDA grants are specifically for private sector related projects. In many instances, timing is critical. In the business environment, needs and concerns must be resolved expeditiously. A business will not, and in many cases cannot, wait for the government to grind through the grant making process -- *especially when the process has ground to a halt*. If a business cannot close a deal when it wants to in one area, it will find another suitable location that can better meet its time constraints. And this can mean the loss of potential jobs for a region.

The backlog on new EDA grants increases the time it takes from the beginning of negotiations for a project and to ground breaking. This derails the planning process and makes comprehensive community and economic development difficult. EDA funded economic development districts (EDDs) must prepare an Overall Economic Development Program (OEDP) as part of their responsibilities to EDA. The moratorium on new projects hinders the timely and complete implementation of OEDPs.

The existence of the backlog demonstrates the great need for additional funding for EDA so that ground may be broken on these projects and long-term jobs may be created. The backlog is due simply to inadequate funding. As you may know, EDA invites applications for grants from preapplications EDA deems needed and worthwhile. Once an application for a grant is invited, grantees should feel confident that the grant will be processed promptly and that funding for a project will be forthcoming. As it stands, no new invitations for grants are being offered and applications in the pipeline are not being processed, and there is no indication when this will change. The problem

The Hon. Susan Molinari
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occurred when EDA invited applications for the supplemental funds President Clinton requested in his stimulus bill that died in the Senate. Due to this backlog, a large portion of the amount proposed for FY 1994 has been obligated. Additional funding is necessary. Therefore, in my testimony I requested an additional \$100 million for EDA public works grants.

Q: "Given the overlapping jurisdictions of various Federal programs for economic development, how could this Committee improve the ability of the EDA to coordinate the delivery of Federal programs?"

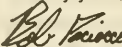
At the federal level, there is little EDA can do to coordinate various federal agencies economic development programs. However, within the agency there is much they can do to coordinate their programs to eliminate duplication that exists. EDA fosters coordination at the local level by funding the 301(b) Economic Development District program. EDDs have a major function helping coordinate the delivery of programs at the local level. It is very important for local people to determine their needs and how federal (as well as state and other nonfederal programs) should be used to best meet the challenges they face. This cannot be accomplished from Washington, DC. Increased funding for EDDs would enable local people greater access to more and better trained professional staff. It is this technical capacity that is so important (and so limited) in many rural and distressed communities. Without EDDs, many rural and small metropolitan communities would not have the capacity to coordinate, at the local level, the federal assistance necessary to meet their development needs.

Because of the successful history of EDDs, we feel this program needs to be strengthened and used as a model. In my testimony, I asked the subcommittee to support increasing the authorization for each district to \$130,000. I stress that most districts have not had a funding increase since the 1970s and are being asked to do more with funding that has not kept up with demand or the rate of inflation.

One measure EDA could take, at the federal level, to coordinate delivery of federal programs, which I hope the subcommittee would support, would be to work with other agencies to standardize requirement procedures and otherwise remove impediments to their programs. I site an example from Kansas, in which loan application forms for a number of federal and state programs were standardized, thereby greatly simplifying the applications process. These efforts were led by NADO member Jack Alumbaugh, executive director of the South Central Kansas Economic Development District and coordinated by the Kansas Rural Development Council.

I appreciate the opportunity to answer these questions and I hope that my responses help your efforts to reauthorize the Economic Development Administration. If NADO may be of any further assistance, please do not hesitate to contact Aliceann Wohlbruck or Scott Whipple on NADO's staff.

Sincerely yours,


 Robert J. Paciocco
 NADO President

Mr. WISE. At this point we would call the second panel. Joseph A. Marinucci, the Director of Economic Development for the City of Cleveland, speaking on behalf of the National Council for Urban Economic Development; Donald Dell, from the Carroll County Board of Commissioners, speaking on behalf of the National Association of Counties; Rabbi Shmidman, Executive Director of Council of Jewish Organizations of Brooklyn, New York, accompanied by Paul Chernick, Director of Operations, Council of Jewish Organizations of Boro Park, Brooklyn, New York, and Nancy Carin, Director, Business Outreach Center, Council of Jewish Organizations of Boro Park, Brooklyn, New York; and Philip D. Koos, Chief Executive Officer of Van Emmons, Senior Population and Marketing Analysis Center, Towanda, Pennsylvania, and President, Public Works and Economic Development Association.

I recognize Mr. Nadler.

Mr. NADLER. I apologize for coming to the meeting late. We had a meeting of the Committee on the Holocaust, and I will have to leave to return to that meeting. And let me commend you for holding today's hearings on economic development as we prepare to reauthorize the EDA for the first time in more than a decade. And in the interest of time, I ask that the rest of my opening statement be submitted for the record. I will give it to you.

Mr. WISE. Without objection.

[Mr. Nadler's prepared statement follows:]

STATEMENT BY REP. JERROLD NADLER, SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, HEARING ON THE REAUTHORIZATION OF THE ECONOMIC DEVELOPMENT ADMINISTRATION, JUNE 24, 1993

Mr. Chairman, I want to commend you for holding today's hearing on the reauthorization of the Economic Development Administration. As we prepare to reauthorize EDA for the first time in more than a decade this Committee has the opportunity to take a fresh look at this agency and the very important work it does.

I believe that we must seize this chance to explore new ways of serving American business—in essence to deliver the needed services in new and innovative ways. We hear a great deal of talk these days about reinventing government, but today we will hear from some people who are successfully doing just that. There are a lot of exciting ideas being developed in our communities, and I'm extremely pleased that this committee is taking the time to hear from people who have been making a difference.

Government can play a positive role in our economic future when it provides the tools for business to grow and prosper. When government does its job, business and our communities benefit. Mr. Chairman, I look forward to working with you to refine the original vision of EDA to assure that it fulfills that vital mission.

Mr. Chairman, I am pleased to welcome Rabbi Morris Shmidman, the Executive Director of the Council of Jewish Organizations of Boro Park.

Located in the Boro Park section of Brooklyn, CoJo has a remarkable track record of providing a broad range of social and community services. Whether helping local businesses grow and succeed, or serving the elderly or the least fortunate, even helping families cope with bank failures, CoJo has always brought an innovative approach to every task great or small.

Today, we will hear about CoJo's Business Outreach Centers which have demonstrated new ways to connect local businesses with the broad range of existing business services, extending the reach of those programs and making their operation more efficient.

Most importantly, the Business Outreach Centers have been able to connect communities, isolated by language, culture and other factors, with each other and the business services that so often fail to reach the citizens who need them most.

Mr. Chairman, once again, America's future can be found in Brooklyn. I am privileged to introduce to the Committee, Rabbi Shmidman, under whose leadership the Business Outreach Centers were initiated and grew.

Mr. NADLER. Thank you.

Second, Mr. Chairman, I want to say that I am very pleased to welcome Rabbi Morris Shmidman, the Executive Director of Council of Jewish Organizations of Boro Park, Brooklyn, which is in my district, who is accompanied by Paul Chernick, the Director of Operations of COJO, as we refer to it and Nancy Carin, Director of the Business Outreach Center Network.

COJO has a remarkable record of providing a broad range the social and community services, whether helping local businesses succeed or serving the elderly, even helping families deal with bank failures. COJO has always brought an innovative approach to every task, great or small. Today we will hear about COJO's Business Outreach Centers which have demonstrated new ways to connect local businesses with the broad range of existing business services, extending the reach of those programs and making their operation more efficient.

Most importantly, the business outreach centers have been able to connect communities isolated by language, culture, geography, with each other and the business services that have so often failed to reach the citizens that need them most. Mr. Chairman. It is has been said that one out of every seven American citizens can trace their family origins to Brooklyn, and once again we see that America's future can be found in Brooklyn.

I am pleased to introduce Rabbi Shmidman under whose leadership the Business Outreach Centers in New York City alone were initiated and grew. And thank you for this time, Mr. Chairman.

Mr. WISE. Thank you, Mr. Nadler.

At this point I turn to Mr. Marinucci. I will also say to the panelists that their written statements in their entirety have been made a part of the record.

TESTIMONY OF JOSEPH A. MARINUCCI, DIRECTOR OF ECONOMIC DEVELOPMENT FOR THE CITY OF CLEVELAND, OH, SPEAKING ON BEHALF OF THE NATIONAL COUNCIL FOR URBAN ECONOMIC DEVELOPMENT; HON. DONALD DELL, CARROLL COUNTY, MARYLAND BOARD OF COMMISSIONERS, SPEAKING ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES; RABBI MORRIS A. SHMIDMAN, EXECUTIVE DIRECTOR OF THE COUNCIL OF JEWISH ORGANIZATIONS OF BORO PARK, NY, ACCOMPANIED BY PAUL CHERNICK, DIRECTOR OF OPERATIONS, COUNCIL OF JEWISH ORGANIZATIONS OF BORO PARK, BROOKLYN, NY; AND PHILIP D. KOOS, CHIEF EXECUTIVE OFFICER OF VAN EMMONS SENIOR POPULATION AND MARKETING ANALYSIS CENTER, TOWANDA, PA, AND PRESIDENT, PUBLIC WORKS AND ECONOMIC DEVELOPMENT ASSOCIATION

Mr. MARINUCCI. Thank you, Mr. Chairman. I thank the Chairman and the committee for this opportunity to address you today. I am, as you mentioned, Joe Marinucci, the Director of Economic Development for the City of Cleveland, and unlike a lot of the people that you heard from on the first panel and maybe some of the colleagues on the second panel, I represent an urban constituency. I am here representing the National Council for Urban Development, which represents over 1200 national economic development

professionals and organizations who are involved on a daily practitioner basis in the area of economic development. We in an urban setting obviously have much different problems and you have before you our written testimony. I would, at this point, like to simply augment our written testimony by stressing a couple of points.

Resources specifically designed to assist urban areas in their job creation efforts have been reduced over the last several years. With the demise of the UDAG program, which I think you all know has been an integral part of the strategy over the last 15 years in terms of urban development, and the restrictions as it relates to the CDBG program in terms of using that particular mechanism for economic development, there are very few programs available to help urban areas in their efforts. Cities like Cleveland and other urban areas really are looking towards EDA to provide the infrastructure help necessary to relate those investments to job creation activities.

CUED has had a long and successful relationship with EDA and I would stress that our staff has worked closely with EDA staff in terms of program development across the board in terms of the re-authorization programming that is made available through the Department of Commerce and specifically through EDA.

Unfortunately, EDA does not nor does any other Federal agency really have direct responsibility for urban economic development initiatives. And that, I think, is really troubling in the sense that we in urban centers have such challenges in terms of our job creation initiatives. And specifically on a day-to-day basis, that is what my responsibilities are: trying to create job opportunities for individuals, residents within our communities, and also trying to increase the tax revenues that would be available to provide services for our constituents.

In 1992, rural areas of the country received 80 percent of the grant distribution allocation of EDA funds. Obviously, we believe in an urban setting that that distribution does not reflect the demographics of this Nation.

I think according to the 1990 census, 65 percent of the population of our country resides in urbanized areas. In addition, 62 percent of poverty currently resides in these urbanized areas as well. And on a personal note I would say that in the City of Cleveland, we saw a significant increase in the levels of poverty between 1980 and 1990.

In 1980, the City of Cleveland reflected a 20 percent poverty level and that rose dramatically to 30 percent in the 1990 census, and we in the urban areas must have the opportunity to access the dollars that EDA represents to alleviate those urban needs.

In Cleveland we have been successful in terms of accessing EDA dollars. We have specifically used the infrastructure program to create industrial parks which have had a net effect of creating jobs for our residents. Two major industrial parks that we have been able to fund through EDA matching dollars have created in excess of 1000 jobs assisting over 15 companies in terms of locating within those parks.

Clearly, EDA historically has been an important part of our economic development strategy and we think, again in light of the President's economic stimulus package, which unfortunately was

not funded, we think it takes a more critical role in terms of the future of our ability to access and meet the challenges of our urban areas. I would also like to point out, and maybe diverting from the core concepts reflected in the written remarks, to augment comments made in the first panel concerning the administration of EDA's revolving loan funds and the de-federalization as it was referred to today.

I would echo those comments. We have a revolving loan fund that was funded through seed capital provided by EDA revolving loan capacity. And we are now relending those. I would suggest to the committee that EDA take the same approach that the UDAG program did under the Department of Housing and Urban Development in cataloguing those dollars as miscellaneous income.

And in the UDAG scenario, the revolving loan monies that are returned to the community can be used for any Title I eligible, CDBG eligible activity. So we would suggest to the committee that we also look at that. This is an important issue in terms of effectiveness of the RLF program.

In closing, I would urge the committee to support the reauthorization of the Economic Development Administration. I would also echo what has been talked about on the first panel relative to a two-year authorization. We think that type of stability would significantly help the stability of the program in that portfolio, and in addition we would ask that the committee consider a more equalized distribution of the funds, again, given the lack of Federal resources for urban economic development activity. And it is infrastructure that is necessary to meet those challenges. We'd look to try to equalize more fairly the distribution between rural and urban areas.

On behalf of CUED, I would like to thank you again for the opportunity to address you and obviously would be available for any questions at the end of my colleagues's remarks.

Mr. WISE. Thank you very much. The next to testify, representing the National Association of Counties is Donald Dell, the President of the Carroll County Board of Commissioners, Carroll County, Maryland.

Mr. DELL. Thank you, Mr. Chairman. I am Donald Dell, President of the Carroll County, Maryland Farm Board of County Commissioners. I have been a farmer all of my life. So I got a little tongue-tied there.

I am testifying on behalf of the National Association of Counties and as a member of NACo's Agriculture and Rural Affairs Steering Committee and also an elected official from the local jurisdiction.

I thank you for the opportunity to make comment here in support of continued and additional assistance for economic development at the local government level. I am one of three commissioners for a growing, historically agricultural county 50 miles north of where we are sitting.

As you well know, we at the local level have been challenged to provide more services to more people with less help from other government levels. Some of the demands from services has come from population growth, but the greater part of it has come from mandates passed by State and Federal authorities and from general economic stagnation.

In that latter regard, we, as are all levels of government, always asked to do more when our ability is most strapped and we have the least flexibility to expand revenues. Let me give you a few statistics specific to our situation and tell you why economic development is so important to us.

In the last three years we have had to balance budgets in the face of about \$18 million in five or six rounds of revenue reductions that have been rolled down to us by the State and that we have lost in local revenue sources. Our operating budgets have been in the \$110 million to \$120 million dollars range during that time frame.

So the reductions have been very substantial to us; again, while demands for services have continued to increase. So we have those things you and the State law has mandated we must do.

We have all kinds of mandates, of course, for education, clean air and water, handicapped access for highway safety and pollution abatement controls and hazardous waste management; all good things and costly things that greatly restrict what resources we can apply to other continuing needs of our citizens.

We estimated earlier this year that as much as one-sixth of our Board of Education budget is spent for mandates, approximately \$20 million. We just approved a capital improvement plan which includes \$2 million for handicapped access. We just opened a \$2 million septic treatment plant because this waste cannot be land applied anymore. All good things again, but where does the money come from? Five years ago we had a outstanding debt for capital projects of \$33 million. Today that debt is more than tripled to \$108 million.

We have had to stop pay-as-you-go financing so that those resources could be applied to our current year needs. Not a very good philosophical basis for financing debts. But in fact our bond rating has been upgraded during this period.

But the point here is that we are under increasing pressure to develop the ability to fund as much of our budget as possible from local resources. And here is another fact. In 1980, a little over 80 percent of our operating budget was funded by local sources. In 1985 that figure was 84 percent. In the upcoming budget, that figure has grown to 92 percent.

And this is what we are asking: if you tell us to do something, consider the fiscal impact and consider that local governments, at least this one, has experienced decreasing flexibility to respond, and recognize that initiatives such as modest help with our own economic development can help us regain the ability through tax base expansion to develop opportunities appropriate to our area that will succeed not only locally but also help to contribute to the Nation.

In Carroll County we have had a unique situation in that in the past our employment-unemployment ratio has not allowed us to participate in these funds and the problem is we have about 55 percent of our people going outside of the country. We have a fairly good employment ratio, but we do not qualify for the funds. The fact that these citizens leave Carroll County impacts our funds. And so if you could consider some way to allow for those kinds of situations, we would appreciate that.

H.R. 2442 recognizes the fundamental need to restore a immediate government local partnership in order to achieve long-term economic recovery, undertake public works projects, create jobs, help domestic business competition in a worldwide marketplace and assist counties in undergoing economic conversion. EDA and ARC are as critically needed now in distressed areas as when these programs were first authorized.

The current economic recession aggravated the imbalance between revenues and expenditures. Earlier this year, the National Association of Towns and Townships and the National Association of Development Organizations, released a survey that was sent to 1050 rural government officials and development organizations with 330 responding. I request that a copy of this survey be entered into the record.

In this survey, over half said their governments had been forced to reduce funding for infrastructure projects. Of these, 40 percent postponed road and other transportation improvements; 41 percent indicated their governments raised taxes or fees. The fiscal picture also is gloomy in large urban counties which have had to cut programs, raise taxes and defer capital projects.

In a NACo survey this year, of 66 of the largest counties local revenues and State aid are down and expenditures are higher than projected. Faced with these problems, urban counties use a variety of methods to balance their budgets, raise taxes and fees, spend reserve funds and cut programs services and employees. I ask that this survey also be entered into the record.

In stressed counties, urban, suburban and rural, developing and maintaining the infrastructure is critical for economic development. EDA is an invaluable resource for these communities, NACo applauds emphasis in H.R. 2442 on planning the economic strategy for economic development. It will provide a focus for allocating scarce resources and establish measurable objectives.

Strategic planning is critical for communities that are undergoing economic conversion in an effort to diversify their communities in response to closing military bases and other factors. In conclusion, the Nation's counties officials wholeheartedly support reauthorization of the Economic Development Act and Appalachian Regional Development Act.

Increased assistance are key components of the national comprehensive study to achieve economic recovery. For these reasons the National Association of Counties urges prompt passage of H.R. 2442. Thanks for allowing me to be here, and if you have questions I will be glad to try to answer them.

Mr. WISE. Thank you very much. Our next witness is Rabbi Shmidman, the Executive Director of the Council of Jewish Organizations, Brooklyn, New York.

Rabbi SHMIDMAN. Thank you, Mr. Chairman.

It is a pleasure and honor to be in your company and to have this opportunity to present what we consider an innovative and challenging opportunity for this Congress. I am exceedingly grateful to you for the welcome and to my Congressman, Congressman Nadler, for his gracious words. We are fortunate in having him as our Congressman and the Nation is fortunate in having him in the United States Congress.

I am delighted by the expressions of warmth and welcome from that wise and charming lady of the House, the Congressperson from Staten Island, Susan Molinari. I know in the protocol of this House she is listed as a ranking minority, but in the hearts of the people of Staten Island she is a ranking majority. We are delighted to have her as a Congressperson.

Mr. WISE. Rabbi, I am totally flanked by New York. I am not sure that we will be able to bring up the urban/rural issue at this point.

Rabbi SHMIDMAN. You should know that we have a special connection between West Virginia and Boro Park. One of our residents in Boro Park has a company located in Greenbrier County in West Virginia that employs 500 people, IsraTech of West Virginia. We are delighted to have this personal connection.

Mr. Chairman, and distinguished members of the subcommittee, we are here to present what we consider to be an innovative, a proven, a cost-effective strategy for economic development. As we all recognize, small to mid-sized companies are the hidden heroes of stable local economies, job formation and regional growth.

However, they often face almost impossible odds, particularly when their base of operations is in self-contained communities. In fact, America's most vulnerable entrepreneurs are those in culturally, linguistically or geographically isolated areas.

In hard to reach and distressed communities in other words, where business growth is handicapped by limited access to services. To make matters worse, the changing business environment in the last few years has only increased their burden. To survive, the small business sector along with potential entrepreneurs need informed and unobstructed access to top quality sources of advice and assistance.

How they are to get it, of course, remains the problem. Though technical assistance along with a host of incentive programs and services is unquestionably out there, it has not been reaching the people and firms it is meant to serve. Discouraged by ignorance, misinformation or red tape, they either do their best or flounder.

It is clear that something must be done to improve the current service delivery process. That is what you called for, in fact, is a new service delivery model. One that strengthens the linkages between the economic development agencies, business service providers, educational and training institutions, and local entrepreneurs.

The Council of Jewish Organizations of Boro Park has created a model which has already proven its merit in meeting these needs. The Business Outreach Center or BOC was created in 1989 as a demonstration project funded by the New York State Regional Economic Development pilot program.

Since that time, its viability as a model has been proven through highly successful replications in diverse communities through New York City's five boroughs. The Business Outreach Center network has been funded by a series of city, State and Federal sources and now serves six communities, representing wide ranging ethnic and cultural operation.

In three years, the BOC has served 600 small businesses and potential entrepreneurs. The partners of these strongly-supported business outreach centers include all of the high profile city, State,

regional small business development centers, educational institutions, along with banks, utilities and other private sector service providers.

The Business Outreach Center model presents a picture of an important strategy in supporting new business development, job retention, business expansion and small business stability. It is in fact a solution for the need for new service delivery mechanism to guarantee that important resources reach the businesses and individuals which they were designed to support and in turn guarantee the future of local economies and the well-being of the Nation as a whole which is so dependent on the success of the small entrepreneur.

The BOC is easy to use and easy to sell. It can be described simply as a locally based facility which acts as a small firm's one-stop shop for all essential service. Each BOC is sponsored by a prominent community-based organization and connected to high quality, public/private economic development business assistance providers through formalized linkage agreements.

BOC's broker and coordinate individualized technical assistance on behalf of local business owners. Linkage agreements with service providers ensure the warm welcome of our clients upon referral.

With a BOC in the neighborhood or region, once marginalized entrepreneurs have access to information and services that they might otherwise never have known about. Because the assistance is offered under the aegis of a trusted community organization, the likelihood that it will be accepted and applied is greatly improved.

This has been demonstrated time and time again. A case in point, a small knitting mill which relocated within the city and increased employment from 15 to 65 during the peak season. BOC staff walked this business through investigation of State, Federal, and private sector loan programs and introduced the owner to the Small College Development Center which provided business plans, resources and accessed on-the-job training programs and cut through city red tape to obtain a \$50,000 relocation grant.

In addition, BOC hooked this business up to an organization that places handicapped job applicants. BOC has forged special relationships with organizations like SCORE to provide export assistance to many of our Asian clients. And SCORE, together with Pace College Small Business Center Outstation, their specialists one day each two weeks at a local BOC office. Why? Because BOC counselors prepare clients, speak the language of the clients, and are trusted advocates.

Thus, more than small business assistance to a handful of disparate companies, BOC represents a business revitalization strategy whose strength lies in a special emphasis on community-based outreach and ongoing case management throughout the service delivery process. As such, it has potential for becoming a national model for helping small to mid-sized companies and individuals seeking to start their own business to develop the access and know-how.

They need to take full advantage of the business assistance services and to make the transition to a higher performance workplace. In fact, BOC has been called a perfect economic development tool to reach the small business community.

In supporting new entrepreneurs, BOC has implemented a range of outreach workshops and connected individuals with entrepreneurial assistance programs initiated by a variety of agencies including the city's Department of Business Service, the American Women's Economic Development Corporation, and the council's only entrepreneurial training program for refugees.

Recently a home-based, woman-owned design firm on Staten Island was linked to a Chinese garment association to develop samples for a major minority design show, the Black Expo. The business owner was able to create samples in under two weeks and two BOCs in two different communities collaborated, the Lower East Side and Chinatown, to make this happen.

I want to stress that a BOC is neither a direct business service provider nor does it compete for the same funding dollars as the Economic Development Community, public or private. It is, in essence, a broker.

While BOC outreach is targeted to a community of entrepreneurs due to cultural, linguistic or geographic factors, BOC clients are not required to have a business within a limited geographical boundary. Therefore, BOC can assist a firm to accomplish its goals without any restrictions in terms of locale.

This provides continuity and trust relationship. In essence, the business outreach network is a growing consortium of business outreach centers now comprised of six, but hopefully of hundreds. It is an alliance for small business empowerment.

The BOC network offers local economies the chance to benefit from shared resources. It represents a business revitalization strategy which promises to revolutionize the ways local economies do business. The BOC network is a model for community empowerment and it tackles concerns that transcends geographic and cultural differences, the survival of small business and the stability of local economies.

It is a tool for minority business development for entrepreneurship and job retention for isolated and economically depressed communities. When a series of outreach centers come together, the resources dramatically increase.

In New York we have seen many graphic examples of this benefit. Recently two recycling start-up companies were identified through BOC Staten Island and BOC in the Bronx. A long-time recycling business in Queens identified by BOC in Rockaway has become a resource for these new firms through our intervention.

Wholesale marketing for products have been identified by BOC collaborations. BOC has connected inventors with technical institutions and small service firms for Federal, State and city procurement opportunities accessing the whole range of opportunities available to these businesses. And I must stress that our clients would not have been able to access these resources without us.

Whether the reason is the lack of English skills or, in the case of small manufacturers, their intense involvement in day-to-day business leaving no time for outside investigation, or the very real cultural barriers preventing our clients from entering a government office to ask for services, BOC intervention is their only avenue to needed assistance.

In the light of our successful efforts, Mr. Chairman, and members of the committee to create a model serving the needs of small business, new entrepreneurs and the development of economic programs meant to serve them, I hope the committee will recommend legislation to establish the BOC Business Outreach Center as an economic development model for the Nation. I believe that by deploying the BOC model, the Congress and EDA have a unique opportunity to take the leading role in assuring a stronger and healthier, strong business communities throughout the country.

In the package of our full testimony you will find a budget for a typical BOC as well as additional and huge amount of material that we have surrounded you with. I thank you for your consideration and for the opportunity to present this new strategy to your committee and to the Congress.

Thank you.

Mr. WISE. Thank you very much for a very informative presentation and of course the accompanying information is very helpful there. There is a vote in the House right now. When the subcommittee returns, I will ask Mr. Chernick whether he has any additional statement to add and then Mr. Koos, we will turn to you. The subcommittee will stand in recess.

[Recess.]

Mr. WISE. This hearing of the Economic Development Subcommittee will resume. And when we left, I believe I was getting ready to turn to Mr. Chernick, Director of Operations, Council of Jewish Organizations Brooklyn, New York for any remarks he might make.

Mr. CHERNICK. Thank you, Mr. Chairman, I think we would like to just open for some questions.

But, briefly, I would like to add one or two comments on what Rabbi Shmidman has described. In addition to the Business Outreach Center's ability to help small businesses access a full array of economic development and business assistance services in New York, we also had a very interesting experience working with a government program recently. The Department of Labor has initiated a new program called TEAMS, Technical Education and Administration Assistance for Mid and Small Sized Firms.

And TEAMS came to New York and discovered our network and asked us to put together a local provider that, as envisioned, would transfer technology to small and mid-sized companies. I think they saw that the BOC model was an interesting model for them of how to collaborate and get all the service resources together in one area and then focus them on the points.

And I think that they are going to continue to work with that. So, in terms of the EDA programs, especially the local technical assistance program, BOC is very well positioned to help get that resource out to a number of communities without actually having to reestablish or to establish straight local technical assistance programs in different localities. And I would like now to just thank you again and turn it over to any questions that you might have.

Mr. WISE. Thank you, we will hear from the next witness and then open up for questions. I appreciate your patience, Mr. Koos, Philip Koos, Jr., Chief Executive Officer Van Emmons, Senior Population and Marketing Analysis Center, Towanda, Pennsylvania.

Mr. KOOS. I thank you, Mr. Chairman and members of the committee for inviting me and the wait is well worth it. I have been, as you can see, in the field of economic development probably longer than I would like to admit. Mr. Clinger and Mr. Oberstar also go back to those years.

Over the course of the years it has been my pleasure to work not only with EDA but with a variety of Federal, State, private, and local programs. I believe my remarks are being entered in the record and I appreciate that. I would however like to make a few comments in the interest of time.

There are several things in EDA that set it apart. One is that it is very unique. And, yes, it can meet both the urban and rural needs.

The second thing with EDA that has always struck me as unique is EDA does serve so well in my capacity because it was unique, yet it did not go through the State. It came directly to us. ARC is a wonderful program but it does go through the State and believe me there is a lot lost in translation there.

The remarks were made earlier about duplication and I would like to address that issue. In my testimony, and here with me, I have but two examples that I know will point out to you that EDA it is not a duplication. In fact it may make sense to have several programs, the Farmers Home/RDA today, ARC, EDA, and even CDBG and of course UDAG which was a very wonderful program. In the case of the tannery, that tannery had been in operation 115 years with the same local family. They reached a point where the sons no longer had interest in it. Westfield also had burned down its one grocery store and only restaurant, thus with the tannery situation up in the air, it was a dead town.

We were able to put together a buyout on the tannery using bank funds, State funds EDA guarantees, and an EDA grant to help with the tannery waste water system, several Farmer's Home Community Facilities grants and loans were used to upgrade the entire community sewer system and to upgrade the municipal building. Today, the tannery is employing 200 people. Initially we were able to retain around 100 jobs and create 32 more. But again, the mixing matching and melding of each fund had its place, was very distinct and there was no fear of duplication of services and a town lives.

I have another example from Mr. Boehlert's district that does not involve EDA, but gives you the idea, in spite of the urban New York area, that there is also a part of New York that is as agricultural as we in Pennsylvania are. This project was in the Mohawk Valley EDD and done through their Revolving Loan Corporation, the Urban Development Corporation and let's see what else, the New York Jobs Development Authority and the Farmer's Home Guarantee Program. They were able to put together a feed company that did, in fact, not only retain but also created more jobs.

Now, again this mix and match is not a bad thing, and in fact, in many cases works out rather well.

Many times, it would be impossible for HUD to be well received in a rural area, and by the same token, Farmers Home would not be well received by those in an urban area. So I think you want

to take a look at this. I don't think there is that much mix or match that lends itself to duplication.

The OEDP process is another unique thing within EDA. It works because it brings grass roots to Washington, D.C. and vice versa. It is a good system, it does work and it is a good planning process.

I don't think I have to point out the things that have happened with EDA over the years. I, too, am thankful that finally we are out of the woods and we will get back to what EDA really stands for, the fine, unique program that it really is.

PMAC, which you referred to, has really come about as a result of EDA and ARC. EDA provided us with the funds we needed to develop an export system for small businesses and basically PMAC is there as a result to serve small and mid-size businesses with those services that big businesses have daily, yet the size we serve would otherwise not have the same available to them. Incidentally, SBA has also put some funding into PMAC. And so again we see the mix and match and a very successful program. ARC, on the other hand, provided us with the staff money necessary or we could not have been up and running independently for a year this July. Again, don't be worried about duplication of services. In fact, various different programs may, in fact, work well without duplication. I do, however, feel that EDA should be the centerpiece of economic development.

Again, in the interest of time, I will certainly answer any questions. I want to read you something and see if this sounds like 1993.

“. . . A growing Nation cannot afford to waste its human and natural resources—too often neglected and unused in distressed areas. Nor can we afford to shut out large numbers of our fellow citizens from the fulfillment of hope that is shared by the rest of us. The millions of people living in those areas and regions of our Nation which have not shared fully in our general prosperity are in urgent need of help.”

There are three important things to remember about the EDA program. First, it is designed to extend opportunity to those now deprived of the chance to share in the full blessings of American life. As such it has a call upon the moral conscience of every citizen.

Second, it will benefit all Americans. The experience of the last 30 years has shown that the increasing prosperity of any region of this country increases the prosperity of the country. Higher incomes for the people of Illinois or Arkansas mean increased markets for automobiles from Detroit and steel from Pittsburgh. Poverty in one area slows progress in other areas.

Third, the job can be done. We have the resources and the skill to extend American abundance to every citizen in every region of this land. This program will help give us the instruments to match our determination to eliminate poverty in America.

The conditions of our distressed areas today are among of most important economic problems. They hold back the progress of the Nation and breed a despair and poverty which is inexcusable in the richest land on Earth. We will not permit any part of this country to be in a prison where hopes are crushed, human beings chained to misery, and the promise of America denied.

These conditions of our depressed areas can and must be righted. In this generation they will be righted.

These are the words of President Lyndon B. Johnson when he initially introduced the EDA legislation in 1965 and it is equally descriptive of today's situation.

Thank you, Mr. Chairman.

Mr. WISE. So it is. I appreciate that, Mr. Koos.

Mr. Marinucci, I want you to know that I was interested in your figures and that certainly is an area that the subcommittee will be addressing. I think there is a pretty good balance on this subcommittee that ought to reflect your concerns. As many Members as we have from rural areas, we have just as many from urban areas. And indeed, based on the makeup of the subcommittee, I think all of the funding may be going to California.

But you raise some good points and we will be happy to look at them. I think the key here is to look at how you make the most maximum impact with EDA funds wherever you are in making sure that each area receives as much of what it needs as possible.

One observation I might make is that in some cases in infrastructure, and you might care to comment on this, I am wondering for instance whether in urban areas there might be a larger cost associated to infrastructure because projects tend to be bigger. And I guess my most vivid memory is standing—what is the bridge in New York City that is being refurbished? The Brooklyn Bridge—and realizing that the cost of that one bridge was more than the entire amount in the bridge fund.

So I wonder if we have people that say we will get more bang for the buck in a rural area as opposed to the spending in the urban area.

Mr. MARINUCCI. Mr. Chairman, I appreciate the observation. There are very large projects of the type that you describe in both rural and urban areas. Each project should be judged on its economic impact. Clearly both in a rural and urban setting, we from an urban setting would have to justify the economic basis for the investment from a leverage perspective as well as a job creation perspective. Representing the City of Cleveland and CUED we would be happy to work with the committee to make sure that those types of analysis are consistent in terms of those instances. We would love the opportunity to work with you towards that end.

I don't see the dichotomy. I think as long as the project has a significant leverage ratio and can create the types of jobs that make that ratio justifiable, I think we could work with you and I think we would be on the same page.

Mr. WISE. The next question I would ask for anyone on the panel. EDA, by tradition, has focused its efforts on the most distressed communities measured by unemployment, and poverty particularly. Should that rule out EDA funds being used to go towards a more prosperous area but where jobs are created, the thought being that that helps generate tax revenues that can then be used for other areas? That has been brought up in several meetings that I have been involved in, field hearings and so on, and I would appreciate anyone's comment.

Mr. MARINUCCI. From my perspective and CUED's, I think we address the traditional criteria that has been involved and I think

we would continue to work with the committee towards that end. We would agree that the largest economic impact in distressed areas is critical.

Obviously from my perspective, speaking parochially from the City of Cleveland, we would want to see a greater level of Federal funding moved towards those areas and I would couple that not only with EDA, but also again with some of the direction that was being taken by the President in terms of economic stimulus package.

Mr. WISE. Mr. Chernick.

Mr. CHERNICK. I would like to add that sometimes a community may not be the most distressed community, but there is a balance going on in that community and it could go either way and if you make an investment in that community, sometimes a community that is heading towards becoming a distressed community can be saved.

Mr. WISE. Commissioner Dell, I believe you made that point. I represent a county that shares some of your problems in that officially it is listed as having extremely low unemployment. That is because the bulk of the county drives 30 to 50 miles over a State line to work in counties surrounding it.

Unfortunately, by every indicator it ought to qualify for EDA except for that artificial distinction, low property tax base and low tax collection, although they're up to their maximum in what they can collect, but they have not qualified in the past for EDA or ARC funds. So there sometimes can be distortions in that.

Mr. DELL. I certainly am not going to suggest that we shouldn't help the poverty stricken areas. However, EDA funds may not be appropriate because some of those areas are not appropriate to drive industry into them. Industries won't locate for certain reasons.

So I think you have to evaluate just where are you getting the most for the dollar and maybe there are other programs that would do a better job in those poverty areas. They need help and I would be the first to do whatever we could for those areas. But because of the fact that maybe some industries or—there is nothing there to really attract industries in some of those areas, I think. So for putting funds there for that purpose, they may be wasted.

Mr. WISE. Mr. Koos?

Mr. KOOS. If you have a growth center potential, regardless of whether they fall under the EDA criteria jurisdiction, it would be very well to look at its inclusion if it can have a positive effect. If I remember the initial concept of EDA was the pebble in the water with the outgoing rings of influence and sometimes you do penalize by not following this. Probably we are looking at the more rural areas where I work most of the time but I think this is something that you should consider; that perhaps you would look at even if they didn't have all the criteria but had the potential to provide the main means to provide the jobs. Rural as we are, we have community patterns that you wouldn't believe. One plant employs from 12 counties and some of the commutes are 50 to 60 miles a day each way.

Mr. WISE. I thank the witnesses.

Mr. Koos, I also appreciate your attachments and specific recommendations on what could be in the reauthorization bill. And several of you have other attachments as well.

Ms. Molinari.

Ms. MOLINARI. Thank you. I have a few quick questions and I want to thank this panel and the panel before, for putting together what was probably the most instructive sessions that I have sat in Congress relative to the ideas and perspectives that you have brought to us. You gave us the real details of these programs.

Mr. Marinucci, let me start with you first. In your testimony you talked a lot about some of the problems germane to the urban areas relative to dealing with infrastructure in areas that need cleanup and peripheral work before the actual work can be done. You stated that EDA is one of the most effective tools that can be used in enterprise zones to leverage investment.

Could you go into a little more detail as to how your vision takes you to that point?

Mr. MARINUCCI. I think we would look again at the flexibility that EDA provides for direct infrastructure funding. As you know, most of the enterprise zone discussions have not provided that direct investment opportunity, at least to date. There is obviously in some of the empowerment zone discussions talk of a different level of financing or funding being available to an enterprise zone.

But in distressed areas not only do you have the challenge of an aged infrastructure, but you also have the compounded challenge of land that in many ways is not developable because of demolition costs that may be associated or assembly costs with that particular land and when you couple the environmental contamination that in many ways is much more prevalent in urban settings, you have a cost basis that has to be overcome in addition to the infrastructure.

So when you look at the economic factors of getting a company to move to a particular location, you have to address those fundamental needs before that inner city location becomes viable.

Ms. MOLINARI. So you see the EDA has the primary factor and then enterprise zones can come into play. And in some of those areas where enterprise zones are not attractive, through the assistance of the EDA you could bring them up?

Mr. MARINUCCI. I think that EDA can provide the infrastructure funding that is needed to match the investment. But all we are talking about is creating the land mass that becomes economically viable for the companies to move in and then the enterprise zone can act as an incentive for that business decision.

Ms. MOLINARI. I appreciate that.

Rabbi Shmidman, your model is obviously extremely effective in New York City. You have worked in all the boroughs with your model and we are appreciative of that. If we were to take your model and use it as a national model, can it be used effectively in a rural setting or do you see any impediments?

Rabbi SHMIDMAN. I think if you took this model and put one in every congressional district and you took the budget for a business outlet center for a year, for approximately \$43 million you would be making one of the most fantastic contributions to the entrepreneurial opportunities and to visions within a community. Because this is the kind of model, besides what it does in specific eco-

conomic development, it teaches people how to access variety of services.

We did not desire to reinvent the wheel. We have merely taken the various spokes and created the cap around it so that people—and in addition to that what most people need is someone to hold them by the hand and take them through the process and follow up for them. You will get someone who is interested in a particular marketing strategy, you will take them to a university or college, small business development center, but no one is going to follow up with them. It is only the BOC person or the BOC staff that will follow up as to what happened in that interview and how did they follow up on the advice that was given to them. You could get a bargain at \$43 million.

Ms. MOLINARI. Do you make the determination as to whether an applicant qualifies or not or do you just accept all applicants and walk them through the process?

Rabbi SHMIDMAN. There is no specific prerequisites. Anyone that comes in. They come in for a variety of different services. Someone who is looking for a start-up loan or marketing advice.

For example, we advise people in New York City the housing authority has procurement opportunities. People never realized that the procurement opportunities exist on the city, State and Federal level for the small entrepreneur. People produce products and services that could be utilized on a governmental fashion but they don't know how to get at it and, therefore, everyone thinks always it's the large business corporations.

And we also lose focus—people get all excited, you talk about a major corporation that employs 2,000 people; and if you think that is going to leave, it becomes a disaster for the entire city and they throw them all kinds of bonuses and you forget that maybe 100 businesses are employing the same number of people and they are threatened and if they go away, what happens? They provide the economic stability for our neighborhood.

It is these small businesses that provide the support system for our neighborhood both in terms of nonprofit institutions, cultural values, brotherhood relationships; that which makes up our civilization. And it is only through these kinds of models that you increase, in addition to the specific aspects of your program, you create that kind of stability and all of the benefits that endure throughout the Nation.

Ms. MOLINARI. So that basically is the way you see the role of the BOC relative to job creation and retention is dealing with the small businesses that may need a little financial assistance or assistance relative to application procedures?

Rabbi SHMIDMAN. You have the person who is interested in going into business and then you have those that have already started some business and will fail unless they receive the kind of support services that this kind of network can provide for them and that is what the BOC network is really geared to do.

Ms. MOLINARI. I appreciate that.

Ms. CARIN. I would also like to add, what Rabbi Shmidman mentioned we should formalize linkage agreements with the State, Federal and other services. We bring our staff to meet the staff of all the other agencies and we are educated and it is part of the linkage

agreement that their responsibility is to educate us in their requirements and application procedures.

And we prescreen applicants so that when we bring a client to an existing service, the chances are their service procedure will be appropriate and won't be asking us to take them to the next door down the hall. And if our clients try two or three places, they aren't going to keep trying. It is a one shot deal.

And in addition to that, it is not helping to fill out forms that we do. Once a client is comfortable with us and they trust us, then we can introduce new technologies to them, introduce concepts about work force development. And really they are open to new ideas that they wouldn't have come to us in the first place and wouldn't have even thought of implements.

Ms. MOLINARI. I appreciate that. It sounds very helpful.

Mr. WISE. Well, I want to thank all of you. And Rabbi Shmidman, it was good talking about cultural differences going from New York City to Greenbrier county. But happily it has worked out well for IsraTech in both areas. And to all of you, I want to thank you for the time you have taken. The subcommittee will be considering this and probably asking you for additional information. We look forward to work other with you in the future. I declare this hearing adjourned.

[Whereupon, at 1:30 p.m., the subcommittee was adjourned.]

PREPARED STATEMENTS SUBMITTED BY
WITNESSES

**STATEMENT OF THE
HONORABLE DONALD DELL, PRESIDENT
CARROLL COUNTY, MARYLAND BOARD OF
COMMISSIONERS**

**ON REAUTHORIZATION OF THE
ECONOMIC DEVELOPMENT ADMINISTRATION
AND THE
APPALACHIAN REGIONAL COMMISSION
(H.R. 2442)**

**BEFORE THE
ECONOMIC DEVELOPMENT SUBCOMMITTEE OF THE
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES**

**ON BEHALF OF THE
NATIONAL ASSOCIATION OF COUNTIES**

**JUNE 24, 1993
WASHINGTON, D.C.**

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE ECONOMIC DEVELOPMENT SUBCOMMITTEE. I AM DONALD DELL, PRESIDENT OF THE CARROLL COUNTY, MARYLAND BOARD OF COMMISSIONERS. I AM TESTIFYING ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES (NACo)* AND AS A MEMBER OF NACo'S AGRICULTURE AND RURAL AFFAIRS STEERING COMMITTEE.

OFFICIALS FROM THE NATION'S 3,045 COUNTY GOVERNMENTS THANK YOU FOR YOUR LEADERSHIP IN CONVENING THIS HEARING ON H.R. 2442, LEGISLATION REAUTHORIZING THE ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) AND THE APPALACHIAN REGIONAL COMMISSION (ARC). WE ARE OPTIMISTIC THAT THIS LEGISLATION WILL BE ENACTED, BECAUSE THE PRESIDENT SUPPORTS THESE CRITICAL DEVELOPMENT TOOLS THAT CONGRESS HAS KEPT ALIVE THROUGH THE APPROPRIATIONS PROCESS SINCE THEIR AUTHORIZATION EXPIRED IN 1982.

H.R. 2442 RECOGNIZES THE FUNDAMENTAL NEED TO RESTORE A FEDERAL-LOCAL GOVERNMENT PARTNERSHIP IN ORDER TO ACHIEVE LONG-TERM ECONOMIC RECOVERY, UNDERTAKE PUBLIC WORKS PROJECTS, CREATE JOBS, HELP DOMESTIC BUSINESSES COMPETE IN A WORLDWIDE MARKETPLACE, AND ASSIST COUNTIES UNDERGO ECONOMIC CONVERSION IN RESPONSE TO THE NEED TO DIVERSIFY RURAL ECONOMIES, THE CLOSING OF MILITARY BASES AND OTHER FACTORS IMPACTING LOCAL ECONOMIES.

EDA AND ARC ARE AS CRITICALLY NEEDED NOW AS WHEN THEY WERE FIRST AUTHORIZED. PRIOR TO THE CURRENT RECESSION, URBAN, SUBURBAN AND RURAL COUNTIES ALREADY WERE HAVING TO COPE WITH INCREASING DEMANDS FOR SERVICES AND DWINDLING FEDERAL RESOURCES WITH WHICH TO RESPOND.

COUNTIES' MAJOR SOURCE OF NEW REVENUES HAS COME FROM THEIR OWN FINANCING. IN FISCAL 1989-90, COUNTY-IMPOSED TAXES YIELDED \$48.7 BILLION OR 36.7 PERCENT OF COUNTY GOVERNMENT REVENUE. THE PROPERTY TAX IS THE PRIMARY SOURCE, ACCOUNTING FOR 73.3 PERCENT OF ALL COUNTY IMPOSED TAXES IN 1989-90. WHILE REVENUE FROM COUNTY OWN SOURCES INCREASED BY 57.8 PERCENT BETWEEN 1979-80 AND 1989-90, REVENUE

* The National Association of Counties is the only national organization representing county government in the United States. Through its membership urban, suburban and rural counties join together to build effective, responsive county government. The goals of the organization are to: improve county government; serve as the national spokesman for county government; serve as a liaison between the nation's counties and other levels of government; and achieve public understanding of the role of counties in the federal system.

FROM OTHER GOVERNMENTS INCREASED BY ONLY 7.1 PERCENT DURING THAT TEN YEAR PERIOD.

HOWEVER, COUNTY REVENUES ARE NOT INEXHAUSTIBLE. MOST COUNTIES FACE LEGAL LIMITATIONS ON THEIR ABILITY TO RAISE PROPERTY TAXES, AND MANY LOCAL OFFICIALS MUST CONTEND WITH ORGANIZED RESISTANCE TO THESE INCREASES. IN ADDITION, COUNTIES ARE GRAPPLING WITH A WAVE OF UNFUNDED FEDERAL AND STATE MANDATES WHICH NEITHER RESPECT BUDGET CONSTRAINTS NOR THE ARDUOUS TASK OF FUNDING COMPETING PRIORITIES.

THE ECONOMIC RECESSION AGGRAVATED THE IMBALANCE BETWEEN REVENUES AND EXPENDITURES. EARLIER THIS YEAR, NACo, THE NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS AND THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS RELEASED A SURVEY THAT WAS SENT TO 1,050 RURAL LOCAL GOVERNMENT OFFICIALS AND DEVELOPMENTS ORGANIZATIONS, WITH 330 RESPONDING. I REQUEST THAT A COPY OF THIS SURVEY BE ENTERED INTO THE RECORD.

53 PERCENT OF THE RESPONDENTS INDICATED THAT THEIR GOVERNMENTS HAD BEEN FORCED TO REDUCE FUNDING FOR INFRASTRUCTURE PROJECTS. OF THESE, 40 PERCENT POSTPONED ROAD AND OTHER TRANSPORTATION IMPROVEMENTS. 41 PERCENT INDICATED THAT THEIR LOCALITY HAD RAISED TAXES OR FEES.

TO ADDRESS THE ECONOMIC SLUMP IN RURAL AMERICA, 70 PERCENT OF THE OFFICIALS SAID THAT IMPROVING INFRASTRUCTURE IS THE NUMBER ONE PRIORITY. 47 PERCENT IDENTIFIED ECONOMIC DEVELOPMENT AS THE SECOND PRIORITY. SOLID WASTE MANAGEMENT WAS THE THIRD MOST FREQUENTLY IDENTIFIED NEED, AT 18 PERCENT.

THE FISCAL PICTURE ALSO IS GLOOMY IN LARGE, URBAN COUNTIES. THEY HAD TO CUT PROGRAMS, RAISE TAXES AND DEFER CAPITAL PROJECTS. IN A NACo SURVEY THIS YEAR OF 66 OF THE LARGEST COUNTIES, LOCAL REVENUES AND FEDERAL AND STATE AID ARE DOWN AND EXPENDITURES ARE HIGHER THAN PROJECTED. FACED WITH THESE CHALLENGES, URBAN COUNTIES USE A VARIETY OF METHODS TO BALANCE THEIR BUDGETS: RAISE TAXES AND FEES, SPEND RESERVE FUNDS, AND CUT PROGRAMS, SERVICES AND EMPLOYEES. TWO OF EVERY FIVE URBAN COUNTIES (39 PERCENT) REPORTED THEY HAD TO IMPLEMENT ALL OF THESE MEASURES. MORE THAN 80 PERCENT INCREASED TAXES OR FEES AND 70 PERCENT HAD TO MAKE STAFF REDUCTIONS. LOOKING AHEAD, 75 PERCENT

SAID THEY ARE LIKELY TO INCREASE REVENUES IN THE NEXT 12 MONTHS.

MR. CHAIRMAN, I ASK THAT THIS SURVEY ALSO BE ENTERED INTO THE RECORD. IT IS AN UPDATE OF A SURVEY DONE LAST YEAR OF 80 URBAN COUNTIES WITH SIMILAR FINDINGS: 78 PERCENT HAD TO REDUCE SERVICES AND/OR EMPLOYEES TO OFFSET LOWER REVENUES AND 55 PERCENT REPORTED DELAYING CAPITAL PROJECTS AS THE PRIMARY SPENDING REDUCTION MEASURE.

IN DISTRESSED COUNTIES - URBAN, SUBURBAN AND RURAL - DEVELOPING AND MAINTAINING THE INFRASTRUCTURE IS CRITICAL FOR ECONOMIC DEVELOPMENT. RURAL ECONOMIC DEVELOPMENT WILL BE HAMPERED, IF NOT PRECLUDED UNLESS THE INFRASTRUCTURE IS UPGRADED. MORE THAN HALF OF THE NATION'S 3.1 MILLION MILES OF RURAL ROADS ARE UNPAVED AND MUCH OF THE PAVED PORTIONS ARE IN POOR SHAPE. SEVENTY FIVE PERCENT OF OUR COUNTY BRIDGES NEED REHABILITATION. 180,000 BRIDGES ARE DEFICIENT ACCORDING TO THE FEDERAL HIGHWAY ADMINISTRATION.

SINCE THE DEREGULATION OF MANY TRANSPORTATION MODES - AIRLINES, BUSES AND RAILROADS - RURAL ROADS AND BRIDGES ARE OFTEN THE ONLY TRANSPORTATION NETWORK IN RURAL AREAS. AS A RESULT, THOSE ROADS AND BRIDGES ARE BEING CALLED UPON TO HANDLE GREATER AMOUNTS OF COMMERCIAL TRAFFIC THAN THEY WERE DESIGNED TO HANDLE.

MR. CHAIRMAN, A NATIONAL CHALLENGE REQUIRES A NATIONAL RESPONSE. EDA IS EFFECTIVELY USED TO ADDRESS SOME OF THE INFRASTRUCTURE NEEDS IN DISTRESSED AREAS. THIS PROVIDES THE FOUNDATION FOR BUSINESS GROWTH AND EXPANSION WHICH, IN TURN, WILL ENABLE COMPANIES TO ENGAGE COMPETITIVELY IN INTERNATIONAL TRADE WHICH IS THE FASTEST GROWING SECTOR OF OUR ECONOMY. PASSAGE OF H.R. 2442 WILL BE A LIFELINE FOR THE ECONOMIC HEALTH OF THE NATION.

IMPROVING THE NATION'S INFRASTRUCTURE IS JUST ONE OF THE CRITICAL NEEDS THAT H.R. 2442 ADDRESSES. THE NATIONAL ASSOCIATION OF COUNTIES APPLAUDS THE EMPHASIS THIS LEGISLATION GIVES TO PLANNING A UNIFIED STRATEGY FOR ECONOMIC DEVELOPMENT. STRATEGIC PLANNING WILL HELP MOBILIZE A COMMUNITY, PROVIDE A FOCUS FOR ALLOCATING SCARCE RESOURCES AND ESTABLISH MEASURABLE OBJECTIVES. AS PART OF THIS EFFORT, A THOROUGH ASSESSMENT OF COMMUNITY ASSETS, INCLUDING NATURAL RESOURCES, WORKFORCE,

INFRASTRUCTURE AND QUALIFY OF LIFE MUST BE DONE. COUNTY OFFICIALS RECOGNIZE THAT OTHER LOCAL GOVERNMENTS AND THE PRIVATE SECTOR MUST BE CONSULTED IN FORMULATING ECONOMIC DEVELOPMENT PLANS.

STRATEGIC PLANNING IS CRITICAL FOR COMMUNITIES THAT ARE UNDERGOING ECONOMIC CONVERSION. CLOSING MILITARY BASES PRESENT SUCH A CHALLENGE. THE ADVERSE ECONOMIC IMPACTS CAN BE DEVASTATING FOR SMALL OR RURAL COMMUNITIES AND METROPOLITAN AREAS. BASE ACTIVITIES OFTEN PLAY A DOMINANT ROLE IN LOCAL AND REGIONAL ECONOMIES. MANY COMMUNITIES HAVE WITNESSED THE DEPARTURE OF TEN TO 30 PERCENT OF THEIR POPULATION AS A RESULT OF A BASE CLOSURE. IN ADDITION TO JOB LOSS, THESE JURISDICTIONS MUST CONTEND WITH AN ERODING TAX BASE, INCREASED COSTS TO LOCAL GOVERNMENTS, SUBSTANDARD BUILDINGS AND INFRASTRUCTURE, DECLINING REAL ESTATE VALUES AND ADVERSE IMPACTS ON LOCAL BANKS.

EDA PROVIDES INVALUABLE RESOURCES WITH WHICH AFFECTED AREAS CAN UNDERTAKE REUSE PLANNING. LOCAL GOVERNMENTS SHOULD BE PERMITTED TO USE EDA FUNDS FOR LOCAL PRIORITIES, INCLUDING MAKING LOANS OR GRANTS TO BUSINESSES THAT UTILIZE FORMER BASES. THE NATIONAL ASSOCIATION OF COUNTIES URGES THAT ANY LOAN REPAYMENTS UNDER SUCH A SCHEME GO INTO A REVOLVING LOAN ACCOUNT FOR USE BY LOCAL GOVERNMENTS IN FINANCING ADDITIONAL CONVERSION ACTIVITIES.

RETENTION AND CREATION OF INNOVATIVE BUSINESSES ARE CRITICAL COMPONENTS OF ECONOMIC REVITALIZATION. HOWEVER, ACCESS TO CAPITAL OFTEN IS RESTRICTED IN DISTRESSED AREAS. EDA REVOLVING LOANS LEVERAGE PRIVATE SECTOR INVESTMENT. A 10 - 20 PERCENT PARTICIPATION BY A REVOLVING LOAN FUND CAN BE A DETERMINING FACTOR IN WHETHER OR NOT A BUSINESS QUALIFIES FOR PRIVATE FINANCING. MANY FINANCIAL INSTITUTIONS ONLY MAKE LOANS FOR BUILDINGS AND TO ACQUIRE EQUIPMENT. IN THESE INSTANCES, EDA REVOLVING LOAN FUNDS CAN COVER SHORT TERM OPERATING EXPENSES DURING THE START-UP OF A NEW BUSINESS.

ALTHOUGH MY REMARKS HAVE ADDRESSED CONDITIONS IN DISTRESSED COUNTIES GENERALLY, I DO NOT WANT TO OVERLOOK PARTICULARLY CHALLENGING CONDITIONS IN COUNTIES NOW SERVED BY THE APPALACHIAN REGIONAL COMMISSION. THESE ARE AMONG THE POOREST COUNTIES, WITH VERY LOW PER CAPITA

INCOMES AND EDUCATIONAL LEVELS. THE NATIONAL ASSOCIATION OF COUNTIES SUPPORTS THE COMPREHENSIVE APPROACH OF ARC IN ADDRESSING INFRASTRUCTURE IMPROVEMENTS AND HUMAN RESOURCE DEVELOPMENT.

IN CONCLUSION, MR. CHAIRMAN, THE NATION'S COUNTY OFFICIALS WHOLEHEARTEDLY SUPPORT REAUTHORIZATION OF EDA AND ARC. INCREASED ASSISTANCE FOR PUBLIC WORKS AND ECONOMIC CONVERSION ARE KEY COMPONENTS OF A NATIONAL, COMPREHENSIVE STRATEGY TO ACHIEVE ECONOMIC RECOVERY. FOR THESE REASONS, THE NATIONAL ASSOCIATION OF COUNTIES URGES PROMPT PASSAGE OF H.R. 2442.

EXECUTIVE SUMMARY

Rural America: Worth the Investment

Three associations* have joined together to highlight the needs of rural citizens and urge the President and Congress to "Invest in Rural America" as part of any federal initiative to solve the nation's economic problems. Leaders of the three groups said their message was "don't forget the 62 million Americans who live in non-metropolitan (rural) America as you develop a new domestic policy in the first 100 days."

In response to a survey of 1050 rural elected officials and regional development organizations, 70 percent of the 331 responding said that infrastructure is their number one concern; 47 percent said economic development and 18 percent listed solid waste and other environmental issues.

When asked for a list of "ready-to-go" infrastructure projects that could be underway in 90 days, the rural officials identified 2,882 projects requiring \$2.9 billion of public investment and creating 59,068 jobs.

When asked to identify the greatest impediments in using federal programs, nearly half (44 percent) of the local officials cited inflexibility, excessive paperwork and red tape. Over half (53 percent) said their governments had been forced to reduce funding for infrastructure projects and 41 percent had raised taxes or fees.

According to U. S. Census data:

- In 1991 the poverty rate in rural areas was higher (16.1 percent) than in urban regions (13.7 percent)
- A higher percentage of children and the elderly in rural areas are poorer than in metropolitan areas
- The unemployment rate is higher in nonmetropolitan (7.0 percent) than metropolitan (6.6 percent)

Rural counties, towns and regional development organizations made the following recommendations to Congress and President-elect Clinton:

1. No federal law or regulation should be enacted without accompanying funds.
2. Additional federal funding should be provided for infrastructure including roads, bridges, water wastewater and solid waste disposal.
3. The requirement for local match should be waived for distressed communities.
4. Rural governments should be allowed more flexibility in meeting federal mandates and existing federal programs should be coordinated to make better use of available funds.
5. Priority funding for existing federal rural programs should be aimed at job creation, job training, economic development, technical assistance and increasing capital for small business development.

* The National Association of Counties (NACo), National Association of Development Organizations (NADO) and the National Association of Towns and Townships (NATaT) represent local governments and their regional development organizations throughout rural America.

NACo URBAN COUNTY FISCAL SURVEY: Executive Summary



February 1993

Scope of Survey

- NACo recently surveyed 66 large urban counties about their fiscal situation.
- Together these counties represent 82.6 million citizens, or one-third of the nation's population.

\$10 Billion of Unfunded Capital Projects

- The urban counties reported a pent-up demand of unfunded capital projects, valued at \$10 billion, in numerous areas, including roads and bridges, hospitals, jails, sewers, housing projects, courts, libraries, and parks.

Revenue and Expenditure Projections

- Almost 2 of every 3 counties (65.2%) generated lower than estimated own-source revenues, or revenues that counties levy directly.
- More than half (51.5%) of the surveyed counties reported that fiscal assistance from other governments was lower than projected.
- More than half (51.5%) of the surveyed counties reported that expenditures were higher than projected.
- Overall, more than 4 of every 5 counties (83.3%) reported that projections were off target in at least one area — own-source revenue, intergovernmental aid or expenditures; more than a quarter (27.3%) of surveyed counties reported that their projections were off in all three categories.

Budget Balancing Measures

- Since counties are required by law to balance their budgets, the most common measure implemented by counties was increasing revenues; more than 4 of every 5 counties (81.8%) raised additional revenues, valued at more than \$1.9 billion.
- More than 7 of every 10 counties (71.2%) used reserve funds to help balance their budgets.
- More than 3 of every 4 counties (77.3%) cut programs and services to help offset their budget imbalances.
- More than 7 of every 10 counties (71.2%) reduced their workforce to get their budgets back on target.
- Overall, almost every county (98.5%) reported that they had to implement at least one measure; almost 2 of every 5 counties (39.4%) reported that all four measures were necessary to balance their budgets.

Future Outlook

- Almost 3 of every 4 counties (74.2%) reported that they expect having to raise additional revenues in the next year.
- Almost half (45.5%) of the surveyed counties expect that they will use reserve funds.
- More than 7 of every 10 counties (71.2%) anticipate that they will have to cut programs and services in the coming year.
- Three of every 5 counties (60.6%) expect to reduce their workforce over the next year.

National Association of Counties • 440 First Street, N.W. • Washington, D.C. 20001 • 202/393-6226

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NACo URBAN COUNTY FISCAL SURVEY: An Examination of the Fiscal Health of 66 of the Nation's Largest Counties

National
Association
of
COUNTIES

February 1993

One year ago, the National Association of Counties (NACo) released a survey that investigated the fiscal condition of 80 of the nation's most populous counties. The study found that more than three-fourths of these counties had to either make reductions in services or cut their workforce, or both, to help offset their budget imbalances.

The current survey is an attempt to determine how the nation's largest counties are faring in today's economic climate. Specifically, the survey examines whether these counties have met their budget targets, and, given that *counties are required by law to balance their budgets*, what steps those counties with budget gaps took to bring their budgets back on target.

NACo surveyed 72 large urban counties between November 1992 and January 1993. Sixty-six, or 92 percent, of the counties sampled responded. Together, these counties represent 82.6 million citizens, or one-third of the nation's population.

Revenue and Expenditure Projections

Counties must estimate revenues and expenditures to develop their budgets. These projections are based on a number of assumptions, including property assessment values, the state of the economy, growth and development, citizen and community needs, and federal and state legislation, among others. Although most counties budget conservatively during periods of economic stagnation, many of the urban counties that NACo surveyed still found their budget projections off target.

Own-Source Revenues

Almost 2 of every 3 counties (65.2%) were caught with lower than estimated levels of own-source revenues, or revenues that counties levy directly, such as taxes and fees. Almost all counties (90.7%) that reported own-source revenue deficiencies stated that taxes were below projections. More than two-thirds (69.8%) of the counties that reported lower levels of

Capital Projects

When asked about pending capital projects for which funding does not exist, the urban counties reported projects valued at an estimated \$10 billion. The list of unfunded capital projects covers a wide range of infrastructure areas.

Most of the urban counties reported that road and bridge construction and repairs have been delayed due to inadequate funds. Other transportation needs, such as airport and parking facilities, were also listed by counties. The urban counties also commonly reported the need for funding in the area of criminal justice facilities, such as police stations, jails and juvenile detention facilities, forensic laboratories, and court facilities. Public safety facilities, including fire stations and emergency operations centers, have also been deferred by counties.

Counties frequently reported a backlog of capital projects in the area of health and human services. Examples include hospitals, long-term care facilities, public health clinics, human services facilities, and housing projects. Counties that provide education services frequently reported the need for school facility repairs and renovations.

The urban counties also frequently reported that additional funding for such vital projects as drainage systems, solid waste facilities, and water systems is needed. Finally, many counties reported that they are having difficulty in funding projects required by the federally mandated Americans With Disabilities Act (ADA).

This pent-up demand of capital projects is the result of their discretionary nature; capital projects are often the first expenditure items that governments cut when faced with the need to reduce spending. This was borne out by the current survey: More counties reported cutting capital projects than any other program or service. In fact, this was found to be the case in two previous NACo fiscal surveys that examined small and large counties alike. Thus, as counties continue to delay replacing and repairing their infrastructure, the backlog and the costs of these essential projects continue to climb.

own-source revenues reported that fees for services were below projections. Thus, despite conservative budgeting, the stagnant economy lowered the amount of locally raised revenue anticipated by counties.

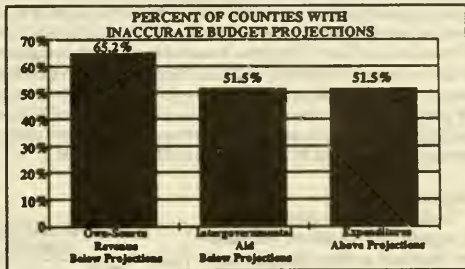
Intergovernmental Aid

Because many services provided by counties are required by federal and state law, and because counties are often limited in their authority to levy taxes and fees by the state, a portion of counties' revenues come from other governments. More than half (51.5%) of the urban counties, however, reported that intergovernmental aid was lower than projected. Because the federal government has drastically cut aid to local governments over the last decade, and, as a consequence, counties have become less reliant on federal grants, only 1 of every 5 counties (20.6%) that reported receiving lower levels of intergovernmental assistance stated that federal funds were below projections. However, almost all (94.1%) of the counties that reported receiving lower levels of intergovernmental revenue stated that they received less state aid than anticipated. Thus, counties have felt the impact of the trickle-down effect: In response to its huge budget deficit, the federal government has reduced the amount of fiscal assistance to state and local governments, and, in turn, many states have cut assistance to local governments as they grapple with their own fiscal crises.

Expenditures

Although many of the urban counties were caught with shortfalls on the revenue side of their budgets, more than half (51.5%) found that expenditures were higher than they had projected. With crime increasing in urban areas, it is not surprising that two-thirds (67.6%) of the counties that faced higher levels of spending reported that expenditures in the areas of public safety, courts and corrections—primary responsibilities of counties—were beyond projections. Although counties' responsibilities for delivering human services vary by state, many of the counties that provide such services reported higher than projected spending on these programs.

For example, of the 14 states from the sample where counties help fund general assistance programs (programs that provide benefits to low-income people who do not qualify for any federal assistance), half of the counties that experienced expenditure overruns reported that general assistance costs were higher than projected. Of the 10 states from the sample where counties help fund AFDC programs, 2 of every 5 (41.7%) reported higher than anticipated levels of AFDC expenditures.



Overview

Overall, more than 4 of every 5 counties (83.3%) reported that in at least one area—own-source revenues, intergovernmental aid or expenditures—their projections were off target. Equally significant, more than 1 of every 4 counties (27.3%) reported that their budget projections in all three areas were off. Only 1 of every 6 counties (16.7%) reported that their projections were on target in all three areas.

Budget-Balancing Measures

Since counties must legally balance their budgets, they must take measures to offset any mid-year budget gap as a result of inaccurate projections. The primary measures taken by counties include increasing revenues, dipping into reserve funds, cutting programs and services, and reducing the workforce. Although some counties reported relatively accurate projections, they were only able to keep their budgets balanced by making the decision to take one or more budget measures during the budget preparation process, not after facing a mid-year budget shortfall.

2 National Association of Counties

Revenue Increases

The most common budget-balancing measure reported by counties was increasing revenues. More than 4 of every 5 counties (81.8%) raised additional revenues to help keep their budgets balanced. Of the counties that increased revenues, 72.2 percent levied additional user fees and 64.8 percent raised taxes; 42.6 percent did both. The 48 urban counties that provided dollar figures reported that they generated \$1.9 billion from new revenues.

Reserve Funds

Reserve funds are surplus revenues carried over from one fiscal year to the next. The majority of counties relied on reserve funds to help offset their budget imbalances; more than 7 of every 10 counties (71.2%) reported that they had to use such funds.

Reductions in Programs and Services

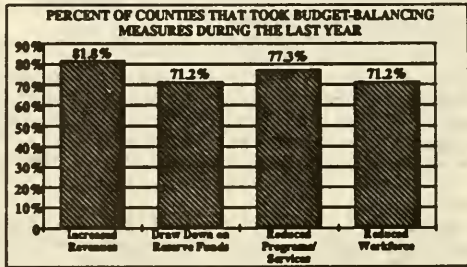
Service reductions were also a common measure taken by the urban counties; more than 3 of every 4 counties (77.3%) cut programs or services to keep their budgets on target. Because counties are often bound by federal and state law to provide certain services, these service reductions could only be made on discretionary programs. Counties made reductions most frequently in the area of capital projects; more than half (56.1%) of all surveyed counties cut their public works budget. Despite the increase in crime in urban areas and the fact that many counties found that spending on criminal justice services to be higher than projected, many counties reported that they were still forced to make cuts in this area. Because criminal justice programs are often discretionary, 43.9 percent of all counties cut their budgets for judicial and legal services, 40.9 percent reduced public safety programs, and 27.3 percent cut corrections programs. Many counties also made reductions in discretionary human services programs; 43.9 percent of all counties cut health and hospital services and 36.4 percent reduced public welfare programs. Counties also frequently reported cutting back on "quality-of-life" services; specifically 43.9 percent cut parks and recreation programs, and 34.8 percent reduced library services.

Workforce Reductions

Finally, the majority of surveyed counties reported that workforce reductions were necessary to help maintain a balanced budget. More than 7 of every 10 counties (71.2%) reduced their employment levels, either by layoffs, early retirement or attrition. Together, these counties reduced their workforce by 22,690 full-time employees. Of these counties, 1 of every 4 (25.5%) reported having to cut their workforce by 5 percent or greater.

Overview

Overall, almost every county (98.5%) reported that they had to implement at least one budget-balancing measure to achieve a balanced budget. Equally as significant, almost 2 of every 5 counties (39.4%) reported that all four measures were necessary to get their budgets back on track.



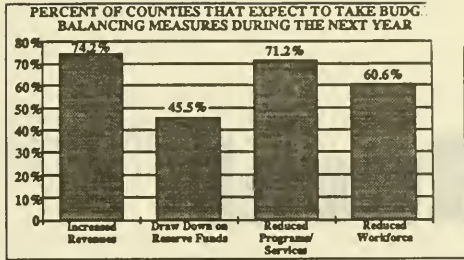
Future Outlook

The fiscal situation for counties is not expected to get much better in the coming year. For many counties, the assessment cycle for real property is gradual (e.g., property assessments are made every three years), and, therefore,

National Association of Counties 3

the recession's impact on property tax revenue—the largest single revenue source for most counties—may not yet be fully realized. In addition, many counties expect further cuts in state assistance as many states continue to face fiscal austerity.

For these reasons, most surveyed counties reported that they expect to have to take one or more budget measures in the coming year. Almost three-quarters (74.2%) stated that they anticipate having to find additional revenues. Despite reports from a number of counties that their surplus funds are depleted, 45.5% stated that they anticipate having to draw down on reserve funds. More than 7 of every 10 counties (71.2%) expect to have to cut programs and services. Finally, 3 of every 5 counties (60.6%) stated that they anticipate having to reduce their workforce.



Rural America: Worth the Investment

January 13, 1993

National
Association
of
COUNTIES

NADO
National Association of Development Organizations

National
Association of
Towns and Townships

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Washington, D.C. 20001 (202) 624-7806 • NATaT, 1522 K Street, N.W., Suite 600, Washington, D.C. 20005 (202) 737-5200

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EXECUTIVE SUMMARY

Rural America: Worth the Investment

Three associations* have joined together to highlight the needs of rural citizens and urge the President and Congress to "Invest in Rural America" as part of any federal initiative to solve the nation's economic problems. Leaders of the three groups said their message was "don't forget the 62 million Americans who live in non-metropolitan (rural) America as you develop a new domestic policy in the first 100 days."

In response to a survey of 1050 rural elected officials and regional development organizations, 70 percent of the 331 responding said that infrastructure is their number one concern; 47 percent said economic development and 18 percent listed solid waste and other environmental issues.

When asked for a list of "ready-to-go" infrastructure projects that could be underway in 90 days, the rural officials identified 2,882 projects requiring \$2.9 billion of public investment and creating 59,068 jobs.

When asked to identify the greatest impediments in using federal programs, nearly half (44 percent) of the local officials cited inflexibility, excessive paperwork and red tape. Over half (53 percent) said their governments had been forced to reduce funding for infrastructure projects and 41 percent had raised taxes or fees.

According to U. S. Census data:

- In 1991 the poverty rate in rural areas was higher (16.1 percent) than in urban regions (13.7 percent)
- A higher percentage of children and the elderly in rural areas are poorer than in metropolitan areas
- The unemployment rate is higher in nonmetropolitan (7.0 percent) than metropolitan (6.6 percent)

Rural counties, towns and regional development organizations made the following recommendations to Congress and President-elect Clinton:

1. No federal law or regulation should be enacted without accompanying funds.
2. Additional federal funding should be provided for infrastructure including roads, bridges, water wastewater and solid waste disposal.
3. The requirement for local match should be waived for distressed communities.
4. Rural governments should be allowed more flexibility in meeting federal mandates and existing federal programs should be coordinated to make better use of available funds.
5. Priority funding for existing federal rural programs should be aimed at job creation, job training, economic development, technical assistance and increasing capital for small business development.

* The National Association of Counties (NACo), National Association of Development Organizations (NADO) and the National Association of Towns and Townships (NATaT) represent local governments and their regional development organizations throughout rural America.

A Profile of Rural America

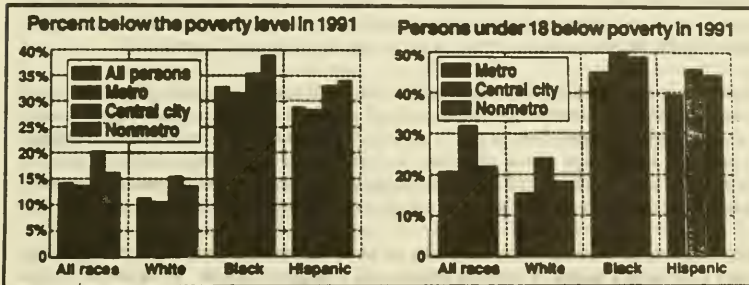
While the needs of urban areas are indisputably real, there has been virtually no discussion, either during the campaign or since the election, of the needs of the nation's rural communities, especially the smaller ones which have extremely limited resources with which to help themselves. Rural communities have long been praised for the values that are instilled in their residents. But as the statistics below make readily clear, rural life is not always the ideal which some images would suggest. According to the federal government's own statistics, many of the problems that urban leaders point to such as poverty, unemployment, access to jobs and infrastructure construction and repair, are as bad, if not worse, in small communities and rural areas.

Our nation is largely one of small communities, composed of cities, counties, towns, townships, villages and boroughs. Small local governments are the vast majority of all local governments in the United States. Eighty-six percent of all general purpose local governments in the U.S. are under 10,000 in population, and half have fewer than 1,000 residents. Seventy-four percent of the nation's counties are under 50,000 in population. Though these smaller local governments have fewer resources at their disposal than major urban areas, they must still deliver many, if not all, of the same services to their residents that urban areas provide.

Poverty and unemployment

Poverty has come in recent decades to be considered an urban issue. However, since 1967, when rural and urban poverty data began being collected, rural areas have consistently had higher poverty rates than urban areas. In 1991, the poverty rate for persons living in nonmetropolitan areas was higher (16.1) than the poverty rate in metropolitan areas (13.7) (See chart #1 below). However, a more interesting measure might be a "worst-case" comparison between nonmetropolitan areas and central cities. Since 1987, central cities have had a higher poverty rate, but the two rates are close.

Chart #1



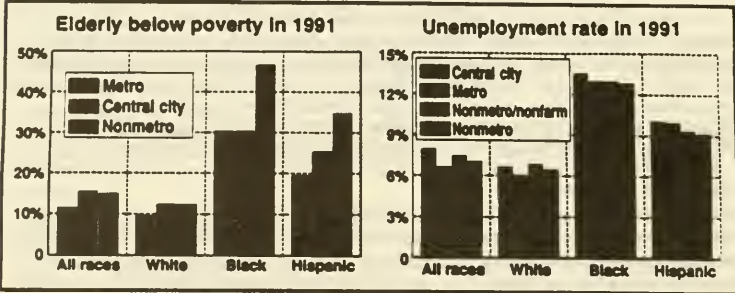
However, when one looks at poverty by race, only whites have higher rates in central cities than in nonmetropolitan areas. Both blacks and Hispanics in nonmetro areas have higher

poverty rates than their central city counterparts. (See chart #1)

Additionally, children (below age 18) in nonmetro areas are more likely to be below the poverty level than children in metropolitan areas. Moreover, poverty among black and Hispanic children from nonmetro areas is about the same as for black and Hispanic children from inner city areas. (See chart #1)

Finally, elderly nonmetro residents are more likely to be poor than metro elderly. Almost half of elderly nonmetro blacks are in poverty, compared with less than a third in central cities, while over a third of the Hispanic nonmetro elderly are below poverty, compared with a quarter of central city Hispanic elderly. (See chart #2)

Chart #2



Unemployment continues to be a problem in rural areas because of limited employment opportunities. The unemployment rate for all persons in the central city is only slightly higher than that for nonmetropolitan nonfarm workers. The unemployment rate for nonmetropolitan white workers not employed in farming is higher than the rate for their central city counterparts. A comparison of the same rates for blacks and Hispanics shows that there is only a slightly higher unemployment rate for central city persons. (See chart #2)

Getting rural residents out of poverty and into the workforce poses special problems because of the educational attainment and training of rural residents. This issue was explored recently by the Economic Research Service (ERS) of the U.S. Department of Agriculture. Interestingly, it found that a rural high school education is often superior to an urban education, based on achievement scores. ERS also found little difference between the typical metro and nonmetro worker 25 years of age or older who has a high school degree but not a college degree.

However, rural workers were less likely to have finished high school, attended college, earned a bachelor's degree or earned a professional or graduate degree. While the rural-urban high school graduation gap has been decreasing recently among younger age groups, the college education gap has been increasing. This is in part because younger and better (college) educated persons are leaving rural areas for career opportunities in urban areas. According to ERS.

counties in an area with greater than a million people grew by 12 percent between 1980 and 1990. In contrast, the smallest nonmetropolitan counties—those not adjacent to a metro area and with no city with a population as big as 10,000, shrank by slightly less than one percent.

The ERS research also showed that the more rural a community, the lower the educational attainment; in contrast, "inner city" counties (counties with large metropolitan areas) did not show a similar lack of educational attainment. Rural students are less "tracked" into advanced education paths, in part because fewer rural high schools offer advanced placement courses.

Finally, the research also showed that while there was only a slight rural gap in job skills training, those who need training the most (the less educated) were less likely to receive post-high school job skills training. This was especially true for minorities. Rural companies are often limited in their ability to offer employee training because of their small size. With job skills training an apparent priority for the Clinton Department of Labor, this disparity will hopefully be addressed.

Infrastructure

There is a great need to build or maintain infrastructure in rural areas. Without necessary infrastructure investment, rural development will be hampered, if not precluded. Since the deregulation of many transportation modes—airlines, buses and railroads—rural roads and bridges are often the only transportation network in rural areas. As a result, those roads and bridges are being called upon to handle greater amounts of commercial traffic that they weren't designed to handle, in addition to "normal" traffic such as travel to work and school or for public safety services.

Rural areas contain 80 percent of the nation's bridges. By 1990, the nation's larger rural roads contained 76,595 deficient rural bridges out of more than 250,000 rural bridges. Smaller "local" roads had another 105,000 deficient bridges. Overall, roughly 40 percent of 463,000 rural bridges are deficient.

Not only are rural bridges in poor repair, so are rural roads which constitute 3.1 million of the nation's 3.9 million miles of road. Almost three-fourths of these roads are under local control. More than half of all rural mileage is unpaved, as one would expect because of the large number of collector and local roads under local jurisdiction. Many collector roads and most local roads are ineligible for federal transportation funding. The nation's best system of roads, the interstate highway system, only runs through a third of the nation's nonmetropolitan counties, adding to the isolation of rural areas.

Of particular importance to rural communities is infrastructure needed to meet the growing number of largely unfunded federal environmental mandates. Typical are waste and water treatment facilities needed to make drinking water contaminant-free and treat wastewater that is discharged into lakes and streams.

One study by the Center for Community Change notes that Environmental Protection Agency (EPA) data reveal that "75 percent of all documented [wastewater] facility needs are in rural communities of fewer than 10,000 persons." These facilities would come with an estimated

\$13 billion price tag, roughly one fourth of what EPA estimates is needed nationally. The report goes on to note that because of the way funds are allocated, "states with significant rural needs will receive considerably less federal SRF [State Revolving Fund] funding than states with higher-cost urban projects." Wastewater facilities in rural counties—and especially poor rural counties—were found to account for most of the backlog of secondary treatment facilities needed to meet Clean Water Act standards; the highest incidence of noncompliance with discharge permit standards; and the largest share of noncompliance situations requiring new facilities where none now exist.

A major barrier with regard to wastewater projects in rural areas is that poor communities cannot develop affordable projects because they cannot achieve the economies of scale necessary to result in reasonable customer rates. Too much cost is spread over too few customers. The problem of high per capita cost projects is not unusual for rural projects. One of the most glaring examples is rural drinking water systems. The EPA has estimated that for some small drinking water systems to meet federal drinking water standards, the cost will exceed \$1,500 per household annually.

These are just a few areas where federal policy should be reexamined and refocused to ensure that residents of Rural America are not left behind by the new administration as it pursues policies to increase infrastructure investment, create jobs and protect the environment.

There are many other areas where rural local governments and their citizens are in as great a need as urban residents for proactive federal assistance: access to medical facilities, physicians and affordable health care plans; creation of more affordable and better quality housing; improvement in rural telecommunications infrastructure; and relief from burdensome federal regulations which create a disproportionate amount of administrative costs on local governments, especially smaller ones.

As the Clinton administration moves ahead to face the challenges of governing this nation, administration policy makers should ensure that rural communities and their elected officials are able to compete for funding with their urban counterparts on a level play field, and that federal programs and regulations are not continued in an inflexible "one-size-fits-all" format in which all the nation's 39,000 local governments are considered alike.

NADO RURAL DEVELOPMENT AND RELATED DOMESTIC BUDGET ANALYSIS - 1993 BUDGET

(Millions of Dollars)	1980	1992	Proposed 1993	Approp. 1993	Change 1992-1993	% Change 1992-1993
DEPARTMENT OF AGRICULTURE						
Farmers Home Administration / RDA						
Water & Waste Disposal Grants	290.0	350.0	300.0	415.6	65.6	18.7%
Water & Waste Disposal Loans	700.0	600.0	600.0	635.5	35.5	5.9%
Water & Waste Disposal Loans *	—	35.0	0.0	35.0	0.0	0.0%
Community Facility Loans	240.0	100.0	100.0	100.0	0.0	0.0%
Community Facility Loans *	—	75.0	100.0	100.0	75.0	300.0%
Business and Industry Loans *	1,073.8	100.0	100.0	405.0	305.0	305.0%
Intermediary Lending Loans(1980 HHS)	20.0	32.3	35.0	48.0	15.3	47.7%
Rural Development Grants	10.0	20.8	35.0	20.8	0.0	0.0%
Solid Waste Management Grants	—	3.0	0.0	3.0	0.0	0.0%
Fire Protection Grants	3.5	3.3	0.0	3.3	0.0	0.0%
Planning Grants (Sec. 111)	6.0	0.0	0.0	0.0	0.0	0.0%
Sec. 315 Rental Housing Loans	681.3	573.9	341.0	573.9	0.0	0.0%
Resource Cons. & Development Loans	1.8	0.6	0.0	0.6	0.0	0.0%
Emergency Community Water Assistance Grants	—	10.0	0.0	25.4	15.4	154.0%
Forest Service Economic Development	0.0	3.0	2.9	n/a	n/a	n/a
Rural Electrification Administration						
Rural Development Grants	0.0	5.0	0.0	0.0	-5.0	-100.0%
Rural Development Loans	0.0	8.4	16.0	12.4	4.0	47.6%
SCS - RC & D Projects	32.0	32.5	29.4	32.5	0.0	0.0%
APPALACHIAN REGIONAL COMMISSION						
Total Non-Highway Programs						
Research, T.A., Other	2.6	2.0	2.0	3.9	1.9	95.0%
Local Development Districts	5.7	3.2	3.2	3.2	0.0	0.0%
Appalachian Highway Systems	228.7	147.4	36.0	135.6	-12.0	-8.1%
DEPARTMENT OF COMMERCE						
EDA - Total Program Funds						
Planning Grants	33.6	25.3	0.0	24.8	-0.5	-2.0%
Public Works	280.7	134.3	0.0	147.4	-4.8	-4.4%
Economic Adjustment Grants (Title IX)	85.9	25.0	0.0	172.1	149.1	648.3%
Technical Assistance	30.7	9.9	0.0	9.0	-0.9	-9.1%
Research & Evaluation	4.2	0.3	0.0	0.0	-0.3	-100.0%
Direct Loans	116.4	0.0	0.0	0.0	0.0	0.0%
Trade Adjustment Assistance	n/a	14.0	0.0	13.7	-0.3	-2.1%
Loan Guarantees *	425.0	5.0	0.0	0.0	-5.0	-100.0%
Salaries & Expenses	48.8	27.6	13.8	32.1	4.3	16.3%
REGIONAL DEVELOPMENT (Title V)						
ENVIRONMENTAL PROTECTION AGENCY						
State Revolving Funds (construction grants)	4,900.0	2,360.0	2,300.0	2,335.0	-30.0	-1.3%
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Community Service Block Grant(80-81 CSA)						
National Health Service Corp.	153.6	101.5	120.0	118.6	17.1	16.8%

NADO RURAL DEVELOPMENT AND RELATED DOMESTIC BUDGET ANALYSIS - 1993 BUDGET						
(Millions of Dollars)	1990	1992	Proposed 1993	Approp. 1993	Change 1991-1992	% Change 1991-1992
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Comm. Dev. Blk. Grant-CDBG (30% rural)	3,862.0	3,400.0	2,900.0	4,000.0	600.0	17.6%
Urban Dev. Act. Grant-UDAG (25% rural)	675.0	0.0	0.0	0.0	0.0	0.0%
Section 108 Loans *	157.0	140.0	0.0	300.0	160.0	114.3%
Rehabilitation Loans (312)	214.2	0.0	0.0	0.0	0.0	0.0%
Home Blk. Grant (40% State Allocation)	—	1,500.0	700.0	1,000.0	-500.0	-33.3%
HOPE	—	251.0	1,010.2	361.0	110.0	43.8%
DEPARTMENT OF INTERIOR						
State Outdoor Rec. (LWCF) Grants	318.6	19.7	56.3	24.8	5.1	25.9%
State Historic Preservation Grants	43.8	28.8	29.2	29.0	0.2	0.7%
Payments in Lieu of Taxes (BLM)	108.0	103.7	105.0	105.0	1.3	1.3%
DEPARTMENT OF LABOR						
JTPA Adult/Youth Programs (1980 CETA)	3,342.0	1773.3	1,771.6	1,741.7	-31.8	-1.8%
Summer Youth (1980 CETA)	2,330.3	682.9	682.9	670.7	-12.2	-1.8%
Dislocated Worker (1980 Trade Adj. Assn)	1,664.4	577.0	571.1	566.6	-10.4	-1.8%
Comm. Service Empl. for Older Amer.	266.9	393.2	342.8	390.1	-5.1	-1.3%
SMALL BUSINESS ADMINISTRATION						
503/504 Cert. Development Co. Loans *	250.0	682.4	682.4	700.0	17.6	2.6%
Sec. 502 Dev. Company Loans *	44.7	43.4	43.4	39.6	-3.8	-8.8%
General Business Loans (7A) *	3,000.0	6,039.0	6,039.0	3,230.1	-2,788.9	-46.2%
Small Bus. Investment Co. Loans *	148.8	85.3	85.3	136.1	50.8	59.2%
Minority Ent. SBIC Loan *	32.3	18.3	60.0	17.4	-1.1	-5.9%
SBDC Program	3.9	60.3	0.0	67.0	6.5	10.7%
Micro-enterprise Loan Program	—	44.6	0.0	31.4	-13.2	-29.6%
Micro-enterprise Technical Assistance	—	7.0	0.0	6.0	-1.0	-14.3%
TENNESSEE VALLEY AUTHORITY						
Economic & Community Resources	12.4	16.0	0.0	n/a	n/a	n/a
DEPARTMENT OF TRANSPORTATION						
Surface Transportation Program	—	1,195.0	3,600.0	n/a	n/a	n/a
Sec. 18 Federal Transit Grants (100% rural)	37.1	105.8	86.1	n/a	n/a	n/a
Local Rail Freight Assistance	82.6	11.3	0.0	8.0	-3.3	-30.4%
Essential Air Service	95.8	38.8	38.8	38.6	0.0	0.0%
DEPARTMENT OF TREASURY						
General Revenue Sharing	4,854.9	0.0	0.0	0.0	0.0	0.0%
NOTE:						
* - loan guarantees authority						
— - program did not exist						
n/a - not available						10/16/92

This Special Report was prepared by NADO Legislative Analyst, Scott D. Whipple and Research Associate Gregory Schaeffelbein.

SUMMARY SURVEY OF RURAL OFFICIALS

Rural officials are faced with a number of issues relating to budget cuts, reductions in service and how to improve infrastructure as well as stimulate job growth in their communities. In a recent survey rural officials were asked a number of questions relating to the above issues.

NACo, NADO, and NATaT sent out a total of 1,050 surveys to local government and regional development officials. The joint return was 331, a response rate of 32 percent.

Infrastructure concerns were the top priority cited in the survey. Of those responding, 70 percent said that infrastructure was the number one concern. The definition of infrastructure included roads and bridges, water and wastewater systems, as well as capital facilities such as schools, jails, and municipal buildings.

A second priority was economic development, identified by 47 percent of those responding. Local officials were concerned with creating or expanding the economic base of their communities, creating new and better paying job opportunities, business recruitment and financing concerns, as well as capital for rural community and economic development.

The third most frequently identified priority for rural government officials was solid waste management. Of those responding, 18 percent were concerned with solid waste and other environmental issues.

Impediments

The survey asked local government and development leaders to identify the greatest impediments faced by their governments in implementing federal programs. The greatest impediment, identified by 44 percent of those responding, was "red tape" and the inflexible nature of federal programs. Local officials complained that federal programs required excessive administrative duties and too much paperwork (25 percent), complicated implementation procedures, and are overregulated.

An additional burden placed on rural officials is the lack of capital for planning and technical assistance. Many federal programs require a level of funding and technical expertise not always available to local officials.

Local and regional officials cited the lack of communication among federal agencies, and among federal agencies and state and local governments as causing an excessive burden. Also mentioned as an impediment was the lack of consistency among federal agencies in interpreting regulations.

Financial Stability

Officials were asked how their governments responded to reductions in federal and state funding. To offset these cutbacks, 41 percent said their governments were forced to raise taxes and/or fees. An additional 53 percent said their governments made reductions in capital projects. Of these, 40 percent postponed road and other transportation improvements, while 27 percent put off parks and recreation projects.

Officials were asked to identify what holds the greatest potential for job creation in their communities. A number of suggestions were made by local government and development officials, including: small business development, tourism, manufacturing and industrial development, and new forestry and agricultural concepts, such as value-added products.

Although many officials listed a number of projects they would like to see implemented to stimulate job and economic growth, the lack of capital was cited as a hindrance to carrying out these efforts.

The responses of most surveys was summed up by a statement made by a local official from Pamlico County, North Carolina: "The unavailability of capital for infrastructure projects, such as sewage treatment and disposal systems, has greatly limited job creation in our county. Also the stringent requirements of the regulatory agencies at the federal and state levels have limited our abilities to attract industries."

QUOTES FROM SURVEY RESPONDENTS

"If rural counties had good schools and a stable industrial base, we could legitimately offer Americans a life-style that is healthier than life in major metropolitan areas."

-Hazen Blodgett, Assistant County Manager, Halifax County, North Carolina.

"Rural counties need to diversify and expand their economic base to provide jobs in low-cost living areas, become centers for environmental industry oriented businesses. Continue to be the "safety net" for the underprivileged, improve the quality of life in our communities."

-Reagan Wilson, Chief Executive Officer, Stanislaus County, California.

"In my opinion, tax dollars should be administered as near to the source as possible. Much more can be accomplished with fewer dollars."

-Dale Weakner, Judge, Boone County, Arkansas.

"Assist small business in creation of jobs; assistance on replacement of existing infrastructure and development of new infrastructure to serve expanding population basis; reduction in health care costs; national direction for the economy; continuation of primary and adult education programs to train the work force."

-Lynn Cartledge, President of the Board of County Supervisors, Forrest County, Mississippi.

"Rural America is far more than farmland. Although rolling waves of grain dominate the popular perception of rural life, non-agriculture jobs comprise 90 percent of rural employment. Even on family farms, 60 percent of the total income is from non-farm sources."

-Robert J. Paciocco, Executive Director, Mid-East Commission, Washington, North Carolina.

"The cost of implementing EPA standards for public facilities--sewer, water, landfill, etc.,--is often beyond the reach of our smaller communities. By complying with the EPA regulations for facility upgrades and new environmental statutes, no funds remain from their limited budgets for other commodity needs such as new school buildings, roads, and growth-oriented projects for economic development."

-Joseph L. Hinring, Executive Director, Regional IV Development Association, Twin Falls, Idaho.

"Timing is an issue. A problem will arise and it takes too long for a local government to access these federal funding sources, and if two or more federal funding sources are utilized, there is often a lack of coordination between their program deadlines and award of funds. Many times due to lack of local staff and their training, the capacity to respond is limited. In addition, regional development organization staff may be unable to provide the necessary technical assistance to local governments due to resources not being sufficient."

-Ronald J. Radil, Executive Director, West Central Nebraska Development District, Ogallala, Nebraska

"Federal funds have so many strings attached and hoops to jump through that I doubt we would ever apply again. We have no businesses because we have no sewerage."

-Catherine Urness, Clerk, Town of Belgium, Ozaukee County, Wisconsin.

"We need the opportunity to participate in federal programs as a small town with small projects. Our taxes went up by 71 percent to cover debt necessary to fund a state road in our township, purchase a grader and enlarge our buildings."

-Jack Walter, Supervisor, Athens Township, Bradford County, Pennsylvania.

"Rural government can help the county greatly by setting an example of how people can work together regardless of their political affiliation."

-Cynthia Young, Clerk, Town of May, Washington County, Minnesota.

RECOMMENDATIONS

1. No federal law or regulation should be enacted or implemented without accompanying funds.
2. The number one priority need in rural America is investment in infrastructure.
 - Roads and bridges were identified in the survey by local governments as being their most important priority. Congress should fully fund the Intermodal Surface Transportation Efficiency Act (ISTEA).
 - Environmental infrastructure—water, wastewater, solid waste—was the largest need. Congress should fully fund programs aimed at water quality, safe drinking water, and solid waste disposal.
 - Eliminate or reduce local match requirements for distressed communities.
3. Congress and the Administration must recognize the diversity in rural America. Rural communities need flexible programs and regulations which can be adapted to their own unique circumstances.
 - Local elected officials should be a key partner in the development and implementation of federal programs.
 - Congress should enact flexible programs that allow implementing agencies to adapt regulations to address the diversity in rural areas.
 - The Administration should enforce the Regulatory Flexibility Act of 1980 which requires Federal Agencies to develop flexible approaches for small local governments (those under 50,000 populations) to meet federal goals.
 - Continue support for the National Initiative on Rural Development.
4. Priority funding of existing federal programs targeted to rural areas should be aimed at job creation and retention, job training, and economic development programs.
 - Proactive technical assistance must be provided for those small communities which do not have the resources or expertise to share equally in the benefits of programs for rural America.
 - Link job creation with an educational and job training strategy to retain rural youth.
 - Increase the amount of capital and credit available for small businesses in rural America.

DESCRIPTIONS OF ORGANIZATIONS

The National Association of Counties (NACo) is the only national organization that represents county government in the United States. NACo's goals are to improve county government, act as a liaison with other levels of government, serve as the national spokesman for counties, and advance public understanding of the role of counties.

Nearly two-thirds of the country's 3,045 counties are members of NACo. These counties range from urban Los Angeles County with a population of more than 8 million to tiny Loving County, Texas, with a population of 100.

With headquarters on Capitol Hill, NACo is a full-service organization that provides legislative representation, research, and technical and public affairs assistance.

Larry Naake, Executive Director (202-393-6226 extension 201; Ralph Tabor, Legislative Director Ext. 254; Richard E. Keister, Associate Legislative Director, Ext. 231; and Michael Sowell, NACo Fellow Ext. 255.

National Association of Counties
440 First Street, NW
Washington, DC 20001

The National Association of Development Organizations (NADO) promotes economic development in America's small cities and rural areas. Since its founding in 1967, NADO has been the nation's leading advocate for a regional approach to economic development.

NADO members are regional development organizations that provide economic and community development assistance to local governments and the private sector.

The association provides a network for professionals and local elected officials to share information about innovative, practical approaches to economic development.

Aliceann Wohlbruck, Executive Director; Scott D. Whipple, Legislative Analyst at (202) 624-7806.

National Association of Development Organization's
444 North Capitol Street, NW; Suite 630
Washington, DC 20001

The National Association of Towns and Townships (NATaT) is non-profit member organization offering technical assistance, educational services and public policy support to local government officials from more than 13,000 small communities across the country. It works to assist federal policy makers in understanding the unique needs of small local governments and how to structure federal initiatives so they are workable at the local level.

Jeffrey H. Schiff, Executive Director; Tom Halicki, Director of Federal Affairs (202) 737-5200

National Association of Towns & Townships
1522 K Street, NW; Suite 600
Washington, DC 20005-1202

*TESTIMONY**OF**DR. KENNETH GREEN**EXECUTIVE DIRECTOR**EASTERN PANHANDLE REGIONAL PLANNING AND**DEVELOPMENT COUNCIL**MARTINSBURG, WEST VIRGINIA**BEFORE THE**HOUSE PUBLIC WORKS SUBCOMMITTEE**ON ECONOMIC DEVELOPMENT**ON BEHALF OF**THE NATIONAL ASSOCIATION OF**REGIONAL COUNCILS**JUNE 24, 1993*

President
 HARRIET STOCKWELL
 Councilmember,
 El Cajon, CA
 San Diego Association
 of Governments

1st Vice President
 MILTON MACE
 Probate Judge,
 Wayne County
 Southeast Michigan
 Council of
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 JOHN A. F. MELTON
 Councilmember,
 Santa Paula, CA
 Southern California
 Association of Governments

Executive Director
 JOHN W. EPLING
 Washington, D.C.

Good morning, Mr. Chairman and members of the Panel. We appreciate the opportunity to present some of our thoughts on the reauthorization of the Economic Development Administration and the Appalachian Regional Commission. My name is Dr. Kenneth Green, executive director of West Virginia's Eastern Panhandle Regional Planning and Development Council, and president of the Executive Director's Committee of the state-wide West Virginia Association of Regional Planning and Development Councils. My council, and the other ten councils in the state operate as Economic Development Districts under the auspices of ARC programs. I am here today representing the National Association of Regional Councils, an organization that serves regional councils throughout the country.

The brief expressions of support that I am making this morning are founded on my career involvement and academic understanding of the necessary conditions for successful and meaningful grass root economic and community development...citizens given a little bit of resources to become more resourceful, and to become active players in their own destinies for well-being. I started out this career in Congressman "Buz" Johnson's district, the Gold Country of California. As I am sure you are aware, Congressman Johnson, as chair of the Public Works Committee back then, is credited as the father of the 1965 Public Works Act, the Economic Development Administration and the EDA programs.

The beliefs that I hold today regarding EDA are those which he conveyed to me as he relayed the intentions of Congress on this issue. Since those days, I went on to earn a Masters and Ph.D. in Rural Sociology-Community Development, and even with such tapestry, I could not find fault with those original intentions.

Within the next two weeks, NARC will have completed a survey of several economic development districts located in each EDA region regarding their use of EDA funding, with descriptions of activities that have been accomplished. That survey will be presented to members of this subcommittee, to members of the appropriate Senate subcommittee and other members of Congress. We expect the results of this survey to show that, despite its lack of support during the last 12 years and inadequate funding, EDA programs have been enormously beneficial to our rural regions.

We are aware that the Administration is seeking a one-year reauthorization of EDA and ARC. For several reasons, NARC would like to see a two-year reauthorization of the programs at this time.

First, a two year reauthorization would allow EDA to develop a mission statement for the agency that is relevant to the administration's programs to revitalize the nation's economy. Currently, no one has been appointed to head the agency, which hampers the development of any such roles. It could be several months more before there is an appointee. A two-year reauthorization would not put pressure on EDA regarding a well thought-out proposal on the re-orientation of the EDA program to meet the priorities of the Clinton Administration.

Second, next year is an election year, which will add considerably to Congress' activities and work load and make it difficult to adequately address the long-term future of EDA.

Third, EDA simply needs time to realize that it is no longer an agency under orders by the Administration to dismantle itself. It need to re-adjust and re-assess itself.

The Clinton Administration has recognized the need for long-term planning, not only at the national and state levels, but at the regional level as well. It is only through planning that

our local communities can develop a strategy for growth, can cooperate with each other in finding the best solutions to their economic and community problems. These plans have served as a road map for our rural communities as they struggle, not just to survive, but to provide for their economic future, especially the generation of decent paying jobs for local residents.

But EDA's planning funds have remained static for several years. The amount of money going back to economic development districts for planning has not kept pace with inflation and with the growing demands in the regions for economic development expertise. Lack of planning funds has not allowed us to develop new programs. The current \$55,000 in planning funds barely covers the cost of keeping an economic development expert on staff and developing overall economic development plans, let alone allow for technical assistance to our individual local governments or to become involved in new economic development programs and to assist our local businesses with marketing strategies.

Lack of adequate funds also means EDA has been unable to provide planning funds to 34 regions that have met all the requirements and have already been designated as economic development districts.

The Economic Development Administration and the Appalachian Regional Commission are the only agencies in the federal government that understand, appreciate and have the expertise to develop realistic strategies to bring economic revitalization to our nation's most economically stressed regions. It is only logical that EDA be given a lead role in working with other federal agencies to develop a strategic approach to problems that have plagued our rural areas for a number of years, including the integration of the newly proposed Empowerment Zones and Enterprise Communities.

Thank you for the opportunity to appear here today. If the National Association of Regional Councils, here in Washington, and we regional councils that serve as local development districts and designated economic development districts can be of any help, please let us know. We stand ready to support a new and expanded role for the Economic Development Administration and the continued outstanding work of the Appalachian Regional Commission.

PWEDA

the **PUBLIC WORKS and ECONOMIC DEVELOPMENT ASSOCIATION**
CAPITOL HILL OFFICE BLDG., SUITE 60, 412 FIRST ST. S.E. WASHINGTON, DC 20003

S T A T E M E N T

O F

**PHIL KOOS
PRESIDENT**

BEFORE THE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

U.S. HOUSE OF REPRESENTATIVES

JUNE 24, 1993

I want to thank you Mr. Chairman and members of this Committee for inviting me, as a practitioner in EDA, ARC and other federal, state and local and private programs in economic development for almost 30 years to express some of my thoughts and observations on the subject of economic development and re-authorizing legislation for the Economic Development Administration.

My name is Philip D. Koos from Towanda, Pennsylvania and I am currently Chief Executive Officer of the Van Emmons, Sr. Population and Marketing Analysis Center. Our mission is to provide affordable services that give the small and mid-sized business the same opportunities that the larger companies and corporations already have. I previously served for 16 years as the Executive Director of the Northern Tier Regional Planning and Development Commission, a five county Economic Development District (EDA funded) and Local Development District (ARC funded), in northern Pennsylvania. My initial experience with EDA occurred in 1966 in Georgia where we became the third regional group designated as an EDD. Over the years I have also been involved with EDA programs at the Georgia Institute of Technology. Indeed, I have used and/or observed every one of EDA's programs. They have all been positive and very effective in meeting the needs to create jobs.

This agency has the necessary and essential basic programs already in place and, with adjustments to meet the current situation, (as well as with additions to some of those programs that have been introduced over the years), this agency can, in fact, become the

economic stimulator and continued leader for both rural and urban needs now and in the future. It can be the focal point, center piece, and catalyst for economic program delivery. It has:

- 1) The OEDP* process which involves local government, the private sector and general citizenry or grass roots.
- 2) Business loans (direct and guarantee). See attachment A.
- 3) Grants for infrastructure.
- 4) Impact funds through defense. EDA has always played a key role in economic disasters due to cultural or physical phenomena.
- 5) Specific research (both implementable and academic) on a wide variety of necessary and pertinent subjects.
- 6) Technical assistance programs that provide professional staff positions in the Economic Development Districts.

While we must not duplicate activities, we must also encourage and use in a positive way programs among agencies that compliment each other by taking into consideration the best methods of local implementation, considering local philosophies, etc. (HUD may not be successful in a more rural area while FmHA (RDA) may not be successful in a more urban area). While EDA has excellent and effective programs, yet at times another agency may, for various reasons, be a better lead agency such as is the case with the current Defense Conversion Program. Here, process change rather than program shift may be the truly needed change. An example of such a complementary process in action is the

*Overall Economic Development Program.

Westfield Tanning Company (Attachment B).

Another area that can be improved is a more expeditious review process with quicker decisions and turn around time. In 1976, EDA was able to process and approve approximately 2,062 projects for \$2 billion from the time applications were received in late October, 1976 until early February, 1977 when the last projects were approved. For LPW II, local governments were notified in June and July, 1977 what their 'targets' would be. Between July 21 and September 30, 1977, EDA approved 8,554 grants totalling \$4 billion.

One of the keys to the ability to process such a volume was a reliance on self certifications. Of significance should be the very few problems associated with the process. With over 10,500 approved projects, there was virtually no controversy, claims of fraud and abuse, etc. (Attachment C presents PWEDA views on the majority of EDA's program elements).

The loan programs existing (revolving, direct, guarantee) and any future new ones should compliment other programs such as the Small Business Administration. EDA and SBA serve a specific category of businesses (type and size) and each does it quite well. Small businesses have their own unique problems while mid-sized and large businesses have theirs. Thus each loan program should be authorized to continue to do the fine jobs they do.

Finally, the combining of agencies on individual projects such as co-use of EDA and ARC, cannot be given enough accolades for their

large number of successes over the years. These two agencies, in particular, have made not only the basic infrastructure a reality but they have gone beyond that in those next steps so necessary for job creation. They also provide for the necessary educational, research, and other social and physical opportunities necessary that guarantee maximizing of opportunities accrual for the economic well being of each constituent in the area.

EDA, after nearly twelve years of struggling to survive repeated funding and personnel cuts, now needs to be revisited and re-examined by Members of Congress, especially of this subcommittee, the new Administration, and even EDA's many new employees need to observe its past successes and then consider its revitalization in a new and positive manner. True, the agency was created back in 1965; but, while times have changed, economic development needs have not. In fact, we recommend that EDA become primary Federal agency with economic development responsibilities. EDA's enabling legislation is quite flexible. If the agency obtains strong leadership and develops an innovative approach, it can easily carry the responsibility as the lead agency for Federal economic development efforts. EDA can, and has in the past, worked with other Federal agencies such as HUD, FmHa-RDA, EPA, DOE, and FEMA to accomplish economic development objectives and relieve economic distress. Given its past record of achievement, Mr. Chairman, we think EDA, working with ARC and other agencies, can, with proper funding, leadership and staffing, be the centerpiece of a national economic development program.

In the interests of time, Mr. Chairman, we have included our recommendations on re-authorizing legislation as attachments to this statement. I will be pleased to answer any questions you may have. Thank you.

ATTACHMENT "A"

ATTACHMENT "A"

PWEDA

the PUBLIC WORKS and ECONOMIC DEVELOPMENT ASSOCIATION

WEEKLY REPORT

(202) 488-1937

December 29, 1982

A. David Rally
Legislative Advisor

EDA'S LOAN PROGRAM EXAMINED

During that part of the recent Hearings on EDA's programs that dealt with the loan portfolio sale several reference's were made to the Alexander Grant Report as justification for the loan sale. That Report, which was commissioned by the Commerce Department and was dated September 11, 1981, purported to show that 40% of EDA's Loan Portfolio "reflect distress, ranging from serious delinquency to a liquidation in process". At the time, PWEDA became concerned because some newspapers published articles based on the Report which were severely critical of EDA's loan program. Accordingly, in our November 13, 1981 Weekly Report we analyzed and rebutted the Alexander Grant Report. In view of the persistent use of that Report by EDA officials to justify their efforts to eliminate the business loan program, we felt it would be timely to reissue our rebuttal in an effort to again clarify the situation.

COMMENTS ON THE ALEXANDER GRANT COMPANY'S
"ANALYSIS OF EDA LOAN" PORTFOLIO
AS OF JUNE 30, 1981

The Washington Post of 10/11/81 and a number of other papers throughout the country ran a story about EDA headlined "Millions in Federal Loans Imperiled". The theme of the story was expressed by the Department of Commerce's Director of Public Affairs, Mary Nimo, who declared that EDA's Business Loan program was "about to lose half a billion dollars". In the same vein, other officials of the Department of Commerce maintained that about 40% of the \$1 billion in loans made or guaranteed by EDA are "seriously delinquent or belly-up and the situation is expected to get worse before it gets better". The backup for these statements and others in the Post story is a 21 page report entitled "An Analysis of the EDA Loan Portfolio as of June 30, 1981", prepared by Alexander Grant and Company, consultants, given a grant by Commerce to do the study.

The letter transmitting the report states that "It is expected that this report will be a working document for those associated with the program. Consequently", it continues, "it is deliberately brief and does not include explanatory material such as distinctions among the various EDA loan and loan guarantee programs." The absence of explanatory materials does raise many questions such as how the six criteria used to determine quality of the loans were developed. For example: why should loans

"delinquent less than 60 days, paying with regularity for the last year" be the basis for classifying such loans in a "serious delinquency" category. Also, no consideration is given to what extent the present state of the economy - high interest rates, inflation and increasing unemployment - is having on loan repayment, not only for EDA loans but for business loans in general. There are indications that some businesses with long-term loans at low interest rates either from Government or private banks have, on occasion, held back a monthly payment to sue it for working capital, thereby avoiding having to take a working capital loan at twice the interest rate. Also, no consideration is given to the cash repayments that have been made to the EDA, ARA and Trade Adjustment loans in the Alexander Grant analysis. All the Grant Report does, in effect, is to tally the liquidations without allowing for the return realized from the liquidation plus forecast future losses based upon criteria that have not as yet been fully explained or justified.

In short, if you choose to judge a portfolio of loans, as did the Alexander Grant Company, by the outstanding balance as of a certain date - say June 30, 1981 - AND you forecast future loan losses on the basis of criteria that classify loans which are delinquent for less than 60 days or more than 60 days but which have been current for the past years as "seriously distressed loans", AND do all this without taking into consideration the cash repayments on back principal and interest, THEN you may be assured your results will exaggerate losses and invite the kind of excesses expressed by Ms. Nimmo and other Commerce officials in the Washington Post article cited earlier.

To illustrate the limitations and inaccuracies of the Alexander Grant Company Analysis, we turn to a simple analysis of EDA, ARA, and Trade Adjustment cash repayments, charge-offs, CPC expenses and guarantees honored from the beginning of each program to June 30, 1981. The analysis of EDA, ARA, and Trade Adjustment loans covers the "TOTAL OF THE LIFE OF THE PROGRAM." These figures were drawn from tables prepared by EDA's Accounting Division as of July 28, 1981. The tables are titled: I. Schedule by Program for Charge-offs, CPC (Collateral Protection and Care), Expenses and Guarantees Honored for EDA, ARA, and Trade Adjustment respectively.

SCHEDULE OF CASH
(In Thousands)

	<u>EDA</u>	<u>ARA</u>	<u>TRADE ADJ.</u>
Principal	157,210	97,883	11,868
Interest	<u>161,281</u>	<u>48,749</u>	<u>18,726</u>
Total	318,491	146,632	30,594
% of Interest Earned 103%			

Interest earned is used to offset dollars charged off and CPC expenses.

Interest	161,281	48,749	18,726	
Dollars chgd off		-67,567	-49,525	-21,630
CPC Expenses	<u>- 2,745</u>	<u>- 525</u>	<u>- 3</u>	
Int Balance	90,969	- 1,301	- 2,907	

Balance of Interest Earned (58%) used to offset Guarantees.

Int Balance	90,969	- 1,301	- 2,907
Guarantees			
Honored	<u>-51,181</u>	<u>0</u>	<u>-30,546</u>
Int Balance	39,788	- 1,301	-33,453

Balance of Interest Earned 25%

The interest earned (103%) on EDA's regular loans as of 6/30/81 was sufficient to cover all losses charged off plus the cost of all EDA guarantees honored. In addition, as shown below, EDA had a large enough balance remaining to cover the losses of ARA and the Trade Adjustment program.

Int Balance	39,788
ARA \$ cgd off	- 1,301
Trade Adj \$ chgd off	- 2,907
Trade Adj Guarantees	
Honored	<u>-30,546</u>

5,034 Balance of interest earned on EDA principal after offsetting all losses and guarantees for EDA loans, ARA loans, and Trade Adjustment loans.

The above includes all EDA program activities, but not including the Steel Program which was a Presidential initiative with separate authorization by the congress.

CONCLUSION

In summary the major points of this analysis are:

1) The Alexander Grant Company Report is inaccurate and has a built-in negative bias. Therefore, it is inadequate for future planning of EDA's Loan Program. If it prevails, it will, in all probability, lead to a proposal to contract out the handling of EDA's loan portfolio.

2) This analysis shows the superiority of EDA's direct loan program. It has carried note only its own losses but those of the guarantee program*, as well as ARA and the Trade Adjustment Program. As the table shows, it was the interest (\$161,281,000) earned on the principal of EDA alone that accomplished this. EDA's repayment of capital was never used:

The other major achievement as shown-in-the-table-area:

- 1) EDA's earned interest of \$161,281,000 was 103% of its principal (157,210,000).
- 2) After deducting EDA's losses of \$70,312,000 from its earned interest it still had left \$90,969,000 or earned interest of 58% of its principal.
- 3) After EDA deducted the guarantees it honored from the remaining interest balance of \$90,969,000 it still had a balance of \$39,788,000, or earned interest of 25% of its principal.
- 4) Finally, EDA had enough interest remaining, as the last part of the table shows, to pay off all losses and guarantee payments for both ARA and the Trade Adjustment Program, and still had a balance of \$5,034,000. Thus, after paying off all losses the program showed a handsome profit to the taxpayer and that doesn't count the monetary value of all the jobs saved or created by the loans in the first place.

*The Guarantee Program was not designed to be self-supporting, and the Trade Adjustment Program was only added to EDA's functions in recent years.

P.S. Our information indicates that as of 1 October, 1982, the beginning of the "83 fiscal year" the accumulated principal and interest payments in the Economic Development Revolving Fund was over \$200 million, with another \$90 million anticipated during FY 83

ATTACHMENT "B"

ATTACHMENT B

WESTFIELD TANNING COMPANY, INC.
Westfield, Tioga County, Pennsylvania

FINANCIAL RESOURCES & USE STATEMENT

Project Cost		
L/B		\$500,000
M/E		160,000
Renovations		185,000
W/C		<u>3,000,000</u>
TOTAL		3,845,000

Source	Use	Amount	
Commonwealth Bank and Trust	W/C	\$3,000,000	
EDA Guarantee	L/B	\$1,870,000	(62%)
Commonwealth Bank and Trust	L/B	\$ 500,000	
Pennsylvania Capitol Loan Fund	Renovations	\$ 185,000	
Revenue Bond and Mortgage Program	M/E	<u>\$ 160,000</u>	
TOTAL		\$3,845,000	

1) Power plant upgrade and primary wastewater treatment plant upgrade - EDA had \$500,000.00 grant for the wastewater plant.

WESTFIELD INDUSTRIAL PARK PROJECT
Westfield, Tioga County, Pennsylvania

FINANCIAL SOURCE & USE STATEMENT

Phase I
Industrial Wastewater Treatment Plant

EDA	\$500,000	Grant	
Westfield Municipal Authority		<u>1,086,000</u>	Loan
TOTAL	1,586,000		

Phase II
Sites Development

Pennsylvania Dept of Commerce	\$26,811
Local Share	<u>26,811</u>
TOTAL	\$53,622

Jobs: 100 Related Total Jobs 132

32 Created

*as of this date, June 1993, employment is 200 persons

ATTACHMENT "C"

ATTACHMENT C

Suggested Changes to the
Federal Act of 1965
Public Works and Economic Development Association

Permit funds from Title III awards to be included in the revolving fund. In addition, some thought could be given to use that fund to provide an allocation to Section 304. Supplemental and basic Assistance under Section 304 of the Act (1974). The Grants to States program was appropriated in fiscal years 1975 through 1980. This program allowed states to fund qualified projects either wholly or partially. States could supplement local projects to meet local share requirements on EDA projects.

Title II Direct Loan Program: We recommend that Congress reinstitute EDA's direct loan and guarantee program to help firms in distressed areas expand and create jobs. The program should not focus on a high volume of projects, but be directed toward firms that best meet selection criteria.

EDA's loans and guarantees should focus on companies with adequate capitalization, that are in growing industries, and that include exporting, new technology, and environmental development; the program should avoid bail-outs, refinancing, and supporting firms in dying industries.

EDA's direct loan program has not been funded since 1982 and no funds are available for guarantees in 1993. However, EDA still maintains its loan-making capability with financial analysts in the regions and Headquarters.

The provisions of Title III are fine but the problem is funding. A major problem is in funds to study and analyze problems. Congress has heard increasing demands for extra funds for University Centers and Economic Development Planning, and Research. Since the Administration is giving technology a major emphasis, perhaps we should suggest specific language for the Authorization of the University Center program. The Appropriations include funding levels, but there is no companion authorization for Centers.

Title IV determines an area's eligibility for assistance under PWEDA. Of the many arguments against continuing EDA, perhaps the most often heard is that "80 percent of the country is eligible" for EDA grants. Of course we realize that 80 percent of the country does not receive funding from EDA each year, and in fact the great majority of EDA assistance goes to areas that have very high unemployment. A temporary type of eligibility may be one way to eliminate the criticism. The agency could certify eligibility according to current statistics prior to accepting an application for Title I.

Title V, the Regional Commissions. EDA could take the initiative to suggest either elimination or requesting appropriations.

Title VI, Administration of EDA, has a provision in Section 602 of a National Public Advisory Committee on Economic Development. We feel that EDA should indicate to Congress an intent to ask the Secretary to form the Committee.

Title VI could also include a section on Self Certification: Over the years, the EDA grant application process and requirements have become cumbersome. The Common Rule and other initiatives should permit EDA to accept applicant assurances of compliance without additional documentation. EDA leadership could request that the Committee address this problem through stipulations in legislation that exist in other federal programs.

One of the keys to the ability to process the volume of LPW projects was a reliance on self certifications. Of significance should be the very few problems associated with the process. With over 10,500 approved projects, there was virtually no controversy, claims of fraud and abuse, or other problems.

Perhaps the results of a change in attitude in Brazil could be used as an example of what we think is in order. Between 1979 and 1984 Brazil tried to simplify their central government procedures. During that period it was determined to accept written statements from the interested party rather than third party and legal documents. Thus, a "presumption of truth" displaced the "rule of distrust." The savings has been estimated at \$3 billion per year, with some 600 million documents removed from circulation annually.

II. A Suggested Self Certification

Over the years, the EDA grant application process and requirements have become cumbersome. The Common Rule and other initiatives should permit EDA to accept applicant assurances of compliance without additional documentation. While an issue within EDA, they have skirted making major improvements. EDA leadership could request that the Committee address this problem through stipulations in legislation that exist in other federal programs.

The agency Excentralization Committee and virtually all Quality Action Teams have found that EDA grant requirements have become significantly complicated. Application processing times are long, and grantees are experiencing delays. Acceptance of Assurances and applicant "Self Certification" would help ease these problems on the applicant and EDA.

We feel that this should be one of the first things the new EDA leadership should examine; we are optimistic that improvements can be made quickly.

Title VIII concerns Disaster Relief and has presumably been superseded by FEMA. We could suggest eliminating that Title if it is not to be used.



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Statement of Joseph A. Marinucci
Director, Economic Development Department
City of Cleveland, Ohio

on behalf of

THE NATIONAL COUNCIL FOR URBAN ECONOMIC DEVELOPMENT

before the

U.S. House of Representatives
Subcommittee on Economic Development
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June 24, 1993

My name is Joseph Marinucci. I am Director of the Economic Development Department of the City of Cleveland, Ohio. I am responsible for providing services to Cleveland-based and other businesses who are considering expansion, retention, and/or relocation. Prior to my appointment by Mayor Michael White in 1990 I was the Deputy Director of the Business Development and Economic Development Financing Division for the State of Ohio.

Thank you for the opportunity to testify this morning in support of the reauthorization of the Economic Development Administration. The future role of EDA is an important issue for urban economic developers across the country because it is the only remaining federal program to support the development of commercial and industrial projects in economically distressed areas.

I am testifying this morning on behalf of The National Council for Urban Economic Development, known as CUED. CUED is a nonprofit membership organization representing over 1,200 economic development professionals from cities of all sizes, metropolitan areas and regions. The members of this organization are the public and private sector practitioners who are working to build local economies through the tools used

to create, attract and retain jobs. I am a longstanding member of the organization and currently serve on its Board of Directors.

CUED has worked closely with the Economic Development Administration throughout our 25-year history. With EDA's support and through its member professionals, CUED has produced a large body of knowledge on the most effective strategies for economic development and approaches to issues such as training hard-to-employ youth, developing export markets and urban manufacturing. Through EDA-sponsored publications and conferences, CUED has been able to provide timely information to the economic development field that helps them to understand and adapt to global economic forces affecting their local economies. Recently, EDA sponsored a CUED forum and publication that reexamine the approaches to job creation given the tremendous changes occurring in the global economy.

FORCES OF CHANGE

One of the fundamental challenges facing the United States is the upgrading of our technology base and our workforce. A recent CUED conference on these issues was focused on industry competitiveness and how economic developers can help companies make the transition to high-performance manufacturing. Dr. Richard Florida of Carnegie Mellon University spoke at that meeting about how the U.S. and world economy is in the midst of a major transformation greater than any since the latter part of the 19th century. Traditional manufacturing, which relied on physical labor and skill to make things, is becoming obsolete, and the source of value now lies in intelligence and knowledge. In a survey being conducted for the Great Lakes Council of Governors, Professor Florida found that 60 percent of small and medium-sized companies in the Midwest are making the transition to high-performance manufacturing. He defined high performance manufacturing as "the ability to deliver high quality products, when they are needed, tailored to customer requirements, on-time, and at the lowest possible cost."

This transformation, which relies on the ability of workers to achieve innovation, changes almost everything we believe about industrial competitiveness, technology policy and economic development. The reason is that the framework in which current policies operate, including tax policy, the education system, technology policy and infrastructure investment, was built to support the old system of mass-production industry. An example is bank lending policies that require companies to hold inventory as collateral, a practice that runs counter to "just-in-time" manufacturing processes. Another example is government economic development programs that use job creation as a criteria for fulfilling program requirements when assistance to businesses to improve productivity may actually result in job loss.

The fact that increased productivity without market growth means job loss is a concern of many states, including Pennsylvania and Ohio. While we are assisting manufacturers to improve productivity through investment in equipment, streamlined production processes, and converting from low value-added employment to high value-added manufacturing processes, we must also find ways to help companies expand their markets. Pennsylvania Secretary of Commerce Andrew Greenberg noted at the recent CUED conference that the state recognizes that the best job-generators are the businesses already located in the state, and therefore efforts to retain business get equal attention to business attraction in the state's economic development programs.

State and local economic developers have had to become less dependent on the federal government for resources in these efforts and have become increasingly involved with a widening array of institutional partners. Our efforts are now driven locally, but we continue to look to Washington for resources and support. Clearly, there continues to be a role for the federal government in aiding us in the revitalization of urban economies, but we also must understand and continue to place great importance on local initiative, continuing to use federal resources to leverage, reinforce and harness this economic transformation.

EDA'S ROLE

For more than 25 years, the Economic Development Administration has offered a very vital resource for helping localities to compete. Throughout the decades, the agency has continued to support and encourage local efforts to enhance economic growth. During the last 12 years, EDA has survived from year to year on Congressional appropriations but it needs reauthorization legislation that will give it a long-term mission which addresses the broad economic development and competitive issues confronting communities and regions across the country.

After years of uncertainty, the agency is now repositioning itself to regain its role as a leader in shaping ideas and encouraging innovation. Secretary of Commerce Ron Brown stated in his confirmation hearings that the Department must lead the effort in ensuring economic competitiveness. He said this requires commercialization of new technologies, increased access to foreign markets, access to capital, adoption of high performance practices, and a skilled workforce. Secretary Brown also stated that EDA must play a significant role in assisting state and local economic development efforts to create and retain jobs. He noted that in his experience at the National Urban League in the 70s, he found EDA to be "very helpful to cities as well as to rural areas." We as economic developers hope that EDA becomes an agency that helps localities, particularly urban America, address the problems of today and tomorrow. We look to this Economic Development Subcommittee for leadership in helping to restore competitiveness to our nation's distressed areas.

URBAN/RURAL IMBALANCE

The Economic Development Administration has great potential for assisting cities and urban areas with infrastructure, business development and related innovative programs. Throughout its history, EDA has supported new approaches to revitalization in urban neighborhoods. Its focus, however, and its constituency are rural, and the bulk of its funds

go to small towns and rural areas. EDA was created at a time when cities were receiving a larger proportion of federal funding through urban renewal, model cities, and anti-poverty programs. For the past decade, however, the proportion of EDA funds to urban areas has sharply decreased. In recent years the rural-urban split in the use of EDA funds has been decidedly weighted toward rural areas, with 80 percent of its allocation in 1992 going to rural areas and 20 percent to urban areas.

At the same time, economic development assistance across federal programs is being focused on rural areas. In the Department of Agriculture, the Rural Development Administration's (RDA) loan and grant programs for business and industry, community facilities, water and wastewater projects totaled over \$1.6 billion in 1993. In addition, the Appalachian Regional Commission last year received \$190 million for highway programs, community development, business and human development, and technical assistance. The Small Business Administration is targeting rural areas for economic development programs.

Urban America, meanwhile, has no agency or program dedicated to its needs for economic development. The Department of Housing and Urban Development directs housing funds to cities, but the economic development component is not nearly as effective as it could be, because of the regulatory impediments imposed by the department. The Community Development Block Grant, intended as a flexible tool for communities' development needs, is being used less and less for economic development. Only seven percent of CDBG funds go toward economic development because of competing priorities and the regulatory barriers involved.

With an increased effort in rural economic development being pursued by the Department of Agriculture through the creation of RDA, we believe that the rural-urban allocation of EDA funding should correspond more closely with the proportion of rural-urban population in the U.S. CUED and its members stand ready to help EDA in designing a more active role for the agency in urbanized areas.

We believe EDA can be fashioned to provide a program that balances the demands of urban and rural constituencies while achieving a more important public benefit. The emphasis must be on creating jobs in disadvantaged areas where they are most needed. Poverty, unemployment, racial prejudice, shrinking tax bases, bankrupt governmental units, and erosion of the standard of living are common to both urban and rural areas. Yet 64 percent of the U.S. population lives in urbanized areas, half of those in central cities. And 62 percent of those living in poverty in the U.S. are in urbanized areas. The poverty rate in central cities is 17 percent compared to 13 percent in rural areas.

The major economic development priorities of the federal government should be to address the institutional causes of the problems, wherever they exist. The areas with the greatest disadvantage are those with a geographic concentration of depleted human and economic resources, unequal access to educational and employment resources, low quality public service delivery systems, outdated industrial facilities, overworked and inefficient public infrastructure, inflexible local tax base, and displaced workers with unwanted skills. A focus on our urban economies is critical if we are to address these problems.

NEEDS OF CITIES

American cities have been experiencing an out-migration of their middle-class, capital and investment. CUED believes that the federal role should be intensified to allow urban centers to compete with suburban locations. Cities are essential to the their regions' and the nation's economic growth. Public attention must not only be given to cities when there is a need to control unrest and to repair damage caused by environmental or manmade disasters. The federal government should be a more active partner in working with urban leaders to solve complex urban economic problems. Federal, state and local governments should work together to provide effective, efficient, and equitable solutions to economic problems facing cities. Government should be a "market enabler," encouraging the private sector to create market solutions to our nation's urban problems.

Our cities have a valuable infrastructure already in place, but we continue to develop in outlying areas because of the demolition and cleanup costs of existing or vacated facilities in inner cities. Many former industrial sites are now contaminated by the activity that occurred there in prior years. Environmental problems require investment in new technologies and clean up, particularly in older, primarily urban structures built in a time when less stringent environmental regulations and more lax enforcement of those regulations resulted in the massive levels of clean-up required today. Projects are being halted because of environmental problems and the difficulty of engineering site clean-up and mitigation efforts needed to allow private investments to go forward.

Cities need resources to help turn those sites into productive and cost-competitive alternatives to suburban locations. Enterprise zones are one tool being used to provide state and local tax incentives for development in distressed areas, but more than tax incentives are needed to spur development in areas where the cost of remediation, the cost of infrastructure, and the lack of capital available are inhibiting investment. EDA is one of the most effective tools that could be used in enterprise zones to leverage this investment.

EDA PROGRAMS

EDA is seen by many economic development practitioners as the most effective federal program for economic development. In fact, many practitioners have told CUED that if additional federal funds were to be made available for economic development, they would prefer to see those funds go to EDA, provided the funds would go to urban areas. EDA is very effective at getting funds to where they are needed. Following the riots in Los Angeles last year, EDA was the only source of discretionary funds available. EDA provided \$3 million for the rebuild effort and an additional \$1.5 million to help restore the tourism industry. In the area of defense adjustment, EDA has been ahead of the issue, helping many communities to develop adjustment strategies before a base or industry shuts down.

In many communities, EDA grants are crucial for rehabilitating, repairing or constructing infrastructure and public works facilities for industrial or commercial development. These communities might not otherwise be desirable locations for expanding enterprises. Funds are typically used in conjunction with new development or redevelopment. Since some of EDA's assistance is targeted to areas experiencing either long-term or sudden and severe job loss, the aid goes directly to communities that would not otherwise be able to invest in needed public improvements. With these improvements, they can attract or expand business enterprises on available sites and increase their tax base.

EDA funds are also used to provide both direct loans and loan guarantees to businesses. Nationally, over 80 percent of new job growth in the 1970s and 80s was driven by the development and expansion of small businesses. The "capital crunch" has choked off access to private financing for many small businesses and the current regulatory climate have made it extremely difficult for firms to borrow what they need. EDA loan guarantees help fill a gap for communities in supporting the small business sector.

The focus of EDA funding throughout the years has been primarily in the area of public works. While infrastructure investments continue to be an important element of a community's competitive position, EDA should continue to broaden its focus in recognition of the role of technology and the importance of human infrastructure in the new economy. EDA should work closely with other Department of Commerce agencies such as NIST to encourage greater collaboration between federal laboratories and private industry and to assist the adoption of new technologies and the modernization of manufacturing.

EDA's research has been important for helping communities to understand the changes that are taking place in the economy and to adjust to the new realities. EDA research and technical assistance funds have resulted in many creative initiatives at the local and regional level. These efforts should be expanded and used to leverage private sector funding in such initiatives. EDA's University Center Program currently funds 63 centers that help colleges and universities mobilize resources for the economic growth of distressed

areas. This program is a valuable source of technical assistance for state and local governments and helps develop new information and programs in areas such as technology transfer and manufacturing modernization.

EDA planning grants have enabled distressed communities to critically evaluate their economic potential and to look at long-term solutions. These funds continue to be very helpful to states and localities, but the amount of funds available limit the program's effectiveness. EDA should set aside a designated percentage of its planning grant funds to help central cities to prepare plans to clean up older environmentally-troubled industrial sites. The purpose of these efforts should be to restore the industrial base in central cities.

EDA provides an essential tool in cities' and rural areas' attempts to promote local growth in their economic base and represents a way to address the constraints imposed by economic, social and fiscal factors. EDA funds can be used to achieve these objectives by either providing assistance to support businesses activities or providing the infrastructure, services and quality of life needed to encourage growth. The optimum use of EDA funds is achieved by targeting development to achieve economic benefits for locations, sectors or groups that are at a competitive disadvantage in the marketplace. Such targeted development is also achieved by identifying the obstacles to investment and attempting to overcome them using EDA funds as leverage.

EDA funds can have a profound impact on state and local government efforts to "reinvent government" and design quality economic and social institutions to respond to urban problems. EDA should continue to invest its funds in those places where there is strong evidence that state and local government is working at governmental improvement. For example, EDA should redirect its public works grants to making investments in new "regional economic development infrastructure funds," which encourage central cities and suburbs in major metropolitan areas to cooperate on development projects.

On a government-wide scale, there needs to be a reordering of priorities to support economic development and to enhance the competitiveness of localities, regions and the nation. CUED looked to the President's economic stimulus package as providing the kinds of tools and a focus on urban areas that is urgently needed. Without additional spending, it is critical that existing programs focus their resources on these issues. Through EDA, the Small Business Administration, the Department of Housing and Urban Development and other departments and agencies, programs exist which, if reasonably funded and properly coordinated, can help communities to improve their economies and create jobs for their people, including those in urban areas and central cities.

TESTIMONY OF

THOMAS MCCLURE

PRESIDENT-ELECT

NATIONAL ASSOCIATION

OF MANAGEMENT AND TECHNICAL ASSISTANCE CENTERS

BEFORE THE

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

HOUSE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

ON THE

REAUTHORIZATION OF THE ECONOMIC DEVELOPMENT ACT

JUNE 24, 1993

Thank you, Mr. Chairman, and members of the Committee. My name is Tom McClure. For the past eight years, my "day job" has been Director of the EDA University Center at Western Carolina University, serving the 28 westernmost counties of North Carolina.

I am also the President-Elect of the National Association of Management and Technical Assistance Centers (NAMTAC) and the spokesperson for the EDA University Center Division of NAMTAC, which is composed of most of the EDA Centers. I am here to speak on behalf of the reauthorization of the Economic Development Act, and particularly on funding support for the EDA's nationwide University Center program.

NAMTAC is an umbrella organization composed of university- and college-affiliated centers. The organization's mission is to assist in the transfer of academic-based information, research, and technology to communities and businesses in furtherance of economic development and industrial competitiveness. Our member institutions provide assistance with management, technology, and community economic development programs.

OVERVIEW OF THE EDA UNIVERSITY CENTER PROGRAM

Funded under the U.S. Department of Commerce Economic Development Administration (with matching funds supplied by state, local and/or private resources), EDA University Centers provide high value economic development and technology transfer services to urban and rural communities and businesses. The EDA University Center program is unique because it stands as the primary bridge between business and the critical technologies, research and expertise of American colleges and universities.

There is no "typical" or prototype EDA University Center. Each Center carves out its own niche to address the unique needs of the communities and businesses it serves. EDA Centers, like the Center I serve in western North Carolina, may serve sparsely populated rural areas; or they may be located in our most densely populated metropolitan areas. Although each Center is unique, there are some common characteristics: First, they usually provide direct one-to-one advice and counsel to entrepreneurs. Second, they help communities build the human, capital, and physical infrastructure --or capacity-- to support and encourage economic development. Third, they serve as the catalyst to leverage university and community brainpower and financial resources to increase the economic wealth and overall welfare of the region through the creation and enhancement of jobs.

REQUEST FOR THE UNIVERSITY CENTER PROGRAM UNDER THE REAUTHORIZATION OF THE ECONOMIC DEVELOPMENT ACT

In 1984, the majority of EDA University Centers were funded at \$80,000. In 1992, Congress directed EDA to grant \$130,000 to each University Center, and regrettably, EDA elected instead to fund most Centers at \$104,000. (Between 1984 and 1992, Centers were funded at levels within a range of \$40,000 to \$100,000.)

Obviously the Centers have faced a shortfall simply due to the cost of living over this time period. We could also do a more rational job of program planning if we had a predictable base level of funding from year to year. Further, we could effect greater positive changes for businesses and communities with additional funding to leverage each Center's scarce resources.

Each Center's geographic and demographic service area is vast and each Center's demand for services has never been greater. We (the EDA Centers, the Economic Development Administration, and Congress) need to seriously address these concerns! Therefore, NAMTAC has set out its funding request for the upcoming fiscal year and the following five fiscal years to be included in the reauthorization of the Economic Development Act. Our authorization request also covers elements that we believe will improve the program.

To restore diminished funding and to meet client demand, beginning October 1, 1993 (FY '94), a \$150,000 annual funding level for each of the 64 existing University Centers is being requested from the appropriation committees. We have also requested an additional \$500,000 annual allocation to institute a peer review-based quality evaluation program. The total budget request for FY '94 is \$10.895 million.

The EDA University Center directors recognize peer review as a critical need which will serve to strengthen the

EDA Centers. We are committed to implementing such a plan within whatever level of funding we receive. We foresee establishing peer review teams similar to those which are used by Small Business Development Centers, a Small Business Administration sponsored program. These peer review teams, composed of an EDA representative and two Center directors from other regions would conduct site visits to evaluate the operations of our sister centers on a biennial basis.

The 64 EDA University Centers in place today are doing vitally important work with an extremely low budget. However, there are six states that do not have an EDA Center. It is critically important for legislation that reauthorizes EDA to include language to provide for additional centers so that every state can have at least one center with larger states having two or three. We hope that Congress and the Economic Development Administration will adopt a Five Year Plan, which will call for the addition of four new centers in each of the next five years, and will establish a pattern of reasonable annual increases in funding.

The EDA University Center Program deserves to be supported at least at the levels proposed in this budget item. Just as importantly, the Center Directors need to know what to expect in the way of federal support that they can count on from year to year. The Centers use their base level of federal funding to leverage state, local and private dollars in a multiplier model; however, when the federal share goes down, a similar *negative* multiplier is generated.

Assuming that the FY '94 appropriation will provide for base level funding of \$150,000 per Center, we suggest that this level be increased by an additional \$50,000 per Center in each of the three fiscal years '95, '96 and '97, then held at \$300,000 in each of the final two years of this Five Year Reauthorization period.

FIVE YEAR PROJECTION

	NUMBER OF CENTERS x	FUNDING LEVELS +	PEER REVIEW =	TOTAL BUDGET
FY '95	68	\$200,000	\$530,000	\$13,530,000
FY '96	72	\$250,000	\$560,000	\$18,560,000
FY '97	76	\$300,000	\$590,000	\$23,390,000
FY '98	80	\$300,000	\$620,000	\$24,620,000
FY '99	84	\$300,000	\$650,000	\$25,850,000

Our request represents a small investment of federal funds for a program that exhibits a very strong positive impact on America's businesses and communities. The investment would be enhanced by our ability to leverage several times the amount of program dollars.

ACCOMPLISHMENTS OF EDA UNIVERSITY CENTERS

EDA University Centers nationwide have specific technological and economic development assistance delivery systems already in place which can serve as a key component for future industrial extension efforts. These technical assistance and economic development programs have successfully operated nationwide for over 20 years. The wealth of experience over this time frame has permitted the Centers to make numerous positive contributions to their communities and businesses. The EDA University Centers maintain close and regular contact with their constituencies in order to ascertain and meet their changing needs. The Centers not only helped to render technical assistance, but also: created industry networks; assisted in providing vital economic and demographic information; developed capital pools for business formation; helped implement industry cooperatives; and initiated numerous other projects. The Centers' unique role of linking higher education, businesses and communities provides a foundation upon which University Centers can play a crucial role in enhancing new industrial extension

service efforts.

The following are examples of the range of activities the EDA University Centers undertake:

- The University Center for Economic Diversification at the University of Michigan is helping communities that are facing major manufacturing plant closures, major job losses and economic distress. General Motors has announced plans to close plants in six Michigan communities by 1995, impacting 18,200 jobs. The University of Michigan EDA Center is coordinating activities to help communities begin to recover from these sudden and severe economic dislocations.

Michigan will also be impacted by the imminent closure of the Wurtsmith Air Force Base. Historically, the Base has been responsible for an estimated \$145 million annual economic impact in an area with traditionally high unemployment. The University of Michigan's EDA Center has worked with community and political leadership to devise a plan to convert the Base housing into a retirement community catering to military, government, and corporate retirees.
- The Pennsylvania State University EDA Center, known as the Pennsylvania Technical Assistance Program (PENNTAP), helped a client with an idea. The client was the president, and only employee, of his company, and was working full-time for another company. The client had developed a technologically-advanced process for improving the performance of cutting tools. However, he needed assistance in (1) laboratory testing, (2) field testing, (3) obtaining a patent, and (4) obtaining the necessary start up capital. PENNTAP coordinated all of these activities. The Center's efforts involved working with several other agencies. By June, 1992, this one-man company had penetrated the Pittsburgh market, created three new jobs, served 43 customers with sales exceeding \$10,000 a month, and experienced a sales growth rate of 25 percent per month over the second quarter of operation.
- The EDA University Center at Eastern Kentucky University fostered the development of a secondary wood manufacturers network by creating numerous seminars and workshops, and by rendering technical assistance to numerous individual companies within this industry. The net job creation of these activities resulted in over 100 new jobs for eastern Kentucky.
- The Washington State University EDA Center is helping the Confederated Tribes of the Colville Reservation by providing management and technical advice in all aspects of tribal business affairs. The EDA Center worked hand-in-hand with the Colville Tribal Enterprise Corporation, the Bureau of Indian Affairs, the Soil Conservation Service, and the WSU College of Agriculture.
- The Arkansas State University Center serves an economically depressed rural region of the Mississippi delta. This EDA University Center has developed a nine-month Regional Leadership Development Program to focus on economic and community development and to promote cooperation among neighboring small towns and counties. The Arkansas State program has been offered to six diverse groups, representing 149 people from 35 towns and 14 counties. The program has been described as "Showing us how to develop a new kind of leader for rural America; one that can effectively lead appropriate local development, with the added values of a regional perspective and a unique network of regional resources to tap for help."
- I am particularly impressed with the number of leaders served, because we at Western Carolina just recently completed the first cycle of a similar program, graduating 38 leaders representing 17 counties. The Western Carolina University EDA Center has a fairly unique twist in our leadership program: we strongly encourage the participants to engage in a hands-on postgraduate project, in which they put the principles and skills they have learned to practical use in a regional economic development project of the graduates' design. Our graduates are currently engaged in a campaign to improve the workforce preparedness of the region through improving the education and training delivery systems.

- Western Carolina University's EDA University Center helped organize the Mountain Commercial Lending Consortium - an organization comprised of individual banks which pledged a total of \$1,000,000 to make loans to small businesses that cannot satisfy conventional underwriting standards.

CONCLUSION

Let me say that today's American taxpayer realizes, more than ever, the importance of the federal government not to duplicate efforts or spend money unwisely. Our citizens don't want the wheel reinvented. Because of the University Centers' strong, positive impact on jobs within their jurisdiction, it makes economic sense to support an expanded EDA University Center Program. The Centers already have the people in place; the programs are effectively operating; the valuable resources of their Universities are linked and leveraged; and the connections to the business community and other key government agencies are established and working. Therefore, the EDA University Center programs augment existing activities, whereas new programs must struggle to get up to speed before service can be provided. The amount of money requested for the next four years for the University Center program is extremely modest by federal standards, yet the investment will provide a high rate of return in terms of helping to ensure a strong, globally competitive economy and positively impact job creation and economic growth.

Thank you very much. I would be pleased to answer any questions you may have concerning the EDA University Center Program.

NADO

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

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Testimony of:

ROBERT J. PACIOCCO

Executive Director

THE MID-EAST COMMISSION

Washington, North Carolina

and

President

THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS (NADO)

before the

**SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION**

in the

U.S. HOUSE OF REPRESENTATIVES

June 24, 1993

Washington, DC

STATEMENT OF BOB PACIOCCO, EXECUTIVE DIRECTOR OF THE MID-EAST COMMISSION (WASHINGTON, NORTH CAROLINA) AND PRESIDENT OF THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS (NADO), BEFORE THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT OF THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION, U.S. HOUSE OF REPRESENTATIVES, June 24, 1993.

Mr. Chairman, members of the Subcommittee on Economic Development, I am Bob Paciocco, Executive Director of the Mid-East Commission in Washington, North Carolina. I also serve as President of the National Association of Development Organizations (NADO).

I would like to thank you, Mr. Chairman, and the ranking minority member, Ms. Molinari, for inviting NADO to testify at today's hearing. Our members are grateful for the Economic Development subcommittee's steadfast support for the Economic Development Administration (EDA) and the Appalachian Regional Commission (ARC) and for your efforts over the last dozen years to reauthorize both agencies. EDA is the federal government's most effective program for comprehensive rural economic development and ARC serves as a model for federal, state, regional, local and private sector cooperation. I would also like to recognize Kenneth Green, Executive Director of the Eastern Panhandle RPDC in Martinsburg, WV, a NADO Board member, who is also testifying before the subcommittee today.

The situation this year is significantly different from recent years in that this is the first time in 12 years that funding for EDA and ARC has been included in the administration's budget request and that the administration has submitted reauthorizing legislation for consideration. I am very encouraged by this because I believe that it provides friends and supporters of EDA and ARC a tremendous opportunity. With the continued backing of Congress, the advent of an interested and receptive administration, and adequate funding, EDA and ARC will become more effective partners in economic and community development efforts in rural areas and small cities. I appreciate the opportunity to testify in support of reauthorization for EDA and ARC and urge the members of this subcommittee to **build** upon President Clinton's requests for the two agencies.

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

The National Association of Development Organizations (NADO) is a national public interest group founded in 1967 to help professionals and local elected officials at the grassroots level share information and ideas. The association is the leading advocate for a regional approach to economic and community development in America's rural communities and small cities. In rural areas, economic conditions and development needs transcend jurisdictional boundaries. Likewise, strategies and solutions to rural distress are most effective when implemented at the substate, multi-county level. As a result, NADO members provide in rural areas economic and community development assistance to local governments and the private sector on a regional basis that is otherwise unavailable.

NADO members are regional development organizations, known variously as economic development districts, councils of governments, area development districts, regional councils, and the like. Regional development organizations draft long-term strategic economic development plans, perform a wide range of technical assistance, and provide small business gap financing. EDA has long supported regional development efforts through the Economic Development District program. (Attached to this testimony is a report produced by NADO that explains regional development organizations and their role in rural America. Also attached is the June 1993 issue of the *Economic Development Digest*, a monthly publication of the NADO Research Foundation in cooperation with EDA and the U.S. Forest Service. This issue focuses on substate regionalism and EDA economic development districts.)

REAUTHORIZATION

EDA and ARC programs have met with success since their development in the mid-1960s, despite being hampered tremendously by limited funding and less than enthusiastic support and guidance from the White House in recent years. This year, Congress has been presented with an opportunity to strengthen EDA and ARC, and through these agencies enable rural and small metropolitan America to participate in many of the initiatives introduced by President Clinton. To do this, I would like to touch on some areas where EDA is working well, but could be strengthened, and others where EDA is not working so well and should be improved as Congress considers reauthorizing legislation.

Public Works Grants

NADO, along with the National Association of Counties and the National Association of Towns and Townships conducted a survey at the beginning of this year in which economic development professionals and local elected officials identified infrastructure development (and the lack of infrastructure) as their primary concern. For rural and small metropolitan areas, EDA Title I Public Works grants are a major source of infrastructure funding for projects related to economic development. Other federal programs, such as the Department of Housing and Urban Development's small cities Community Development Block Grant program, are funneled through states, which often attach additional requirements making funding inflexible. In plain terms, rural areas rely on EDA infrastructure grants and EDA grants work.

However, community and economic development have been severely limited due to a lack of funding. In response to President Clinton's stimulus proposal, EDA invited applications for public works grants at an increased rate in expectation of additional funding. The funding was denied when the Senate killed the President's stimulus package. This, coupled with EDA's expedited invitation for grant applications has caused the development of a pipeline for public works grants and the obligation of most of EDA's public works funds for fiscal year 1994. NADO supports a minimum of a \$100 million increase for rural infrastructure projects in FY 1994 to help meet demand and clear the bottleneck in the application pipeline. At the Economic Development subcommittee hearings earlier this year established, there was considerable agreement that a great and urgent need exists for public works projects in distressed areas. Furthermore, there was general accord that a single federal delivery agency would be the best, and most efficient, method to coordinating funding for infrastructure projects. EDA has a proven track record for funding beneficial projects that create good, long-term jobs in a cost efficient manner.

EDA grants are very successful and effective. In fiscal year 1992, EDA awarded 178 public works grants totaling \$153.3 million of federal dollars. After local matching funds were added, the projects totaled \$329.5 million. These projects leveraged \$797.6 million in private sector investment and created 28,489 jobs. The average dollar to jobs ratio was \$5,382 per job created. In almost all cases, the projects would not have been undertaken, and these jobs would not have been created, without EDA public works assistance. *I emphasize that \$153.3 million in federal funds leveraged approximately seven times that amount in local and private dollars -- \$176.2 in local funds and \$797.6 million in private funds.*

NADO urges Congress to retain the provision contained in section 403 of the Public Works and Economic Development Act of 1965, and supported by the administration, providing public works projects located within economic development districts with a ten percent increase of the federal share. In addition, NADO urges Congress to streamline the public works grant application process. Currently applications must be review by a Federal Assistance Review Board (FARB). The FARB process, added during the Reagan administration as an additional review step, is unnecessary and should be eliminated to speed up the grant-making process. This, along with increased funding, will help get the pipeline flowing at an steady pace.

Economic Development Districts

NADO also supports the findings of EDA's Economic Development District (EDD) Quality Action Team (QAT) final report, released in December, 1992. The QAT recommended that, should new funds be made available for EDDs, they be allocated in the following manner: up to one-third to fund new EDDs, **at least one-third to increase the base funding level of all EDDs**, and up to one-third for supplemental funding and one-time grants.

A 1990 study by the Kansas Center for Community Economic Development (KCCED) determined that the development district program makes a major impact in small cities and rural areas, and that the program should be expanded. Currently, EDA has designated a number of regional organizations as development districts, yet limited resources prevent the agency from funding these districts. I understand that EDA has a list of over 30 additional regions that it would like to designate and fund if adequate funding became available. NADO members are eager to expand the development district planning program. Seed funding for planning and local technical assistance is the key to tapping the development potential in our nation's smaller communities and rural regions.

Many EDDs are receiving the same amount they were originally awarded in 1970. This means that in real terms, allowing for inflation, most EDDs are funded well below 1970 levels. Congress provided the EDD program with a \$2.2 million increase for FY 1992, the first increase since the 1970s, and then in FY 1993 funding was cut back to FY 1991 levels. Although the amount awarded EDDs is very small (a \$55,000 base level), it provides the professional staff needed to help foster community development and economic diversification. In fiscal 1993, EDA provided matching funds to 293 multi-county economic development districts (EDDs) in 46 states for strategic planning and technical assistance to local governments through a regional approach. NADO urges subcommittee members to endorse raising the authorization level for EDD funding to \$130 thousand to allow them to perform the services they are capable of providing, and of which rural areas are so greatly in need.

Testifying June 15 before the House Banking subcommittee on Economic Growth and Credit Formation, EDA acting Assistant Secretary for Economic Development Craig Smith said that EDA's Economic Development Representative network "along with EDA's planning and technical assistance programs, are key factors in making the EDA program a true, long-range economic development program rather than just another grant making agency." EDA's Denver regional office Director Steven Brennen's testimony May 19 before the Economic Development subcommittee echoed the theme. "Economic development districts provide the backbone of both the EDA's programs and overall successful economic development. In highly rural areas the multi-county districts are essential in bringing needed economic development expertise to bear. There just is not the critical mass of resources in these sparsely populated areas to support the staff and attention needed for good economic development," according to Brennen.

Regional Development Organization Role in Rural America

Rural local governments depend on regional development organizations for professional assistance. In most rural communities, rural elected officials serve on a part-time basis and have little or no staff. Of the 40 municipalities in my five county region, 27 do not have managers or administrators; and of these, 16 have only a part-time town clerk. Therefore, my organization serves to augment and support the efforts of local elected officials. Most multi-jurisdictional organizations are also multi-functional, providing a variety of services from job training programs to solid waste disposal planning to providing capital for economic development lending-- according to each region's needs.

Small businesses often turn to regional financing programs to help leverage private investment and ease the credit gap found in rural America. For more than 25 years, economic development districts have exemplified the public-private approach to economic development. Many help rural entrepreneurs and small businesses secure otherwise unavailable capital. A majority of economic development districts manage EDA revolving loan funds and many are proven successful delivery mechanisms for such programs as the Rural Development Administration's Intermediary Relending Program and other lending programs.

It should also be noted that many development districts also serve as Small Business Administration (SBA) 504 Certified Development Companies (CDCs). In fact, were it not for the EDA district program, rural areas would not have the staff capability to run CDCs. Approximately one half of all SBA CDCs were established by development districts in rural areas. I should stress that without these programs, many small businesspeople and entrepreneurs in rural areas would be denied access to funding for startup or expansion of small businesses. In my own region we offer our citizens five business loan programs with loan amounts ranging from \$8,000 to \$1 million. In the last four years we have made approximately 90 loans totalling \$2 million. These loans leveraged an additional \$2.5 million in private sector funds and created 190 jobs.

Rural America and EDA/ARC

Despite many popular misperceptions of rural America, one in every four Americans, or 62 million people, live in rural areas. An additional 15 million people live in small metropolitan areas. Nationwide, there are approximately 140 small metropolitan regions with under 250,000 residents.

These 77 million Americans share many of the problems, such as poverty and high unemployment, more commonly associated with residents of big cities. However, residents of rural areas and small cities face many unique obstacles not shared by urban dwellers due to a number of factors including low population density, small tax bases, scarcity of capital, shortage of local leadership and the deficiency of planning and technical expertise in small communities related to these obstacles.

Rural Americans are employed in sectors far more diverse than farming: only 7 percent of rural residents are employed in agricultural industries, while 29 percent are employed in service industries and 21 percent hold manufacturing jobs.

Furthermore, rural Americans face a lower rural per capita income (\$13,786) than the national average (\$17,592); a higher rate of unemployment (8.5 percent) than the national average (7.6 percent); a greater poverty rate (16.8 percent) than the national average (12.4 percent); as well as a higher rate of students dropping out of high school (30.8 percent) than the national average (23.5 percent). Again, in our region these figures are much worse.

With federal and state cutbacks moving our intergovernmental partnership into an intergovernmental system of mandates, rural local governments increasingly rely on regional organizations for answers to their development needs. Indeed, regionalization encompasses long-term development planning, local government services, economic development activities, and environmental management. All of which are included in elements of EDA's overall development strategy. Across the country, EDA's economic development districts and ARC's local development districts are the catalysts for strategic planning in rural America.

We view economic development broadly, including small business development and traditional infrastructure construction, but also in non-traditional areas such as telecommunications, health care, job training, day care and education. Providing technical assistance to local governments and the private sector, regional development organizations respond to the needs that are identified at the local level, by local people. Through the years, the Economic Development Administration's modest investment in regional development organizations in rural America, as well as ARC's work in its 13 state region, have been enormously important in building capacity and stimulating growth in local economies. EDA and ARC have provided the institutional capacity and development dollars otherwise unavailable.

Defense Conversion

NADO also urges EDA to use economic development districts as part of its defense conversion strategy. In distressed communities, EDDs are prepared to respond to and meet local needs as identified at the local level. EDDs have the flexibility to respond to challenges and the capacity to provide rural communities with the ability to react to new causes of economic distress, such as base or industry closure due to military downsizing. Economic development districts, as part of the overall economic development program (OEDP) they prepare as required by EDA, can help communities plan for defense conversion related problems and prepare a regional strategy to counter these obstacles.

Revolving Loan Funds

NADO in the strongest possible terms urges Congress to pass legislation directing EDA to defederalize RLFs. In a recent NADO survey of EDA RLF grantees, over half the administrative problems listed by respondents stemmed directly from the perpetual federal nature of RLF dollars. In addition, EDA's RLF Quality Action Team final report recommended that EDA publish a regulation declaring that once-lent RLF funds be defederalized. Last year, the House Public Works and Transportation Committee Report accompanying H.R. 4157 contained language stating that "once all EDA grant funds have been utilized by the grantee to make loans to the initial round of borrowers, funds subsequently loaned from the RLF shall not be considered as being derived from Federal funds." In the past, EDA has changed RLF processes and revised requirements, even on funds recaptured after the first round of lending. This causes undue burden for RLF lenders. Precedence exists for defederalizing RLFs. One example is the Rural Development Administration's Intermediary Relending Program, which allows lenders control of once-lent funds. We are not asking that we not be held accountable. We expect and urge accountability; however, we are asking for flexibility that can be possible through defederalization.

Defederalization of RLFs is terribly important and is one of NADO's priorities. I am please that members of the subcommittee have taken an interest in seeing this problem resolved. I am also aware that the House Banking, Finance and Urban Affairs subcommittee on Economic Growth and Credit Formation addressed the issue during a recent hearing and EDA is studying the issue. NADO urges the members of the Economic Development subcommittee to continue their efforts to defederalize EDA RLFs and I am confident that the issue will be reconciled. In the process, we would urge the subcommittee to increase the authorization level for funding for RLFs and direct EDA to simplify the existing RLF procedures

Included in the RLF QAT final report were a number of recommendations to improve the program. One recommendation that EDA has thus far not implemented is a proposal to develop a training program to improve the performance of RLFs. The QAT guided EDA to establish a formal training schedule for EDA regional directors and Title IX coordinators, which would then be expanded to RLF grantees. To date, EDA has not been able to implement such a training program due, I would imagine, to a lack of funding. Although NADO has run a number of training seminars for RLF grantees, we urge Congress to support funding for addition training.

As the subcommittee develops reauthorizing legislation, NADO would be please to answer questions or to help in any way possible to address concerns about the RLFs or other EDA programs. Mr. Chairman, we thank you, the Ranking Member, Ms. Molinari, and the members of the subcommittee for your efforts to reauthorize EDA and ARC. We ask that you join us in urging the Clinton administration to reinvigorate the Economic Development Administration and Appalachian Regional Commission. We appreciate the support of this Subcommittee and the entire Congress, and we thank you for this opportunity to testify. If you have any questions, I would be happy to try to answer them.



ECONOMIC DEVELOPMENT DIGEST

Vol. 2, No. 6

A monthly report for the economic development community

June 1993

Substate Regionalism In the US: Diversification and Responsiveness

Economic Development District (EDD)

Regional Planning Commission (RPC)

Planning and Development District (PDD)

Council of Governments (COG)

Economic Development Commission (EDC)

Area Development District (ADD)

Business Development Corporation (BDC)

Local Development District (LDD)

According to "An Etiquette for the 1990s Regional Council" by Patricia S. Atkins and Laura Wilson-Gentry, substate regional organizations look and act differently than they did in past decades. Known by a variety of names (see above examples), regional councils are substate, multicounty planning and development organizations that provide an array of services. The authors identify over 500 of these regional organizations in the US.

Most regional councils were created between 1965 and 1975. At that time, regional councils served primarily as comprehensive planning agencies. These multicounty agencies worked closely with the federal government, which emphasized regional approaches and provided funding through a large number

of federal programs. As the federal government reduced the number of comprehensive federal planning programs directly supportive of substate regionalism, regional council activities shifted from federally mandated planning to membership assistance and services delivery. The new regional council became market sensitive by staying attuned to customer preferences and became consumer driven rather than provider driven.

In addition to comprehensive planning, regions now sponsor many programs, including services for the poor and elderly, job training, small business finance, and minority enterprise programs. Regional councils have also developed closer relationships with the states during the 80s.

The 60s & 70s

In the formative decades for regional councils, prudence dictated a low profile for the

"Regional" continued on page 7

What is the Best Way to Evaluate a Program?

Government programs have historically been measured by how program managers conform to specific standards or whether or not they have followed the correct procedures. Many public administrators feel that this system of "compliance accountability" pays little attention to whether the actual goals of the program are being met.

In academic circles the debate is referred to as "compliance accountability versus performance accountability." Some public managers believe the government should not ask 'did you follow the procedure' but rather 'did you accomplish the program's goals.'

Performance accountability is capturing the imagination of many in government as the best way to measure if a program is

"Evaluate" continued on page 7

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ViewPoint

Allerann Wohlbruck
Executive Director
NADO Research
Foundation



This month's *Digest* has two articles on substate regionalism. The regionalism article on page one describes the changes that have occurred during the last 30 years, and shows that regional councils have adapted to changing circumstances.

The Economic Development District (EDD) article below

Editor's Note

The May 1993 *Digest* contained an artist's rendering of a map of nonmetropolitan America on page two. A number of readers, including the Albemarle Commission's Clarke Martin in Eastern North Carolina, wrote to tell us that their area had been incorrectly identified as metropolitan on the map.

The map was titled "What is Rural America?" but showed nonmetropolitan counties. Although most people use the words "nonmetropolitan" and "rural" interchangeably, they have very distinct meanings. Nonmetropolitan is a definition from the Office of Management and Budget (OMB) and was used to create the map. Rural is a definition used by the Census Bureau and is much more inclusive than nonmetropolitan.

For example, while OMB states that about 80 percent of the US land mass is "nonmetropolitan," the Census figures show almost 98 percent of the US area as "rural." **We apologize for the confusion.**

describes how these regional organizations serve a particularly important role. Of the approximately 500 regions that exist today, more than 300 are Economic Development Districts. The map on pages 4 and 5 shows the boundaries of the existing EDDs.

Regional coordination and regional service delivery are not new ideas. Most of the federal programs that promote regionalism were created in the 60s. However, today more than ever, regionalism is not a luxury, but a necessity.

Local governments simply do not have the resources or

capacity to provide many essential services by themselves. When local governments participate in a regional program, they are creating the institutional capacity to solve their area's problems in a more efficient way.

Although founded in the 60s, regional development organizations are ideally suited to meet the challenges of the 90s. Many of these organizations have expanded their scope to meet the needs of the communities they serve. With continued communication and educational efforts, regions will help local governments meet new challenges.

Economic Development Districts... See This Month's Centerfold Map

Economic Development Districts (EDDs) are multi-county, planning and development organizations that encourage cooperation between citizens, local government officials, and the private sector. Originally created in the 1960s by the Economic Development Administration, they have grown in number to over 300 and are located throughout the US (see the map on pages 4 and 5).

Local governments, particularly in rural and small metropolitan regions, depend on Economic Development Districts for professional assistance. In many communities, local elected officials serve on a part-time basis and have little or no staff. For example, the Mid-East Commission, an Economic Development District in North Carolina, serves a rural five county region. Of the 40 municipalities, 27 do not have managers or administrators, and only 16 have a part-time

town clerk. Like most EDDs, the Mid-East Commission is multi-functional, providing a variety of services from job training programs to solid waste disposal planning, and small business finance.

The December 1992 Economic Development District Quality Action Team Report identified the mission of EDDs as follows: "The mission of an Economic Development District is to identify and address economic problems and opportunities through an overall economic development program, which is prepared and coordinated locally by a locally controlled multicounty organization, and uses EDA programs and all available resources."

To qualify as an EDD, a region must first be designated. On the EDD map, designated Districts are shown in gray, and funded Districts are shown in green. **For additional information on the EDD program contact Luis F. Bueso at (202) 482-3027.**



Development "Digestibles"

Have Inspectors General Been Successful?

Have Inspectors General (IG) been effective agents in the fight against government waste, fraud, and abuse? In a new book published by The Brookings Institution, *Monitoring Government: Inspectors General and the Search for Accountability*, author Paul Light argues that IGs have been largely unsuccessful. IG's were given the freedom to monitor according to three very different philosophies: compliance accountability, performance accountability, and capacity-based accountability. As Light demonstrates, IGs became increasingly oriented toward compliance accountability. Compliance accountability relies on detailed rules and regulations to promote conformity. The author attributes the shift to the fact that politicians, in both the legislative and executive branches, naturally find compliance monitoring more attractive. Compliance monitoring produces clear-cut results that may easily be used to preserve a program's political viability. Light argues that IGs ultimately must fail if they continue to ignore long-term strategies for short-term solutions. He concludes that "the IGs have not done their job poorly, but they may be doing the wrong job - putting too much emphasis on compliance and not enough on performance and capacity building." **For more information call The Brookings Institution at (202) 797-6000; copies are \$12.95.**



SBA Export Video Available

The US Small Business Administration and the Bank of Boston have announced the creation of a new educational videotape designed to "help take the fear out of exporting" for new exporters. The 35 minute "Basics of Exporting" video explains the nuts and bolts of selling overseas and is geared toward the novice. The video provides information on selling and distributing, getting goods overseas, payment mechanisms, and sources of financing and marketing resources. **The "Basics of Exporting" video is being distributed nationwide by the SBA and can be purchased by calling (800) 827-5722. The cost is \$30.00.**

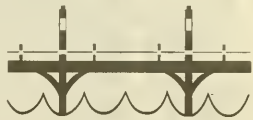


Online Service for Rural Areas

HandsNet, an 'online' computer service for organizations promoting economic and social change, provides users with notices on federal and state public policy and legislation. HandsNet also summarizes human service issues from national newspapers and wire services, and offers forums on various development and social change issues. The forums put users in touch with other organizations working to promote development in rural America. Topics discussed include micro-enterprise and small business development, employment and job training, and strategic planning. Environmental topics, including solid waste and wastewater disposal, are also covered. In addition, HandsNet provides electronic data transfer, e-mail and FAXing services. The communications software costs \$100 and a one year's subscription is \$270. **For more information, call (408) 257-4500.**

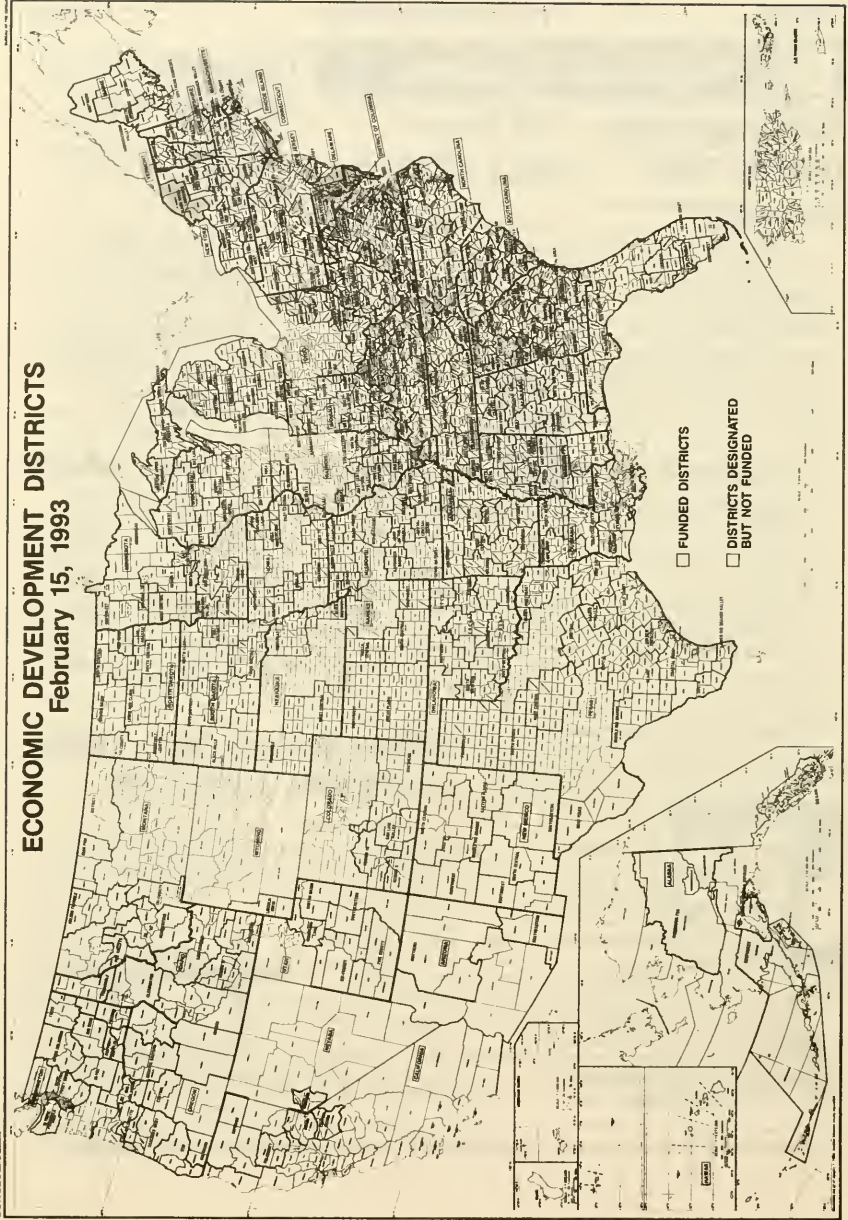
Timber Bridges Are A Viable Alternative With SLAM

The US Forest Service, in conjunction with New Mexico State University, and local resource conservation and development districts (RC&Ds) has developed a new computer program, SLAM, to help in the design of timber bridges. SLAM, or Stress Laminated Wood Deck Design program, is available for \$60.00 and is being previewed at a conference in Las Cruces, NM. The Timber Bridge and Wood Structure Conference will be held June 8-10. **For more information call Jornada RC&D at (505) 526-1424.**



ECONOMIC DEVELOPMENT DISTRICTS

February 15, 1993



■ FUNDED DISTRICTS
□ DISTRICTS DESIGNATED BUT NOT FUNDED

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DEPARTMENT OF REVENUE



Economic Empowerment Act

The President's Enterprise Zone Proposal

The Clinton Administration has released preliminary information on the Economic Empowerment Act of 1993. President Clinton discussed his plan during a May 4 conference call to a number of community leaders. The act would create 10 empowerment zones, six urban, three rural and one Indian reservation; and 100 enterprise communities, 65 urban, 30 rural, and five Indian reservations, in economically distressed areas. The Economic Empowerment Act incorporates "traditional" enterprise zone tax incentives as its foundation. It builds on this foundation by including provisions recognizing "human and community needs" such as education and job training, day care, housing, and community policing.



sector to develop comprehensive economic strategies to generate business, create jobs, make their streets safe, build community, and empower people."

Increased Flexibility

Applications will be made to an Enterprise Board, made up of the various Cabinet level Secretaries, and up to 11 individuals designated by the President. The Board will serve as "a single point of contact" to review proposals, comprehensive strategic plans, and "requests for assistance and regulatory waivers for each local community" if it determines that a waiver would further the goals of a community's strategic plan.

Other Components

In addition to enhanced flexibility to coordinate strategic plans, empowerment zones and enterprise communities will be eligible for five basic forms of incentives and investments: (1) capital incentives such as tax exempt bonds for investments in tangible property in the zone; (2)

"empowerment" incentives such as "Resident Empowerment Savings Accounts" for education, purchase of a first home, or starting a small business; (3) employment and training credits for zone residents; (4) investments for enterprise grants and community policing; (5) "zone priority investments" giving designated communities priority status when applying for federal funds essential to their comprehensive economic development strategy, including community development banks, SBA and Commerce funds and technical assistance, and job training.

Funding

The president has requested that at least \$3 billion in existing federal program funds be targeted to empowerment zones and communities. In addition, \$500 million is authorized for FY 94 and 95 for "Enterprise Grants" and an equal amount for "Community Policing." Furthermore, the budget includes \$4.1 billion over five years in tax incentives for designated communities,

with 80 percent of that cost coming from employment and training wage tax credits.

Challenge Grant Process

Empowerment zones and enterprise communities will be designated through a competitive, "challenge grant" process. To apply, eligible communities will be required to submit a comprehensive strategic plan demonstrating how the community, private sector, and local government will work together to deliver and use government services in "innovative" ways. President Clinton's overview of the plan released at the May 7 briefing states, "This proposal offers local communities the incentives, targeted investments, deregulation and flexibility they need to work with the private

Long-term, stable economic growth in severely distressed areas must be achieved through a coordinated plan of economic, human, and physical development...Not a single dollar will go out without a coordinated strategy

-- Bill Clinton

"Regional" continued from page 1

newcomers, as they advanced from a position of non-existence to virtual coverage of the United States. The 60s saw authorization of many new substate organizations including Economic Development Districts (EDDs) created by the Economic Development Administration (see map on pages 4 and 5), and Local Development Districts (LDDs) created by the Appalachian Regional Commission, both in 1965. By their peak year in 1976, 669 regional councils existed.

The 70s were a period of further federal support of regional councils. Significant federal initiatives in *comprehensive* health care planning, *comprehensive* employment training, *comprehensive* substance abuse planning, emergency medical systems *networks*, and elderly care planning *coordination* stimulated regional council entrance into the health and human services arena.

By the end of the 70s there were 47 federal programs that gave preferential treatment to regional councils as eligible recipients or required a regional plan or planning agency for receipt of funds.

The 80s & 90s

The low profile, close federal partnership pattern was rearranged in the 80s as the Reagan presidency ushered in an era of public policy that focused on the private, rather than public sector. Through the Omnibus

Budget Reconciliation Act of 1981, 59 categorical grant programs were eliminated, and 80 other categorical programs were consolidated into nine block grants. All of the block grants were state-administered.

Remaining programs were recast to enlarge state responsibility and autonomy, while the federal-regional and federal-local relationships were neglected. In many polices the locus of regionalism began to shift to the state level.

Some states maintained regional councils in the absence of strong federal support and gave regional organizations increased authority to directly deliver areawide services during the 80s.

Atkins and Wilson-Gentry identified five rules that regional councils followed in their formative years: 1) stay with the feds, 2) maintain a low profile, 3) provide comprehensive planning assistance only, 4) don't compete with the public sector, 5) and don't compete with the private sector.

Today, regional councils have a new set of rules according to the authors: 1) go with the states, 2) market your agency, 3) pick a few things to do well, 4) invite competition, 5) and be innovative.

This article was based on a paper presented by Patricia S. Atkins and Laura Wilson-Gentry, at the 1992 Regional Cooperation Symposium, Wright State University, Dayton, Ohio, May 29 & 30, 1992.

"Evaluate" continued from page 1

having the desired effect. Made popular by the book *Reinventing Government*, performance accountability sets goals or objectives for a program and measures the progress made toward them. Instead of asking if the correct paperwork was filled out in triplicate, the question becomes: was the region's economy improved?

Compliance accountability relies on detailed rules and regulations to promote conformity. Compliance management assumes people have to be told exactly what to do and how to do it.

Time to Perform

The Director of the Office of Management and Budget, Leon Panetta, has called performance accountability "the foundation for much of what we seek to do, as we go about the task of reinventing government."

Not only is the concept gaining popularity within the executive branch, but also with Congress. Senator William V. Roth Jr. (R-DE) has introduced a bill that would establish performance measurements for federal agencies and set up 10 demonstration projects to try the concept in real life situations. The bill would also create five pilot projects tying program achievement with resources. "Too often in Washington, there is a tendency to focus just on how a program is spending its money and whether it is following proper procedures -- with little concern over what the program is actually achieving," said Roth. The bill has been endorsed by the Clinton administration.

(See the related book review on Inspectors General, and their effectiveness on page 3.)

Regional activities have diversified, and shifted from federally mandated comprehensive planning to membership assistance and professional service delivery.



Training Calendar

July

July 17-20
**National Association of Area
 Agencies on Aging (NAAAA)**
 Annual Conference
 Washington, DC
 (202) 296-6130

July 18-21
Community Development Society
 25th Annual Conference
 Milwaukee, WI
 (414) 276-7106

July 18-20
National Association of Counties (NACo)
 Annual Conference
 Chicago, IL
 (202) 393-6226

July (continued)

July 22-23
**Council of State Community
 Development Agencies (COSCDA)**
 Annual State CDBG Managers Meeting
 Washington, DC
 (202) 393-6435

July 26-Aug 1
**National Association of Housing
 and Redevelopment Officials**
 Annual Conference
 Fort Lauderdale, FL
 (312) 782-2958

August

August 2-4
**Solid Waste Association of
 North America (SWANA)**
 Annual Show
 San Jose, CA
 (301) 585-2898

September

September 6-8
**National Association of
 Towns and Townships (NATaT)**
 Annual Conference
 Washington, DC
 (202) 737-5200

September 13-17
**Solid Waste Association
 of North America (SWANA)**
 Manager of Landfill Operations Training
 Seattle, WA
 (301) 585-2898

September (continued)

September 18-22
**Council of State Community
 Development Agencies (COSCDA)**
 19th Annual Conference
 Bolton, VT
 (202) 393-6435

October

October 18-22
**National Congress for Community
 Economic Development (NCCED)**
 Mid-Year Conference
 San Francisco, CA
 (202) 234-5009

November

November 6-9
**National Association of
 Development Organizations (NADO)**
 26th Annual Conference
 San Antonio, TX
 (202) 624-7806

November 10-12
**Edison Electric Institute
 \ American Gas Association**
 The Role of Utilities in
 Community Based Development
 Washington, DC
 (703) 841-8531

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Economic Development Digest

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How are
regional
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helping 62 million
rural Americans
build communities
and create
jobs?

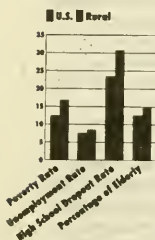
**A REPORT FROM
THE NATIONAL
ASSOCIATION OF
DEVELOPMENT
ORGANIZATIONS
*NADO***

What is rural America?

Rural areas are indicated in red



Rural areas exceed the national average in the following categories:



In addition, rural per capita income is far lower (\$13,786) than the national average (\$17,592).

One in every four Americans, or 62 million people, live in rural areas, a number equal to those who live in inner cities. An additional 15 million people live in small cities and towns. These 77 million Americans share many of the same problems as big city residents, such as poverty and high unemployment, but face unique obstacles because they are dispersed over hundreds of thousands of square miles.

Contrary to popular belief, rural America is far more than farmland. In rural areas, agriculture accounts for less than seven percent of employment. The service industry accounts for 29 percent of rural employment and manufacturing makes up 21 percent.

Most of America is composed of small cities, counties, towns, townships, villages and boroughs. Of all the local governments in the U.S., 86 percent serve populations under 10,000, and half have fewer than 1,000 residents.

WHY IS A HEALTHY RURAL ECONOMY IMPORTANT?

In order for America to have a strong national economy, rural areas must thrive and grow. But rural areas frequently suffer from social, geographic and economic isolation and have limited investment and institutional capacity.

In an age of rapid social and economic change, America's future is intricately tied to the prosperity of both urban and rural sectors. Rural families want to contribute to the growth and development of a healthy economy and to play a significant role in creating economic security for all Americans.

What are regional development organizations?

Regional development organizations are multi-county planning and development districts that encourage cooperation between citizens, local government officials, and the private sector. Initially created in the 1960's, they have grown in number to over 300 and are located throughout the U.S. These regional organizations are best equipped to help rural areas because they provide a critical mass of expertise needed at the local level.

Regional development organizations are known by many names, including:

Area Development District (ADD)
Business Development Corporation
Council of Governments (COG)
Development Council
Economic Development Commission
Economic Development District (EDD)
Local Development District (LDD)
Planning District Commission (PDC)
Planning and Development District (PDD)
Regional Development Center (RDC)
Regional Planning Commission (RPC)

Regional development organizations are the catalysts for strategic planning in rural communities. They help identify local needs and priorities. In addition to planning, regions sponsor many programs, including services for the poor and elderly, job training, small business finance and minority enterprise programs. Each region is governed by a policy board that includes elected officials, business leaders and citizen representatives.

Because they are flexible, regions are often more creative in seeking innovative solutions to local problems. They frequently function as "laboratories for new ways of governing."

In rural areas, it often makes sense to consolidate certain services under the "umbrella" of a regional development organization. For example, operating a landfill in compliance with federal regulations is both expensive and difficult. By pooling resources and expertise, several counties can join together to operate one regional landfill, avoiding duplication of services, saving tax dollars, and ensuring a safe environment. Without a regional approach, this type of solution would be impossible.

What services do regional development organizations provide?

1 ECONOMIC AND INDUSTRIAL DEVELOPMENT

Business incubators help small businesses by providing support services such as clerical, word processing and financial management. The Economic Development Council of Northeastern Pennsylvania helped raise \$1.4 million to acquire and convert an old building in Wilkes Barre into a business incubator. The 19 tenants now employ 115 workers.

2 SMALL BUSINESS FINANCING

Small businesses in eastern North Carolina often had trouble obtaining loans under \$20,000 until the Mid-East Commission began its Micro-Enterprise Program. Since 1989 the Commission's revolving loan fund has made 38 micro-loans totaling over \$500,000, creating or saving 130 jobs in the region.

3 LAND USE AND TRANSPORTATION PLANNING

Cities and counties in rural areas often cannot afford the staff to do comprehensive land use, zoning and transportation planning. The Middle Georgia Regional Development Center in Macon has developed an overall plan for their seven-county area, which includes dozens of small towns. This plan helps local governments to determine which areas are appropriate for residential, industrial, or agricultural use.

4 TECHNICAL ASSISTANCE TO LOCAL GOVERNMENTS

Because stray animals were a major problem for citizens and wildlife, the Kentucky River Area Development District (ADD) in Hazard organized a five-county Regional Animal Shelter on donated land. The facility, which is staffed by volunteers from the local Humane Society, is helping to improve the quality of life in southeastern Kentucky by removing unwanted animals from the countryside.

5 SOLID WASTE MANAGEMENT

Because all the landfills in the region were near capacity, Three Rivers Planning and Development District in Pontotoc, Mississippi began working with officials from several counties to organize a regional authority. Three Rivers worked with engineers to determine the best site, purchased the land, and is the administrative agency for the Regional Solid Waste Authority.

7 RECREATION, TOURISM AND HISTORIC PRESERVATION

Wildlife Safari, a world-class 600 acre drive-through game park in Oregon, needed loans to operate and expand. The CCD Business Development Corporation of Roseburg not only helped the park with money from their revolving loan fund, but also secured foundation funding and Oregon state grants. Wildlife Safari is the largest tourist attraction in this distressed rural region which has lost many jobs because of the spotted owl controversy.

6 NATURAL RESOURCE CONSERVATION

Residents learned about groundwater issues through a creative program called GEM-WEST. With a grant from the Kellogg Foundation, the West Michigan Shoreline Regional Development Commission conducted workshops for teachers, business executives, local officials and the public to build awareness of the need for groundwater protection and environmental education.

8 JOB TRAINING

Members of families with incomes below the poverty level receive job training and employment assistance from the Southwest Arkansas Planning and Development District in Magnolia. A variety of aid is available, including helping high school dropouts get their diplomas; coordinating technical, computer, and on-the-job training; and a summer youth program. The Southwest Arkansas District assists 2,000 people each year.

9 SERVICES FOR THE POOR AND ELDERLY

The Region Nine Development Commission in Mankato, Minnesota established "South Central Plus" with 15 other nonprofit organizations to coordinate service programs. South Central operates several projects including a regional Child Care Resource and Referral service, and programs on cultural sensitivity. Region Nine Development Commission is also the local Area Agency on Aging and provides nutrition, transportation, and other services for senior citizens.

10 EMERGENCY SERVICES

The Texas legislature recently chose the regional councils of governments (COGs) to coordinate the 911 network within the state. Accurate detailed maps with street addresses are essential for 911 operators to quickly identify the exact location of a medical emergency, fire or rescue situation. COGs provide up-to-date maps on a regular basis and help coordinate local 911 efforts.

Why is a regional approach the most effective solution to rural problems?

Regional organizations provide economies of scale and are the most efficient way to deliver services, particularly in areas with low population density and limited resources. Regional staff have the technical expertise to assess the region's overall resources and to help implement short and long term strategies.

In addition to coordinating government services, regional development organizations cooperate with the private sector and with community-based nongovernmental organizations such as volunteer agencies, senior citizen groups, and civic associations. They identify community needs, and work with others to find a grassroots solution.

Regional organizations also provide the link between federal and state programs and the local level where development actually occurs. Funding sources vary by region and reflect local priorities. Most regional organizations receive federal, state and local funds to carry out their mission.

Strategic planning, infrastructure improvement and small business assistance are the three essential tools regions need for rural revitalization. The federal agencies that provide these types of assistance for rural communities include:

DEPARTMENT OF AGRICULTURE

Rural Development Administration - water, sewer, business and industry loans
Forest Service - assistance to forest dependent areas

DEPARTMENT OF COMMERCE

Economic Development Administration - grants for planning, public works and revolving loan funds

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant Small Cities Program

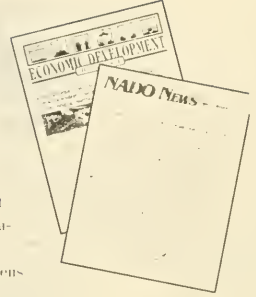
APPALACHIAN REGIONAL COMMISSION - regional development programs

SMALL BUSINESS ADMINISTRATION - small business loans, guarantees

In addition to the above programs, there are numerous other federal agencies that provide funding and technical assistance to regional organizations and rural governments, including the Departments of Labor, Transportation and Health and Human Services.



How does NADO help regional organizations strengthen rural America?



The National Association of Development Organizations (NADO) is a public interest group founded in 1967 to help professionals and local elected officials share information and ideas. The association is the leading advocate for a regional approach to economic and community development. NADO's goal is to assure that all rural citizens have the same access to employment opportunities as those who live in urban areas and a comparable quality of life.

NADO provides information and technical assistance through publications, training and policy analysis. *NADO News*, a weekly newsletter, reports on federal policy, analyzes research, and highlights successful regional programs. The association sponsors a spring conference in Washington and an annual meeting in the fall.

Each year NADO recognizes creative regional projects through the Innovation Awards program. Award-winning projects are summarized in a publication, providing development practitioners with information about innovative approaches to rural problems. At the annual conference, award winners discuss their projects at roundtables.

The NADO Research Foundation was established in 1983 to provide research, education and training. The foundation produces the *Economic Development Digest*, a monthly publication for development professionals and local officials.

The Research Foundation also conducts Revolving Loan Fund Management Seminars, maintains a database of innovative development programs and has sponsored an exchange between development professionals in the US and the eastern German state of Brandenburg.

NADO's goals for the future are:

- building professional expertise in rural areas
- broadening the vision of rural officials and citizens
- working with new partners such as nongovernmental organizations, educational and financial institutions
- improving policymakers' understanding of rural needs
- promoting environmentally sound economic diversification

Rural America is in transition, from a land and resource-based economy to one engaged in trade and services with urban residents and the world. The National Association of Development Organizations' mission is to provide the information necessary for rural Americans to take control of their own destiny.

FOR MORE INFORMATION, CONTACT:

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NADO

Promoting economic development in America's small cities and rural areas

®

Business Outreach Center

Model for Community-Based Economic Development

STATEMENT BEFORE THE HOUSE COMMITTEE ON
PUBLIC WORKS AND TRANSPORTATION
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

by

Rabbi Morris A. Shmidman

Executive Director

Council of Jewish Organizations of Boro Park

JUNE 24, 1993

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As we all recognize, small to mid-sized companies are the hidden heroes of stable local economies, job formation and regional growth. However, they often face almost impossible odds, particularly when their base of operations is in self-contained communities. In fact, America's most vulnerable entrepreneurs are those in culturally, linguistically or geographically isolated areas -- in "hard-to-reach" and distressed communities, in other words, where business growth is handicapped by limited access to services.

To make matters worse, the changing business environment of the last few years has only increased their burden. To survive, the small business sector along with potential entrepreneurs need informed and unobstructed access to top-quality sources of advice and assistance. How they are to get it, of course, remains the problem. Though technical assistance along with a host of incentive programs and services is unquestionably out there, it has not been reaching the people and firms it is meant to serve. Discouraged by ignorance, misinformation or red tape, they either do their best or flounder.

It is clear that something must be done to improve the current service-delivery process. What is called for, in fact, is a new service-delivery model, one that strengthens the linkages between economic development agencies, business service providers, educational and training institutions and local entrepreneurs.

The Council of Jewish Organizations of Boro Park has created a model which has already proven its merit in meeting these needs. The Business Outreach Center or BOC, was created in 1989 as a demonstration project funded by the New York State Regional Economic Development Pilot Program. Since that time its viability as a model has been proven through highly successful replications in

diverse community settings throughout New York City's five boroughs. The Business Outreach Center Network has been funded by a variety of city, state and federal sources and now serves six communities; representing wide ranging ethnic and cultural populations. In its three years of operation BOC has served more than six hundred small businesses and potential entrepreneurs. The partners of these strongly supported business outreach centers include all of the high profile city, state and federal economic development agencies, regional small business development centers, educational institutions, along with banks, utilities and other private sector service providers.

The Business Outreach Center model presents a picture of an important strategy in supporting new business development, job retention, business expansion and small business stability. It is in fact the solution to the need for a new service delivery mechanism to guarantee that important resources reach the businesses and individuals which they are designed to support, and in turn to guarantee the future of local economies and the well-being of the nation as a whole which is so dependent on the success of the entrepreneur.

The Business Outreach Center, or BOC is both easy to use and easy to sell. It can be described as a locally-based facility which acts as a small firm's "one stop shop" for all essential services. Each BOC is sponsored by a prominent community-based organization and connected to high-quality, public and private economic development and business assistance providers through formalized linkage agreements. BOCs broker and coordinate individualized technical assistance on behalf of local business owners. Linkage agreements with service providers ensure a warm welcome for a BOC's clients upon referral.

A key feature of BOC is its staff, which must be conversant with the language and culture of their host community. BOC business counselors meet with clients to assess their needs and to tailor comprehensive plans of service. A BOC counselor's follow-up with both public and private sector agencies assures the success of the service-delivery process.

With a BOC in the neighborhood or region, once marginalized entrepreneurs suddenly have access to information and services they might otherwise never have known about. In addition, because this assistance is being offered under the aegis of a trusted community organization, the likelihood it will be accepted and applied is greatly improved.

This has been demonstrated time and time again in our Business Outreach Centers. A case in point is a small knitting mill which through BOC intervention not only relocated within the City but increased employment from 15 to 65 during peak season. BOC staff walked this business through its investigation of state, federal and private sector loan programs, introduced the owner to the York College Small Business Development Center which provided business planning resources, accessed on the job training programs and cut through City red tape to acquire a \$50,000 relocation grant. In addition BOC hooked this business up to an organization called HIRE which places handicapped job applicants.

BOC has forged a special relationship with SBA SCORE to provide export assistance to many of our Asian clients. As a matter of fact SCORE and the Pace College Small Business Development Center outstation their specialists one day each two weeks at a local BOC office. Why? Because BOC counselors prepare clients, speak the language of the clients and are trusted advocates.

Thus, more than small business assistance to a handful of disparate companies, BOC represents a business revitalization strategy whose strength lies in its special emphasis on community-based outreach and on-going case management throughout the service-delivery process. As such, it has the potential to become a national model for helping small to mid-sized companies and individuals seeking to start their own businesses develop the access and know-how they need to take full advantage of the world of business assistance services and to make the transition to a higher performance workplace.

In fact, BOC has been called the perfect economic development tool to reach the small business community. If the experience of hundreds of businesses is anything to go on, it is a claim that is hard to argue with.

In supporting new entrepreneurs BOC has implemented a range of outreach workshops and connected individuals with entrepreneurial assistance programs initiated by a variety of agencies including the City's Department of Business Services, the American Women's Economic Development Corporation and Council's own Entrepreneurial Training for Refugees. Recently a home-based woman-owned design firm on Staten Island was linked to a Chinese Garment Association to develop samples for a major Minority Design show, the Black Expo. The business owner was able to create samples in under two weeks. Two BOCs collaborated to make this happen.

I would like to stress that a BOC is neither a direct business service provider nor does it compete for the same funding dollars as the economic development community, public or private. It is in essence a broker. While BOC outreach is targeted to a community of entrepreneurs isolated due to cultural, linguistic or geographical factors, BOC's clients are not required to have a business within

delimited geographical boundaries. Therefore, BOC can assist a firm to accomplish its development goals without any restriction on its mandate. This provides continuity and creates a trusted relationship for businesses as they get started, expand and develop.

As I mentioned, the Business Outreach Center Network is a growing consortium of Business Outreach Centers now comprised of six centers. It is an alliance for small business empowerment.

The BOC Network offers local economies the chance to benefit from shared resources. It represents a business revitalization strategy which promises to revolutionize the way local economies do business.

The BOC Network is a model for community empowerment. It tackles concerns that transcends geographic and cultural differences, the survival of small business and the stability of local economies. It is a tool for minority business development, entrepreneurship, and job retention for isolated and economically distressed communities. When a series of Business Outreach Centers come together in a network, resources to individual centers dramatically increase.

In New York we have seen many graphic examples of this benefit. Recently two recycling start-up companies were identified through BOC Staten Island and BOC in the Bronx. A long time recycling business in Queens, identified by BOC in Rockaway has become a resource for these new firms through our intervention. Wholesale markets for products have been identified through BOC collaborations. BOC has connected inventors with technical institutions, and small service firms with federal, state and City procurement opportunities accessing the whole range of support services available to these businesses.

And I must stress that our clients would not have been able to access these resources without us, whether the reason - in the case of the exporter - was his lack of English skills, or - in the cases of our small manufacturers - their intense involvement with day-to-day operations leaving no time for outside investigation, or the very real cultural barriers preventing our clients from entering a government office to ask for services. BOC intervention is their only avenue to needed assistance.

In light of our successful efforts to create a model which serves the needs of small business, new entrepreneurs and the economic development programs meant to serve them, I hope the committee recommends legislation to establish BOC as an economic development model for the nation.

In the package of our full testimony you can find a budget for a typical BOC as well as client statistics from our operations in New York along with other valuable information. I thank you for your consideration and for the opportunity to present this new strategy to your committee.



BACKGROUND - DEVELOPMENT

- **1988-1989 Boro Park Business Survey** funded by the NYC Office of Business Development

In order to ensure the survival of the small business sector and to expand employment opportunities for local residents, the Council of Jewish Organizations of Boro Park (COJO) identified economic development as a community priority and initiated a preliminary business needs assessment.

As a result of the 1989 Boro Park Business Survey, COJO developed the Business Outreach Center (BOC) model, an innovative approach to community based economic development, with a special emphasis on outreach, partnership and specialized access to economic development services.

- **1990 Business Outreach Center** established in Boro Park with a branch office in Far Rockaway, Queens

In October 1990, BOC opened as a pilot project, supported by the New York State Regional Economic Development Partnership Program (REDPP) with additional support from Assemblyman Dov Hikind and Chase Manhattan Bank. COJO opened the Far Rockaway branch of BOC in partnership with the Rockaway Development and Revitalization Corporation and the Jewish Community Council of the Rockaway Peninsula.

BOC brokers business assistance resources on behalf of small to mid sized companies. The measure of BOC's success has been its rapid growth as a model project for the delivery of community-based economic development services. Not only are other neighborhoods now in the process of developing their own BOC's, but have enthusiastically joined together with COJO to create a citywide BOC Network extending the collaborative model to a new dimension.

- **1992 - BOC replication initiates multi-community BOC Network**

With the support of Senator Alfonse D'Amato, COJO expanded the BOC model with a Special Purpose Grant from the U.S. Department of Housing and Urban Development. BOC has been replicated in communities which share in a traditional isolation from the mainstream business market. Like Boro Park, these diverse and largely minority communities face a variety of barriers to successful access to available economic development resources.

With additional support from New York City Council, individual Council members, NYS REDPP, and corporate supporters, the BOC Network came into being. The network is comprised of six communities: Boro Park, Brooklyn; Rockaway, Queens; Flatbush, Brooklyn, Chinatown/Lower East Side, Manhattan; Hunts Point, the Bronx; and Staten Island. This collaboration promises to broaden understanding across community and ethnic lines while addressing the needs of Hasidic, Asian, Caribbean-American, African-American, Eastern European, Hispanic and Haitian entrepreneurs.



BUSINESS OUTREACH CENTER

A Collaborative Strategy for Economic Stability and Growth

One of the Council of Jewish Organization of Boro Park's (COJO) most exciting ventures, the Business Outreach Center (BOC), brokers high quality business assistance services on behalf of its clients, small to mid sized companies.

The BOC model, successfully tested in Boro Park and Far Rockaway, has recently been expanded to create a citywide Network consisting of six centers. Each BOC is sponsored by one or more selected local organization(s) in partnership with COJO.

COJO has leveraged over three million dollars (\$3,000,000) in City, State, federal and private funds to support the BOC Network. The Network will serve multiethnic business communities in each of the five boroughs of New York City.

The six centers that comprise the BOC Network will broker services from the entire spectrum of established economic development and business assistance providers. The Network's mission is to channel these services to local business communities, extending access to existing sources of business assistance.

BOC extends the ability of economic development agencies, business service providers, educational and training institutions to serve small to mid sized businesses in a cost effective way. It also offers the potential to implement the latest business technologies and practices to increase the competitiveness of the small business sector as demands for economy and quality continue to increase.

The BOC model addresses the technical assistance gap that is limiting the growth potential of many small to mid sized businesses throughout the city. The BOC model goes beyond providing limited assistance to a handful of disparate companies. It is a business revitalization strategy that emphasizes community based outreach, case management and quality control throughout the service delivery process.

While the primary purpose of BOC is to activate business assistance resources through improved access to existing service providers, the Network has additional potential to benefit individual communities and the City as a whole by serving as a tool for improved intergroup and intercommunity relations. Through the six center Network, BOC will target Caribbean, Asian, Hispanic, African American and Hasidic entrepreneurs.



The Advisory Board - Active Program Participation

The BOC Network is operated under the guidance of an overall Advisory Board which includes representatives of economic development agencies, government, not-for-profit organizations, chambers of commerce, small business development centers, institutions of higher education, banks, and local business. Through collaboration with the Board and local Advisory Committees, each BOC can access a wide range of business assistance services for its clients.

The Outreach Campaign - A Multi-Level Effort

The Business Outreach Centers employ an extensive outreach campaign at the community level. The outreach campaign succeeds in its objectives through the participation of local agencies, banks and business associations. The success of the outreach campaign is also dependent upon the contributions of the BOC Advisory Board and local Advisory Committees as sources of information and expert presenters for scheduled outreach events.

The Linkage Agreement - Formula for Cooperation

The BOC interfaces with the whole spectrum of economic development agencies and business assistance service providers through formalized linkage agreements. The agreements designate services available at the linkage partner and procedures for client referral and follow up. Each linkage partner orients BOC staff to its service delivery procedures.

The linkage agreement serves as the beginning of a mutually beneficial relationship and is revised as the relationship develops.

The BOC - a Model for Community Empowerment

The BOC can empower a community to join as a regional partner in the effort to strengthen business, promote business development and support the expansion of employment opportunities in its region. Entrepreneurs benefit by having access to staff and counselors who understand their business needs as well as their language and culture. The BOC model directs small to mid sized businesses to the most appropriate service providers based on individualized business assistance plans. Each BOC replication further refines the BOC technology as it is customized to diverse communities.



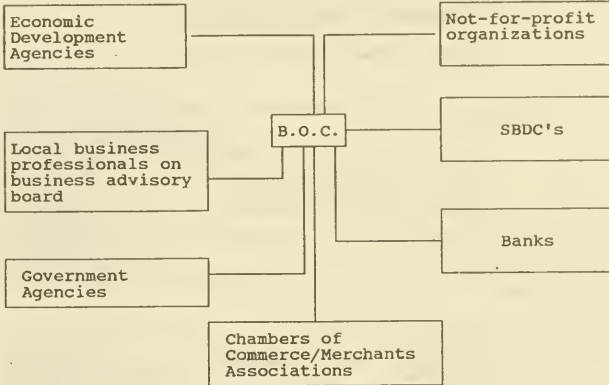
The BOC Network

- ** The BOC Network comprises six centers linked electronically to broker high quality business assistance to selected target communities.
- ** The BOC Network addresses concerns shared across geographic and cultural lines; the survival of small businesses and the stability of local economies.
- ** The BOC Network is rooted in the context of the local community, each center being sponsored by prominent community-based organizations with strong ties to the businesses and cultures represented within the community.
- ** The BOC Network offers local economies the opportunity to benefit from shared resources.
- ** The BOC Network is a tool to address wide ranging business needs and to support minority business development.
- ** The BOC Network mission is to continually expand capacity to serve business and to deliver new business technologies to its clients.



BUSINESS OUTREACH CENTER Council of Jewish Organizations of Boro Park

B.O.C. AND ITS LINKAGE PARTNERS



Both formal and informal linkages have been developed with:

Government Agencies: N.Y.C. Department of Business Services, N.Y.C. Department of Employment, N.Y. State Office of Economic Development, US Small Business Administration, City Council President's Office.

Economic Development Agencies: Brooklyn Economic Development Corp. Queens Overall Economic Development Corp., Rockaway Development & Revitalizations Corp., Industrial Technical Assistance Corp.

Small Business Development Centers: York College SBDC, Pace College SBDC, Kingsborough Community College SBDC.

Chambers of Commerce/Merchants Associations: Brooklyn Chamber of Commerce, Chamber of Commerce of the Rockaways, Thirteenth Avenue Merchants Association

Not-for-Profit Organizations: Council of Jewish Organizations of Boro Park, Jewish Community Council of the Rockaway Peninsula, Maimonides Medical Center, Opportunity Development Association, Columbia University Business School, UJA-Federation of Jewish Philanthropies, ORT America

Banks and Business: Brooklyn Union Gas, Con Edison, N.Y. Telephone, Dime Savings Bank, Chemical Bank, Citibank, N.A., Chase Manhattan Bank, Manufacturers Hanover Trust, Independence Savings Bank Community National Bank, Friedman Associates, Pinrose, Inc., Brucha Funding, Gelt Funding Corp., Roth and Company, Fairmont Funding, Federal Financial Services.

1301 51st Street, Brooklyn, NY 11219 (718) 436-2600 Executive Offices (718) 436-1550



BUSINESS OUTREACH CENTER Council of Jewish Organizations of Boro Park

BUSINESS OUTREACH CENTER
AVERAGE ANNUAL OPERATING BUDGET

Personnel:

Director	\$ 43,000
Senior Business Counselor	32,000
Junior Business Counselor	27,000
Administrative Assistant	23,000

Fringe Benefits: 36,250

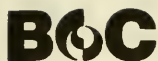
OTPS:

Rent and Utilities	20,000
Printing	2,500
Equipment	4,000
Supplies	2,400
Telecommunications	2,400
Postage	2,500
Travel	1,500
Insurance	750

Other:

Seminars and Workshops	3,500
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GRAND TOTAL: \$200,000



BUSINESS OUTREACH CENTER Council of Jewish Organizations of Boro Park

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BUSINESS OUTREACH CENTER Council of Jewish Organizations of Boro Park

COUNCIL OF JEWISH ORGANIZATIONS OF BORO PARK

BUSINESS OUTREACH CENTER PROGRAM

LINKAGE AGREEMENT

WITH THE

BROOKLYN ECONOMIC DEVELOPMENT CORPORATION

The Brooklyn Economic Development Corporation (BEDC) is willing to enter into an agreement to provide its entire range of business assistance services to the clients referred by the Council of Jewish Organizations of Boro Park's Business Outreach Center Program (BOC) according to the following:

I. OUTREACH

The Brooklyn Economic Development Corporation agrees to provide in-depth information regarding its programs and services including: Eligibility requirements, scope of services, service availability, time frames and schedules.

BEDC agrees to allow the BOC to actively campaign to attract and/or inform potential users of the following business assistance services: See Attachment A.

BEDC agrees to allow the BOC to include information and/or materials determined appropriate to this effort and shall provide the BOC with these materials as needed.

II. INTAKE AND ASSESSMENT

BEDC's responsibilities:

BEDC agrees to train the BOC staff to conduct intake and assessment appropriate to the following programs and services: See Attachment A.

BEDC agrees to provide the following intake and assessment forms for use by the BOC staff: "Technical Assistance Request Form "

The BOC'S responsibilities:

The BOC agrees to conduct intake and assessment to determine business assistance needs of potential users of BEDC's programs and services.



III. REFERRAL AND FOLLOW-UP

The BOC agrees to make referrals for business assistance services and BEDC agrees to accept these referrals on a case management basis.

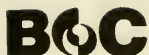
Acceptance of referrals by BEDC does not guarantee that it will obtain results on behalf of the client. BEDC will retain full discretion and authority as to the appropriate actions on behalf of the client.

BEDC's responsibilities:

1. Identify program staff responsible for action on referrals from the BOC.
2. Take appropriate action on behalf of referred clients in consultation with the BOC including: Informing BOC staff of need for additional client information and/or problems encountered in serving the client.
3. Provide timely client progress reports to the BOC.
4. Participate in joint staff meetings every two months.

BOC'S Responsibilities:

1. Establish a case file.
2. Act as the case manager.
3. Prepare a business assistance needs profile.
4. Make recommendations for appropriate services.
5. Complete appropriate forms.
6. Forward client profile, recommendations and intake and assessment forms to appropriate service providers with each referral.
7. Assist in obtaining additional information or clarification.
8. Provide ongoing support and follow-up between client and the service provider.
9. Participate in joint staff meetings every two months with BEDC.

**ATTACHMENT A****FINANCIAL SERVICES**

1. General Loan Packaging
2. Tax abatement programs (ICIP)
3. Energy Cost Savings Programs
4. Incentive Programs
5. General Information

BUSINESS SERVICES

1. Free Energy Audits
2. Security
3. Health Insurance
4. General Technical Assistance

MARKETING AND RESEARCH

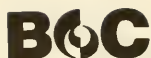
1. Statistical Information
2. Promotion/Marketing
3. General Information

REAL ESTATE

1. Public Property Search
2. Private Property Search
3. Real Estate/Zoning Information
4. City Property Sales
5. Broker Liaison/Property Listing

COMMUNITY DEVELOPMENT

1. General Technical Assistance

**BOC SITES****BORO PARK, BROOKLYN**

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FLATBUSH, BROOKLYN

BOC/Church Avenue Merchants Block Association
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Brooklyn, NY 11226
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CHINATOWN/LOWER EASTSIDE, MANHATTAN

BOC/Chinatown Manpower Project/ S. Manhattan Dev. Corp.
125 Canal Street, 3rd Fl.
New York, NY 10002
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ROCKAWAY, QUEENS

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Far Rockaway, NY 11691
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HUNTS POINT, BRONX

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Bronx, NY 10474
718 842-5894 Fx: 718 842-6592

STATEN ISLAND

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Staten Island, NY 10310
718 816-4775 Fx: 718 816-7234



PROFILE

BUSINESS OUTREACH CENTER NETWORK

SPONSOR ORGANIZATIONS

JANUARY 1993

BORO PARK, BROOKLYN

COUNCIL OF JEWISH ORGANIZATIONS OF BORO PARK

Founded: 1972

Annual Budget: \$3,000,000

Community Information: Boro Park is a unique community which is characterized by a large orthodox and immigrant Jewish population. Since 1970 the Jewish population has grown by more than 35% and now accounts for more than 85% of the total population. Boro Park has become the choice of first residence for a growing number of newly arriving immigrants entering the United States since 1960 from Israel, Russia, Rumania, Poland and Iran. Large proportions of Boro Park residents settle permanently as the result of a high degree of traditionalism and communal interdependence supporting an extensive private school system and three prominent commercial strips.

Organizational Information: The Council of Jewish Organizations of Boro Park (COJO) was founded in 1972 to represent the interests of the Boro Park community and to develop and provide needed community services. The Council's board is comprised of religious, civic and business leaders with extensive connections throughout the community. The Council provides a broad range of human, education, employment and training services to local residents. Over the years the Council's mission has grown from that of a not-for-profit human service agency to that of a major force in shaping Boro Park's growth and development.

COJO acts as the main human service provider of the community, employing more than 50 staff. COJO currently operates seventeen programs serving more than 20,000 people every year. COJO's Employment and Training Division administers seven separate programs which provide job training and placement services to disadvantaged adults and students, as well as programs with a special emphasis on the needs of limited English-speaking refugees and immigrants. The Council's programs fall under the following departments:

Education - Social services - Employment and training - Community services - Publications
Economic development - Crime prevention - Refugee services

One of the Council's chief missions has been the creation of partnerships with government, and collaborations with other New York City neighborhoods and organizations to develop new service technologies and improve the quality and delivery of human service resources.

New Initiatives: COJO is currently conducting a pre-employment workplace literacy demonstration project, supported by the U.S. Department of Labor in collaboration with the New York City Department of Employment. This project is providing contextualized basic skills to participants in JTPA pre-employment training programs.

Over the past twenty-four months, COJO has opened a series of Business Outreach Centers and as such has developed relationships with a large network of business service providers. In its first two years of operation the COJO Business Outreach Center has served nearly 300 business clients. The cornerstone of the BOC programs is its commitment to identifying the various and evolving needs of its small business clients and to forging linkages to meet those needs.

LOWER EAST SIDE, MANHATTAN

SOUTH MANHATTAN DEVELOPMENT CORPORATION

FOUNDED: The South Manhattan Development Corporation (SMDC) was founded in November, 1982 by small businesspersons, community residents with support of the United Jewish Council of the East Side, a large low East Side social service and housing improvement community group.

A small local development corporation, its mission is to enhance the economic climate of the Lower East Side by working to attract more businesses to the area and strengthening the existing commercial districts. In early 1984 it was funded by the then Public Development Corporation (later Office of Business Development, now Department of Business Services) to administer a Commercial Revitalization Program which provided grants to storefronts for security and facade improvements, capital improvements, development assistance, and marketing and promotional activities.

It is responsible for establishing a Business Improvement District for the commercial corridor encompassing Orchard, Grand and Delancy Streets which was approved in 1992 and will become operational in early 1993.

SMDC has been closely involved with the Lower East Side Merchants Association and has also played a strong advocacy role on behalf of these merchants on several issues.

ANNUAL BUDGET: Most of its present budget (\$35,000) is provided by the New York City Department of Business Services.

COMMUNITY INFORMATION: SMDC serves Community Board Three, the area south of Fourteenth Street to the Manhattan Bridge, and east from the Bowery to the FDR Drive. Its population is approximately 156,000 persons, (28% White, 30% Hispanic, 8% African-American, 33% Asian and 1% other) with a rapidly increasing Asian (mostly Chinese) population.

It covers the following diverse business communities: the East Village (strong cultural and arts scene, ethnic restaurants); part of Little Italy and Chinatown (ethnic restaurants and businesses catering to visitors and tourists); the traditional commercial district below Houston where the new BID is located (retail and wholesale businesses concentrated in apparel, linens, electronics, religious goods) and the area known as Loissaida covering Avenues A, B, C and D between 14 Street and Houston Street (neighborhood-based convenience and service stores).

RANGE OF PROGRAMS AND SERVICES: SMDC administers the Department of Business-funded Commercial Revitalization Program and continues its advocacy on behalf of small businesses.

CURRENT INITIATIVES: SMDC is currently focused on setting up the new Business Improvement District and co-sponsoring the Chinatown/Lower East Side Business Outreach Center with particular emphasis on outreach to the area's traditional and Hispanic-owned businesses.

STATEN ISLAND

WEST BRIGHTON COMMUNITY LOCAL DEVELOPMENT CORPORATION

The West Brighton Community Local Development Corporation was organized in 1960 by a group of concerned business owners and residents of the neighborhood. West Brighton had been in a steady decline for several years. The infrastructure and the spirit of the community were at an all time low. The LDC, with the help of the City of New York's Community Revitalization Programs, initiated programs through which positive changes occurred. Buildings that had been vacant were renovated, new businesses opened, homes were renovated and a new spirit of cooperation between neighbors all have helped to make the West Brighton community a better place in which to live and work.

Today our programs include a host of different technical services for Staten Island Businesses:

free employment services
 industry specific training programs
 liaison with government
 business services/job development network
 and workforce development projects

Our services are available for all Staten Island businesses, however, we do target the North Shore of Staten Island. Staten Island has many small "Mom & Pop" retail and service businesses with minimal business expertise. They are frequently misinformed about City and State agencies and view them skeptically and fearfully. Additionally, the Staten Island business community is made up predominantly of white males. The 'good ole boy' syndrome is alive and well and many of the new businesses which are women/minority owned and operated feel that they are 'out of the loop'. It is the goal of the Staten Island Business Outreach Center, sponsored by the LDC, to address the needs of ALL Staten Island businesses, thereby bringing small, minority and women owned businesses into the 'loop'.

Our current annual budget is approximately \$160,000, and anticipate that planned expansion will bring our annual budget to \$225,000 in the near future. Our programs are funded by City and State agencies, Staten Island Borough Hall, banks, private foundations and corporations.

We are located at 1207 Castleton Avenue on the North Shore of Staten Island. Our location is easily reach by public transportation or by private automobile with ample parking.

Accomplishments:

- Reduced vacancy rate on a major commercial strip from 35% - 5%
- Provided skills upgrade training for 150 automotive service businesses in on-board computers, a new technology which has dramatically changed diagnostics. (Funded by EDC)
- Received first and only UDC feasibility study grant for Staten Island, currently being implemented by Atlantic Salt, adding in its first stage 30 new jobs.
- Processed one of NYC's first microloans for a small woman-owned business
- Received Main Street NY award from the New York State Department of State - 1987

HUNTS POINT, THE BRONX**HUNTS POINT LOCAL DEVELOPMENT CORPORATION**

FOUNDED: 1988

ANNUAL BUDGET: \$282,000

COMMUNITY INFORMATION: The Hunts Point LDC, located in the south east Bronx serves the largest (629 acres) industrial park in New York City, including the Hunts Point Food Distribution Center and over 600 small and medium sized businesses. Over 20,000 people are employed in this industrial park. The community is largely Hispanic and African-American. The housing stock in the Hunts Point peninsula has been entirely rehabilitated in the last four years. Community Board 2 serves the area.

RANGE OF PROGRAM AND SERVICES:

- Industrial Park Management
- The Hunts Point Business Training Center
- Commercial Revitalization Program
- Hunts Point Industry and Commerce Association
- Local Employment Action Program
- Employment Services
- Business Outreach Center

ACCOMPLISHMENTS:

- Department of Sanitation cites Hunts Point as the most improved area in New York City
- Published directory of 575 local business
- Set up Hunts Point Business Training Center with first computer training laboratory organized in an industrial park in New York State
- Special recognition from the Bronx Overall Economic Development Corporation for its dynamic contributions to economic developments in the Bronx

FLATBUSH, BROOKLYN

CHURCH AVENUE MERCHANTS BLOCK ASSOCIATION, INC.

FOUNDED: 1978

ANNUAL BUDGET: \$4,000,000

COMMUNITY INFORMATION: The Church Avenue Merchants Block Association is a not-for-profit organization located on Church Avenue in the North Flatbush section of Brooklyn. CAMBA was originally formed as a merchant association and continues to provide services to the 150 merchant members on Church Avenue. CAMBA has now grown into a full-service community agency, providing education, leadership training, job placement, and advocacy for at-risk youngsters and adults. CAMBA receives funding from a wide variety of private and government sources -- city, state, and federal. The agency's missions are: to assist under-served and culturally diverse populations to achieve economic independence; and to promote the economic stability of the community by supporting local businesses.

CAMBA employs ninety-five people, representing fifteen ethnic groups. We serve American-born residents, as well as a wide variety of immigrant and refugee groups, including Hispanic, Haitian, Russian, Indochinese, and others. Our client base of approximately 5,000 individuals comes to us from Flatbush, Est Flatbush, Brownsville, and other Brooklyn neighborhoods and includes local residents, homeless families, parents and youth in New York City schools and immigrants from all five boroughs.

RANGE OF PROGRAMS AND SERVICES: CAMBA has five program clusters: Schools and Youth, Adult Education, Immigration, Merchant and Community, and Health, including drug prevention and treatment.

ECONOMIC DEVELOPMENT INITIATIVES: CAMBA provides professional, individualized technical assistance to entrepreneurs, small businesses, and manufacturers in the East Flatbush, Flatbush and surrounding communities. Accomplishments include:

- reducing the commercial vacancy rate from 15% to 0%;
- implementing the use of second-story space for commercial purposes;
- creating and developing over 1,000 jobs;
- developing the Microenterprise Loan Program for refugees to start or expand their businesses.

Our current initiatives include expanding the Microenterprise Program to youth in the public schools and job development efforts among young people within the Drug Prevention Program, and training minority women to become day-care facility.

CHINATOWN, MANHATTAN

CHINATOWN MANPOWER PROJECT, INC.

FOUNDED: Established in 1972 and incorporated in 1973, Chinatown Manpower Project (CMP) is a non-profit, community-based organization located in the heart of Chinatown. For over 20 years, CMP has been providing quality vocational training, job skills training, employment counseling, business English, direct job placement services and continuing education classes to limited English proficient and economically disadvantaged immigrants and refugees in the Chinatown community.

ANNUAL BUDGET: \$1.98 million

COMMUNITY INFORMATION: The Chinatown neighborhood is in Community Board #3 and is designated as City Council District #1. The recent growth of the Chinese immigrant population has extended the community as far north as Houston Street, east to the East River, west to Tribeca and south to the Brooklyn Bridge. According to the 1990 Population Profile prepared by the US Census figures, there are 71,723 Chinese residents in Manhattan; the majority of whom reside in the Chinatown area. According to census figures, there are 239,000 Chinese residing in New York City. Asian immigration in the past decade fueled a 123.4% growth in New York State's Asian population.

There are an estimated 2,500 businesses located in Chinatown. The majority of these business entities are small businesses with less than 20 employees. Three main categories make up the bulk of these businesses: restaurants, garment factories, and retail stores. In addition to these, there are a host of other businesses; travel agencies, hair salons, street vendors, health services, legal services, trading companies, construction firms, banks and grocery stores.

PROGRAMS AND SERVICES: CMP currently offers the following vocational training programs and direct job placement services. All training programs are fully integrated with ESL and counseling.

- * BVT Micro-Computing Program.
- * BVT Chef Training Program.
- * JTPA Skills Training Program. Bookkeeping, Banking/Financial Services, Date Entry, Bilingual Medical Assistant, and Licensed Practical Nurse.
- * Refugee Vocational Training Program.
- * Testing, Assessment and Placement (TAP) Program.
- * Computer Assisted Educational Program.
- * Adult Continuing Education Program.

CURRENT INITIATIVES: In addition to BOC, CMP has recently established two other programs.

- * Entrepreneurial Training Program. Entrepreneurial skills, business English and assistance in developing strategic and realistic business plans for immigrants to start their own businesses.
- * Workplace Literacy Program. Provide instruction in job-related English to garment workers. To make lessons available to the thousands of workers at their worksite, Sinocast, a local Chinese radio station broadcasts our job-specific English lessons over the air daily.



**BUSINESS OUTREACH CENTER CLIENT SURVEY
DECEMBER 1992**

This survey is based on a total of 256 clients who applied for services. This represents BOC clients both in Boro Park and Far Rockaway.

A. BUSINESS DESCRIPTION BREAKDOWN: %

(56) <u>22%</u> MANUFACTURER	(61) <u>22%</u> RETAIL	(3) <u>1%</u> OTHER
(2) <u>1%</u> CONSTRUCTION	(69) <u>26%</u> WHOLESALE	
(0) <u>0%</u> ASSOCIATION	(28) <u>14%</u> SERVICE	
(10) <u>4%</u> NON PROFIT	(28) <u>11%</u> STARTUP*	

There is a relatively equal distribution of retail, wholesale, and manufacturing businesses. The combined retail and wholesale categories have shown a steady percentage increase (48%) since December 1991. The percentages of startup companies have significantly increased (11%), perhaps attributed to the current difficult economic period and the resulting large number of people who have lost their jobs. In this startup group, there are a large amount of women who are seeking BOC assistance in starting a new business. The construction (1%) and service (14%) categories have remained relatively unchanged.

* Startup companies refers to being in business from 0-6 months.

B. LEGAL STRUCTURE OF BUSINESS: %

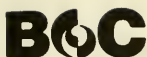
(74) <u>29%</u> SOLE PROPRIETORSHIP	(3) <u>1%</u> FRANCHISE
(56) <u>22%</u> PARTNERSHIP	(0) <u>0%</u> CHAIN
(123) <u>48%</u> CORPORATION	(0) <u>0%</u> OTHER

Compared to 1991, the percentage of sole proprietorships has significantly increased by nearly one-third due to the larger number of startup companies and the increase in expenditures of incorporation (state filing fees, lawyer and accounting fees etc.) that small companies may not be willing to afford especially in the beginning of the business. If sole proprietorships and partnerships are added together (51%), they equal the percentage of corporations (48%).

C. ETHNIC MAKE-UP: (Boro Park) %

(205) <u>80%</u> ORTHODOX / CHASSIDIC OWNED BUSINESS
(5) <u>2%</u> HISPANIC OWNED BUSINESS
(5) <u>2%</u> AFRO-AMERICAN OWNED BUSINESS
(0) <u>0%</u> ASIAN OWNED BUSINESS
(38) <u>15%</u> OTHER

The BOC, a division of the Council of Jewish Organizations located in the orthodox neighborhood of Boro Park has a large percentage (80%) of Orthodox/Chassidic clients. From this category, there is approximately a 40% split between Chassidic and non Chassidic



Orthodox clients (60%).

D. WOMEN OWNED BUSINESS: %

(77) 30% YES
(179) 70% NO

While the majority of BOC business clients (70%) are owned by men, an increasing number of women (30%) are starting their own small businesses. In addition, many of the clients are a family-owned businesses in which the wife is often a full partner in the running of the businesses.

E. LENGTH OF TIME IN BUSINESS: %

(26) 10% LESS THAN 6 MONTHS
(38) 15% 6 MO. TO 1 YEAR
(146) 57% 1 - 5 YEARS
(33) 13% 5 - 10 YEARS
(13) 5% MORE THAN 10 YEARS

The majority of business clients (82%) of BOC clients have been in business for less than five years. This large percentage is due in part to their need to acquire professional business advice in their first few years. Businesses in existence for more than five years tend to request loans (with BOC help) through the SBA and other government agencies (after they were turned down by the banks), energy saving advice and alternative marketing strategies.

F. NUMBER OF EMPLOYEES: %

(164) 64% 1 - 5
(31) 12% 6 - 10
(28) 11% 11 - 15
(23) 9% 16 - 20
(10) 4% 20 OR MORE

The large percentage of BOC clients with fewer than 10 employees (76%) reflect the large number of wholesale and retail businesses as compared to manufacturers who generally have more employees.

G. RANGE OF ANNUAL SALES: %

(13) 5% LESS THAN \$50,000
(23) 9% \$50,001 - \$100,000
(44) 17% \$100,001 - \$250,000
(146) 57% \$250,001 - \$500,000
(18) 7% \$500,001 - \$1,000,000
(13) 5% \$1,000,000 OR MORE

Most of the BOC clients have annual sales of less than \$500,000 which is average for businesses in Boro Park and Brooklyn.



H. LOCATION OF BUSINESS: ‡

- (179) 70% BORO PARK
 (36) 14% BROOKLYN, OUTSIDE BORO PARK
 (28) 11% QUEENS
 (13) 5% OTHER

I. WHEN CLIENT FIRST APPROACHED BOC.

- A) KNEW WHAT ASSISTANCE WAS NEEDED:
 (77) 70% KNEW (179) 30% DID NOT KNOW
- B) KNEW OF SERVICES AVAILABLE:
 (51) 20% KNEW (205) 80% DID NOT KNOW
- C) KNEW OF SERVICE PROVIDERS:
 (38) 15% KNEW (218) 85% DID NOT KNOW

The majority of BOC clients (70%) know generally what type of services they need. The do not know, however, where to obtain the services or how to apply for them. Once they make contact with the service providers, they need continuing help from the BOC to follow-up on suggestions made by the service providers, such as filling out applications, acquiring and organizing financial statements, preparing business plans, etc.

J. TYPE OF ASSISTANCE REQUESTED: ‡

- | | |
|---------------------------------------|-------------------------------------|
| (179) <u>70%</u> FINANCING | (13) <u>5%</u> IMPORT / EXPORT |
| (13) <u>5%</u> TAXES | (13) <u>5%</u> ENERGY |
| (100) <u>39%</u> BUSINESS PLANNING | (8) <u>3%</u> COMPUTER SERVICES |
| (72) <u>28%</u> GOVERNMENT SERVICES | (90) <u>35%</u> PROCUREMENT |
| (100) <u>39%</u> BUSINESS INFORMATION | (105) <u>41%</u> MARKETING STRATEGY |
| (92) <u>36%</u> MARKETING RESEARCH | (13) <u>5%</u> MINORITY SERVICES |
| (3) <u>1%</u> JOB PLACEMENT | (13) <u>5%</u> BUSINESS ACQUISITION |
| (51) <u>20%</u> STARTUP ASSISTANCE | |

The categories of assistance requested varies considerably. Most the clients require more than one type. Financial assistance is the most requested assistance (70%), followed by almost equal percentage of business planning (39%), government services (28%), business information (39%), government procurement (35%), and marketing strategy (41%). Many of assistance types are linked together. For example, to get financing (loans), a business plan of some type is required. To change or add marketing strategy, for example, business information (market research) is necessary. To get a government contract, help in filling out procurement forms. is needed, etc.

K. REFERRALS FOR SERVICES

- (79) 31% SBDC's (LIU, PACE UNIV, KINGSBOROUGH, YORK COLLEGE)
 (102) 40% ECONOMIC DEVELOPMENT CORP's (BEDC, QCEDC, MEDC)



- (94) 37% DEPARTMENT OF BUSINESS SERVICES
- (20) 8% U.S. SBA/S.C.O.R.E
- (26) 10% TRANSPORTATION/UTILITIES (PORT AUTH, CON-ED, B.U.G.)
- (15) 6% OPPORTUNITY DEVELOPMENT ASSOCIATION
- (100) 39% LOCAL PROFESSIONALS (ATTORNEYS, ACCOUNTANTS, ETC.)
- (72) 32% BANKS
- (56) 22% COMMUNITY AGENCIES

Service providers and linkage partners are an essential element of B.O.C. outreach services. The BOC has formed a strong **Network** of government, non-profit organizations, and professional or consultant services to provide valuable free services to the clients. The NY State SBDC program, the NYC Department of Business Services, Brooklyn Economic Development Corp, the Brooklyn Chambers of Commerce, the U.S. Dept. of Commerce programs - SBA, SCORE, International Trade Administration, banks, lawyers, accountants, real estate firms, business consultants, colleges, and many other services are an integral part of the BOC service Network program.

L. CAUSE OF BUSINESS STAGNATION: (AS REPORTED BY CLIENTS, BOC STAFF, AND SERVICE PROVIDERS)

- (192) 75% LACK OF WORKING CAPITAL
- (18) 7% LACK OF MANAGEMENT EXPERIENCE
- (13) 5% LACK OF TECHNICAL EXPERIENCE
- (64) 25% LACK OF BUSINESS PLAN
- (115) 45% LACK OF MARKETING STRATEGY
- (51) 20% OTHER

While the majority of BOC clients come in seeking financial help, their most immediate problem is having enough working capital on hand to maintain adequate cash flow. The solution to this problem is most often seen by the client as acquiring a loan to carry them over the financial crisis period. This may be unrealistic, especially in difficult financial times where banks are very cautious in giving loans to troubled or new companies. A good marketing strategy or a carefully thought out business plan may be an important first step in getting their financial situation back in order. It is the important task of the BOC, however, to keep abreast of all new or enhanced loan programs and business trends to keep the clients aware of all realistic possibilities.

M. HEARD OF BOC:

- (64) 25% NEWSPAPER
- (0) 0% RADIO
- (41) 16% SEMINAR/WORKSHOP



(113) 44% WORD OF MOUTH
 (13) 15% BOC CLIENT

The local monthly English/Yiddish language newspaper, the Boro Park Voice (Council of Jewish Organizations of Boro Park) serves as an important vehicle for announcing BOC services to the business community. There is a regular "Business Page" devoted to BOC announcements, monthly general business articles, business opportunity announcements, and feature articles on local businesses. Many of the new BOC programs, and seminars/ workshops, and are also announced in the larger regional newspapers such as Newsday, Crain's New York Business, Jewish Press etc. The seminar/ workshops also are a very good source to promote information on BOC services (16%). The BOC registers many new clients following these events. Most new clients (59%) come to the BOC after hearing about hear about the B.O.C. through Word of Mouth, many times from the current clients.

N. BOC SERVICE TO CLIENTS:

(192) 75% CONTINUING
 (64) 25% FINISHED

Most of the 256 clients (75%) are still registered with the BOC. They are on the BOC mailing lists to receive announcements of new BOC services. Many of the clients also are periodically contacted to maintain updates on their business progress or to notify them of new assistance programs.



**BUSINESS OUTREARCH CENTER
BOC Network Client Survey
October '92 - March '93**

TYPE OF BUSINESS CLIENTS SERVICED	
Association	2
Construction	12
Import/Export	31
Manufacturing	27
Non-Profit	4
Retail	47
Service	67
Start-up	142
Wholesale	34

There is a relatively equal distribution of retail, wholesale, service, and manufacturing businesses. The large number of startup companies have significantly increased during the past two years, perhaps reflecting the difficult economic period and the resulting large number of people who have lost jobs. In this startup group, there are a large number of women who are seeking BOC assistance in starting a new business.

LENGTH OF TIME IN BUSINESS	
Less than Six Months	139
6 Months to One Year	30
1 to 5 Years	41
5 to 10 Years	49
10 Years or More	51

The majority of business clients have been in business for less than five years. This large percentage is due, in part, to their need to acquire professional business advice in their first few years. Businesses in existence for more than five years tend to request loans, (with BOC help through SBA, BEDC, NYC Microloan Programs after they were turned down by the banks), energy saving advice, and alternative marketing strategies.



OWNERSHIP MAKEUP	
African-American	16
Asian, Other	1
Asian, Chinese	97
Asian, Korean	2
Caribbean-American	27
Disabled	2
Haitian	4
Hispanic	10
Jewish Orthodox	30
Jewish, Chasidic	18
Non-Profit	4
Refugee	25
Startup	142
Veteran	2
Woman-Owned	71

The large number of ethnic ownership categories reflect the diverse ethnic communities in New York City that are represented by BOC sites.

NUMBER OF EMPLOYEES	
1 to 5	208
6 to 10	20
11 to 15	8
16 to 20	9
20 or more	23

The large percentage of BOC clients with fewer than 10 employees reflect the large number of retail and wholesale businesses in New York City as compared to manufacturers who generally have more employees.

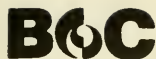
TYPE OF ASSISTANCE REQUIRED	
Advertising/Promotion	12
Business Information	43
Business Plans	40
Computer Services	1
Employment/Personnel	16
Energy Conservation	1
Financial Information, Loans	72
Financial Information, Other	64
Government Services	6
Import/Export	40
Market Strategy	19
Market Research	27
Minority Services	14
Procurement, Government	13
Procurement, Other	2
Real Estate/Relocation	18
Start-Up Assistance	92
Tax Assistance	2
Technology Assistance	4
Workforce Training	3
Other	10

The categories of assistance requested varies considerably. Most of the clients require more than one type. Financial information assistance is the most requested service, followed by start-up assistance. Many of the assistance types are linked together. For example, to get financing (loans), a business plan of some type is required. To change or add marketing strategy, for example, business information (market research) is necessary. To expand marketing strategies, government procurement may be suggested and appropriate forms need to be filled out.



BOC NETWORK LINKAGE PARTNERS	# of referrals
Brooklyn Chamber of Commerce	5
Brooklyn Union Gas	4
Brooklyn Economic Development Corp.	15
Community Partners, Accountants	10
Community Partners, Lawyers	6
Community Partners, Banks	10
Community Partners, LDC's	5
Con Edison	4
Garment Industry Development Corporation	1
La Guardia Continuing Education Center	8
LILCO	1
Manhattan Borough Development Center	4
NHS	1
NYC Industrial Technology Assistance Corp.	4
NYC Dept. of General Services	3
NYC Dept. of Business Services	29
NYC Housing Authority	3
NYS Small Business Development Corp.	2
Port of Authority of NY/NJ	2
Queens Overall Economic Development Center	6
SBDC, Pace	26
SBDC, York College	3
SBDC, Kingsborough	8
U.S. Dept. of Commerce- SCORE/SBA	32
U.S. Dept. of Commerce- Int'l Trade Administration	7

Contact with BOC Linkage Partners increased significantly in each category during the past 6 months. Economic development agencies, government, banks, local professionals, not-for-profit organizations, and utilities were called to provide services to new expanded BOC Network. New names were added to the growing list of Linkage Partners, in each category including the Garment Industry Redevelopment Corp, Kingsborough SBDC, Community Capital Bank, ITAC, Gorment Industry Devel. Center and the many new partners introduced by the four new BOC sites.



BUSINESS OUTREACH CENTER Council of Jewish Organizations of Boro Park

BOC Network
Outreach Report
October 1992 - April 1993

Media

BOC Network openings were featured in the following newspapers:

New York Newsday	Staten Island Advance
Crains NY Business	The United Journal
Boro Park Voice	World Journal
Jewish World	Sing Tao Daily
The Jewish Press	China Press
Flatbush Life	Lower East Side Voice
Caribbean News	The Villager
Staten Island Register	
Star Reporter	

Other Publications:

Lower East Side BID District Newsletter
 W. Brighton Community LDC Newsletter
 Staten Island Cablegram - Cable television
 Staten Island Business Directory
 Staten Island Chamber of Commerce Newsletter

Interviews appeared on:

Sinovision
 Chinese Communication Network
 Chinese American Voice Radio
 WLIB Radio

Events

Grand Opening Luncheon - Network wide event
 Chinatown/Lower East Side BOC - Opening Reception and Open House
 Staten Island BOC - Opening Reception

Presentations:

New York State Department of Education
 U.S. Department of Labor, TEAMS program
 Deputy Mayor Barry Sullivan
 Commission Wallace Ford, Department of Business Services
 New York Association for New Americans (NYANA)
 Caribbean American Chamber of Commerce
 Coalition of Ministers in Rockaway
 Jewish Community Leaders in Rockaway
 Hunts Point Industry and Commerce Association



Hebrew Free Loan Society
 SI Chamber of Commerce
 SCORE
 Flatbush Community Merchants
 Thirteenth Avenue Merchants
 Hunts Point Community Board #2
 Hunts Point Market monthly luncheon

BOC Network information table:
 Getting Down to Business - day-long
 event for start-ups sponsored by NYC DBS

Seminars and Workshops

Orientation for new BOC staff

Business Conference for New Arrivals
 translated into Arabic for Syrian immigrant community with the Sephardic Bichur
 Holim, NYANA and Pace SBDC

Starting a business
 offered in Chinese language with Pace SBDC

Procurement, Minority Certification and City Loan Programs
 with the Taiwan Merchants Association with NYC DBS and NYC GSA

Procurement, Minority Certification and City Loan Programs
 for Chinatown garment industry with NYS DED, NYC EDC and ITAC

Procurement, Minority Certification and City Loan Programs
 for Chinatown construction trades with NYC DBS, NYC GSA and HHC

Business Start-up, Legal and Insurance Issues
 offered in Chinese language with Pace SBDC



BUSINESS OUTREACH CENTER Council of Jewish Organizations of Boro Park

**WORKFORCE DEVELOPMENT
FOR
SMALL TO MID-SIZED COMPANIES**

**A Proposed Expansion of
BUSINESS OUTREACH CENTER SERVICES**

CONCEPT PAPER

**CONTACT PERSON: PAUL CHERNICK
TELEPHONE: (718) 436-1550
DATE: APRIL 28, 1992**

I. INTRODUCTION

The Council of Jewish Organizations of Boro Park is proposing to expand the capacity of its Business Outreach Centers (BOCs) by adding customized workforce development services for its clients - small to mid-sized companies.

These customized services will provide BOC clients greater access to the best human resource development practices and organization of work technologies. Better access to job related literacy, language and technical skills training programs will help develop and maintain a skilled workforce, which will further the BOC goal to support diverse business communities and guarantee the stability of local economies.

By applying the BOC model to provide access to the entire range of customized workforce development services, the Business Outreach Center has real potential as a national model for helping small to mid-sized companies make the transition to high performance organizations. This service will complement the wide range of resources BOC currently offers business clients, ranging from business planning to financing, marketing, relocation and energy cost savings. With a proven track record and body of existing small to midsize business clients, BOC has the potential to help small to mid-size companies gain workforce development resources. The proposed expansion will help small to mid-size companies compete in the global marketplace while providing quality jobs in local communities.

II. NEEDS STATEMENT

The importance of small to mid-sized companies to the American economy has been well documented. However, these companies are the most at risk competing in the global economy. As the pace of competition quickens, their survival will depend largely on how successful they are in meeting the challenge of adapting to higher quality standards for products and services dictated by the international marketplace.

In order to meet these new standards the first task for most small to mid-size companies will be creating a higher performance workplace. The successful transition to a high performance workplace will require companies to introduce new work practices, restructure management and production systems, and upgrade the skills of all workers while addressing issues related to diversity in the workplace and their own business and cultural backgrounds.

The success of this effort will depend on expanding the commitment of small to mid-size companies to making the necessary investments in human capital.

Small to mid-size companies need assistance to understand workforce development priorities and identify and implement new technologies. Business with diverse ownership are even more isolated from state-of-the-art technologies due to cultural and language barriers. Smaller companies, like their larger counterparts, face wide ranging workforce development issues related to local labor markets and diversity in the workplace which must be analyzed in the context of communities and cultures.

III. IMPLEMENTATION

BOC is proposing to meet the workforce development needs of small to midsize companies through an expansion in its service linkages and case management capacity, based upon preliminary investigation of targeted firms and existing services.

The proposed expansion will be implemented in three phases. Phase one will consist of a preliminary investigation of workforce needs, establishment of formalized linkages with service providers and an addition of staff to each Center to effectively broker these new services. Phase two will consist of outreach and education to small to mid-size firms throughout the BOC Network. Phase three will consist of analysis of individual business needs, development of customized business assistance plans followed by provision of services through linkages with appropriate providers. BOC staff will provide in-depth case management and follow-up throughout the workforce development process. BOCs will also link businesses with the entire range of support services necessary to analyze and meet their company development needs.

A. WORKPLACE RESTRUCTURING SERVICES

BOCs will mobilize the appropriate resources to help clients make the transition to high performance, high skill work environments. These resources will help companies:

1. Integrate new business technologies into the workplace;
2. Restructure management and production systems;
3. Apply the best available practices in human resource planning and development;
4. Introduce new organization of work technologies and practices.

B. WORKFORCE DEVELOPMENT SERVICES

BOCs will help clients assess and meet their workforce needs by linking them to workforce development services at the worksite, at BOC Centers and at other appropriate locations. These services will include:

1. Job task and literacy task analysis.
2. Shared job-linked basic skills and literacy training.
3. Customized skills upgrading, retraining and cross-training programs.

These services will be provided in concert with analysis of workforce diversity issues and appropriate interventions to guarantee the success of efforts to improve company operations.

IV. OUTCOMES

Small to mid-sized companies that participate in customized workforce development programs will:

1. Gain access to workforce reorganization technologies which, in turn, will increase their competitiveness and ability

- to survive in the global marketplace;
2. Gain access to the resources needed to offer contextualized skills training programs that will result in a higher skilled workforce;
 3. Gain a better understanding of the skills and tasks required for each job; and
 4. Gain a better understanding of workforce diversity issues.
 5. Gain access to training and support services for management related to workforce development and diversity in the workplace in order to guarantee the success of changes in the workplace.

V. CONCLUSION

The BOCs, with their expanded capacity, will serve as the bridge for bringing tested workforce development resources to small and mid-sized companies. The expanded Business Outreach Centers will be ideally positioned to help companies identify work restructuring and workforce development needs and issues, and will be able to activate the appropriate resources to meet these needs. Because these customized resources will be offered within the framework of a proven business assistance service, there is a greater likelihood of their acceptance and application.

CRAI T O NEW YORK BUSINESS

MAY 10-16, 1993

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TAKEOUT / BROOKLYN MARKET FOCUS

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Hasidim venture into new business lines

By JOHN E. SALAK

Zalmen Oberlander seems just like any other entrepreneurial whiz kid. At 23, he's young, ambitious, and bubbling over with ideas for possible business ventures. He's also pretty successful. With the help of his family, Mr. Oberlander and a partner have ventured into the frozen food business. Now he's interested in setting up a multilingual answering service. Not bad for a guy from Brooklyn.

However, Mr. Oberlander isn't your typical yuppie. Quite the opposite. He's Hasidic, a member of a sect of Orthodox Jews that's better known for strict observance to Jewish law than for developing ven-

ture capitalists. That's all changing, however. Economic and social pressures are transforming these people who live primarily in Brooklyn's Crown Heights, Borough Park and Williamsburg neighborhoods. Hasidic men and women are moving into nontraditional fields such as computers, light manufacturing and service industries and having greater contact with "outsiders."

That is, non-Hasidim



DEVELOPING JOBS

Change is a must. The diamond, apparel and electronic businesses that have supported the community's work force for years are reeling. The national recession, for one, has cut into retail demand. Yet even before the downturn, the diamond market had softened and the apparel and electronic industries were under pressure from imports that sliced into margins.

"I honestly don't think the business we had in the 1980s is going to happen again for a while," says David S. Singer, a Hasid who is vice president of Focus Electronics & Computers Inc. in Borough Park. The economic cross crystallized last year when 47th Street Photo Inc., a Manhattan retail outlet owned and primarily staffed by Ha-

sidim, declared bankruptcy. Several hundred Hasidic workers are believed to have lost their jobs.

"The recession really hurt the Hasidim because they were disproportionately employed in just a few industries that were particularly hit hard," says Max Brandsdorfer, a partner at Enterprise Group, a subsidiary of Arthur Andersen & Co. that's involved in consulting.

Unemployment's about 11%

Unemployment among Hasidim is running at about 11% to 13%, based on figures from the New York State Labor Department and estimates by community leaders.

The problems facing the Hasidim have been compounded by their extraordinary growth. In the last 12

years, the population has doubled to 100,000 due largely to families having five to seven children.

The Hasidim have mobilized, using their considerable political and social clout to their advantage. Sources say, for example, their leverage makes banks more willing to lend to Hasidic businesses even though money remains tight in general. Several banks, however, declined to comment on their dealings with Hasidim.

The Hasidim, in any event, seem more willing than ever to tap into the borough's strengths as a good base for light manufacturing.

"As the community grows, it seems to be developing more businesses closer to home rather than living in Brooklyn and working in Manhattan," says Kenneth Keller, a senior vice president at Chemical Bank overseeing middle-market financing in Brooklyn.

The growing number of U.S.-born Hasidim also has helped.

"A lot of the older people came from Hungary and Poland," says Mr. Oberlander. "When they got here they looked to see what everyone else was doing and did the same. But it doesn't work that way. I was born here. My eyes are open. I'm looking for real opportunities."

For Mr. Oberlander that meant developing Stern Family Food Inc. in Stamford last year with a non-Hasidic Jewish partner. The company specializes in producing kosher low-calorie, low-cholesterol frozen meals sold to hospitals, nursing homes and other companies to sell under their own labels. He targets opportunities where the Hasidim aren't established because it gives him an advantage in drawing business. This not only provides an instant market, but makes him valuable to any non-Hasidic partners.

Some start many businesses

Shlomo Zakheim, 39, has started half a dozen businesses in the metropolitan area in the last decade, including three ambulance services, a nursing home, an adult home and a medical supply company.

"If you're good at business, everyone accepts you," he explains. But he added there are differences in working in the non-Hasidic world. "The older Hasidim are used to selling a million dollars of diamonds on a handshake. They'd lose their underwear if they tried that outside the community."

There are other challenges, especially if a Hasid works in a non-Hasidic company. The men, for example, dress differently, and all Hasidim pray three times daily and can't work on religious holidays or Saturdays (the Sabbath). "They are simply never going to be one of the boys," notes Rabbi Emanuel Naiman, director of employment, training and development at the Council of Jewish Organizations.

The council oversees an impressive support system of dozens of religious, educational and social service agencies. One of the latest and most innovative efforts is COJO's Business Outreach Center, which extends well past the Hasidic community by establishing outlets in strategic neighborhoods throughout the city to help small and medium-sized companies obtain advice, services and financing.

"It is a real network where we act as a broker of information and services," says Nancy Cann, center director. The outlets also address the community's ability to work with other ethnic groups despite the widespread publicity of tensions between Hasidim and outsiders. "It gives everyone a chance to speak with everyone," Ms. Cann adds. ■

ACCESS

Brooklyn

Key sources of information about topics raised in this special section include:

■ The Council of Jewish Organizations of Borough Park has set up offices to help small and medium-sized companies obtain advice, services and financing. COJO's Business Outreach Centers are located in Borough Park and Flatbush, Brooklyn; Rockaway, Queens; Chatsworth in Manhattan; Staten Island, and Hunts Point in the Bronx. The centers, open to all businesses, also provide links between these ethnically diverse communities for funneling financial support or workers where needed. For more information, contact Nancy Cann or Paul Chernick, respectively the centers' director and head of operations, at (718) 436-1550.

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THE LARGEST INDEPENDENT ANGLO-JEWISH WEEKLY NEWSPAPER

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Week of December 25 to December 31, 1992

1 Teves 5753



BUSINESS



FINANCE

Jews Create Coalition To Develop Business Opportunities

The Council of Jewish Organizations of Boro Park (COJO), marked the grand opening of its newly created partnership between Boro Park, a highly traditional Hasidic Jewish community in Brooklyn, and five ethnically diverse communities throughout the City, at a luncheon reception on December 15. The ceremony celebrated the expansion of COJO's Business Outreach Center (BOC) Network to six New York City communities. Representatives of the six communities as well as BOC supporters gathered to commemorate this occasion.

Participating in the ceremony were important project supporters including: Senator Alfonse D'Amato, Vince Tese, New York State Director of Economic Development, City Council Speaker Peter Vellone and Commissioner Wallace Ford, NYC Department of Business Services.

COJO has extended its resources beyond its own constituency to help meet the needs of diverse ethnic and largely minority communities which share in their traditional isolation from the mainstream business market.

This innovative collaboration promises to extend cooperation, defuse tensions and broaden understanding across community and ethnic lines while addressing the needs of

Hasidic, Asian, Caribbean-American, African-American, Eastern European, Hispanic and Haitian entrepreneurs and the economic stability of local community-based economies.

The BOC Network will help local businesses ob-

tain planning and technical assistance, access to financing, economic development initiatives, marketing and procurement opportunities through extensive linkages to government, not for profit programs, banks and major corporations. ■

FORWARD

Published at New York City

January 8, 1992

♦ ♦ ♦ ♦

Chasidim Flout Separatist Image

By DOV HOCH
SPECIAL CORRESPONDENT

NEW YORK — As racial tensions — particularly between Jews and blacks — continue to simmer throughout the city, a coalition of Chasidic groups from Boro Park is expanding its economic contacts to heavily black, Hispanic, Asian and other neighborhoods to promote mutual business opportunities.

The 15 Boro Park Chasidic groups had formed the coalition, called the Council of Jewish Organizations of Boro Park, to aid small businesses in their own community and to provide job training for Russian Jewish immigrants. But recently the council set up a series of savvy *shiduchin*, with economic-development groups throughout the city in an attempt to expand its resources and take advantage of city, state and federal funding.

Not only do the council's overtures to non-Chasidic groups contradict charges of separatism that have been leveled at the Chasidim; the outreach might lead to stronger ties between them and other groups throughout the city, particularly in the area of economic cooperation. The organization's plan involves Business Outreach Centers that channel information to community-based businesses and link local economic development groups throughout the city in cooperative economic endeavors. The council formed an alliance with the Rockaway Development and Revitalization Corporation and the Jewish Community Council of the Rockaway Peninsula in 1990 and received a \$130,000 grant from the New York State Regional Economic Development Partnership Program. Without such alliances, the grant — which is only available for "multi-borough" programs — would not have been offered.

Interracial Satellites

"It's extraordinary that this insular Orthodox community is reaching out in such a multi-ethnic way," said COJO's director of operations, Paul Chernick, a former contract manager for the city's Department of Employment who describes himself as a "reform/conservative Jew." Mr. Chernick says he believes the BOC model of aligning ethnic and parochial groups through mutual economic interest can help relieve some of the city's racial tensions. He said the concept can be expanded to include organizations in other cities and in other states.

COJO's executive director, Rabbi Morris Shmidman, is conferring with Senator Lieberman of Connecticut on plans to replicate the BOC model in that state sometime this summer. Boro Park organizers already have promoted their concept in other communities in New York to create a network of interracial and interreligious satellite sites. Late last year, with the support of Alfonse D'Amato, the New York senator, COJO received its second Special Purpose Grant from the U.S. Department of Housing and Urban Development. The grant was \$1.6 million, to be used to expand Boro Park's Business Outreach Center to four more, largely black, Hispanic and Asian communities: Chinatown/Lower East Side, Manhattan; Hunts Point, the Bronx; Flatbush, Brooklyn and Staten Island.

'Strength Through Diversity'

Each of the city's six Business Outreach Centers is intimately involved in its community's economic life. The Chinatown BOC is associated with the Chinatown Manpower Project and its staffers speak Mandarin and Cantonese dialects, as well as Italian and Spanish. The Hunts Point BOC has ties to the Hunts Point Local Development Corporation, and the BOC in West Brighton, Staten Island, works with the local Chamber of Commerce.

"It's amazing the resources the Boro Park BOC can tap into," said Bill Hanson, who recently relocated his textile plant to Rockaway, Queens, with the help of the BOC. "I was renting space in Brooklyn for 13 years and could never afford to buy," Mr. Hanson said. "The Boro Park

BOC tied me into the Rockaway group. They helped me find a facility. They got me a \$240,000 relocation grant from the city and 40% financing for the first year of my mortgage from the New York State

Job Development Agency." Mr. Hanson, whose business employs 35 people, now is utilizing the Boro Park BOC's resources to expand his business overseas.

Common Cause

The program has won the praise of public officials, including Senator D'Amato, who referred to the BOC's successes in creating jobs as a cornerstone for economic recovery, and Josephine Nieves, the commissioner of New York City's Department of Employment, who praised the BOC's

Boro Park leadership for having united 12 different ethnic groups in "a common cause" and given the city "strength through diversity."

Mr. Chernick says that the BOC has also managed to elicit the help of large corporations. The manager of the small-business credit unit at Chase Manhattan Bank, Robert Comerford, is on the BOC's advisory board and has made many of the bank's resources available to BOC. "Chase puts on free credit seminars for BOC clients to prepare them for the paper chase of the loan process,"

Mr. Comerford said. In addition, Chase has given used computers and furniture to BOC offices.

BOC services are as varied as the needs of each business community they serve. On Staten Island, where most small businesses have between one and five employees, the BOC helps with writing business plans, reducing insurance costs and lowering energy bills — operations small businesses often neglect. In Hunts Point, the BOC is helping a meat cooperative of 51 companies to expand throughout the city. After their expansion, the cooperative expects to turn to local BOC offices to provide it with 30 new employees.

THE JEWISH WEEK

BROOKLYN

Update

Business coalition formed

The Council of Jewish Organizations of Boro Park (COJO) has joined forces with five other local business outreach centers to stimulate small business growth and create rapport with communities and ethnicities across the city. The coalition consists of COJO; Church Avenue Merchants Block Association, Flatbush; Rockaway Development and Revitalization Corporation, Queens; Chinatown Manpower Project and the South Manhattan Development Corporation and Hunts Point Local Development Corporation, Bronx. The network will help local businesses obtain planning and technical assistance, access to financing, economic development initiatives, marketing and procurement opportunities through linkages to government, not for profit programs, banks and major corporations. For more information, call (718) 436-1550.

THE JEWISH PRESS

THE LARGEST INDEPENDENT ANGLO-JEWISH WEEKLY PAPER

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Week Of August 7 to August 13, 1992

8 Av 5752



D'Amato Secures \$ For Business Outreach

U.S. Senator Alfonse M. D'Amato (R-NY) announced that he has secured \$1 million in federal funds to create a regional network of Business Outreach Centers (BOC's) under the administration of the Council of Jewish Organizations of Borough Park, Brooklyn.

"The superb record in terms of economic development compiled by COJO should be expanded," said D'Amato. "The creation of a network of customized local BOC's will aid hundreds of business owners and expand the regional economy."

On April 21, 1992, D'Amato wrote to Senator Barbara A. Mikulski (D-MD), the Chair of the VA-HUD-Independent Agencies Subcommittees of the Senate Appropriations Committee to outline COJO's proposal to create the multi-state, multi-community economic development initiative.

Last year, D'Amato was instrumental in securing initial funding of \$1.6 million to open and administer the first BOC's under COJO's administration.

In addition to the currently operating BOC centers in Borough Park, Brooklyn and Far Rockaway, Queens, this new funding will enable new centers to be opened in the fall of 1992, including centers in the following communities:

- East Flatbush/Flatbush (Church Avenue Merchants Block Association)
- Lower East Side/Chinatown (Chinatown Manpower Project and South Manhattan Development Corporation)
- Hunts Point (Hunts Point Local Development Corporation)
- Staten Island (West Brighton Local Development Corporation).

"I thank Senator Mikulski and COJO for working with me to assist businesses in their growth, thus benefiting the entire local economy," concluded the Senator. ■

BOROUGH PARK / HUD Grants \$1.6 Million For Council Project

Think of it as a resounding, \$1.6-million vote of federal confidence.

That's the amount of a grant to be given to the Council of Jewish Organizations of Boro Park, which had been trying to assure the con-

tinuation of an expansion program for a pilot business center project working in Brooklyn and Queens.

The grant, announced last month by the office of Sen. Alfonse M. D'Amato (R-NY), will insure all that — and a whole lot more, said COJO operations director Paul Chernick. The grant will be distributed through the special grants program of the federal Department of Housing and Urban Development.

"We'll be able to refine and expand our current operation; it could even mean more full-time staff," said Chernick. The present operation, based in Borough Park, Brooklyn, and Far Rockaway, Queens, provides direct counseling and referrals to service companies who need guidance on what public and private agencies are available to help with financing, real-estate relocation, purchasing or marketing questions, or other issues.

Since the small-business outreach center's inception in 1980, it has specifically targeted communities such as the Orthodox Jewish popula-

tion, for whom linguistic, religious and cultural differences from the mainstream have created more than the customary barriers to various public programs.

Chernick and his colleagues have said, since the start, their goal is also to utilize the existing program as a model or replication in other communities. One such location will be identified in Connecticut, with the help of Sen. Joseph I. Lieberman (D-Conn.), said Chernick.

Chernick said COJO will also help establish another outreach center in the city, after first determining what areas have the most potential to support and utilize such a facility.

"The location depends upon a couple of factors," said Chernick. "We like to make an assessment of communities that has a combination of barriers to services."

Chernick said COJO will work with a number of public and private entities, including financial institutions, the city's departments of Business Services and Employment, as well as state economic officials. "We are going to use our existing relationships because you can't just plunk this thing anywhere; you have to put it in a place where it is needed." — Caryn Eve Murray

NEW YORK NEWS-DAY, MONDAY, OCTOBER 7, 1991

NEW YORK Newsday

Bankers Gather To Reassure Boro Park

By PAUL RUBENS

The banking clout of New York's Jewish community was sharply illustrated in Borough Park last week. There, at a table stretching practically across the width of an auditorium on Forty-Ninth Street, branch managers and top executives of the twelve banks servicing the area fielded questions from residents in the community ranging from bank safety to investment decisions.

The scene was an extraordinary meeting titled "Your Money and Your Local Bank" called by the area's Council of Jewish Organizations. It brought dozens of bank executives out on a cold January night to listen to the community's fears and doubts about banks, and to answer people's questions. The incentive to attend was evident by this comment about banking in the Jewish community: "We've been in Borough Park about 14 years, and it's been a terrific experience."

The comment came from Franklin L. Wright, Jr., Dime Savings Bank senior vice president, but it was clear from his responses that top executives of major banks like Greater New York Savings' Alan Dubrow, its first vice president, and Michael J. Henchy, Greater's executive vice president, rate customers from the New York Jewish community equally high. Anchor Savings Bank has its largest branch in this largely Jewish area, said Anchor's vice president, Thomas K. Herly.

"When Community National Bank failed last November, it sent shock waves through the Jewish community."

This was Congressman Stephen Solarz, speaking at the meeting called by COJO's Business Outreach Center. Solarz was talking about the failure of a major bank in the area, with two branches, one in Brooklyn and headquarters on Staten Island.

NOT as highly publicized nationally as the founding of Harlem's Freedom National Bank, Community's failure threatened the financial lives of hundreds of depositors. Even worse, a number of Jewish charitable organizations, notably including the Hebrew Academy for Special Children, which had over \$100,000 deposited, were left unprotected by the Federal Deposit Insurance Corporation's coverage.

"As soon as we got the news of Community National's collapse, energetic meetings were held," Solarz told the meeting. He cited the work of Assemblyman Dov Hikind, who like Solarz, is a co-sponsor of the banking meeting, and especially U.S. Sen. Alphonse D'Amato, in coming to the aid of the victimized charity groups. Sen. D'Amato, said Solarz, was able to put through legislation "which enabled the FDIC to make repayment to those charitable organizations which had deposits of over \$100,000."

D'Amato's intervention thus saved one Jewish charity which had just deposited a state grant of \$600,000.

"This institution will get all its money refunded," Solarz said, adding: "I gather some ten other organizations will also get all their money back."

"Tonight is to educate all of us," Assemblyman Hikind told the several hundred residents of the community brought to the meeting by catastrophes like Community National's failure, and the rising feeling of insecurity about the safety of banks generally. Behind it are the multi-billion dollar "bailouts" of the S&Ls and continuing reports about financial troubles at some even of the biggest banks in the country.

"People call and say, 'Did you hear about this bank, that bank,' Hikind said, adding that "the important facts" are available to customers "so that your money can be protected."

What those facts are was indicated by bankers like Anchor Savings' Herly and its Borough Park

branch manager Bruce Kaplan, also a vice president of the bank, whose comments reflected one by Charles Hamm of Independence Savings Bank, that the bank "has as its first obligation to protect your money."

Its branch in Borough Park is the biggest one it has, said the Anchor representative, with \$350 million in deposits.

A MAJOR theme at the meeting was the value of the Jewish market for the twelve banks represented at the meeting. Said Charles Hamm, President and CEO of Independence Savings Bank, "We're having an extremely successful experience in Borough Park."

To a question from the audience as to whether charts exist showing which banks have been investing in the community, and giving figures on community employment, the response came from each bank spokesman:

UMB Bank (By Mark Grunwald, UMB executive vice president): Five employees in the local branch, four from Brooklyn. The Greater New York's Michael Henchy: "We try to recruit as many people as possible from the local community." First National-wide vice president Edward Chu: "Most of our employees live within a three-mile radius. For two years in a row, we have received the highest possible rating from government agencies."

Robert Herklotz, Citibank vice president: "Citibank was examined in 1991, and received an outstanding rating." Charles Hershkowitz, Chase Manhattan vice president (at the meeting with

Dennis Ryan, executive vice president): "We have 12 employees at the location, and two are from Staten Island." Mersachem Stemetz, Bank Leumi first vice president (with Orzi Kaminsky, Leumi assistant treasurer, at the meetings): "We have 14 people in the local branch. We have \$25 million in loans to mostly small and medium-sized businesses here."

Tom Kahallin and Perry Shapiro, Chemical Bank/Manufacturers' district managers, and Mark Blackburn, branch manager for Bay Ridge Savings Bank, also emphasized their banks' solvency and local participation.

Questions from the floor brought frank answers, as in one query about widely reported Citibank difficulties. Responded Citibank's Herklotz: "Citibank has had some earnings problems, but at the same time, as our chairman has stated, our two-year plan will bring the bank back to profitability by the end of this year."

Keynote speaker at the meeting was Sheldon J. Reisman, FDIC official, who stressed that FDIC could not supply information about banks' soundness. "We are bound to confidentiality about the condition of banks," Reisman told the meeting. Earlier, Reisman outlined conditions under which FDIC insures depositors against loss in bank failures.

Coordinator of the meeting was Nancy Carin, COJO Business Outreach Center director. Rabbi Elimelech Naiman, director of employment, training and development in the organization, welcomed bank and audience participants.



Gerolamo Ferraro was the guest speaker at the Elmont Jewish Center in Elmont, New York, on January 6. Her topic: "Significant Issues Facing New Yorkers in the New Year."

Pictured are Rabbi Joseph Oravsky, Rabbi of the Elmont Jewish Center, Ferraro, and Eileen Levine, Program Chairman.

'Issues In Foreign Policy'

Vladimir Pozner and Hedrick Smith will discuss "The New Eastern Europe" on Wednesday, Feb. 9 at 7:30 p.m. at the 92nd Street Y in the first of four programs in the Y's new lecture series, Issues in Foreign Policy.

The series, presented by the Y's Center for Adult Life & Learning, will examine how recent geo-political events have affected fundamental foreign policy objectives by the U.S. and other nations, and the effect of this upheaval on the global economy.

Remaining Issues in Foreign Policy programs feature Israeli statesman, diplomat and scholar Abba Eban, discussing "America, Israel and the Middle East Peace

Process" on Thursday, March 26; Lester Thurow, dean of the MIT-Sloan School of Management, discussing "Economics and the New World Order" on Thursday, April 9; and Alexander M. Haig, Jr., a former U.S. Secretary of State and former Supreme Allied Commander of NATO forces in Europe, discussing "The United States' Agenda" on April 22, all at 7:30 p.m.

Vladimir Pozner held the top journalistic post in the former Soviet Union: political observer for Soviet television and radio. He resigned in protest in April 1991 after the director of Soviet television issued a rule prohibiting criticism of former Soviet President Gorbachev.

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FRIDAY, NOVEMBER 30, 1990

ב'ת, יום ר', י"ג כסלו, תשנ"א

פרייטאג, נאוועמבער 30, 1990

Business Outreach Center

Dedication Ceremony Held in Boro Park

The Council of Jewish Organizations of Boro Park (COJO) recently held the dedication ceremony for its Business Outreach Center at the center's new offices on the third floor at 1301 51st Street in Brooklyn. Religious, political and civic leaders, including Brooklyn Borough President Howard Golden and Assemblyman Dov Hikind were present at the dedication ceremony.

The COJO Business Outreach Center has been funded by the New York State Regional Economic Development Partnership Program for a fifteen-month pilot program to assist local non-retail businesses in such areas as loan processing, business preparation, leasing and management assistance. The Center has offices in Boro Park and in Far Rockaway in cooperation with the Rockaway Development and Revitalization Corporation. The Center's staff will help business owners, to access a wide variety of government and private assistance services through such agencies as the Brooklyn Economic Development Corporation, the Long Island University Small Business Development Center, the New York City Office of Business Development and the Brooklyn Chamber of Commerce. Rabbi Morris Shmidman, executive director of the Council stressed that the Council recognizes the tremendous need for these services, and plans to expand the Business Outreach Center's client base to include all local entrepreneurs. He stated that COJO is looking forward to making this a permanent program available to the entire local business community.

Among the dignitaries present at the dedication ceremony were: Howard Golden, Brooklyn Borough

President; Martin Solomon, state senator; Dov Hikind, state assemblyman; Steve DiBrienza, New York City councilman; Rabbi Zvi Kestenbaum, executive director, ODA; Priscilla Celano, district manager, District 12; Robert Schiffer, head of the governor's business advisory board and director of the governor's task force on Orthodox Hassidic communities; Charles Freeman, regional administrator U.S. Small Business Administration; Joan Bartolomeo, president, Brooklyn Economic Development Corporation; Barbara Wolf, deputy commissioner, New York City Office of Business Development; Allen Dubrow, chairman, Community Board 12; Norman Bucban, senior vice president, Chase Manhattan Bank.

The Business Outreach Center has also been made possible by a grant from The New York State Legislature through the office of Assemblyman Dov Hikind. The Center's advisory board is comprised of representatives from economic development agencies, banks, chambers of commerce and community business leaders.

An open house for local business owners was held on the day following the dedication. The reception gave the business owners an opportunity to meet the center's staff and to speak with experts on energy savings and business financing. Rabbi Elimelech Naiman, director of employment, training and economic development at the Council indicated that the open house was an excellent beginning for the activities of the Outreach Center.



Left to right: Rabbi Morris Shmidman, executive director of COJO; Rabbi Zvi Kestenbaum, ODA; Rabbi David Greenzweig, honorary president of COJO; Howard Golden, Brooklyn Borough president; Paul Chernick and Norman Buchan of Chase Manhattan Bank.

THE NEW YORK JOURNAL

Newsday

THURSDAY, NOV. 29, 1990 • BROOKLYN • 25 CENTS

BOROUGH PARK / Business Hub Opens

The grand opening on Nov. 20 in the heart of this community's business district wasn't exactly a new store, a new factory or a new business of any kind. But it was a celebration of a new era.

The Small Business Outreach Center, a state-funded project overseen by the Council of Jewish Organizations of Borough Park, opened the second floor of 1301 51st St. Inviting local wholesalers—manufacturers and service businesses who are struggling,

or seeking expansion, to become clients and receive access to assistance that may have eluded them.

The opening-day festivities extended into the next day, when the service center hosted an open house, with experts from the Brooklyn Economic Development Corp. offering advice.

Funded by a \$130,000 grant from the state and \$36,000 from the Borough Assembly, Dov Hinkin (D-Borough Park) the office was established on Oct. 1, and since that time has been organizing its staff and services, provided by director Ed Handler, and two business counselors, who serve as an administrative assistant. The state-funded center is a 10-

month demonstration project designed to enhance access to various technical assistance and financial programs for non-retail businesses in the area.

Attendees have said that the heavily Orthodox Jewish neighborhood has needed such a center to serve as a bridge between the community's religious practices and the reality of their businesses' needs.

Wholesalers, manufacturers and other kinds of non-retail businesses need help in preparing loan applications, or acquiring marketing assistance or other services. The center is a demonstration project, and its success will be measured by the number of businesses that seek its services.

ment, the Brooklyn Economic Development Corporation and the Small Business Development Center at Long Island University.

The center, with its multilingual staff, will serve all ethnic groups — not just members of the Jewish community — and will have flexible hours, Sunday through Thursday.

Since this is a demonstration project, we are not out to serve numbers so much as provide a service with quality. Paul Chernick, director of operations for COJO, said that persons wanting more information should call (718) 338-1100. For more information, contact Eve Murray.

FOOTNOTES / Outreach For Businesses

Brooklyn and Queens business advocates are working on a state-funded venture designed to bring various forms of business assistance closer to merchants struggling in their respective communities, no later than October.

Business outreach centers are being organized by the Council of Jewish Organizations of Boro Park, in Brooklyn, and the Rockaway Development and Revitalization Corporation, in cooperation with the Jewish Community Council

Rockaway group, and Irving Klein, executive director of the Jewish Community Council of the Rockaway peninsula, said that the Queens venture will also make use of services of the the Small Business Development Center at York College in Jamaica.

"We will be able to refer out some of the more technical business pieces, that is a specialty of theirs," said Rosenau.

Both business outreach centers are designed to help small companies with everything ranging from marketing issues, loan applications, relocation assistance and employee training programs, among other things.

initially established out of a need found among many Boro Park merchants who want to retain and expand their successful businesses while maintaining the Orthodox Jewish lifestyle in their community. The program, however, is not restricted to any one ethnic or religious group in either borough.

In Brooklyn, the business outreach center is likely to be based in an office at 13th Avenue, for which negotiations are now being held, said Chernick.

Chernick said that the Brooklyn office is likely to open by Oct. 1, but client case loads may not be served until early December. — Gwyn-Eve Murray

BENSONHURST / New Police Drug Program

The Police Department has introduced a new anti-drugs program in Bensonhurst, made up of officers assigned to the 62nd Precinct who are specially trained to make narcotics arrests.

Under the Street Narcotics Enforcement Unit program, seasoned narcotics officers train twenty patrol officers and regular precinct officers in techniques and legal procedures required to make valid drug arrests.

Making the announcement at the completion of the first class recently, State Sen. Martin Solomon (D-Brooklyn) said, "I am confident that this program will significantly reduce the drug presence in our community. It will give the local officers on patrol the expertise

they need to become more aggressive with drug pushers and users."

Officers in the new program will also patrol the 72nd and 78th Precincts, Solomon said.

FORT GREENE / Name Change for Hospital

Prompted by what officials said were years of misuse and confusion, a Brooklyn institution has undergone a name change. As of Sunday, Aug. 12, The Brooklyn Hospital-Caledonian Hospital became known as The Brooklyn Hospital Center.

The facility relinquished the unwieldy identification it took on after a 1982 merger of The Brooklyn Hospital in Fort Greene and Caledonian Hospi-

tal in Flatbush. "While it was hard for us to admit that our former name was confusing and cumbersome, we became convinced that simplifying the name was necessary," said Frederick D. Alley, president and chief executive officer.

The hospital held a fair on Aug. 12 to mark the name change and 145th anniversary of its founding as the first voluntary hospital in Brooklyn.

BORO PARK / Center For Small Business

The Small Business Outreach Center that will soon be operated by the Council of Jewish Organizations of Boro Park has found a home.

COJO signed a lease last week for a

second-story office that will house the state-funded outreach center, at 1301 51st St. "It's right in the heart of the business district," said Paul Chernick, COJO's director of operations.

The center will be open five days a week, overseen by director Ed Handler, who will work with counselors and a support staff assisting business clients. Primarily designed to provide services to the mostly Orthodox Jewish business owners of the area, who are concerned about keeping their businesses viable or even expanding them, the center will provide technical assistance and referrals on a range of needs from loan applications to business-assistance programs, job training and marketing.

Although the office will open its doors on Oct. 1, business clients will not be served there full time until sometime in December, Chernick said.

would be welcome by hard-pressed business.

Brooklyn takeover pro and con

four "Brooklyn Takeout Section" in your issue of May 14 was very informative, but some of your historical "facts" were slightly off the mark.

For example, Brooklyn did indeed become a city in 1894 and annex some of the other original five towns of Kings County until much later. The dates are Williamsburg and Bushwick-1855; Flatbush, Gravesend and New Utrecht-1894, and Flatlands-1896.

Some people voted against those mergers and against the consolidation in 1896.

Toby Sanehez
Toby Sanehez
Brooklyn In Touch
Information Center Inc.
Brooklyn

I was extremely pleased that Crain's came out to Borough Park to write about our planned business outreach center program. The article "Community business centers in the works" would be a big boost to our effort to provide a big boost to our effort to provide business opportunities in the process in two targeted communities, the Borough Park section of Brooklyn and Par Rockaway section of Queens.

In order to open the two community-based business outreach centers, the Council of Jewish Organizations of Borough Park has joined together with the Far Rockaway Redevelopment Council of the Rockaway Peninsula. In addition to these local agencies, I would like to point out that the success of this project depends on linkages we have developed with major New York City business assistance providers. The help and cooperation of the New York City Office of Business

reinvests them in government bonds. The few loans it

thrift executives.

LETTERS to the EDITOR



Shraga Newhouse has expanded his Mademoiselle Knitwear in Brooklyn.

Development, Brooklyn Economic Development Corp., Queens Overall Economic Development Corp. and Long Island University Small Business Development Center will enable local outreach centers such as ours to make a difference in the lives of the poor among others, have been instrumental in the planning of the program and are vital to its implementation.

Rabbi Morris A. Shmidman
Executive Director
Council of Jewish Organizations
Brooklyn

Brooklyn has BID serving Fulton Mall
As your May 7 article, "Terminal district sparks in Fulton Mall" and "Special Assessment District" is Brooklyn's first BID (actually a BID) serving the businesses on Fulton Mall, Boroughwide, Brooklyn has nine BIDs and Brooklyn's largest, BID, which will serve MetroTech Center businesses, will be initiated in the fall. BIDs have proved so successful in promoting businesses in Brooklyn, that the borough also has the only BID in an industrial area and another will be on line shortly.

Joan Bartolomeo
President
Brooklyn Economic Development Corp.
Brooklyn

Townsend says it all, very succinctly

Alair Townsend's May 7 column "Public Service can be great until the time for a new job" is one of the best public services provided by this excellent former public servant. Few (Continued on Page 12)

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BUSINESS

Business Outreach Center Targets Cultural Barriers

By Caryn Eve Murray

A small-business outreach center will be opening in Boro Park, Brooklyn, and Far Rockaway, Queens, to link local entrepreneurs — many of whom are Orthodox Jews — with public agencies that provide technical assistance to struggling businesses.

The Business Outreach Center will start in September on a 15-month pilot basis, reaching out to light manufacturing, real estate and other service firms, construction businesses and wholesale distributors. The center's proponents have said that a neighborhood-based facility is needed to break down many cultural and ethnic barriers that make residents in these close-knit religious communities reluctant to seek vital economic help directly from government or other outside sources.

At the center, clients would be directed to agencies that provide help with job training for new employees, financial help in installing security devices and assistance in preparing documents

for loan applications.

"We are not reinventing the wheel or duplicating what a lot of these public agencies have been funded to do," said Paul Cherenick, director of operations for the Council of Jewish Organizations of Boro Park. "What we are doing is helping the agencies extend their services, and do that more efficiently. . . . There would be an ethnic and cultural rapport." A ethnic survey of 2,000 local businesses last year showed that about 75 percent were not retail operations, and therefore eligible for this program.

The council will oversee the work in a center's office in Boro Park. The offices will be in partnership with the Jewish Community Housing Fund, a Jewish settlement house in the office of the Rockaway Revitalization and Development Corp., which is working with the Jewish Community Council of the Rockaway Peninsula.

The sites are being funded by a \$130,000 grant from the state Regional Economic Development Partnership Program, and a

\$36,000 grant from the office of Assemblyman Dov Hikind (D-Boro Park). "Boro Park is a growing community, and business opportunity is something that is very important," said Hikind, who wants the center to generate that opportunity in an environment supportive of the community's religious principles as well as economic ones.

Tomorrow, organizers are meeting with several agencies — including the Brooklyn Economic Development Corp., the city's Office of Business Development, and the Small Business Development Center at Long Island University. "These agencies will receive client referrals once the outreach offices open. Obviously, anybody who comes for assistance will be welcome. A Hispanic business, or Caribbean business, or any kind of business," said Joyce Cherenick, CEO of the Boro Park office.

The councilors would likely speak Yiddish and maybe Russian as well.

D'Ag's Bag Is Not Sloan's Supermarket buyout no longer in express lane

By Edward R. Silverman

The planned acquisition of Sloan's Supermarkets,

and sales volumes," said Nicholas D'Agostino Jr., chairman of the New Rochelle-based chain. He denied

LEDGER

Standard & Poor's Corp., downgrading its ratings of several types of debt of Chase Manhattan Corp., the nation's second-largest banking company.

American Investor T. Boone Pickens said he will continue his fight against Japanese "cartels," but declined to answer a charge that he is acting as an agent for a Japanese greengrafter. Pickens said that Koito Manufacturing Co. — an auto-parts maker in which he owns the largest block of shares — is colluding with Toyota, its second-largest shareholder, to deny him representation on Koito's board.

A House subcommittee voted to give federal judges more discretion to dismiss as frivolous some civil suits under the nation's racketeering laws. On a unanimous vote, the Justice Committee on crime prevention and control that would narrow the definition of racketeering in civil suits to exclude ordinary commercial disputes and contract cases.

Chrysler Corp., carving out a sure outlet for its cars in the sluggish auto market, said it will buy Dollar Rent a Car, the fourth-largest worldwide rental car system.

A partnership backed by NYNEX has won a franchise for cable TV service to 219,000 homes in the United Kingdom. The phone company will provide technical expertise and financial backing to Britannia Cable Systems Group. It is the sixth cable franchise award in the U.K. for NYNEX.

Citibank, the largest issuer of credit cards in the United States, changed AT&T's new credit card offering to a joint card with MCI Communications Corp. that enables users to charge telephone calls.

Motorola unveiled a \$2-billion plan to create a global portable telephone network, hoping to create a massive market for its telephones and accessories. The system would complement rather than compete with the land-based cellular networks that have made car and other mobile-telephone

TO REAUTHORIZE AND AMEND THE PROGRAMS UNDER THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965 AND THE APPALACHIAN REGIONAL DEVELOPMENT ACT OF 1965

TUESDAY, JULY 20, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, DC.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2167, Rayburn House Office Building, Hon. Robert E. Wise, Jr. (chairman of the subcommittee) presiding.

Mr. WISE. The hearing of the Subcommittee on Economic Development of the full Committee on Public Works and Transportation will come to order.

This is the final day and I welcome the Members who are here and those they have brought with them. This is the final day of the subcommittee series of hearings to review and reauthorize the programs administered by the Economic Development Administration, the EDA, and the Appalachian Regional Commission, the ARC.

Our next step will be to develop and mark up a bill for full committee consideration. I wanted to put this hearing together when I was planning it several weeks ago to discuss the strategies and tools used to assist economically disadvantaged regions, particularly those who are undergoing defense conversion problems, and the recent wave of announcements of base closures obviously heightens the need for this and the role that EDA can play.

This is done under Title IX of EDA and it is an unfortunate coincidence that what is taking place in the Midwest even today also would come under Title IX. So I think this hearing in some ways becomes even more timely to talk about the ways that EDA can respond to those areas that are economically disadvantaged either by some force, whether it be that of the government or whether it be that of nature.

Most of the hearing today, I suspect, and properly so, will focus on defense conversion, the challenges, the opportunities, and how EDA can be more effective.

The subcommittee is working on preparing a letter to Members, particularly those affected by defense closings, outlining exactly what it is that EDA does and how to work with EDA and how our subcommittee and the full committee under Chairman Mineta, who has been very active in promoting this, can be of assistance.

It would my hope for the subcommittee to issue an actual report and manual that local communities could use. No problem is greater right now than that which is before this subcommittee.

In recent years, \$130 billion was transferred from DOD to EDA specifically for Title IX defense conversion programs. The agency has already committed about \$82 million to projects and anticipates using up the balances of these funds by the end of year. I am pleased to see so many Californians here since I know that your State has been particularly hard hit by reductions in defense spending. It will be helpful to us to hear about your experiences and what adjustment activity is ongoing in New York, Florida, Ohio, and elsewhere.

In addition, we are interested in what recommendations you have for ways that EDA can be of further assistance in helping communities adjust to those new conditions.

I appreciate very much your being here and the time that many of you have taken. I now turn to Mr. Hutchinson for any opening remarks he might wish to make.

Mr. HUTCHINSON. Thank you, Mr. Chairman.

I want to thank you for holding these hearings on the reauthorization of EDA and look forward to hearing from our colleagues from California. I would like to focus on the matter of defense conversion, for one of the purposes of the subcommittee holding these hearings is to consider new initiatives whereby the EDA could promote economic growth and development.

The end of the Cold War has had a profound effect on our society and nowhere is that felt more strongly than in the economic realm as we downsize our military. Eaker Air Force Base in my home State is one of those installations that has been closed down. The base is in one of the poorest sections of the State; indeed, one of the poorest sections of the country, and its closure has had a devastating impact upon the community. However, the community leaders are moving forward and are determined to do all they can to encourage the economic wellbeing of their locality.

They have been working with the EDA among other agencies to provide for a smooth transition from military to civilian use. However, I have heard from citizens that they are running into problems with the EDA's reluctance to become involved in non-traditional projects, for instance, the operation and maintenance of airfields and NAVAIDS.

Since Eaker Air Force Base closed in December of last year, the community has had a difficult time keeping the runway open and certified. This has made it even more difficult for them to fly in prospective industries which are interested in the base.

Marketing and personnel costs have also been mentioned as possible areas that the EDA could look into supporting. I think it is important that EDA be open to new possibilities and opportunities.

I would also point out that the December 1992 report by the Defense Conversion Commission suggested that EDA already has statutory authority to promote and support integrated planning for communities.

In fact, the report went even further and recommended that EDA reduce its historical emphasis on funding public works projects.

I would like to add my encouragement for this committee to consider new alternatives and options for the EDA.

Mr. Chairman, our representative from Blytheville could not be present here today. However, I have recommendations that were sent to me by Judge Joe Gurley and would like unanimous consent to have them entered into the record. And, the Mayor of Rantoul, Illinois, the Honorable Katy Podagrosi.

Mr. Ewing has asked that a statement by the Mayor of Rantoul, Illinois be included in the record, and I would ask unanimous consent to include that.

Mr. WISE. Without objection.

Mr. HUTCHINSON. Thank you, Mr. Chairman.

[The statements of Judge Gurley and Mayor Padagrosi follow:]

Recommendations Presented By Judge Joe Gurley
On Behalf of the Blytheville Community Regarding
Their Experience With the Closing of Eaker Air Force Base.

Recommendations concerning projects that should be funded through EDA:

1. Base Platting; Subdivision and Facility Mapping Plan which includes rights-of-way, easements, setbacks, zoning, use and alternatives.
2. Operation of Facilities during interim periods - to include personnel costs, training, equipment, utilities, legal, and licensing. For example, the necessity to keep an airport at or in "operational readiness" during that period in which tenants are being sought, as well as conversion to civilian standards.
3. Marketing efforts at least from the standpoint of equipment purchase or consultant support to put together plans, strategies, brochures, packets, and information necessary for base redevelopment.
4. Support costs for maintaining the base at a level conducive to marketing efforts to include such costs as those currently included under the Caretaker Agreement. The Air Force, which currently funds this through the BDA, could transfer these funds to EDA to administer thus freeing up those staff currently involved in site management to work in the area of property transfer where staff are so desperately needed. In addition, funds are now allocated to maintain the base at levels below those that are locally considered necessary to meet long term usage. Repairs could be made in a similar manner with property perpetuation and improvement rather than "landlord" maintenance.
5. An area for demonstration projects that would allow for greater flexibility in project design that could be matched to individual bases and areas as dictated by a wide range of factors such as geography, economy, resource or availability, and general reuse planning. This area clearly needs more development. A "catch all" type category, such as demonstration, would allow individual development organizations the flexibility to be innovative in their economic efforts.

Other suggestions concerning EDA projects

1. Re-centralization of authority: allocate funds regionally and let regions make funding decisions. This could also help to reduce the time needed to fund projects which is one of the biggest complaints against EDA.
2. Matching funds should be done on an individual basis. Matching funds, particularly cash match, should not even be required. Those communities truly "suddenly and severely" suffering economic distress do not have the means to provide match. More importantly, they are placed at a distinct disadvantage when funding is being competed for, and their opponents are either communities who have greater economic resources or industries that can well afford to match project funding despite public statements.
3. Clear guidelines should be established for DOD funds, taking into consideration non-traditional areas of funding.
4. The area of non-relocation needs to be examined. Will EDA policy concerning this restrict communities from using funds who are trying to attract industries who are clearly determined to relocate? Suppose funds are used for utility improvements and subsequent to those improvements being made, a major industry wants to relocate in that area and use those utilities.
5. Until clear guidelines are established the national office should be willing to discuss or negotiate requests concerning individual projects. If a proposed project includes a component line item the EDA cannot fund, we should be able to negotiate around that item and the entire component should not suffer.
6. An explanation should be provided as to why certain parts of a project are rejected.

**RANTOUL'S EXPERIENCES WITH THE
ECONOMIC DEVELOPMENT AGENCY**

July 19, 1993

By: Mayor Katy Podagrosi

Rantoul is a community of some 20,000 population located 120 miles south of Chicago and has been host to Chanute Air Force Base for over 75 years. The announcement that Chanute would close was made December 29, 1988. A study by the University of Illinois Community Planning Department at that time indicated that Chanute accounted for 65 percent of the economy of Rantoul. Without redevelopment, three of the five public grade schools in Rantoul would be expected to close.

Rantoul has worked diligently since the announcement to bring in new industry to off-set the military economic influence. We have been nominally successful bringing in some 1,000 more industrial jobs off-base than we had in 1988, but this in no way takes up the slack. For all practical purposes, Chanute has closed. All military technical schools had transferred prior to June 30 and only the final phase-down troops remain.

One of our primary concerns has been to market the properties at Chanute in order to avoid "down time" between military and civilian uses. Back in 1990 when we first learned about the Economic Development Agency we thought this would be an effective tool that could be used for this purpose. We have been sadly mistaken in thinking that any assistance from EDA could be timely.

Timing has been very important for many reasons, but especially so since the Air Force has been reluctant to leave personal property in buildings to make them more saleable unless we had ready users one to two years prior to closure. This is especially true of buildings like the 230-bed hospital located at Chanute. Without marketing funds we could not meet the Air Force's demand that we have users for the various buildings.

On October 8, 1990, Kent Tucker of our staff contacted Virginia Ormsby of the Springfield EDA office. We talked about possible public works grants to help us implement the community planning that had been accomplished through consultants hired through Office of Economic Adjustment funds. Our need was for a road to lead from US 45 and possibly I-57 to the industrial section of the base.

Following that contact, we have had regular contact with EDA and discussed a number of projects and needs - marketing, infrastructure, and revolving loan funds. Since early 1992 we have almost pleaded with the Springfield and Chicago offices of EDA to provide us with the application documents to obtain marketing funds.

In early 1992, Ed Jeep, director of the Chicago regional office of EDA, and members of his staff met with my staff and me in Rantoul. At that time he assured us that \$2 Million of the \$50 Million EDA funds available nationally were set aside for Rantoul. These funds would be earmarked for marketing, infrastructure and revolving loan and would require matching funds. We asked for applications at that time, but they were not ready. In the meantime, we were stalled time and time again, until the \$50 Million had been allocated elsewhere.

Specifically, on January 30, 1992, Frank Elliott and Kent Tucker of the Rantoul staff, met with Al Casals in Springfield and discussed these requests. We were told that the EDA grant process was in three parts. First there is a proposal, then an initial application, and then, after invitation from EDA, a final application. We requested that we just get started in the process so that we could participate in the next DOD allocations of \$80 million.

Subsequent discussions were held with Katherine Huth and Al Casals about the possibility of using EDA funds to demolish a deteriorated federal housing area in Rantoul. We were asked to submit a proposal for \$450,000 and Rantoul's match would be \$150,000. This went to EDA on May 13, 1992. Following this on May 19, 1992, we sent in a proposal for an RLF fund for \$2,400,000 on May 19, 1992. They then sent staff to Rantoul to meet with our staff in July following this proposal.

The results of the reviews and meetings were that we would drop the demolition project and do a marketing and RLF proposal. The need for infrastructure funds was also pressing and we asked that these be considered.

After much discussion, we were invited to send in initial submissions for marketing, RLF and infrastructure funds to EDA in August, 1992. Reviews and supplemental information went back and forth until November when the marketing and RLF proposal was separated from the infrastructure proposal.

Rantoul submitted the infrastructure (Chandler Road) preapplication for \$1,100,000 EDA and \$440,000 Rantoul/County on November 12, 1992, and supplemental information November 24. We did not receive a formal invitation to submit a final application for Chandler Road until the end of May, 1993. The application was due June 30. Remember, this is a road needed to accommodate industrial growth on the southeast side of the base property this September. There was no apparent concern on the part of EDA that the construction season was passing quickly.

The application documents were very cumbersome and required a great deal of time, studies and work on the part of the Rantoul consulting engineers, attorney and J.B. Hunt Trucking (one of the industries moving onto the base). It was not possible to have all the documentation completed in the 30 days allocated by EDA, so an extension was asked for until July 15. In this process, Katherine Huth of the Chicago office was contacted in mid June re the anticipated need for an extension. She said to call her on June 28 and request an extension letter. Kent Tucker of our

staff called her several times on and after June 28 and finally talked to her on June 30, the original deadline. The extension letter finally came on July 12.

The marketing (\$440,000 EDA/\$133,334 Rantoul) and RLF (\$1,000,000 EDA/\$333,333 Rantoul) proposals went from the proposal stage directly to the final application stage possibly because of Rantoul's complaints about endless delays. The final marketing and RLF application was submitted by the May 3 deadline. EDA has yet to make any comments on that application.

Please note that while EDA took many months, indeed years, to get this far with the marketing and RLF proposal and the Chandler Road proposal, they gave us about 30 days to submit what turned out to be a very complicated document.

Our grant writer, Kent Tucker, has been preparing grant applications for some 20 years. In general these are his suggestions for improving the process:

1. EDA spends too much effort on preliminary meetings with applicants. Too much time is wasted on telling applicants what needs to be done.
2. There is no need to have a three-step application process. If they wish to make the funding competitive, they can screen applicants by having an orientation meeting for all persons interested in funding. Then, at most, EDA could have a short preapplication form approved prior to applicants completing the longer final application.
3. EDA needs to shorten application review periods especially for communities with closing military installations. We have worked for nearly a year and a half and have not seen a dime.
4. Lengthy additional engineering reviews should be unnecessary if plans submitted bear the seal of a licensed, experienced Engineer.
5. The final applications for funding are not drafted well. There are inserted pages, handwritten notes and inconsistencies. EDA needs to revise the application packet.
6. EDA needs to be directed to get these funds into the hands of affected communities on a timely basis.

Mr. WISE. The distinguished gentleman from California, Mr. Filner.

Mr. FILNER. Thank you, Mr. Chairman.

I do want to thank you for holding this hearing today, part of which focuses on California and the role which the Economic Development Administration can play in its economic recovery.

Those of us who live in the State are well aware of the terrible impact base closures will have on the economy already reeling from a severe recession. It heartens all of us that you, too, Mr. Chairman, are concerned with our plight and are interested in finding ways for the EDA to assist in our recovery.

As you know, the most recent base closure list calls for the closing of 9 major facilities around the State which will result in the direct loss of 33,000 jobs and over \$3.5 billion to the State's economy. My own City of San Diego will be feeling the loss of a major Naval Training Center as a result of this year's BRAC recommendations. Clearly, Federal assistance is needed to help the individuals and the communities adapt to a quickly changing world.

I believe that EDA can play a great role in this change. It has almost 30 years of experience helping communities with economic development projects. Its record of achievement has been impressive and I don't believe there is a better Federal agency suited to assist communities with the often painful transition associated with defense base closures.

For the first time in a dozen years, we have a realistic opportunity to enact an EDA reauthorization. We must take advantage of this to expand the agency's role in all forms of economic conversion activity associated with the military downsizing.

Title IX of the EDA provides funds for economic assistance for those communities suffering from large plant and base closures. As downsizing continues or even accelerates, we need to expand the resources of Title IX to better address these pressing needs.

Earlier hearings before this subcommittee focused on the need for greater decentralization of EDA, to let the regional offices have a greater say in which projects are funded. I think this is essential. It is impossible for Washington to truly understand the needs of a community in California or anywhere else in the country.

Regional decisionmaking should also speed up the application process so communities can get the funds they need as soon as possible, and I think regional offices need to be established specifically for California to deal with defense downsizing.

In addition, we should expand EDA's general authority to grant awards to eligible projects to make infrastructure improvements on Federal property before the property is actually conveyed. This will greatly ease the transition from military to commercial use of the facility.

EDA might also take on an oversight and coordination role with regard to all economic conversion activities. It seems to me that this is the logical place to oversee the transformation of defense-dependent communities into ones with vibrant, commercially oriented economies.

Chairman Wise, I want to thank you for your leadership and sensitivity to this issue. I look forward to working with you and the subcommittee as we reauthorize this Act.

Mr. Chairman, I also ask unanimous consent that the testimony of Tim Nader, the Mayor of Chula Vista, California, which I am proud to represent in Congress, be submitted for the record.

Mr. WISE. Without objection.

Mr. FILNER. He was going to be here today, but I think the subcommittee will benefit from his testimony regarding the potential for EDA involvement in regional project development.

Thank you, sir.

[Mayor Nader's prepared statement follows:]

STATEMENT OF MAYOR TIM NADER

Chairman Wise, members of the Economic Development Subcommittee, thank you for the opportunity to address your Subcommittee today. My name is Tim Nader and I am the Mayor of Chula Vista, California, the second largest city in San Diego County.

Mention the term "base closure" to elected officials in California and you are sure to send a cold chill through the room. Our state is just beginning to understand the potential impact from the latest round of base closures, and all of us who are concerned about the economic vitality of our state appreciate the interest and determination of this committee.

Now that base closures are a reality, we must begin a comprehensive planning effort to convert closed bases into opportunities for economic growth and new jobs. And we must work fast.

The Economic Development Administration, working in cooperation with other Federal agencies, can be a central player in these efforts. Through public works grants, loan guarantees, technical assistance, planning grants, and other forms of investment, EDA can help turn the closing of a base into the opening of an opportunity.

In San Diego, the closure of the Naval Training Center might be one such opportunity. While we all fought to save NTC, its imminent closure means we must now focus on the future. That means creating jobs.

Like most military bases, NTC is not a neighborhood facility or a municipal facility. It is a *regional* facility providing jobs to residents from throughout San Diego County. The Training Center is located on 546 acres. At the present time 5,186 military personnel are stationed there, and 402 civilians are employed there. The overall economic impact of its closure will be \$419 million annually. Clearly, its closure will be felt throughout the region.

As such, the planning for its future must take place on a *regional* basis and its reuse must benefit the entire region—not just the immediate neighbors of the base.

All of us must work to ensure that our regional economies are protected and enhanced through the base closing process.

There are those in San Diego and elsewhere who have already begun to see these bases as their private playgrounds. As residents near bases, they have visions of parks, playgrounds, golf courses, and swimming pools. But these playgrounds for the rich do not create jobs and they do not benefit the region.

To create jobs and grow this economy into prosperity, we must ensure that the reuse of NTC, like other bases around the country, is planned through an intelligent regional process.

One such opportunity for regional economic growth in San Diego involves our need for additional airport capacity. In the past, EDA has recognized airport expansion as a catalyst for job creation and economic development.

It has been alleged by some that San Diego's airport, Lindbergh Field, is cramped and unable to meet the long-term needs of our growing region. The closure of NTC, which is immediately adjacent to the airport, provides a unique opportunity for an expanded airport creating real economic growth for all of San Diego.

Unfortunately, a hand full of local politicians refuse to consider this option because they want the airport moved out of their neighborhood. They propose to spend billions of dollars on a new airport on the U.S.-Mexican border. A proposal that by every objective standard will be a failure. The building moratorium that they are enforcing along the border has prevented the development of a 21 billion dollar economy and the creation of 200,000 jobs.

With the help of agencies like the EDA, San Diego County will have two opportunities for economic growth: the development of our border region providing jobs, affordable housing, and desperately-needed schools, and the expansion of Lindbergh Field using the Naval Training Center property.

In this case and others, the challenge ahead is to overcome narrow parochial concerns and to build a real future for our regional economy. The critical issue is one of process: Who makes the decisions and whose interests are served.

As you move forward to create new opportunities for growth, I hope you will find ways to ensure regional participation and regional benefits.

Thank you again Chairman Wise and Members of the Committee for this opportunity to raise these important issues. I am happy to answer any questions you may have.

Mr. WISE. The gentleman from New York, Mr. Quinn.

Mr. QUINN. Thank you, Mr. Chairman.

I have no opening remarks. I appreciate the opportunity to be here and thank the panel members, particularly those of our colleagues in the House, who will testify this morning.

Mr. WISE. The gentleman from Georgia, Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

I do appreciate you holding these hearings on the reauthorization of the Economic Development Administration and the Appalachian Regional Commission.

I would like to take this time to welcome an individual from the State of Georgia who will be testifying here today, Mr. Vernon Martin. I hope I will have the opportunity to be here for his testimony, but I do have an unavoidable conflict later in the morning which will cause me to have to leave.

Mr. Martin will be addressing the need to defederalize the EDA revolving loan funds. You may recall that the committee in 1991 told EDA in the committee report that EDA should publish a regulation declaring that once all EDA grant funds have been used by the grantee to make loans to the initial round of borrowers, subsequent funds should not be considered as derived from Federal funds.

The EDA has never proposed that regulation and continues to refuse to do so, as indicated when you and I raised the matter in an earlier hearing this year. I hope therefore that the committee will see fit to put this provision in statutory language later on this year.

Mr. WISE. The gentleman has been very aggressive about promoting that, and we are working towards that end.

The gentleman from Florida, Mr. Mica.

Mr. MICA. Thank you, Mr. Chairman.

I wanted to applaud you and the Ranking Member for holding this hearing today to discuss this critical issue of defense conversion. The issue of job creation has never been more significant than it is today when we are losing jobs from both defense spending cutbacks and base closures.

For example, let me tell you about my State. Defense is Florida's third largest industry accounting for \$11 billion in income annually and it employs nearly a quarter of a million people. My district, like many others, suffered a tremendous loss when the Base Realignment and Closure Commission announced the recent closure of the Orlando Naval Training Center and the Orlando Naval Hospital close to my district.

As a result of that decision, Orlando will lose a military center of about 15,000 employees which poured \$575 million a year into the surrounding area.

Additionally, in my district I have Westinghouse, Martin Marietta, Brunswick Corporation, General Electric, and numerous other small firms that have defense contracts which will be greatly impacted by the policy we set here.

I would like to see this subcommittee be a part of an effort to turn these lemons into lemonade. I am pleased that we have expert witnesses from central Florida here today who are engaged in the activity of creating jobs and also in helping Florida to prepare for the future.

I look forward to hearing from the witnesses that we have from Florida and California and my colleagues and to further learn what we can do at the Federal level to facilitate this process.

Again, Mr. Chairman, I thank you for allowing representatives of Florida to participate in this hearing and also for the initiative in holding these hearings.

Thank you.

Mr. WISE. The gentlewoman from Washington, Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

I have no opening statement, but I look forward to hearing our witnesses today.

Mr. WISE. The gentleman from New York, Mr. Boehlert.

Mr. BOEHLERT. Mr. Chairman, this is the right hearing at the right time for the right reasons and I look forward to hearing the distinguished panel of witnesses, particularly Chairman Brown from Science, Space, and Technology; and also our fellow colleague, Congressman Horn.

Mr. WISE. We will now turn to the panel. We have several distinguished Members and people joining them. I will read the agenda and then turn to the gentleman from California, Mr. Brown, who is accompanied by Mr. William Bopf, the Executive Director of the Inland Valley Development Agency of San Bernardino, California.

We also have Representative Sam Farr from California; accompanied by Ms. Lora Martin, the Director of Science Development, University of California at Santa Cruz; Representative Stephen Horn of California; Representative Gary Condit from California; Hon. Barbara Lee, a Member of the California Assembly, Oakland, California; and Mr. Randy Starbuck, the Redevelopment Coordinator of Napa, California.

Mr. Starbuck, Mr. Hamburg asked me to apologize on his behalf. He is not able to be here, but has briefed me on your appearance, has told me to give you every courtesy, to listen and to do whatever you say. You probably don't need to testify.

I turn now to Chairman Brown.

Mr. BROWN. Thank you, Mr. Chairman.

Let me add my thanks to those of the others who have spoken for your conducting this very important hearing. I would like, if I may, to yield briefly to another distinguished Member of the California delegation, Mr. Horn, who has another appointment.

Mr. Horn and I serve as the Co-Chairmen of the California Task Force on Conversion, and with other California Members, in fact most of the delegation, including several on this committee, we have sent proposals to the Armed Services Committee and Mr. Horn has made a very important contribution to that process.

Mr. WISE. We would be delighted to hear from the gentleman.

**TESTIMONY OF HON. STEPHEN HORN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. HORN. Thank you, Mr. Chairman.

I congratulate you on your leadership in this area and I will be delighted to support you. This should be a bipartisan effort.

I thank my colleague from California without whom the delegation would have been leaderless. He has been a pioneer and a wise person in pushing the defense conversion aspects.

Let me just make a couple of points and file my statement for the record.

Number one, as I said, this ought to be a bipartisan effort. I know of few Federal agencies that have been as effective at the local level as EDA. My experience with them goes back roughly a quarter of a century to the beginning of the agency when Long Beach, California had a very depressed downtown center and the problem was turning that around.

The mayor asked a group of us to form an economic development corporation. We did, and the agency that was most helpful to us was EDA. They provided us roughly \$14 million in the mid to late 1970s and we leveraged that into \$85 million more with their help and cooperation.

In the next decade and a half, we leveraged that into \$3 billion in private investment. We could not have done it without EDA and we were well aware of that from the beginning. So if any agency deserves reauthorization it is EDA. They have been immensely helpful regardless of party and power, regardless of ideology.

The important thing that happened in the late 1970s with EDA is they helped work out a multi-agency funding agreement. So it was not simply EDA and the community. It was EDA, the Department of Housing and Urban Development and the Department of Transportation and the community.

We sought EDA funding supplemented by leveraged private sector funds after State money and local money had dried up as a result of Proposition 13 which severely curtailed the property tax.

Clearly EDA should take up the mission of economic conversion of the defense sector. Long Beach has three major bases, two of which have been ordered closed, the naval station and the hospital at the last go-around in 1991 and the shipyards survived by a 4 to 3 vote in 1993 and will probably again go through this in 1995. So there is a need for an agency with experience that can help in terms of economic development and planning.

Certainly one of the solutions that is needed is coordination of some of the human aspects of conversion, ordinarily a function of the Department of Labor, in terms of helping the highly-skilled workers in the shrinking defense industry adapt to evolving industries.

California is putting together a Project California that is integrating labor, management, government—State and Federal—with the research universities and the institutions of higher education generally to find those evolving industries.

Certainly defense contractors have to become more acquainted with the free competitive system. They have operated in a different milieu for the last 40 years and EDA working with the Department of Labor could be immensely helpful in that.

Lastly I would suggest that we need a few tax law changes which would help EDA and help communities. That is to think of a new equipment or reused equipment, but new equipment to a new mission type of tax credit which would permit establishments that have been serving military needs for a generation to convert into new areas of civilian endeavor.

Between that type of tax incentive, between the grants and methods of assuring good planning that EDA has helped us with, I think we can be successful in the years ahead and I thank you for the opportunity to appear before you and I would like to file my statement with the committee.

Mr. WISE. Without objection. I appreciate your remarks.

[Mr. Horn's prepared statement follows:]

STATEMENT OF CONGRESSMAN STEPHEN HORN

Mr. Chairman, thank you for inviting me to appear before the Subcommittee on Economic Development.

Too often we in Congress deal with abstract numbers and large programs. Each Federal program must be analyzed on the basis of whether or not it improves the lives of ordinary citizens at a reasonable cost. A good program should do just that. It should reconnect citizens with their seemingly distant federal government. The Economic Development Administration [EDA] is one such successful government program. In the past, the EDA has done much good for my district. As such, I strongly support reauthorizing the Economic Development Administration.

I would like to share some of my experiences with the EDA, as well as give an outline of where I believe the EDA ought to be headed.

In the mid 1970s, Long Beach, California developed plans to renovate its depressed downtown area. Public and private financing was arranged, but the local and state public financing available was severely reduced after the passage of Proposition 13, which rolled back property taxes and public revenues.

Shortly thereafter, a multi-agency funding agreement was achieved with EDA, the Department of Housing and Urban Development, and the Department of Transportation. These agencies gave \$40 million in grants. This amount was leveraged with commitments from businesses and further municipal public financing for a total investment of approximately \$3 billion. Today, downtown Long Beach is becoming an excellent place to do business. There are downtown office buildings, parking structures, theaters, shopping malls, and other conveniences. This redevelopment has transformed downtown Long Beach into a first class commercial area. This would not have occurred without the initial grant from EDA. By the way, I have been told that this multi-agency approach has not been duplicated on a large scale. I think the issue of agency jurisdiction relating to defense conversion ought to be examined closely.

I expect further miracles from the EDA, especially as California reels from continued defense cutbacks and recession. I believe that the EDA should take up the mission of economic conversion of the defense sector. I believe the federal government has a duty to help mitigate the pain experienced by local communities, whose economy was based, in large part, on federal spending.

A well-reasoned strategy for defense transition must include several elements. First, it must deal with the tremendous physical assets help by the federal government in the form of installations and bases. These facilities are valuable to local communities. However, the reuse process is very convoluted. There are often interminable delays and wrangling over who is to use the facility—this results in nothing but greater economic pain to local communities. A federal role in speeding reuse could include environmental cleanup and establishing a quicker process for economic reuse.

The second element of a realistic conversion effort must include a solution to the most daunting task of conversion: the human dimension. One of the most important tasks which faces all of us is the mismatch between highly skilled workers in the shrinking defense industry and the need for highly-skilled workers in other evolving industries. This adjustment will be difficult, but moving these workers into the peacetime economy will be the most valuable portion of the peace dividend.

The final element of a conversion strategy for the reduced defense industry is to encourage defense contractors to become reacquainted with the free market, and with building high-quality products at a reasonable cost. There are enormous chal-

lenges that all defense firms will face as they struggle to restructure a corporate culture and create a nimbler, more responsive and competitive company. The federal role in this area should include a new equipment tax credit to reorganize the support infrastructure needed to achieve industrial conversion.

Reaping the "peace dividend" will be a slow and sometimes painful process. The California economy will undergo dramatic changes that may be painful in the short run. The Economic Development Administration should act as the lead agency in focusing its energies on defense conversion. Facilitating the redeployment of assets formerly employed by the defense establishment will have a positive economic impact in the long-run.

Mr. WISE. I would like to state for all here that there will be an amendment today on the Floor of the House in the Commerce-State Justice bill which will effectively kill the EDA, would strip the money for salaries and administration. If that prevailed, there would be no EDA and this hearing would be a nice exercise, but that is all. I urge all those who have an interest in the EDA to be present and make your voices heard on the subject.

I thank the gentleman from California and turn back to the other gentleman from California, Mr. Brown.

TESTIMONY OF HON. GEORGE E. BROWN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, ACCOMPANIED BY WILLIAM BOPF, EXECUTIVE DIRECTOR, INLAND VALLEY DEVELOPMENT AGENCY, SAN BERNARDINO, CA; HON. SAM FARR, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA, ACCOMPANIED BY LORA LEE MARTIN, DIRECTOR OF SCIENCE DEVELOPMENT, UNIVERSITY OF CALIFORNIA, SANTA CRUZ; HON. GARY A. CONDIT, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA; BARBARA LEE, MEMBER, CALIFORNIA ASSEMBLY, OAKLAND, CA; AND RANDY STARBUCK, REDEVELOPMENT COORDINATOR, CITY OF NAPA, CA

Mr. BROWN. Thank you, Mr. Chairman.

You have already noted of course that we have several other prominent Californians on this panel who will make their own contribution. Let me just say in particular that we have tried to proceed on a bipartisan basis to solve the problems of California resulting from defense downsizing and economic losses resulting from cutbacks in military budgets. And in the State Legislature, we have been working with a similar bipartisan group chaired by Barbara Lee, a member of the State Assembly who is with us this morning, and I want to pay tribute to the work she has done in the State Legislature also.

I am accompanied by Bill Bopf, the executive director of the local agency charged with the reuse of Norton Air Force Base in San Bernardino.

I would like to have him follow me with a more specific statement about our own region and what is being done there and I think you will learn more from that statement than you probably will from the statement of some of us who are more remote from the day-to-day problems of economic development and reconversion.

I will not repeat for you the adverse impacts on California of the defense downsizing. We are hard hit. I am not going to cry the blues because the other side of the coin is we got the benefits from those many bases during good times, if we may call them that, when we were spending more money on defense.

Californians think—and the delegation reflects that thinking—that we should work to solve these problems ourselves and not merely point to the hardship that we are suffering as a result of the downsizing. We specifically believe that we will need an active and vigorous EDA program.

I am not going to give you a specific figure. It should be at least as much as we have been spending, preferably more, depending upon how you want to define the job EDA is to do. If that includes some recovery from the floods in the Midwest, obviously it takes a larger amount of money. But we are here to support continuing the programs at least at the same levels that we have.

In that connection, I want to ask unanimous consent to insert a statement from the Chairman of the Armed Services Committee, Mr. Dellums, who makes a similar recommendation with regard to that and regrets that he can't be here.

Mr. WISE. Without objection.

[Mr. Dellums' prepared statement follows:]

TESTIMONY OF HON. RONALD V. DELLUMS

Dear Mr. Chairman: I thank you for the opportunity to offer to the Subcommittee on Economic Development Administration my thoughts on the need for an aggressive and well-funded economic conversion effort.

For twenty years, the nation has discussed the need for defense economic conversion. A number of our leading Members have repeatedly submitted legislation for our consideration that contained various of the necessary elements for a successful conversion effort. When military down-sizing commenced five years ago, we who supported conversion planning elevated our effort in order to achieve protection for those workers who inevitably would suffer the personal pain and communities which would face the dislocation attendant to our national security decisions. Modest gains have been made, and a rudimentary conversion effort is underway.

The advent of a new administration which articulates a commitment to a wise and effective use of federal power to stimulate economic growth generally and to defense economic conversion specifically makes the legislative opportunities more achievable than at any time in my years of service in this body. In this atmosphere, let me set out very briefly my view of the essential schematic elements of a successful national conversion effort, since its initiation and implementation seems both so feasible and essential to our economic well-being.

First, we must assure the communities affected that the closure of military facilities and the reduction of defense-related industrial activities will be done with as much advance notice and orderliness as is possible. This will require working with the Department of Defense to ensure that near-term and mid-term planning are optimized to ensure a stable transition.

Second, we must ensure that local communities have the necessary resources—fiscal and otherwise—to implement planning procedures that can develop a blueprint for community economic transformation. Here is a sample of the many and complex questions that a community planning process must confront: What industry will the community substitute for that upon which it relied for jobs and industrial/commercial activity? What will it need to do in terms of infrastructure improvements, land use decisions, etc. to successfully implement this plan?

Third, what are the mitigation needs that confront the community in the short term? Will workers need augmented or extended unemployment benefits? Will the community need worker retraining resources and, if so, of what kind? What type of aid to local school districts for the loss of students and federal impact aid? The questions are numerous; they must be identified and, when identified, we must make a federal commitment to close the gap and fill the needs that become apparent from the answers that they generate.

Fourth, we must make a federal commitment to invest our transportation, housing, education, community development and other accounts in these communities. These investments will be critical both to fund the mitigation and to create the jobs that will provide near- and mid-term employment for retrained workers and the necessary infrastructure improvements to aid the community in successfully implementing its planned transition.

The defense accounts have funded some of this work through the Office of Economic Adjustment of the Department of Defense. We intend this year to do what we can and what is appropriate through the defense accounts to enhance and improve on these early efforts.

But, more can be done and the civilian side of government must carry its share of the burden as well.

The Economic Development Administration, among others, must augment and complement the work done by various agencies that are part of the President's economic conversion commitment. It cannot meet this commitment if it remains underfunded for the task. Therefore, I urge your subcommittee to give serious consideration to fund the EDA to levels at least consistent with last year's effort of \$80 million.

None of us knows precisely what will work and what will not work in the conversion business. New models are being developed and new needs are being identified. Our conversion pilot projects in four cities will develop even further refinements of these models in the year-and-a-half to come. However, this should not deter us from forging a visible and aggressive program that will provide confidence to workers and communities that the President and the Congress are committed to fund the programs necessary to ease this transition.

Finally, we should not underestimate how essential this effort is to our national economic development and, in turn, our national security.

Much has been said of the need to enhance our economic competitiveness. A robust, federal economic conversion effort—with its potential to fertilize new economic growth, train workers for the jobs of the twenty-first century, improve our industrial efficiency, clean up our environment, and achieve a host of other possibilities—is the current best chance to posture our economy and work force to move successfully into the next century. We meet the challenge only by assuming our proper federal responsibility, and only by this will we succeed.

I thank you for the opportunity to share these few thoughts on this most important topic.

Mr. BROWN. If I could put my name on his statement, I would because it is a very eloquent statement making the case for that. We hope that you and the members of your committee with your greater familiarity with the role and function of EDA and the needs that currently exist for it will come up with a reasonable figure which we can support on the Floor.

We do want to make the very strong point that we must have a continuation of EDA.

[Mr. Brown's prepared statement follows:]

STATEMENT OF CONGRESSMAN GEORGE E. BROWN, JR.

I want to thank the subcommittee and its chairman for convening this hearing today. I am pleased to be accompanied by Mr. Bill Bopf, the executive director of the local agency charged with reusing Norton Air Force Base in San Bernardino, California.

As you know, California is being hard hit by the downsizing in defense spending, but as I also know you appreciate, defense downsizing is a national issue. California may have the largest number of defense jobs, but six states have an even greater percentage of their jobs in defense. And even the state with the smallest defense employment—Vermont—has 6,800 defense jobs.

My region of California, San Bernardino and Riverside Counties, is being hit particularly hard. Through base closures, large and small defense plant layoffs, and secondary employment effects, 36,000 jobs are expected to be lost from the current defense downsizing over a 5-year period just in San Bernardino and Riverside Counties. That will cause a 5% increase in unemployment in the region. In EDA terms, that is definitely "sudden and severe."

One of my major points is to urge you to consider authorizing additional funds for EDA, specifically for defense conversion activities.

Nationally, we are reducing defense spending by over \$100 billion over the next 5 years. President Clinton, to his credit, has proposed a \$20 billion defense conversion initiative for that 5-year period. However, difficulties are apparent in trying to recreate the same level of jobs with \$20 billion in conversion money as were funded with \$100 billion in defense expenditures. In addition, much of the conversion funding is "seed money" designed to spawn the development of new technologies several

years from now. These are critical programs and should be supported. However, it's equally critical that we support *major* efforts to provide more immediate and tangible help to hard hit defense communities. From what I know, the Economic Development Administration is one of the best available agencies that can be re-tooled to meet these needs.

But, again, with over \$100 billion in federal defense spending being eliminated and over 100 large military bases and defense plants being closed, it seems apparent that EDA will need much more than its current \$130 million in defense conversion funding to help these communities jump start local economic recoveries.

How much more will EDA need? The answer may depend on what you want EDA to do. It seems to me that if we are content to see communities take 20 years to recover the jobs they lost in a base closure, then probably very modest amounts of EDA funds are needed. However, if we want to see these communities bounce back more quickly, then I think we will need a higher level of spending by EDA and other federal agencies than we are currently providing.

I would hope that this subcommittee, EDA itself, and other experts could help answer these questions, and could help Congress determine a proper level of funding for EDA.

Lastly, I would like to provide to you for the record a letter and summary of defense conversion proposals that a bipartisan group of 47 Members of the California Congressional Delegation recently submitted to the House Armed Services Committee. Congressman Horn and I served as Co-Chairs of the Delegation Task Force, and we joined with several of the Californians on this subcommittee to put the defense conversion proposals together. That large bipartisan effort signifies, I believe, the serious economic hardship that California and other states are suffering from the defense downsizing and the reason why we are here today expressing our strong interest in EDA.

Again, I thank you for conducting this hearing, and I trust that you will find the testimony of my constituent, Bill Bopf, to be informative concerning EDA and the reuse of Norton Air Force Base in California.

Mr. BROWN. I would also like to ask unanimous consent to submit with my testimony a letter from most of the members of the California delegation and a summary of the defense conversion proposals that we submitted to the House Armed Services Committee. That will give you a pretty good idea of the unity with which we are working on this defense conversion problem, in conjunction with Congressman Dellums' statement which says they want to do as much as they can, but we have to have EDA to carry on the functions.

I think you will get a fuller picture of the situation we are in. If you will include those as a part of my statement, I would like to turn to Mr. Bopf and ask him to give you a specific statement with regard to the conditions at our Air Force base and other related kinds of activities in our region of California.

Mr. WISE. Without objection, all submissions will be entered.

Congress of the United States
Washington, DC 20515

*Re: Mr. Brown's
statement.*

June 18, 1993

The Honorable Ronald V. Dellums
Chairman
Armed Services Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Ron:

As the Armed Services Committee prepares to mark up the Defense Authorization Act for Fiscal Year 1994, we wanted to share with you a number of our concerns regarding defense conversion and its impact on California.

We know you share our concern over the effects of defense downsizing on our state, both at military bases and civilian contractors.

First, it has to be made much easier for defense-dependent communities, businesses, and workers to find out about the kinds of economic conversion services that are available, and how to apply for and obtain them. It has been difficult for all levels of government, not to mention the private sector, to get timely and accurate information of this kind. We hope you will give consideration to the concept of a single, central clearinghouse to expedite dissemination and availability of information and assistance to the public and private sectors affected by defense downsizing. We also support the concept of regional clearinghouses for information in hard-hit areas like California.

Second, there needs to be increased coordination between the many agencies and departments that have economic conversion programs. We support establishing a "one-stop shopping" process, in which applicants can go to one place for obtaining the various kinds of conversion assistance they require. We understand that the Administration is developing a Community Reinvestment Program and we would support establishing a proportionate share of the proposed demonstration centers in California.

Third, there needs to be some assurance that economic conversion funds are directed to those areas most affected by defense downsizing. The purpose of defense conversion is to help dislocated workers, defense-dependent businesses, and affected communities. We believe that California must receive a proportionate share of conversion funds, as we have borne a large share of the cuts. Specifically, we would like to see all conversion funds, including Technology Reinvestment Project funds, targeted to areas with substantial job losses and those areas with the greatest reductions in defense dollars. In addition, there were other initiatives considered by the task force relating to increased funding for job training and adjustment assistance and for the Economic Development Administration. However, the Task Force chose not to support these initiatives as a bipartisan delegation. These items have been included in the appendix for your information.

Fourth, we are concerned about the matching requirements of many of the grant programs. Many of the states, communities, and businesses requesting federal grants are the very same which have become economically distressed by defense downsizing. It is our hope that there can be some flexibility on this issue by perhaps being maximally flexible on in-kind contributions rather than cash matches, reducing the cash match, or even waiving the match altogether. While the State of California has identified some resources for matching requirements, local governments and many businesses may find themselves unable to participate in conversion unless the matching requirements are restructured.

Fifth, we urge action on a number of items relating to military base closures. We support directing the services to be more responsive to the needs of local governments. We believe that a greater priority should consistently be given to facilitating community reuse. We would recommend that communities be given the opportunity to pay for the purchase and upgrade of closing bases on an installment basis rather than up front. We believe that local community reuse agencies should be able to purchase and resell base property to final reusers, by modifying federal law to allow the profits from a resale to be transferred to the federal government in a specified period of time. We believe that changes should be made that would not modify the priority of homeless agencies in the process, but would require them to act within the same time frame as other priority users. Finally, we urge action on the indemnification issue to stop the gridlock in base closure and reuse.

Sixth, we urge the committee to closely examine issues relating to environmental cleanup at military bases. Environmental problems have led to delays in reuse, and thus, in economic recovery. We believe that cleanup must be adequately funded. We encourage consideration of standardized cleanup and disposal functions within the various services and believe that contract procurement procedures should be reformed to improve efficiency and quicken cleanup.

We are requesting that you consider the six points outlined above because, as you know, California's economy has not significantly benefitted from the national recovery. The state continues to endure multi-billion dollar deficits, has an unemployment rate of about 9.5 percent (in some areas it is as high as 15 percent) and has lost more than 800,000 jobs since 1990. In addition, although California has less than 15 percent of the total domestic military and civilian Defense Department employment, we face a cumulative loss of more than 50 percent of all personnel reductions for all three rounds of base closures.

To this end, we are enclosing a packet of policy papers which detail the points we have made above. In addition, we are enclosing a number of specific legislative proposals made by members of the California delegation. While we do not all necessarily endorse each of these proposals, we did want the committee to be aware of the depth and breadth of interest in our delegation on these matters.

We offer these recommendations and assessments with the hope that they will assist you in your efforts to improve the defense conversion and military base reuse programs. We stand ready to assist you in this endeavor.

Sincerely,

Yvonne Christensen

Barbara Boxer

George E. Brown

Randy D. White

Don Edwards

Craig J. Montford

Paul G. Eshoo

Michael Huffington

Calvin Dooley

Ron Packard

Lynn SchaulLuella Raybel AllardVie FaginAlpine WhiteSam LanCarrie SmithHome WicksHoward B. BunnM. G. MartinezJane HamerJohn T. DobbieChris CasOrran HunterJay Kimac mlandressAlan KellyRobert K. DormanJerry LewisBill ThomasBuck H. Ken

Paul McClellan

Stephen Horn

Jul. Quo

Ken Calvert

Estwan E. Jervas

Ed Royce

Tony Beilensen

George Miller

Richard L.

Matt Tucker III

Leslie Woolsey

Nancy Pelosi

Pat Hanbury

Bob Filner

Pete Stark

Tom Lantos

Sam A. Waxman

EXECUTIVE SUMMARYDEFENSE CONVERSION PROPOSAL**OF THE CALIFORNIA CONGRESSIONAL TASK FORCE
ON DEFENSE REINVESTMENT AND ECONOMIC DEVELOPMENT**

June 22, 1993

- A. The cover letter to Armed Services Committee Chairman Ron Dellums lays out 6 areas of bipartisan delegation agreement. The 6 areas are detailed in the "policy papers" (attachment 1) and the "appendix" (attachment 2) includes California Member legislation or proposals that exemplify ways to implement the 6 areas of delegation agreement.
- B. The 6 areas of agreement are:
1. Need for clearinghouse of information on the all the different kinds of defense conversion assistance available to communities, workers, and businesses (over 5 federal agencies have jurisdiction and programs).
 2. Need for "one-stop shopping" and coordinated delivery of defense conversion assistance from all the federal agencies. This provides more "bang for the buck."
 3. Conversion programs should be targeted to hard-hit defense areas and their job creation potential should be given weight in the government bid evaluation process. Instead, some major conversion programs, such as those run by ARPA, allow technology development conversion funds to go to any region of the country and without consideration for the job creation potential of competing proposals.
 4. Matching requirements for conversion funds should be flexible, especially in hard-hit defense regions. Many programs currently require a 50 % non-federal match.
 5. Facilitating military base reuse. Proposals that should be considered include allowing communities to purchase bases on an installment basis rather than with one large lump sum.
 6. Coordinating base environmental cleanup with reuse. Proposals include standardizing cleanup functions and rules across all DOD branches.
- C. Agreement was not reached on including EDA reform and job training proposals in the recommendations. Instead, proposals on these issues are included at the end of the appendix and mention is made on page 2, para 1 of the cover letter to Chairman Dellums.

PROPOSALS FOR IMPROVING ECONOMIC DEVELOPMENT ADMINISTRATION
DEFENSE CONVERSION EFFORTS

The problem:

EDA needs to be revitalized in order to play an effective role in current and future defense conversion efforts. In particular there are substantial obstacles built into EDA's requirements, procedures, and timelines that get in the way of effective responses to base closures. For example, OTA reports that the average processing time for EDA proposals is 292 days, and the median time is 180 days.

The solution:

1. Streamline and improve EDA's operations, especially its Sudden and Severe Economic Dislocation (SSED) program.
2. EDA grants should be allowed more in advance of dislocation, specifically in base and defense plant closures. Currently, communities can only apply for planning grants a maximum of two years before dislocations occur, which restricts a community's ability to plan for the future.
3. Give EDA regional offices more authority and staff. Reduce the lengthy application process by decentralizing decision-making to regional offices, reducing paperwork, and making guidelines more flexible. Currently applications are repeatedly reviewed at both regional and central locations.
4. Create EDA defense conversion regional offices in California.
5. Strip EDA's SSED program of its more onerous regulatory requirements. Consider easing application requirements that Base Reuse Plans and Environmental Impact Plans be completed before any EDA money can be spent on closed military bases. These requirements have proven restrictive and painfully slow.
8. Expand EDA's general authority to grant awards to eligible applications for making investments on federal property (e.g., for infrastructure improvements) required for reuse plans to proceed, before the property is actually conveyed.

Mr. WISE. I would like to note Mr. Chairman that the recommendations you made in your statement certainly dovetail with my thinking and I think a lot of Members of the subcommittee.

The need for EDA became even more apparent to me watching C-SPAN in a fit of insomnia the other night, a replay of the Governors' summit in the Midwest in which both the President and the Secretary of Commerce promised EDA resources to the Midwest, EDA resources to California in the midst of what you are going through now, and other areas of defense closings plus the regular work of EDA promised an active role for EDA. The question is whether resources will be there to match that challenge.

Mr. Bopf.

Mr. BOPF. Thank you, Mr. Chairman.

It is a pleasure to be here today to talk about this very important subject. I represent the Inland Valley Development Agency which is a redevelopment agency that consists of four local governments—the county of San Bernardino, the city of San Bernardino, the city of Colton, and the city of Loma Linda. They banded together for the sole purpose of trying to replace 10,000 lost jobs in the San Bernardino County area.

Our project area consists of about 15,000 acres, 2,000 of which are a military air base, Norton Air Force Base. The base will close in March of 1994. The last military flight will occur in about 30 days.

Since the announcement in 1989, we have gone from 10,000 civilian and military jobs to fewer than 1,000 today on that base. Eventually there will be almost zero. These 10,000 jobs represented a contribution to the area of nearly \$2 billion.

George Air Force Base, also in San Bernardino County, has been closed and there are no suitable reuse plans for it at this time.

March Air Force Base, just 20 miles to the south, is just the latest announcement for realignment by the Base Closure Commission.

The Hughes Aircraft facilities in the Inland Empire—that is the name of our region—are moving to another State.

General Telephone and Electronics has announced it will reduce its work force by several thousand. This annual economic loss is approximately \$4 billion, a 10 percent reduction in our total economy, an economy that in 1989 generated \$47 billion.

Our unemployment rate in the county of San Bernardino is 10 percent. This represents a loss of over \$1,400 per capita in the county. In comparison, the economic loss in our area is equal to 50 percent of the income generated by the entire State of Wyoming.

We need your help. We need the EDA. I ask that you reauthorize the Public Works and Economic Development Act of 1965 and the Appalachian Redevelopment Act of 1965.

The purpose of our agency is to replace those 10,000 jobs. We will only be able to make that possible through the construction of infrastructure.

Norton Air Force Base is typical of most Air Force bases. It was built in the forties. The infrastructure is outdated. Even though in some cases it is serviceable, it is small in size and will not meet modern responsibilities. In effect, we are going to have to replace all of that infrastructure.

Presently we are working with EDA for a road project which will include approximately 50 percent of the funding of a \$17 million project. This will involve two roads that will open up the base to commerce and replace inadequate infrastructure.

The environmental impact statement associated with the base closure estimated a \$200 million infrastructure need over the next 20 years.

We do not expect EDA to fund all of this but we believe it is important that we start at this point with the major infrastructure.

I ask that you increase the available EDA programs and funding grants and decrease the matching portion of initial grants which might provide backbone infrastructure. The timely ability to process EDA grants is also integral and critical to the success.

Our current request for Norton Air Force Base is being processed through the grant application under Title IX. This is an excellent program. So far this has been a pleasant experience. I would contrast this to my previous experience with EDA—not to denigrate them—but to say it was bureaucratic and took extensive time.

We were working with another city. It took two years to process a grant. We were in danger of losing the industrial park being created and the costs soared. This took twice as long as anticipated.

In another grant application in that city under the Emergency Employment Act, we received a grant in five months and built a project out in nine months. That is the type of response that we need.

I suspect that that occurred because there was local administration. We appreciate that.

The County of San Bernardino is presently involved in an overall economic development program. It involves the publication of a document like this every year with annual priorities. Contrast that with the application form that is submitted for sudden and severe economic dislocation, a one-page application. It is a much better and much quicker and more responsive type of operation. I could go on.

We have several million dollars worth of projects that San Bernardino will benefit from amounting to 7,000 jobs if those projects mature. We strongly urge the readoption and authorization of this Act. We recommend that you simplify and streamline the process and increase the front end commitment.

There is another item of concern. Heretofore, with military base conversions since 1989, the Department of Defense has been able to get the highest yield on the resale of the property in a reuse process. This is simply not practical in the current market conditions. Our appraisals indicate the potential of a negative value on the base in the open market. We ask your assistance to help in the public benefit transfer of as much land as possible.

Also there was a suggestion that we enter the bases early and start the public infrastructure as soon as possible. I think several of these things would be of great assistance to us.

Mr. Chairman, if you have questions, I would be glad to answer them.

Mr. WISE. Thank you very much.

I thank the gentleman from California, Mr. Brown, for putting this group together.

The next witness will be Representative Sam Farr from California as well. He is accompanied by Lora Martin, Director of Science Development, University of California at Santa Cruz.

Mr. FARR. Thank you, Mr. Chairman.

I want to thank Chairman Brown for establishing the task force in California on a bipartisan basis. I am the newest Member of this House, but I have had quite a bit of experience in the California Legislature representing Leon Panetta's old district with five presidentially-declared disasters followed by a base closure.

The experience I have gained from all that is the need to have quick economic recovery and access to capital. The process that we have established in allowing for base conversion I think is short-changed in two ways. The process is overly complicated and requires too much delay and second, it is underfunded.

For example, the Monterey Bay area, when Fort Ord was closed, is the largest military base slated for closure in the United States. We have a population of 200,000 in the region and the base had 22,000 employees. So we lost 10 percent of the population, the trickle-down effect of that was that 300 teachers in the Monterey school district were laid off because those students from military dependents were no longer in the public schools. You have a community that is really facing an economic disaster with 16 percent unemployment.

When we initially gathered with the Department of Defense to discuss base reuse planning process, it was argued that it could successfully be done for less than \$250,000.

The Pease Air Force base closure experience is typical of that fallacy. Military institution defense conversion and reuse planning is a time-consuming and expensive process. The process has to be simplified and adequately funded.

The Pease Development Authority spent \$1.3 million just to construct the initial community base reuse plan. Significant additional funding has been required to maintain the defense conversion process. For fiscal year 1992, the Pease Development Authority budget was \$2.8 million. This included \$1 million in administrative overhead, including \$265,000 for continuing economic engineering consult and another \$1 million for start-up costs. Additionally, \$3.2 million has been allocated for infrastructure improvement. This year's Pease Development Authority budget is \$7.5 million.

Monterey County and other interested entities realized that adequate planning for defense conversion is an expensive process and would require extensive Federal funding as well as significant upfront community investment.

Monterey County, with the participation of other locally impacted communities carefully constructed a defense conversion workshop, revitalization workscope, which has an estimated cost of \$4.8 million.

Based on demonstrated need for funding, the DOD Office of Economic Adjustment has obligated \$1.2 million and the Department of Commerce Economic Development Administration has obligated \$1.5 million for Fort Ord defense conversion planning in fiscal year 1993, and indicated they would consider making the balance of the \$4.8 million available in 1994.

When a base closes, the community has to know what is there and what shape it is in and how it can be reused. An example of that is that we had a very successful Army hospital, Silas B. Hayes Hospital, at Fort Ord, but that hospital never was built to California earthquake standards and therefore no spin-off entity wants to acquire it because of the liability incurred by the earthquake and the inability to meet earthquake standards. Therefore that hospital fully equipped has to be abandoned and used for other purposes.

The closure of even relatively small military installations requires a threshold defense conversion planning funding likely in the order of a half a million dollars to \$1 million annually for approximately 3 years. Larger military installations may require more funding over a longer time period. Thus based on the total number of major military installations designated for closure in BRAC II and in BRAC III, adequate total national funding for local defense conversion needs may exceed \$100 million.

Mr. Chairman, I would be glad to answer any questions you might have.

Mr. WISE. I thank the gentleman.

[Mr. Farr's prepared statement follows:]

STATEMENT OF HON. SAM FARR

Mr. Chairman and Members of the Committee: I am pleased to have the opportunity to be able to share my thoughts on some key issues with regards to EDA's extremely important role in the defense conversion process.

As I am sure you can appreciate, the 17th district of California, particularly Monterey County, has been severely economically impacted due to the closure of the Fort Ord military installation.

Underfunded and unfocused efforts during the early stages of reuse planning process lead to confusion, delays in initiating actual reuse, and the potential loss of private sector investment in the project. Many local communities are initially convinced by the Department of Defense (DoD) that the base reuse planning process can be successfully implemented for less than \$250,000. The Pease Air Force Base closure experience is typical of this fallacy. Military institution defense conversion and reuse planning is a time consuming and expensive process. This process must be simplified and adequately funded. The Pease Development Authority spent \$1.3 million just to construct the initial Community Base Reuse Plan. Significant additional funding has been required to maintain the defense conversion process. For FY 1992, the Pease Development Authority's budget was \$2.8 million. This included \$1 million in administrative overhead, including \$265,000 for continuing economic and engineering consulting and another \$1 million in start-up costs. Additionally, approximately \$3.2 million has been allocated for infrastructure improvements. This years Pease Development Authority Budget is nearly \$7.5 million.

Fort Ord is the largest military installation that has been designated for closure. Early on Monterey County and other interested entities realized that adequate planning for defense conversion is an expensive process and would require extensive Federal funding as well as significant up front community investment. Monterey County, with the participation of the other locally impacted communities, carefully construct a defense conversion workshop, revitalization workscope which has an estimated cost of \$4.8 million. Based on the demonstrated need for funding, the Department of Defense, Office of Economic Adjustment (OEA) has obligated \$1.2 million and the Department of Commerce, Economic Development Administration (EDA) has obligated \$1.5 million for Fort Ord defense conversion planning in FY 1993, and indicated that they would consider making the balance of the \$4.8 million available in FY 1994.

The funding allocated and obligated by the Office of Economic Adjustment and the Economic Development Administration, for defense conversion planning assistance is clearly not enough. The closure of even relatively small military installations requires a threshold of defense conversion planning funding; likely in the order of \$500,000 to \$1 million annually for approximately three years. Larger military installations may require more funding over a much longer time period. Thus, based on the total number of major military installations designated for closure in BRAC

II and BRAC III, adequate total national funding for local defense conversion needs may exceed in excess of \$100 million.

Mr. WISE. Ms. Martin?

Ms. MARTIN. I am from the University of California and I am here today to give you the perspective of a public entity that is trying very hard to participate in the base conversion process.

As Congressman Farr mentioned, the conversion process in Monterey Bay has been going on for nearly two years. The University of California was asked by then-Congressman Panetta to participate in the reuse planning.

Monterey Bay is uniquely situated to become a new national center for marine and environmental sciences. That is based on the regional entities already existing around the Bay, \$100 million of research funding and 1,200 researchers in the region.

Fort Ord is a great opportunity now to create a center that builds on the strengths of the region by facilitating interaction, and bringing new agencies and industries to join us. We have been excited to participate in this effort for two years, but have been frustrated at several turns. I intend to share frustrations with you to show the need for coordination and for increasing the resources that we have.

Conveyance of public lands is an issue not for this hearing today, but is clearly an issue that should be addressed as a problem.

Funding is another issue: early on funding, and funding that is much broader in perspective than any of the agencies currently are funding.

The EDA has joined the effort at Fort Ord at the behest of the Office of Economic Adjustment. That office OEA received a grant request of \$4.8 million from the region. The \$4.8 million far exceeded the experience of funding and the ability of OEA to grant; and their granting in this second year of funding from OEA comes to \$1.2 million. EDA was then requested to join the effort at \$1.5 million.

The University of California's participation is looked at as a clear priority in the regional reuse effort. We are proposing to bring to Fort Ord a multi-institutional center that builds on public and private relationships, and will bring industry and jobs to the region. That will be in concert with a campus of the state university system.

The kind of funding we need to acquire early is long term, focused to create a vision, and to promote coordination and programmatic planning so that we can begin to draw the agencies together and address the infrastructure needs. EDA and OEA have been unable until recently to help us figure out what the funding stream will be. We will continue working with the County of Monterey, the fiscal agent for the reuse effort, and have put the grants forward through the county for \$1.5 million to EDA. Of that, about \$950,000 is needed for the University of California.

The frustration that we have seen is fivefold:

The planning sources are nonintegrated. They are fragmented. We have OEA. We have EDA and Department of Labor.

The funding sources seem to be too narrow and inflexible in scope, meaning that early on strategic planning money is not easily accessible. Our experience is in immediate planning for immediate

jobs or jobs in the short term, not a regional rethinking of our economic base. The existing path for funding is too slow. The University of California has been in the process for two years. The funding request began last summer and to date no funding has been received that can accommodate the University of California's interest and hopes for participation.

The process has been unclear. We have not had clear indication of when the money would arrive.

The university has invested \$250,000 in in-kind and cash outlay. That money could be used as a match. We are going to run out of money before the new money shows and our understanding is that the match doesn't start until the grant is accepted.

The level of funding has been insufficient. The region was very persistent, through our State and regional leadership, and OEA and EDA came together to give us one of the largest planning grants that has been received at this early stage of reuse.

The recommendations to move base conversion forward would be:

Integrate the planning process, meaning the Department of Office of Economic Adjustment, EDA and perhaps Labor and Small Business Administration with broad and flexible guidelines and a long-term view. We need immediate jobs, but we also need to make sure that the bricks we are putting on the ground support the structure we are building into the next century.

We should look at interagency coordination to facilitate the reuse. In addition to broadened flexible guidelines some mechanism to get the agencies to talk, regular interactions between the agencies so that we make sure we are not redundantly funding areas or having funding gaps. An example would be EDA and OEA have both funded infrastructure needs for the region, but the long-term strategic planning money has been much harder to find.

Increase the funding amount. That may be actually more dollars into EDA or a reshuffling of money. An interesting thing that we have run across is the money in the Labor Department for retraining. We contend that we could retrain once we know what we are retraining for, and we haven't yet developed that.

Expedite funding. The maze of approval has been amazing. We have two regional offices participating in approval of the EDA grants for Fort Ord, the Seattle office and the Denver office. I understand part of it moved so that one office could help the other. It is not clear to me why but we have had more than one regional office involved, and then the paperwork goes back to Washington for approval.

We urge you that the local representative for EDA have more authority and autonomy and accountability to make some of the decisions upfront so that we speed up the process. We want to speed up the process to get the money flowing into the region much sooner.

The local match requirement has also been very frustrating. Monterey County recently has around 19 percent unemployment. To find a 25 percent match though that may sound reasonable, is very difficult when you are looking at a large grant required for planning and reuse. We have several dollars of in-kind and cash outlay that we still can't use for the match because the clock hasn't started. So, if we can't eliminate the local match requirement, we

urge that you at least make it a sliding scale or flexible and that the local match date starts when expenditures start, not many months down the road when we have signed off on the effort.

When possible, fund the project directly. The University of California is part of a larger proposal that the County of Monterey will be, if and when funded, managing. The University of California then will need to go through a competitive bid process with the county to acquire funds to develop the center for which we are requesting the conveyance of land. No other entity can produce the plans that the University of California would accept for that land, so we are going through a competitive process with EDA for funds that need to be directed. The scope of work has already been tailored so that it will facilitate the creation of a science, technology, and policy center.

The duration of the grants need to be flexible. We are looking at a long-term process we don't know. We are learning together how to do that. Twelve months seems rather constrictive. We need the flexibility to move that grant to 18 or 20 months depending on the hurdles identified as we go along.

In conclusion, I would like to thank you again and to emphasize that it is the integration and coordination to eliminate gaps and redundancy in funding that is important. The inflexibility of the rules and the regulations for today's world of conversion needs to be looked at and broadened so that the people on the ground have more authority, autonomy, and accountability to make decisions.

We have many new opportunities before us. We choose to look at this as an opportunity and we hope that, with your help, the EDA has the tools and the resources available to them to help us continue in our reuse efforts at Fort Ord.

Thank you.

Mr. WISE. Thank you very much.

We now turn to someone who has been a tireless advocate in the cause of local governments, and making sure that when Congress passes programs they also try to pass the resources necessary to implement them. He has made in his statement some excellent suggestions as well concerning the reuse program.

The subcommittee looks forward to hearing from the gentleman from California, Mr. Condit.

Mr. CONDIT. Thank you, Mr. Chairman.

I would like to thank you and the members of this subcommittee for allowing me to testify today on the role that the Economic Development Administration plays in assisting communities affected by military base closures.

Presently the vast bulk of our defense conversion programs has been directed at job training and technology enhancement. I believe that this approach neglects the key to any successful recovery, the creation of jobs. Therefore, Mr. Chairman, it seems absolutely critical that this subcommittee do what it can to inject balance into our defense conversion efforts by investing in the key Federal agency responsible for job creation, the Economic Development Administration.

Most reuse situations will require infrastructure improvements or major construction or demolition efforts in order to make conver-

sion feasible. At present, the EDA is the only available funding source to assist communities with this essential reuse project.

I have a lengthy statement and I would like to submit that for the record. Before I do that, I would like to detail three areas of concern to me and make some suggestions on possible changes in those areas. The first one is EDA funding beyond mere planning grant requires that a local community reuse plan be completed. I believe that this requirement is counterproductive to the rapid conversion of these bases.

Second, struggling closure communities must provide a 25 percent local cash match for any EDA project undertaken. I believe that we could greatly assist these communities by waiving the local match requirement.

The third point is the application and approval process for EDA grants can take many months and become quite expensive for communities wishing to apply for assistance. I believe that we must streamline the EDA grant application process and make it less burdensome.

I would like to bring it home. I would like to relate the experience of the military base in my district, Castle Air Force Base, and the Castle Joint Powers Authority, the local entity responsible for developing the reuse plan for Castle Air Force Base in applying for the EDA grant to link the sewer system of the base with that of the city of Atwater.

The grant application has been pending with EDA for almost one year. The Joint Powers Authority had to hire an engineering firm in order to satisfactorily complete the application. The community had to plead with the EDA to allow them to submit the application because the final reuse plan for the base had not yet been completed.

The application traveled to the EDA field office in Sacramento, then to Seattle, and then to Denver. Now the application is waiting for consideration by the EDA office in Washington, D.C. Making this process less cumbersome and slow will allow the EDA to make the difficult task of base closure and reuse somewhat easier to accomplish.

I only cite this example to make the point that I think you want us to make, that there needs to be some changes to assist these communities.

Thank you for holding the hearing. I would like to thank my colleague Chairman Brown for his leadership in this area and I will be here if I can be helpful with information or answers to questions.

Mr. WISE. We appreciate your suggestions.

[Mr. Condit's prepared statement follows:]

TESTIMONY OF CONGRESSMAN GARY A. CONDIT

Mr. Chairman, Members of the Subcommittee, I want to first thank you for allowing me the opportunity to testify today on the role that the Economic Development Administration (EDA) can play in assisting communities affected by military base closures. Your willingness to work with the California delegation on this issue will surely help mitigate the negative consequences that our declining military budget will have on the State.

Presently, the vast bulk of our defense conversion programs has been directed at job training and technology enhancement. However, I believe that this approach neglects the key to any successful recovery, the creation of jobs. If replacement jobs

are not generated to compensate for the jobs lost by a base closure, then our training efforts will yield no practical results. Therefore, Mr. Chairman, it seems absolutely critical that this Subcommittee do what it can to inject balance into our defense conversion efforts by investing appropriately in job creation by continuing to support the key agency involved in that process—the Economic Development Administration.

As we all know, communities encountering a base closure face monumental challenges in attempting to successfully convert these facilities to local reuse. Most reuse situations will require infrastructure improvements and major construction or demolition efforts in order to make conversion feasible. At present, EDA is the only available funding source to assist communities with these essential reuse projects.

With that being said, I would like to address some areas of concern to me and suggest possible change to the EDA. First, EDA funding beyond mere planning grants requires that local community reuse plans be complete. Community plans must include detailed base reuse proposals and completed federal environmental impact statements. While this may seem reasonable and rational, I believe that it is counterproductive to the rapid conversion of these bases. Critical infrastructure projects may be unable to proceed because of this prohibition of awarding funds before a base closure plan is approved. I would like to note that Castle AFB, located in my district, and scheduled to close in 1995, does not have its final plan approved. However, there are several projects at Castle that are in need of EDA funding.

Second struggling closure communities must provide a 25 percent local cash match for any EDA project undertaken. I believe that one of the best ways that we can assist base closure communities is to waive the local match requirement. Merced County, which is home to Castle AFB, has an unemployment rate of 20 percent, and 39 percent of the counties residents are receiving some sort of public assistance. Given these facts, it should come as no surprise that the local cash match is extremely burdensome for the community to undertake.

Third, we must streamline the EDA grant application process and make it less burdensome. The EDA grant approval process can take many months. Development of the application package itself can be so complex and extensive that costly consultants are necessary to prepare the documents. The application and approval process should be quick, inexpensive, and very community friendly.

Finally, in concluding, I would like to relate the experience of the Castle Joint Powers Authority, the local entity responsible for developing the reuse plan for Castle AFB, in applying for an EDA grant to link the sewer system of the base with that of the City of Atwater. The grant application has been pending with the EDA for almost one year. The Joint Powers Authority had to hire an engineering firm in order to satisfactorily complete the application. The community had to plead with the EDA to allow them to submit the application because the final reuse plan for the base had not yet been complete. The application has travelled to EDA field offices in Sacramento, Seattle, and Denver. Now the application is awaiting consideration by the Washington, D.C. office.

Therefore, you should not be surprised to learn that very few if any projects on closed military bases has been underwritten by the EDA. I believe that making this process less cumbersome and slow will allow the EDA to make the difficult task of base closure and reuse somewhat easier to accomplish.

Mr. Chairman, thank you again for allowing me to testify. I would be delighted to answer any questions that you or the other Members of the Subcommittee may wish to ask.

Mr. WISE. The next witness will be Hon. Barbara Lee, a member of the California Assembly from Oakland. We are delighted to have you. Assemblywoman, your reputation has preceded you.

Ms. LEE. Thank you, Mr. Chairman and Members.

I represent Oakland, Piedmont and Alameda, which is directly across the Bay from San Francisco. This is the sunny side of the Bay.

I also chair the Assembly's Defense Conversion Task Force and about one quarter of the members of the Assembly are on the task force.

I serve as a member of the Assembly's Economic Prosperity Team and a member of the legislature's CAL FED team, which is responsible for acting as liaison between the Assembly the Administration and the Congress.

Thank you for the opportunity to present testimony regarding the role of EDA in defense conversion efforts. I want to thank Chairman Brown for all of his help with our efforts in California, because many of the recommendations which came from the hearings which we held have been incorporated into our congressional recommendations, and it has been through his leadership that we have been able to maintain a coordinated effort in California.

The United States has been faced with a series of disasters, many of which we see on television now on a nightly basis, hurricanes in Florida, droughts and fires in California and flooding on the Mississippi. Television shows us the devastation, the damage and the losses. The human tragedy and the heartbreak are obvious and compelling. We can see it on the faces of people who are being interviewed.

Huge amounts of Federal funds are expected, offered and desperately needed. In California, as a result of the transition from the Cold War to a peacetime economy, we find that we don't need as many soldiers or as many high-tech weapons. These military cutbacks are a disaster for California. The devastation, the damage and the losses are real. The personal tragedy and the heartbreak are obvious and compelling, but the tragedy is very difficult to really put on television as the human trauma is too widespread and is very diffuse.

An empty building isn't news. An unemployed worker isn't really a new story.

In the late 1980s, defense expenditures peaked in California at \$63 billion. Expenditures are now \$50 billion per year and expected to slide to \$33 billion by 1997. To put this in perspective, the amount of defense money that will not be spent in California will be about 75 percent of the total of our general fund expenditures of the State government.

Expressed another way, the defense cutback is about 25 percent larger than all of the Federal, State and local expenditures on public education in California including K through 12, community colleges, State universities, and the University of California. So the amount of reduction of spending is overwhelming.

We have had three rounds of base closure, 1988, 1991 and 1993. In the first two closures, California was really clobbered with 50 percent more in job losses than the rest of the States combined. In the 1993 base closure decision, California suffered seven times as many job losses as the rest of the States combined.

California also has a large number of prime defense contractors and subcontractors. Our estimate is that private companies will have 75 percent of defense job losses in California, with base closures making up the remaining 25 percent.

In other words, California will lose three times as many jobs from industry layoffs than from the cataclysmic losses associated with base closures. So given that California has lost 800,000 jobs since 1990, we have really lost more jobs than exist in some States.

About a fourth of the job losses are attributed to reductions in defense expenditures.

I would just like to indicate that I will leave my statement for the record, but I have some specific recommendations with regard to the role of EDA in defense conversion efforts.

First, the amount of EDA infrastructure money that is being made available to hard-hit communities is really trivial in comparison to the amount of the reduction. The amounts available for infrastructure should be increased substantially in the 1994 Federal budget. For future budgets, a study should be done to estimate the cost of the infrastructure needed to convert these military facilities to other useful purposes.

Second, the approval of proposed EDA projects needs to be speeded up. We have heard that several times this morning. Currently it takes from four to twelve months to a couple of years for approval.

Third, the Federal Government should establish a one-stop shop for defense conversion programs. The purpose of the one-stop shop would be to create a clearinghouse where communities can learn about defense conversion funding, approaches that other communities have tried, and what works and what doesn't work. In California we are attempting to establish a one-stop shop for State programs and it would be wonderful to have a joint State-Federal one-stop shop.

Four, EDA should provide a revolving loan fund and financial assistance to those businesses which have relied on sales from military and defense contractor personnel. For example, businesses such as restaurants, quick-stop stores, bakeries and what have you in Alameda, California could really fold unless an overall economic development strategy includes them in the mix.

These are solid businessmen and women whose entrepreneurial skills and knowledge should be nurtured by EDA as we convert the Alameda naval complexes from military to civilian uses. New business ventures should be encouraged by providing access to venture capital, development of incubator space, and technical assistance.

Five, many people will be laid off much sooner than the proposed final closures of the bases. EDA should work with local communities to determine the job training, job creation efforts that must take place for immediate reemployment and relief.

Six, funds should be transferred from agencies with partial responsibility for defense conversion to EDA so that maximum opportunity for coordination as related to a total economic development strategy can be accomplished.

I think the transfer of the \$130 million which you mentioned earlier from DOD is such an example.

Seven, the facilitation of the involvement of minority, women-owned and disabled veteran-owned businesses in job creation and economic revitalization must be a priority of EDA. The capacity for these firms to create jobs in impacted and urban communities is enormous if teaming arrangements and joint ventures with majority-owned companies are required on each and every EDA project.

Eight, businesses should be encouraged to develop capacity in environmental and toxic waste cleanup. Job training for workers in environmentally-related industries should develop the requisite skills not just for these jobs, but for permanent jobs in our emerging industries. EDA could play a vital role in this effort.

In closing, I would like to thank again the subcommittee and Congressman Brown and my Congressman, Ron Dellums and the entire California congressional delegation for placing California's

agenda as it relates to defense reinvestment high on the list of national priorities. I must say that in the legislature, my Defense Conversion Task Force is working in an unprecedented bipartisan fashion to coordinate these efforts. Also we are charting new territory and working very closely with our congressional delegation on a daily basis to ensure that we are on the same page.

On behalf of the Speaker of the California Assembly, Willie Brown, we look forward to our continuing work together and we stand ready to help you and Secretary Brown as we move forward to turn what could be the greatest disaster California has ever faced into the greatest economic development opportunity California and the rest of the Nation can seize.

Thank you very much.

Mr. WISE. Thank you for those excellent suggestions and that spirit of optimism and enthusiasm.

Our final witness will be Mr. Randy Starbuck, the Redevelopment Coordinator of the City of Napa, California.

As I said, Mr. Hamburg apologizes for not being here, but he was very enthusiastic about your presence and your presentation.

Mr. STARBUCK. Thank you, Mr. Chairman.

I am here today representing the City of Napa and on behalf of the mayor and the City Council, we thank you for the opportunity to come and testify before the committee today. We would like to express our appreciation to Mr. Hamburg for inviting us.

I have prepared written remarks and some exhibits and I request that they be included—

Mr. WISE. I have read your written statement, and the statement and exhibits will be made a part of the record.

Mr. STARBUCK. Thank you.

I represent not only the City of Napa's Redevelopment Agency, but have recently been assigned the responsibility for city-wide economic development and also oversee the base closure response efforts, the city's involvement within that.

Some people may wonder why the City of Napa is here. Napa has a reputation throughout the wine industry; possibly you have had a glass of wine. There is a certain image about Napa Valley and we are very proud of that. But the City of Napa itself is rather distant from that whole aura.

We are a working-class community of about 64,000 people and a thousand of our citizens are employed at the Mare Island Naval Shipyard which is scheduled for closure.

Right now, Napa is in a time of economic uncertainty. The members of this panel have already referred to the situation in California. I would say that with regard to their comments on EDA, I would support every single one of their suggestions.

We are just entering the whole process about Mare Island now officially being on the base closure list, so I will be talking to many of you later and your experiences and how that could apply to us.

We are trying in our community to respond to an ever-increasing unemployment problem. Our unemployment rate is up to nine percent and that has hit our community very hard. We are trying to respond and we have a number of projects that we are currently working on, most significantly a river restoration project.

Napa is blessed with a beautiful river. Unfortunately, that river also floods and while the devastation is not of the magnitude we are seeing in the Midwest certainly it is significant in Napa.

While only a 56-year event, the 1986 flood spanned only 3 days, and over \$100 million in damage occurred, and there were four lives lost. That river and that flooding cut through the commercial core of our community.

We are working diligently with the Army Corps of Engineers to put the basic flood protection structure into place.

EDA has a vital role to play in the commercial revitalization of our community, especially with the base closure issue coming up. Public infrastructure, streets that are undersized and in bad need of repair and in many cases need to be realigned to adjust to the new commercial demands that we hope will be developed—sewer capacity, our sewage treatment plant is facing a major \$60 million retrofit.

While we do not expect EDA to pay for all that, any and all assistance relative to that project would be appreciated and allow us to go on with our revitalization efforts.

Water systems are desperately needed in our communities. We have hazardous and toxic waste problems we are working on through the various environmental entities. If there is anything EDA can do relative to that, it would be much appreciated.

Our community is facing some economic uncertainty. The Economic Development Administration through its Title I and its Title IX monies is being looked to very seriously to help us do some things that we need to do in Napa, replace some public infrastructure that is working against us in terms of creating economic development opportunities. These economic development opportunities will create jobs.

We have one project currently being discussed; in fact, the property deal is hopefully going to be consummated today, for a center focused on food-oriented research food programs which would investigate nutrition for the aging, finding ways to deal with better nutrition for inner-city school children. That project and its ancillary developments and performing arts center and hotel has the capacity to create upwards of 600 new jobs.

The infrastructure problems that project will face in terms of street realignment and sewer connections are projects that we feel the EDA can help us on and those 600 jobs will go a long way to helping us get back on our feet after Mare Island closes and those 1,000 local jobs are lost.

In closing, as the City of Napa begins the process of base conversion with Mare Island, we are looking to EDA for their continued cooperation and coordination of a multi-jurisdictional base closing. Mare Island is located in Valeo, which is in another county. We in the City of Napa have economic impacts associated with that, but do not have jurisdictional control of how the base is reused.

EDA under its umbrella of Title IX and its planning and coordination efforts can ensure that the City of Napa and our impacts are addressed in the base closure process and through the Title I and Title IX monies that we can make sure that the infrastructure changes and improvements that need to be made that will allow

this community to pull itself out of the hard times that it has been in are very critical to us.

I would add that in the list of recommendations mentioned today—and, Mr. Chairman, you pointed this out—that on the Floor, there will be EDA discussion. On behalf of the City of Napa, we request that all Members of this committee go on to the House Floor today and vote to support the continuation of EDA funding, especially the Title I and Title IX projects.

Thank you.

Mr. WISE. Thank you very much, Mr. Starbuck.

A couple of quick questions.

Perhaps, Mr. Starbuck or anyone can respond to this: Mare Island was on the list, most recent list; is that correct?

Mr. STARBUCK. Yes, sir.

Mr. WISE. Are there other areas that are represented at this table that are on the list that just came out?

Ms. LEE. Alameda.

Mr. WISE. Have your communities been contacted by the OEA representative who starts the process off?

Ms. LEE. I represent the Alameda Naval Complex as well as the Oakland Naval Hospital. We are quite fortunate to have Chairman Dellums as our Representative. The chairman has established a conversion commission and within that context we have had many discussions with the key Federal agencies that are involved in these efforts.

Mr. BOPF. Mr. Chairman, March Air Force Base is our neighbor to the south. They have been contacted by OEA and are working with them already and are just scheduled for realignment in two years, so it is a good response.

Mr. STARBUCK. This coming Monday the 26th, OEA, DOD, EDA, all of the parties from the Federal Government have called a meeting of all impacted communities to start the process out. At that time, we will be looking for a coordination on the multi-jurisdictional situation.

We have three counties impacted by Mare Island and a number of communities within that framework. So we are hoping that all those parties—including the City of Napa—will get representation right from the start on this whole base closure process.

Mr. FARR. Mr. Chairman, Barbara Lee is Chair of the California Assembly Task Force on Base Closure and Conversion. She and her staff have put together a matrix of all of the public entities that would be involved with base closure and the qualifications. It is leading to this one-stop shopping that she was talking about. She may want to submit that because it is very clear that you have to hop through a lot of hoops that are in different arenas and have different time schedules. That is the frustrating part about it.

If we could bring all the Federal entities who are engaged in doing the same benefit for the community to work as one, I think the intent of converting that land to civilian use rapidly would be greatly enhanced.

Mr. WISE. That would be very helpful.

Assemblywoman, also then as the next step, if you could devise a one-stop shopping form in which they fill it out once and it works with all entities involved in this process.

Perhaps I should—I will defer on matters of science and technology to the chairman—I am wondering if we can reach a day when we are not as much using a form as we are a disk and once a community puts the language on a formatted disk, then it is up to the agency to draw out and to extrapolate whatever information it needs, the agencies agree on the information needed and how they want to use it is their business.

Congressman Condit and I have shared a subcommittee in the past, the Government Information Subcommittee, with what has been done in CD-ROM and those areas, I have to believe that that technology is there, that we can do that.

Mr. BROWN. The technology is far more advanced than our willingness and motivation to use it, let me assure you.

Mr. WISE. That is something that is very important.

Each of you has made excellent suggestions and I am not going to—they seem to focus on several areas—speed up the process, let the regional office have more autonomy, preferably in the case of some of you, just one regional office. Those are two areas that the subcommittee has been looking at extensively.

Are there any observations that are made about the communication between the various entities? EDA comes in as the second player. The first step is by OEA. They do the reuse plan and EDA comes behind them.

Does anybody have observations about that relationship and what improvements could be made?

Ms. MARTIN. The University of California's need for planning money. OEA came first, but they could not fund the planning money we needed. After much pressure from the region, they opened the door to the EDA for us. Then we found that that planning money still didn't come easily and it took many months of discussion and thinking to figure out how to make that type of planning money we need come through.

So the facilitation was there, but early on OEA could not fund the kind of money we needed a year, year-and-a-half ago.

Mr. BROWN. Mr. Chairman, could I add a point to that? After you get through the Defense Department and the EDA, there are several other Federal agencies that could conceivably be involved. For example, the Department of Commerce and their Advanced Technology Development program are now authorized to enter into partnerships for the purpose of doing advanced technology development, and it is conceivable that some of these plans may involve attracting firms if they are doing advanced technology development.

The Department of Energy can enter into partnerships and is doing so at a very rapid scale. There are a number of other agencies which conceivably could participate in this process in a perfect world, and yet they frequently don't get involved in an appropriate way or in a connected way as the community goes through the process of redevelopment.

We ought to look at some ways of encouraging EDA, which is sort of in the middle. It comes in after the Defense Department, but before you could do some of these other things, to give them a little larger role in reaching out to connect to some of these other operations.

Mr. BOPF. Mr. Chairman, I agree with the earlier statements that the planning money is not adequate. We have spent several millions of dollars to do our planning and we have received about \$400,000 in grants. Were it not for loans from our local governments, we could not have made it and those were done in better times, 1989 and 1990.

We can't do that today. So more money for planning is essential.

Ms. LEE. Mr. Chairman, let me comment with regard to OEA and EDA. I think it is critical that OEA and the reuse plan is coordinated with what EDA is doing in terms of the economic development efforts of the communities. Otherwise, you will end up with two separate plans. So I would recommend that there at least be closer coordination and again, we go back to the one-stop shopping center for all agencies so everyone can be on the same page because it makes sense to have a reuse plan consistent with the economic development plan for the community.

Mr. WISE. Does the gentleman from Georgia, Mr. Deal, have any questions?

Mr. DEAL. No, Mr. Chairman.

Mr. WISE. The gentleman from California, Mr. Filner?

Mr. FILNER. No questions, Mr. Chairman.

Mr. WISE. I thank the panel. Someone has just appeared who is no stranger when it comes to economic conversion and the necessity to be actively involved in it, the gentlewoman from California, Ms. Waters.

I recognize you for any statement you may wish to make.

Ms. WATERS. Thank you, Mr. Chairman.

I am sorry that I am late appearing here this morning. We received information late last evening about the hearing, but I am very much in support of focusing some attention on the State of California and economic development and I am very, very pleased that this hearing is going on today.

As you know, we are suffering in the State of California in some unusual ways. You have heard an awful lot about the base closures, the downsizing and that impact upon our States, but we have been losing jobs now for a number of years and that loss of jobs has resulted in a high rate of unemployment and it persists even when things are getting better in other parts of the country.

In California, the unemployment rate hovers around 10 percent, so we really do need to understand how we can utilize the resources that may be available to us to begin to impact the devastation that we are confronted with. I do believe that if we can focus the many resources of government despite the fact the resources have been lessened over a period of time, that if we can focus those resources, we can certainly utilize them in ways that would help us to do job creation and to support some entrepreneurial and small business opportunities.

EDA emerges as important in our efforts because number one, it has been their responsibility over the years to create job opportunities through economic development, and even though the actual number of dollars that we need cannot be reflected in that budget, they have a lead role in helping to identify the possibilities and to do some coordination of other resources.

We are looking at not only R&D monies, monies for conversion that may be in the defense budget, but we are looking at discretionary dollars throughout government in order to impact on California to deal with some of the needs that we have.

Much of what you will hear today is about the downsizing and talk about conversion, but let me just say that we too in California, in southern California, have some additional needs. It has not been a lot of discussion about the fact had the unemployment rates in minority communities among young black males hovers around 60 percent, and in our rural communities, in our poor communities, 40, 50, 60 percent in California.

So we need to pay special attention to how we can begin to have some turnaround in those areas are young people have just about given up. We believe that much of the havoc that is being wreaked on this country is coming from young folks who have given up on the system, who do not believe that government or the private sector can do much for them any more.

As we look at EDA, as we look at economic development, I do believe that there are some creative ideas out there that need some support, that we have to work very closely with the local communities understanding how those ideas are developing and ensure that we get all the dollars that we can not only through reauthorization, but that the coordination and as I understand it the one-stop shopping that has been discussed by some, becoming a reality.

So I just wanted to come over and add my voice in some way to what is being said here with this panel and the interest that you have shown in this area in hopes that we can do something for our State.

Mr. WISE. I thank the gentlewoman very much.

Could I ask you to add your voice in an hour on the Floor when they have an amendment to strike the EDA funding, because that of course would cause a lot of pain and unnecessary concern at a time when EDA has to be—most agree about the need and I think it is largely on a bipartisan basis—about the need to increase the function of EDA and to make it operate effectively as opposed to eliminating it.

I thank you very much for your help on this. I thank the panel, everyone who has been present, all the gentleman and gentlewomen from California and Chairman Brown for organizing this group as well.

Our next panel will feature a member of our own Public Works Committee and a member of this subcommittee, Hon. Nathan Deal, representing the State of Georgia; Mr. Vernon D. Martin, the Executive Director of the Coastal Area District Development Authority, Brunswick, Georgia; Mr. Robert Catell, President and Chief Executive Officer, Brooklyn Union Gas, Brooklyn, New York; Ms. Carolyn Broyles, Auditor, City of Heath, Ohio; Mr. Ron R. Radford, Deputy Plant Manager, Westinghouse Electro-Optical Systems Orlando; and Ms. Marilyn Cobb Croach, Director of Operations for Defense Transition Services, University of Central Florida, Orlando, Florida.

The panel has also been joined, I am happy to see, by our distinguished colleague, the subcommittee Chair on this committee, the gentleman from Ohio. He has been very active defending EDA and

many of the programs in the Nation, Doug Applegate. Good to have you here.

We will turn to Mr. Deal for his remarks.

TESTIMONY OF HON. NATHAN DEAL, A REPRESENTATIVE IN CONGRESS FROM GEORGIA; CAROLYN BROYLES, AUDITOR, CITY OF HEATH, OH; VERNON D. MARTIN, AICP, EXECUTIVE DIRECTOR, COASTAL AREA DISTRICT DEVELOPMENT AUTHORITY, BRUNSWICK, GA; ROBERT CATELL, PRESIDENT AND CHIEF EXECUTIVE OFFICER, BROOKLYN UNION GAS, BROOKLYN, NY; RON R. RADFORD, DEPUTY PLANT MANAGER, WESTINGHOUSE ELECTRO-OPTICAL SYSTEMS ORLANDO, FL; AND MARILYN COBB CROACH, DIRECTOR OF OPERATIONS, DEFENSE TRANSITION SERVICES, UNIVERSITY OF CENTRAL FLORIDA, ORLANDO, FL

Mr. DEAL. Thank you, Mr. Chairman.

Mr. Chairman, I appear before the subcommittee today to advance two requests, both of which I think will pay rich dividends in terms of long-term economic development and job creation.

By now, most everybody knows that Atlanta will host the Olympic games in 1996. Although I do not represent Atlanta in my congressional district, it is an adjoining district to me and the entire State of Georgia and the entire Nation look forward to the benefits from that event. However, I am not sure that people realize the size and magnitude of this particular undertaking.

More than 8 million tickets will be sold, 500,000 hotel room nights will be created, 2,100 hours of televised time for the entire world, more than 170 countries will participate and for 2 weeks the attention of 60 percent of the human race will be riveted on Atlanta, Georgia.

Hosting the Olympics on the occasion of its 100th anniversary is a triumph for Atlanta, for our State and for our country, but we must also understand the Olympics is an opportunity as well as a celebration. The convergence of people at these games and the worldwide focus they will provide is a giant opportunity for economic development. If the appropriate investments are made in a timely fashion, the returns on this investment will be significant.

Let me be a little more specific. Plans to construct the Atlanta Olympic Stadium call for it to be located over a major City of Atlanta sewer line, the Lloyd Street trunk.

The stadium is surrounded by some low-income neighborhoods which have aggressive plans to convert the economic development potential created by the location of the stadium into a reality. Ambitious job training programs are underway and many new businesses are already making plans to locate in the new area. However, these efforts will be seriously compromised unless the potential overflow problems addressed by this proposal are rectified.

A study done for the Atlanta Stadium Design Team determined that the existing Lloyd Street Trunk is in good condition; however, it does not have the capacity to carry the storm water runoff—the criteria used by the city of Atlanta to determine the adequacy of the system.

The site of the Olympic stadium presently serves as a retention basin where storm water exceeds the capacity of the Lloyd Street

Trunk unless corrective action is taken, the construction of the stadium will shift that overflow into adjacent neighborhoods and the potential locations of new businesses, thus significantly degrading the opportunity for economic redevelopment.

The construction project will require the rerouting of the lines around the stadium, which constitutes the initial phase of this particular sewer project. Ground has already been broken on the new stadium. The balance of the project will be devoted to enlarging the sewer line downstream so as to do away with the need for a reduction basin.

The fiscal year 1993 appropriations bill for VA, HUD and independent agencies contains \$7 million for Phase 1, that is the destruction and rerouting of that portion of the Lloyd Street Trunk which would have been located under the new Olympic stadium.

We had originally hoped to obtain the \$12.452 million for Phase 2 in the fiscal year 1994 bill. However, the House Appropriations Subcommittee on VA HUD and Independent Agencies elected not to fund any unauthorized projects.

In the meantime, the process of obtaining the use of the \$7 million appropriated last year proved more time consuming than originally expected, and the funds were not available in time to meet the construction schedule. It therefore became necessary for the Atlanta Committee for the Olympic Games to underwrite the funding for Phase 1 of the project.

Senator Sam Nunn and Senator Paul Coverdell then secured adoption of a technical amendment to the 1993 spring supplemental bill which allows the City of Atlanta to use the \$7 million in Phase 2.

A balance of \$5.452 million is needed for completion of the project and those are the funds we are seeking in this particular legislation. It is critical that the funds be obtained this fiscal year so the construction of the stadium can proceed on schedule. All funds will be obligated before the end of the fiscal year.

A second opportunity for genuine and long-term economic development in Atlanta is the Auburn Avenue area which is rich in history and tradition for the black community in Atlanta. It is currently on the National Register of Historic Places. Years ago, it was known as Sweet Auburn and businesses and restaurants flourished there in that area.

Today, it has dilapidated buildings, poor streets and sidewalks, and only scattered presence from retail establishments.

The area is located in close proximity to the Martin Luther King, Jr. Historic Site and is, therefore, a prudent place to launch an economic redevelopment initiative, since 3.2 million persons a year visit that site. If the appropriate steps have been taken, new businesses and enterprises located in the Sweet Auburn area will receive the economic boost from the Olympics which will carry them through their first year of existence, and get them on their feet.

Among the projects which make up this project are sidewalk improvements, restoration of business facades, street lighting, demolition of dilapidated buildings, the creation and maintenance of revolving loan funds, the creation of a permanent location for the National Black Arts Festival and the conversion of a highway overpass into a "French style" market.

This is a joint effort and there will be a significant financial participation by the private sector. A local bank has already agreed to provide \$100,000 in seed money, and an aggressive private fundraising drive is underway.

The Atlanta Convention and Visitors Bureau estimates that the typical tourist to Atlanta in 1992 spent an average \$165 per day. Similarly, the Corporate Travel Index calculated the actual national average expenditure at \$189 per day. Had there been retail and food service available in an attractive setting, the 3.2 million visitors to the area could have easily have spent \$15 million in Auburn Avenue businesses.

The project will shortly be submitted to Hon. Ron Brown, Secretary of Commerce, and enjoys the unanimous support of Mayor Jackson, as well as the leaders of Atlanta's business and political community. The Federal Government will be asked to become an active partner in this important undertaking.

It is particularly suitable for EDA because of the substantial private sector participation and the leveraging potential which it offers, with particular emphasis on the development of minority businesses; its proximity to NPS properties, the opportunity it presents for significant job creation, and its eligibility for historic preservation.

I offer for your consideration report language directing Secretary Brown to carefully study this proposal when it is submitted and to fund it if it meets applicable criteria and requirements.

The 1996 Olympics will undoubtedly provide a short-term economic stimulus of massive proportions. Whether or not it translates into the sort of long-term change which can revitalize entire neighborhoods and bring them from a cycle of dependence into productive self-sufficiency depends entirely on our willingness to make some timely investments such as the request advanced here.

Thank you, Mr. Chairman.

Mr. WISE. I thank you, Mr. Deal. We will be glad to work with you as we move the authorization forward.

I turn now to the gentleman from Ohio, Mr. Applegate, Chairman of the Water Resources Subcommittee on Public Works who has been a tireless fighter for both EDA and the Appalachian Regional Commission.

Mr. APPLGATE. Thank you very much, Mr. Chairman, and thank you for having this panel and these hearings. They are extremely important. I don't know how many people really understand the full impact of the Economic Development Administration as to what they do, the importance of it.

Today we are going to have an attack upon EDA in trying to eliminate the program, and I think it is important that Members know that if this goes down the tubes—and I would bet my house that it will not—but if it did, the loss that it would mean to local communities. Where else outside of maybe some of the regional economic agencies like the Appalachian Regional Commission, which your State and mine are a part of—but there is not too many others perhaps that are available for this money to filter down and into areas where there is economic distress.

It is a very tight formula. It is not a pork barrel-issuing agency as a lot of people like to say. Anybody who has gone through the

procedure of trying to get money back for a particular project would understand that, because it isn't that you just put in for something and then just pass it on.

I have worked with the Economic Development Administration for as long as four or five years trying to get a program, a grant through to help, for some program. So it is extremely important to local communities, and now particularly and why I am here, is the impact that base closings are going to have on communities, and the importance that the Economic Development Administration is going to have and the work that you are doing here, the importance that is going to have in how these communities are going to be able to respond to that.

I can tell you for my own part today I am going to be here introducing Ms. Carolyn Broyles, who is the Auditor of Heath, Ohio, and she is going to talk a bit about the situation with regard to the closing of the Newark Air Force Base, which is one of the very unique Air Force Bases.

It doesn't have a runway, but it doesn't need one because this is an Air Force Base that recalibrates and refurbishes, rehabilitates, the guided missile systems within guided missiles. They send those there—they are only so large and they send it in to this very, very technical factory and they then make sure that that is calibrated and rehabilitated so that these missiles when they take off, they are going to be able to hit their mark.

It is extremely important to the defense of our country. When I had people from the Pentagon in with base relocation, not with the commission itself, base relocation, they said that this work had to be done, it had to be done. You just couldn't give it up and say we are not going to do it anymore. It had to be done. Of course they said they thought it should be done at the site, and the site is already there.

Why they closed it down, God only knows, but I guess they had their good reasons.

As to the need for EDA and what impact it can have, we are going to lose a quarters of a billion dollars in economic activity to a 16-county area, a quarter of a billion dollars.

It provides now, for these many years, 2,000 jobs, and then with the addition of another 2,000 which would affect the surrounding area so you are talking over 4,000 jobs. Just say that of the contracts that were awarded, just in one year as an example, over 21 percent went to the local area and another 24 percent were awarded to firms in the State of Ohio, representing a total of 50 percent of all the contracts for materials, supplies and equipment for the Newark Air Force Base.

So there is a tremendous financial impact, and even further than that, because now they have already downgraded the number of people from 2,000 down to a little under 1,700, and most of these are all civilians.

There are only about 90 military personnel at this base. It is a factory is what it is, operated by the government. Of these people that are here, as a good example, besides the incomes that they receive and the amounts that they spend which just multiplies the importance, they average somewhere about \$125,000 a year in charitable donations.

This is going to be a big drop in this area. So what we are here to do is to try to impress upon the committee the importance that some of these base closings are going to have and mine in particular. I have to fight for my own—and what it is going to mean and what the Economic Development Administration, the continuity of that agency and having it fully funded is going to mean to communities like this so they can come back and try to help them as best they can because Heath Ohio has tremendous potential, and that is where the Air Force base is.

I am here to say that and also to introduce an individual that I haven't known all that long, Carolyn Broyles, who is the Auditor of Heath, Ohio, and she has been there just one-and-a-half years, so she is relatively new, but not new to the world of politics.

She is also a former businesswoman and she is a school teacher, and I think that she knows a great deal about that which she is going to discuss. Of course with her community, which is not a large community, large by the estimates in my congressional district because we are made up of a bunch of small communities, but I think it is around 7,200, 7,300 people. So you can see what the effects could be on small communities like that.

I am here to introduce Carolyn and I am going to let her talk to you and give you the information that she has.

Mr. WISE. Thank you very much, Mr. Applegate. I look forward to being with you on the Floor to resist this latest attempt on the EDA and appreciate your help on that.

We will turn to Ms. Carolyn Broyles now.

Let me say to all witnesses, I have read your written statements, those that were submitted. Your written statements will be made a part of the record in their entirety. I ask you to please summarize in any way you see fit.

Ms. BROYLES. Thank you, Mr. Chairman and committee members. Thank you for providing me this opportunity to describe to you the tremendous impact the closing of the Newark-Heath Air Force Base will have on the City of Heath Ohio.

It is unreasonable to believe that any community can lose their largest employer and not suffer devastating effects on their economy. This 70-acre base is physically located in the small town of Heath, population 7,800 by night. In Heath, we kind of resent it being referred to as the Newark Air Force Base. It is the Heath Air Force Base.

During daylight hours, the population increases to around 30,000 due to the large number of retail businesses consisting of a large mall and several strip centers located in Heath. Our income tax is 1.5 percent, which provides us with \$3.7 million per year in revenue. Our total revenue is around \$6.5 million. The last increase of .5 percent was passed in 1988.

I point that out because it is going to be a blow to our residents if we once again go for an increase in 1994. We will lose 27.5 percent of our income tax revenue or about \$1 million annually when this base closes, and another \$118,000 in wastewater revenue that is received from the base. This is not the end of our losses, only the beginning.

Our losses will continue to snowball and increase. Construction will be drastically reduced, meaning less collected for permits, tap-

ping fees and property taxes. Fewer residents means less will be collected for MVR fees. Housing vacancies will reduce rental income, wastewater revenues and property values.

More unemployment means less spending, impacting income tax and sales tax. The loss of business travelers to the Newark Air Force Base means losses to local motels, reducing hotel, motel taxes as well as income tax.

The base also contracts with many local businesses. We estimate this to be at least another \$35,000 in lost revenue. With fewer dollars in our budget, the following services will be affected.

Heath has a reputation of the finest street maintenance in the area. Loss of income will mean less general maintenance, paving, sealing and snow removal.

Heath has a small full-time fire department of six men. We had planned to add two more paramedic/firemen. Instead, we may have to return to an all-volunteer fire department. This would raise the fire insurance rates for the residents and businesses in the city. The base provided us with mutual aid in emergencies.

I might elaborate on this point. I was talking with our head paramedic last night at our local council meeting, and I said how many times do you call the base for help? He told me sometimes three or four times a week.

We have mutual aid from the Air Force Base for emergencies or fires. He said, "we always consider the base our ace in the hole for a big emergency. I don't know what we are going to do now."

Heath's Police Department will have to deal not only with budget cuts, but also with the crimes associated with the loss of jobs and families experiencing financial difficulties.

Heath now has a network of parks including a swimming pool, ball fields, tennis, basketball courts and a jogging trail. These programs we would (I think) have to consider luxuries and will no longer be able to afford them because our first emphasis will be on police and fire protection, water and sewer, with the parks being the last on our list.

We have just completed a \$10 million upgrade wastewater facility that was mandated by EPA. The outstanding debt retirement stands at \$663,000 a year for the next 20 years. As per the current agreement with our lender, Ohio Water Development Authority, rates would have to be increased to our residents and businesses to offset this loss.

In the back of my handout you will find a paper documenting exactly what the rate increases would be, we had a study done so we would be prepared for when the base closed.

Not so apparent would be the loss to our schools. Heath schools have 139 students whose parents are employed at the base. Each student who leaves the district represents \$2,900 in lost State aid. When a district cuts teachers, our tax base is once again affected. Not only Heath, but Newark as well as the entire county is expected to suffer far-reaching effects with the closing of this base.

It means not only the loss of jobs and incomes, but the loss of families as well. The reduction of income and the consequential loss of services means longer response times for police, fire and medical emergencies, less maintenance on our roads that could affect safe-

ty, fewer recreational programs and facilities for young and old alike.

The deductions to services combined with increasing fees and taxes will make it difficult for Heath to attract new business and industry, just the thing that could save our economy.

I want to close on a positive note. New business and industries will be needed in order to recover from the loss of the Newark Air Force Base. We need to keep equipment on the base to attract possible future tenants. We need expert help in marketing this facility.

Heath is a wonderful town. We are 15 miles from an interstate, 45 miles from an airport. We have great schools. We have room to grow to our west if we could afford more water and sewer lines which could open up more industrial park kind of development.

Our motto is the "City of Progress" and I believe that if we combine leadership from the entire affected area and receive support from both State and Federal Governments, we can continue to progress.

Thank you very much.

Mr. WISE. Thank you and I thank the gentleman from Ohio, Mr. Applegate, for his assistance as well.

Let me now turn to Mr. Vernon Martin, Executive Director of the Coastal Area District Development Authority of Brunswick, Georgia. I have read your statement. You make some excellent observations about the RLF and Mr. Collins from Georgia has been very vigorous in making that case as well and it is something we certainly want to look at closely in the authorization process.

We appreciate your being here.

Mr. VERNON MARTIN. Thank you, Mr. Chairman.

I will dispense with reading my statement since you said it will be made a part of the record. I would like to thank you and the Ranking Minority Member and especially Congressman Collins for inviting me to testify today.

Just a brief background on our organization. We initiated the Nation's first revolving loan fund in 1976 as a result of acquiring a \$5 million grants under the Title IX program of EDA to save the Nation's third largest seafood processor from being liquidated and as a result of that established the first and still the largest rural revolving loan fund in the United States.

I am pleased to tell you that today our current level of base capital is approximately \$8.3 million, a considerable increase from the original grants.

We have only written off about 5 percent of our loans, which I think establishing an outstanding track record the credit for which goes to our board of directors and the bankers that serve on our Loan Review Committee.

We have had an increase of about 44 percent over the original funding and have had an outstanding track record in creating about 4,600 jobs through the revolving loan fund and through loan programs offered through the Small Business Administration 504 program as well as Farmers' Home.

As a result of that, there have been other revolving loan funds created across the country, I think about 360 of them. I am a past President of the National Association of Development Organiza-

tions and served for three years as Chairman of the NADO RLF Committee.

I am not speaking on behalf of the NADO or those operators, but I believe what I have to say is supported by the majority if not all of the RLF operators.

As you know, the committee in the 102nd Congress second session in a report dated September 29, 1992, page 32 directed EDA to implement a recommendation to require EDA to change their policy so as to encourage the most flexible and efficient use of the limited Title IX funds.

What I am here to talk about today and encourage your committee to do is to seek a method where we can expeditiously defederalize the program funding that sets up the funds particularly after the initial round when the first loan is made.

A 1991, June 20 EDA report sponsored by the agency and its Revolving Loan Fund Quality Action Team cited on that report that EDA should publish a regulation declaring that once all EDA grant funds have been utilized by the grantee to make loans to the initial round the borrowers, funds subsequently loaned from the RLF shall not be considered as being derived from Federal funds.

They also concluded the team after much deliberation was of the consensus that EDA's RLF program would be much improved if the funds in the hands of the grantee or RLF operator were considered non-Federal in character after the initial round of loans had been made.

Unfortunately, Mr. Chairman, since that report of 1991 and your full committee's direction of 1992, nothing has been done and no reason has been given as to why it can't be done.

We would encourage very strongly that the committee move forward with defederalization.

Additionally, since our operation in 1976 began, we have seen more and more regulations, more and more administrative requirements, more red tape to essentially strangle the operation of these revolving loan funds throughout the Nation.

Most recently in the CFR Chapter 3, terminology was inserted that changes the original purpose of the grant to a trust agreement. That was done without the agreement of the grantees, a joint agreement between EDA and the grantees. We don't think that is fair or right and we don't think that should be in the guidelines nor as a requirement.

We have unique ways of structuring our loans. We think that the way we do it involves the banks and utilizes their loan closing documents. The new guidelines require a separate listing of loan closing documents in addition to the banks, so now you have two sets of loan closings, which again I use to illustrate that it is getting more and more expensive to operate these programs.

Essentially a lot of us think those guidelines were written for companies that you might find in the Fortune 500. They definitely are not written to operate in rural America.

I have in my statement some 23 borrower compliances that EDA is now requiring that we include in every closing document that we do when we do a loan. Can you imagine trying to loan a minority business or another small business 5 to \$50,000 and having them to legally be required to adhere to all these things?

We think and we are fairly certain, at least our own banks tell us if the trend continues as it is now the banks will not participate with us because of the overregulation of the program. It is in fact strangling our efforts to do what EDA had set out to do back in 1976 and continues to make it much more difficult. So we think it makes more sense to defederalize the funds so that we have the flexibility at the local level to do what needs to be done within certain restrictions and guidelines and to continue to be able to report to EDA on an annual basis through a certified audit that certifies that the funds are being used from an administrative as well as a lending standpoint as they were intended originally.

So we beg your committee to save this program from its own demise. If there are some regulations to be developed, we would also please ask the committee to direct without question that EDA involve RLF operators and bankers at the local level in developing these regulations.

The regulations developed now did not involve anyone who has ever lent money, who knows anything about collateralization or structure of loans or anything else in the banking business. That should tell you what kind of guidelines have developed.

I appreciate you inviting us today and Ms. Molinari for allowing us to testify and speaking on behalf of 360 RLF operators people across the country that are in dire need of your assistance. We stand ready to do anything we can to help this committee see that these funds are defederalized.

Thank you, Mr. Chairman.

Mr. WISE. Thank you. I am impressed by two separate sets of documents. I am willing to bet if I checked the unemployment statistics on lawyers in your area, they are doing quite well.

Mr. MARTIN. We have more lawyers than real estate agents.

Mr. WISE. I now turn to Ms. Molinari for purposes of an introduction.

Ms. MOLINARI. Thank you, Mr. Chairman.

I just want to thank our panelists for bringing to light and sort of focusing in on the devastating impacts that our communities are about to withstand as a result of base closings this year.

I would like to state for the record and to my colleagues on the other side of the aisle that there are a significant number of Republicans I believe who understand that while EDA might not have seemed important in the past, it is important and certainly relative to what we will be going through. EDA can be a savior to many of us. I will be joining you on the Floor as we debate in support of EDA.

When it comes time to supporting a community, though, there is probably no one person more qualified to come before this committee, as far as I am concerned, than Bob Catell from Brooklyn Union Gas. He is someone who does not have to extend himself to the communities that Brooklyn Union serves, but really feels a strong personal interaction with just about every one of Brooklyn Union's customers.

You pay us back not only through service, Mr. Catell, but through the commitment that you and your employees have shown, certainly to the people of Staten Island and Brooklyn.

When the Staten Island Homeport fight began, Brooklyn Union Gas was a main champion and served as a perfect example of the public-private partnership that could bring about success to a community. Today we stand on the threshold of losing the Staten Island Homeport and once again Brooklyn Union Gas stands shoulder to shoulder with elected officials and local businesses to say maybe some good can come of this; maybe we can keep this facility productive.

His commitment to being a leader of the community of New York is evidenced by his presence here today.

On behalf of all the people I represent and the people that Brooklyn Union serves, I want to thank him. He is of the stature that he does not have to take the time or spend Brooklyn Union's money to help us, but he is there time after time for us.

Mr. WISE. I appreciate that. I want to thank you for your leadership in natural gas vehicles. I think you have provided much of the leadership in demonstrating to many areas of the country, particularly urban areas, that this is not only good for the environment, but it is good for the economy as well. So I want to thank you. Now, Mr. Catell.

Mr. CATELL. I would like to thank Congresswoman Molinari and Mr. Wise for those very kind words.

We take pride in the fact that Brooklyn Union is a company that is sensitive to the needs of the community that we serve. If our community does well, we do well.

So it is no chore for me to take time to be here today. I think it is very important.

I thank the committee for giving me the time to speak with respect to the Staten Island Homeport. You have a copy of my written statement, but I would like to hit some highlights of it, if I may. I have had an introduction and I think you know a little bit about Brooklyn Union and the communities that we serve.

We have 1.1 million customers in an area of 4 million people and we serve the Boroughs of Brooklyn, Staten Island and two-thirds of Queens.

Brooklyn Union has long had a deep and abiding commitment to strengthen the quality of life in our service area. We have an extensive economic development program and we work hard with the local business communities to retain, attract and grow businesses in the area that we serve.

To give you a little bit of my background in the area of economic development, I am a current member of the Mayor's Management Advisory Committee and I served on the subcommittee chaired by Arthur Levitt which looked at initiatives for retaining businesses in Manhattan and in the outer boroughs.

I am on the Board of New York City Partnership in the New York State Business Council, and I formerly chaired the Brooklyn Chamber of Commerce and its downtown Brooklyn Development Association and the Metrotech Business Improvement District.

I think our company is known for the work that it has done in industrial and commercial revitalization. You may have heard about our Cinderella program which started some 25 years ago when we renovated brownstones in our territory, which I think did

a lot to save the neighborhoods which at that time were going downhill.

As Congresswoman Molinari, mentioned we work closely with our government officials and local community groups in to economic development, also in educational and cultural programs to support the quality of life. We were one of the earliest supporters of the naval station in New York and we have certainly worked very hard to avoid its being closed.

Now that it has happened, we are committed to finding an alternative use for the Homeport.

As you know, Congresswoman Molinari led New York City's fight to keep the Homeport open. We continue to believe in the merits of argument for the Homeport to continue operation. Unfortunately, our efforts did not succeed and we now focus on alternatives.

The closing of the base is a devastating blow to New York City's struggling economy, causing a loss of 4,000 jobs and \$375 million of economic value.

I know that Mayor Dinkens, Congresswoman Molinari, and the elected officials on Staten Island are committed to working together to soften the impact.

We are also committed to work with them and with the business community to take advantage of the Homeport's considerable assets in order to produce desperately needed jobs that will help restore New York City's economic health.

One of the ideas we are exploring is a proposal to move the Coast Guard from its current isolated and outdated facility on Governors' Island to the Staten Island Homeport. Again, Congresswoman Molinari has already met with the Navy and Coast Guard personnel to initiate appropriate studies that need to be conducted.

We would appreciate the assistance of the chairman and Ranking Member of the full committee in moving this proposal forward at the Department of Transportation.

We also respectfully are requesting this subcommittee support in our efforts to have the Federal Government cede the property upon which Homeport and Governors' Island are located to New York City. This is a critical step to recover from the loss of Naval Station New York.

We believe that moving the Coast Guard to Staten Island is a winning formula which will have many, many benefits. Staten Island will get new tenants for Naval Station New York and like the Navy will become an integral part of the community.

The Coast Guard will have a new state-of-the-art facility in a community that will welcome it with open arms.

The Navy and the Office of Economic Adjustment and the Economic Development Agency will not have to worry about conversion efforts of Naval Station New York and will be able to focus on other bases and New York City would gain control of prime real estate on Governors' Island for development.

At this time, I would like to take this opportunity to add my voice to the debate on continuing EDA funding. I understand that the issue will be debated on the House Floor today. We see EDA as an important economic partner in the effort to convert Naval

Station New York to other particular uses and we strongly urge its continued funding.

In addition to looking at the Coast Guard moving, we will be pursuing other alternatives. For example, the Army Corps of Engineers has expressed interest in using some of the office space at Homeport and will be meeting with the Office of Economic Adjustment next week to start the application process.

Thank you for giving me the opportunity to testify here today. We are strongly committed to this effort and I look forward to continuing to work with you, and I hope some day to be able to invite you to the ceremony on the day we open Homeport for its new use.

Mr. WISE. The gentleman from Florida, Mr. Mica, has been instrumental in bringing our next two witnesses here. I turn to him for the purpose of introducing them.

Mr. MICA. Thank you, Mr. Chairman.

I also want to let the next two witnesses know that it is a long-standing tradition of this subcommittee to have the very best two witnesses saved for last. We appreciate your patience and also your willingness to testify today.

Mr. Chairman and Ms. Molinari, I would like to introduce to the subcommittee Marilyn Cobb Croach. She is the Director of Operations in Florida's Defense Transition Services Office at the University of Central Florida in Orlando, Florida.

She is also with the newly created Florida Defense Conversion and Transition Commission and in Florida we have Enterprise Florida which is a public-private partnership which is in the process of prioritizing State projects for defense conversion.

This commission will work for Florida to help communities and defense contractors shift to new commercial activities.

The second witness is Ron Radford, Deputy Plant Manager of Westinghouse Electro-Optical Systems in Orlando. In his capacity, he directs overall business operations at this Westinghouse operation which designs and manufactures infrared imaging systems for defense, international and commercial customers.

Ron is now leading the Westinghouse electro-optical effort to diversify the defense plant into production of low cost infrared systems for nondefense applications, including fire and rescue, Border Patrol and law enforcement as well as drug interdiction.

We will have an opportunity to hear how our State is approaching this and a little perspective of the private sector efforts.

Thank you, Mr. Chairman.

Mr. WISE. I appreciate your help, Mr. Mica.

I now turn to Mr. Ron Radford, the Deputy Plant Manager of Westinghouse Electro-Optical Systems of Orlando.

**TESTIMONY OF RON R. RADFORD, DEPUTY PLANT MANAGER,
WESTINGHOUSE ELECTRO-OPTICAL SYSTEMS ORLANDO**

Mr. RADFORD. Thank you, Mr. Chairman.

I would like to talk about our experience for defense conversion specifically regarding defense technology. We were established in 1986 as a growth business in electro-optics and our primary products have been infrared imaging systems for conducting night military operations comparable to those employed by our forces in Desert Storm.

Our facility was completed in 1990 for development and production of the infrared system for the A-12 as well as the optical windows. These were high-performance sophisticated systems representing hundreds of millions of dollars of business into the next decade.

As you know, the A-12 program was cancelled in January of 1991. A similar program, the Air Force F-16 Close Air Support program, was also cancelled for which we had another major infrared system in development.

Since these programs represented the majority of our business at our plant we had to take diversification efforts to protect our major investment in our plant and save as many jobs as possible. Therefore an initiative we took was to acquire a new product line called MICRO-FLIR which provides us a modular compact design system that allows us to adapt it for many uses, military and commercial in the United States and internationally.

With regard to another initiative we have taken to further strengthen the sales of this new product is we are investing in a privately financed partnership with Bell Helicopter through a newly-formed company named Bogan Aerotech to market internationally the Huey II, a low-cost, Bell certified upgrade to the approximately 5,000 Vietnam era Huey helicopters currently operating around the world in a broad spectrum of missions. We have flight-tested the helicopter in the United States and in Europe and received positive interest around the world.

These are examples of what we have done on our own.

In response to the government's ARPA program, we are submitting a proposal to develop new, low cost infrared camera technology with both increased commercial as well as military applications. We have formed and are leading a central Florida electro-optical technology alliance with the University of Central Florida at their Center for Research in electro-optics and lasers, with the community college in Orlando and two small optics companies.

Government funding of these proposals will support our objective to strengthen central Florida as the Center of Excellence for Electro-optics and improve our competitiveness worldwide.

We have worked closely with the State Department of Commerce and received a commitment of support for these proposals from the State of Florida and Enterprise Florida.

I would like to give you several lessons learned in our efforts, the ones that we have initiated as well as the government programs we are participating in.

I will take the time to point out that for us to retain military business, but be competitive commercially, defense acquisition needs to accelerate the reforms that have been underway for some time. A couple of examples is to rely on self-governance versus government audits, and implement more process control rather than inspecting and testing in quality. Only these type changes can we use the same processes and procedures for defense and commercial work. Otherwise we will only serve one customer or will have to set up two separate systems which in the long run won't be competitive.

With respect to the technology reinvestment project, a lot of good work has been accomplished by the government team to success-

fully carry out the program but we in industry have encountered some problems.

The ground rules restrict what should be proposed, and I believe some good candidates for defense conversion will not be submitted since they don't fit the ground rules. For example, we are not submitting a proposal to develop a color light source for printers which we believe would help the United States recapture a good part of the multi-billion dollar printer, facsimile and upcoming digital color photography market.

Similarly, a small laser manufacturer in central Florida with several unique ideas is not submitting proposals in response to the TRP because they don't fit the ground rules.

In another example, we can apply our MICRO-FLIR defense technology to airport fire rescue trucks today and meet an immediate need to allow them to be more successful in saving lives at night and poor weather. Our MICRO-FLIR has been demonstrated by the FAA to provide the necessary performance; however, the cost needs to be lower and we are prepared to jointly finance with the government the needed adaptations and factory production changes needed to achieve the required cost goal. However, this project also doesn't fit the TRP ground rules.

Another concern is the amount of resources that industry is expending across the Nation to compete for the TRP funds compared to the ultimate return is too high. That is, a lot of effort is being expended in understanding the program and preparing proposals. As I said, the dollars are relatively small when you consider the whole Nation.

Therefore I recommend the following improvements in the defense conversion process: Make it less restrictive, simplify it and give the States and private industry more latitude in pursuing this objective to enhance economic development and job creation.

In summary, we have taken company financed initiatives in defense conversion which are achieving results. Also we are participating in the federally funded conversion program. A positive result I have observed to date is our alliances in Florida have promoted closer relationships among industry, the universities and the state government which are beneficial for everyone.

I am hopeful as the defense conversion process moves forward and improvements in implementation are made that the benefits will grow.

Thank you for the opportunity to address the committee. I look forward to any questions.

Mr. WISE. Thank you.

I turn to our next witness, Ms. Marilyn Cobb Croach, Director of Operations, Defense Transition Services, University of Central Florida in Orlando.

Ms. CROACH. Good afternoon.

The Defense Transition Services was established in 1989 with funding from the Florida Legislature to provide transition assistance, services and information to the "total defense family in transition,"—individuals and family members, affected by personnel reductions among active duty military members separating and retiring, DOD civilian and contractor employees, the National Guard and Reserve Forces.

Our mission expanded in 1991 to include reuse and readjustment planning assistance to communities impacted by military installation realignment and closure. Earlier this year, our mission expanded further to include initiatives related to defense industry conversion, economic development, reinvestment and community readjustment.

Defense Transition Services is located at the University of Central Florida in Orlando.

I appreciate this opportunity to share some of Florida's initiatives. This will be a brief overview and I will ask that my full statement and supporting documents be included in the record.

My remarks will focus on, one, significance of defense spending to Florida's economy; number two, assistance to impacted workers, communities, businesses and industry; number three, initiatives/partnerships for a competitive economy; and four strategies to capitalize on federal defense conversion resources.

As Congressman Mica stated earlier, defense-related industry in Florida is the third largest sector of our State's economy. With almost \$11 billion dollars in expenditures and employing 245,000 persons, half of this work force are defense contractor personnel and half are military service members and DOD civilian employees.

The DOD is an important funding source for university scientific R&D in the state. Defense-related jobs represent a disproportionate number of high-paying skilled work available in the state. Fifty percent of all high-tech jobs created in Florida are a direct result of defense-supply contracts.

Due to the multiplier effects of such high-paying jobs, loss of these jobs will have a deadening effect on the rest of Florida's economy. Florida was one of the two hardest hit states in the current BRAC process with military installations statewide slated for realignment and closure.

Two, assistance to impacted workers, communities, businesses and industry. To study the most effective route to a robust Florida technology industry with a skilled work force, appropriate infrastructure and lessened dependence on defense spending, Governor Lawton Chiles appointed the Florida Defense Reinvestment Task Force in 1992.

Representative Jim Bacchus served as the Task Force Chairman, and Florida Secretary of Commerce Greg Farmer served as the Vice Chairman.

State and local leaders, contractor representatives and others were appointed to the task force. In our final report to the governor, we addressed the following priorities in countering defense spending cuts in our State.

One, retraining and placing of affected workers; number two, improving Florida's economic and technological competitiveness; number three, assisting defense-related companies to diversify into commercially-based products and markets; and number four, assisting communities to plan for and deal with the economic impacts of base closure and the reduction of defense expenditures.

Florida was among the first States to establish the Transition Assistance Program (TAP) at Military Family Support and Family Service Centers to serve military members and family members in transition to civilian status.

Florida's Office of Defense Transition Services was the Nation's first State-funded office to work hand-in-hand with the Departments of Defense, Labor and Veterans Affairs to provide this program.

During the past two-and-a-half years, our office has served more than 3,000 defense families in transition. We encourage the development of transition blueprints based on research and analysis of projections for viable out-year employment opportunities and requirements for successful competition in these career fields.

Based on our experience we believe that transition assistance, training and retraining components of federally funded readjustment programs involved in revitalizing base closure communities should continue throughout the process and should be closely aligned with viable out-year career opportunities.

In other words, a viable career opportunity should exist for suitable employment upon successful completion of federally funded training programs. Making this a priority will encourage development of education, industry, business and government partnerships programs and coordination based on sound economic development strategies and viable career options.

Emphasis in this area will bring light to the fact that little, if any, Federal assistance is available for early intervention as defense-dependent firms decline and workers are given layoff notices.

Three, initiatives and partnerships for a competitive economy.

Also in 1992, faced with severe economic challenges along with severe fiscal constraints, our State established Enterprise Florida, a market-driven, public-private partnership that provides leadership and support to performance-based local, regional and state economic development organizations.

Strategic objectives have been framed which translate roughly into the creation of 200,000 new technology-driven jobs in Florida by the year 2005.

In short, Enterprise Florida is our strategy for a competitive economy that will focus on attracting, retraining and growing high-value-added economic clusters based on strong economic foundations of skilled human resources, capital availability, accessible technology and a competitive tax and regulatory climate.

Earlier this year, Governor Chiles established by Executive Order the Florida Defense Conversion and Transition Commission as adjunct public-private partnership under Enterprise Florida.

The commission will provide leadership and direction for a state-wide response to the potential and actual economic dislocation throughout Florida caused by the declining defense budget.

As an adjunct of the Commission, the Florida Defense Conversion and Transition Clearinghouse serves as a one-stop shop, a single point of contact to link community installation reuse planners with Federal sources of assistance, to provide local, state and region specific information/data, and to coordinate a state-wide readjustment initiative based on sound economic development initiatives.

And lastly; number four, capitalizing on Federal defense conversion resources. On July 2, 1993, President Clinton announced a major new revitalization strategy to speed the economic recovery of communities where military bases are slated to realign close. Com-

merce along with 22 other Federal agencies and departments will provide resources to communities, workers and firms adversely impacted by the declining defense budget.

During the current days of post-BRAC recommendations to the President and subsequent deliberations by the Congress, communities are trying to determine how to skillfully engage with, to coordinate and successfully compete for Federal assistance from the 23 Federal agencies and Departments.

When TRP was announced earlier this year, Florida was able through the framework of our public-private partnership of Enterprise Florida, to immediately engage business, industry and educational institutions in a coordinated, state-wide initiative to maximize State capabilities and resources for the greatest return on investment while developing a competitive economy.

One-stop shopping works. This is a new day for integrating economic development plans for defense industry conversion, economic reinvestment and transition program initiatives.

In light of President Clinton's July 2 announcement of a bold new strategy for revitalizing base closure communities, a challenging leadership opportunity has presented itself for commerce and EDA.

The Department of Commerce and the EDA, not merely as one of the 23 members of the President's Economic Adjustment Committee, but as a primary "connector" agency responding to defense adjustment impacts on communities, must be funded and its leadership role must encourage economically sound revitalization plans.

Federal collaboration and team work using a holistic "one-stop shop" approach to conversion and transition based on sound economic initiatives should yield a more effective use of Federal funding and a greater return on Federal, State and local investments.

For example, flexibility in selection criteria for Federal funding can be either "make or break" in some locations. Only when we are able to look at the big picture of drawdown from the standpoint of opportunity—an opportunity to make this work to advantage—can we succeed in building a solid domestic economic base from which to successfully compete in the global marketplace.

We are doing this in Florida. We look forward to working with you to develop a sound economic future for our country, and I thank you for the opportunity to talk here today.

Mr. WISE. Thank you very much.

As was the case with the panel that preceded you certainly you have your work cut out with you. Each of the witnesses here has defense installations that are a major part of their communities.

Ms. Broyles, in your testimony, I was struck by something—this has quite a significant impact on your area. Have you been contacted yet by the Office of Economic Adjustment?

Ms. BROYLES. Yes, I believe there is a larger committee than myself working in Licking County and also we are closely connected with Rickhenbacker and McDonnell Douglas that are all closing.

I think there is a larger committee that has been in contact and we are making some progress.

Mr. WISE. Because they are there to work with you in the first technical assistance grants and then the EDA or other agencies come in behind and based upon what that reuse plan has in its—

so it is very important and I know that the OEA has a lot now with so many closures announced plus those that have gone before but it is important that they get to every community immediately as early as possible to begin working with them.

Ms. BROYLES. We had so much effort put into trying to keep the base open, now we are kind of in shock and beginning now to reorganize with now what do we do kinds of things.

Mr. WISE. I think a major installation like that probably is like losing someone close to you and you go through stages, including denial.

Ms. BROYLES. We still have people in the community saying it is not really going to close.

Mr. WISE. I lost a facility much smaller than you or any of the witnesses here or that Ms. Molinari has to contend with, but it was still a blow to us as well. So I know what you are talking about and I know also that sense of denial that still exists in certain parts of the communities.

The testimony is very, very helpful. I am hearing a message again of flexibility, that that is important, and it rings through in every one of your statements.

Concerning the Economic Development Administration, does anyone have any specific suggestions concerning the application process or the time that it takes to get a response? Perhaps somebody has a personal experience they might wish to share.

Ms. CROACH. I would like to voice an agreement with the statement made by the earlier panel about the 25 percent match and some of the other components in the application process. Also to say again that the one stop shopping is so important, as we coordinate interagency and intergovernmentally. When we are working with communities that are in the throes of readjustment, let us remember the human element of drawdown. We are talking about what I call the "total defense family in transition."—not just those departing active duty and their family members, but also the National Guard and Reserve Forces, contractor employees and their families. Finally, to intervene early-on before companies become sick; help them to retain their best workers.

Another component is to make sure the technicians that are highly skilled, our engineers and scientists, that we need to retain them if we are to call upon them once again in a situation where our country needs their strategic defense-related expertise for the national security of our country.

Mr. WISE. Ms. Molinari?

Ms. MOLINARI. I was home for the Fourth of July weekend parade and by that point the BRAC said "Staten Island Homeport is closed. The President said he was going to accept the list."

I would be marching in the lines and people would shout hey "Sue, save that Homeport." So denial certainly does take place, for many in the community probably including my father.

I want to thank everyone for coming together, in particular Bob Catell for giving us his testimony on record. We will be seeking his continued support as we work with the Congress in making this happen.

I would like a comment from all of you relative to something not discussed today, but did come up in prior hearings. That is when

you go through base realignment and closure it is my concern after the DOD looks at the property that is to be closed the next agency that gets to come in and take either part or all of the property is HUD.

That would be either for low-income or for homeless housing. While it is a desire for communities to take care of those less fortunate when you are losing the economic impact of a base to think that you don't have an opportunity to get local businesses involved until after HUD comes in is troublesome.

Any of you who would like to comment on that relative to past experiences, what you may be doing in your particular communities?

Mr. MARTIN. We use people on both sides. Several years ago we had a naval air station, Glenco, closed. On the other side we had Fort Stuart, the home of the 24th Infantry Division, which has been a tremendous buildup as well as the East Coast nuclear Trident nuclear submarine facility.

The other organization I worked for, the Regional Planning Commission, has worked with EDA to help do the infrastructure impact.

What was important to us with Glenco, when it closed we experienced the same problems that everyone is talking today about. The first thing was the Office of Economic Adjustment was a big help to us. EDA was a tremendous help to us.

The most important thing we did was formed a local community committee that was with the economic development district as well as locals and as a result were able to attract the Nation's largest law enforcement training center, which is there now. It is a better economic asset to the community and to the region than was the Navy base, and GSA of course is an important organization because they own the property and you have to go through the process of disposing that in accordance with their regulations.

We didn't have any involvement with HUD and I am not sure whether these other communities would or not. GSA is very important. They were cooperative.

There are a lot of key players. I would encourage these communities to get through the Regional Planning Commission, a good committee and work with, EDA and OEA, and other appropriate federal agencies.

The congressional delegation is absolutely key to making those things work.

Ms. MOLINARI. We appreciate that.

Thank you. Your experience will hopefully prove very useful in our particular case.

Mr. CATELL. Certainly housing is important. We have a number of programs that we are working on with HUD and others. I think from the standpoint of the Staten Island Naval Base, that particular facility has certain things going for it which particularly lend themselves to a location for the Coast Guard. It would not be in my opinion a place where housing would be a particularly good use.

I think it has a lot of advantages. It is a modern facility and I think it could be used for other benefits. I think you can take care of the housing in other ways. We do have programs that we are working on for low and moderate income housing throughout the

city. It is important that we look at the facilities, at the attributes they have and try to make the most out of those and take the most benefits in that reuse.

Ms. MOLINARI. Thank you.

Thank you, Mr. Chairman.

Mr. WISE. The gentleman from Florida, Mr. Mica.

Mr. MICA. Mr. Chairman, not really a question, but it appears you hear a consistent theme, a theme of flexibility, the ability for say more rapid response to the delays can be devastating both for a public project or private sector project, so as we look at legislation I think those factors are important.

Again I think it provides—this hearing has provided me with a good insight as to how we can better address some of these things from the Federal level legislatively.

Thank you.

Mr. WISE. Thank you.

To the panel, I would say that you have provided some excellent insights, particularly since you are the ones dealing with the programs that have to be administered. Let me say that a lot of concerns I have heard expressed today and in prior hearings point out the need I believe for some legislative correction, but a lot of that also deals with administrative policies and how they are carried out.

So it would be my hope that these hearings have also sent messages to EDA about the need to change some of the procedures. We really don't want to have Congress write every administrative process. Congress will have to take on major ones. The RLF one is a major one—to the extent Congress can provide guidance on autonomy versus centralization and sending everything to Washington to go through the same process that it has already gone through in the regions, I would hope that EDA will be a more flexible agency.

I think that Secretary Brown has echoed the calls for one stop shopping and says that that is something he wants to implement. As we move into a new era in terms of defense conversion as EDA is called upon to assume more Title IX responsibility such as the floods in the Midwest, plus the general obligation in terms of economic development, I think we are all going to need to work together to make this more flexible and more responsive particularly for the dollars involved.

I want to thank each of you. You have come a long way.

The subcommittee is very grateful. At this point I will adjourn these hearings.

[Whereupon, at 12:40 p.m., the subcommittee was adjourned.]

PREPARED STATEMENTS SUBMITTED
BY WITNESSES



development agency

A regional joint powers authority dedicated to the reuse of Norton Air Force Base
for the economic benefit of the east valley

STATEMENT OF THE
INLAND VALLEY DEVELOPMENT AGENCY

Presented By
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Presented To The
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
Subcommittee On Economic Development

REGARDING THE
CONTINUATION OF HEARINGS ON THE AUTHORIZATION OF
THE PUBLIC WORKS AND REDEVELOPMENT ACT OF 1965 AND THE
APPALACHIAN REDEVELOPMENT ACT OF 1965

JULY 20, 1993

Members of the Subcommittee:

It is my pleasure to appear before you today representing the Inland Valley Development Agency (IVDA). The IVDA is comprised of four local government entities: the County of San Bernardino, the City of San Bernardino, the City of Colton and the City of Loma Linda. We are located approximately sixty miles east of the City of Los Angeles. San Bernardino County is the largest county by land area in the contiguous United States.

The IVDA is a Joint Powers Authority formed pursuant to the laws of the State of California. It was given the ability and indeed does act as a redevelopment agency pursuant to special legislation which became a part of the California Redevelopment Law. The IVDA project area includes 15,000 acres of which 2,006 are a military facility, i.e. the Norton Air Force Base. Norton AFB is scheduled to be closed next March. The last military flight from Norton will occur in the next thirty days.

Since the 1989 announcement of Norton's closure, we have experienced a reduction in the number of jobs at that facility from 10,000 civilian and military combined, to fewer than 1,000 today. The economic impact on our communities has been staggering. At the time of the announcement of Norton's closure those 10,000 jobs represented an economic contribution to our area of over two billion dollars. Today the economic impact of the Norton payroll is negligible.

The Norton loss, significant as it is for us, does not stand alone. George Air Force Base, just a few miles to the east and also in San Bernardino County, has been closed. No suitable reuse for that facility has been agreed to and it now stands idle. March Air Force Base, just twenty miles to the south, is included in the latest announcement from the Base Closure Commission as a facility slated for realignment and downsizing. The Hughes Aircraft facilities in the Inland Empire - the name by which we refer to our local geographic area - are being moved to another state. GTE has announced it will reduce its workforce at its Inland Empire facility by several thousand workers.

These events represent:

- a) An annual economic loss to our economy of approximately four billion dollars. This is an economic constriction of almost 10% in fewer than five years - from a 1989 economy that generated forty-seven billion dollars for our area.
- b) A current unemployment rate in the County of San Bernardino of more than 10%. Soaring unemployment has exacerbated a number of social and other economic problems which we must now face.
- c) An average loss of \$1,404 in per capita income for the Inland Empire.

As I said, these numbers by themselves are staggering. The consequences to our lives might better be appreciated by viewing our losses in a comparative way. The economic loss to our local area is equal to 50% of the income generated by the entire State of Wyoming. During the last several years our economic losses are greater than any other area of the United States.

We need help. That is why I am appearing before you today to offer my support of, and encourage you to reauthorize, the Public Works and Economic Development Act of 1965 and the Appalachian Redevelopment Act of 1965.

The entire purpose of my agency - IVDA - is to develop economic activity which will replace the loss of Norton's 10,000 jobs in as short a time as possible. To accomplish this we require infrastructure improvements - the backbone of any redevelopment hopes - to be made without delay. Only with these infrastructure improvements can we hope to open up economic opportunities for the conversion of this Air Force Base.

Norton is not different from many of the other older bases being closed. Its environmental problems are substantial. They represent serious hazards; however, we are assured they will be properly addressed by the Air Force in a timely manner. We trust the cleanup will not become an impediment to our plans. For the most part, this activity will not be our responsibility and will be beyond our control.

Infrastructure, that is roads, water and power, is a different matter. By and large this will be our responsibility. Even though some of the current infrastructure is old but serviceable, it is inadequately sized and located in the wrong position for modern development. For example the roads on Norton are not only in the wrong places but, with rare exceptions, do not exceed twenty feet in width. This is so narrow by modern standards as to be unusable.

The involvement of the Economic Development Administration in our road projects will include approximately 50% of the funding for initial construction costing 17 million to 20 million dollars, to a maximum amount of seven million dollars. Our Environmental Impact Statement (EIS) connected with the closure and conversion of Norton documents the required on-base and off-base infrastructure improvements over the coming years to cost in excess of 200 million dollars.

We are extremely grateful for EDA's preliminary commitment of seven million dollars. We are going to use that money for the construction of two major road projects integral to our plans to provide economic opportunity. However, you can see that we will fall short, by more than 193 million dollars, of the amount necessary to do the job.

We are not asking that EDA provide the entire remaining 190 plus million dollar investment required. EDA programs and EDA funding are critical to our agency for the initial phases of the conversion of Norton AFB. While they will be essential to our ultimate success, they will become less important as the project proceeds.

The IVDA is a redevelopment agency and will receive tax increment funding based on the tax dollar growth of the 15,000 acres. Once the infrastructure begins to develop we will be able to attract potential users and tenants. The tax revenues generated can be used to provide a multiplier effect creating a pool of revenues with which to continue to stimulate local economic development. Thus, over time our need for the EDA will lessen, our efforts to stimulate the economic recovery of the Inland Empire will be more self sustaining and the success of our project assured.

As I mentioned, rebuilding the required infrastructure is the first priority. Because these projects require so massive an expenditure in these difficult economic times, public involvement and investment are required. This is not only true at Norton but I think most other localities as well. I, therefore, suggest that you carefully consider both an increase in the available EDA programs and funding grants and a decrease for the matching portion of initial grants which might provide "backbone" infrastructure.

The timely ability to process EDA grants is also critical to the success of many projects. Our current request for the Norton AFB conversion project is being processed through a grant application made under Title 9, Sudden and Severe Impact. This application procedure is available to projects involving base closures.

So far this Sudden and Severe Impact process has been a pleasant experience. Our regional EDA office has been most helpful in assisting us and has exhibited a willingness to work closely with our local requirements. The grant

application itself has been relatively simple and our initial discussions with the regional administrator indicate that we may obtain approval of our grant within two to three months.

This contrasts with some of my previous experiences. While working with the City of Tustin, California, we applied for an EDA grant for the extension of a sanitary sewer main. Again this grant was the backbone of infrastructure which would allow for the creation of jobs and opportunities at an entire industrial park development.

The processing of that grant took twice as long as anyone anticipated. We had estimated completion of the project in one year. It took two, primarily because of the EDA process which required us to submit a comprehensive plan for the entire city and then focus on that specific project. This was work duplication of other planning documents which had previously been completed, but EDA demanded a different format. The specific regimentation and review time took too long, costs escalated and development opportunities were delayed and almost lost. Speed is important.

Later, at the same industrial park development in Tustin, we applied for another EDA grant to create the Joint City/School Corporation yard. This yard would be the storage and maintenance facility for motor vehicles of both the city and the school district. This application and processing involved five months of review and the completion of construction within nine months, a far more practical time span. I believe the difference was that the review was accomplished on the West Coast. Approval was rapid and the administration of the grant went very smoothly.

Our County of San Bernardino is actively involved with the EDA. We have prepared an overall economic development program and submit an annual report outlining future projects and the progress made to date. With the assistance of EDA, \$500,000 was funded for a bridge which opened a new office industrial park for the City of San Bernardino and \$300,000 was provided for a water main extension for the Rialto Municipal Airport.

For the future, the City of San Bernardino is processing a \$500,000 grant application for 11,500 linear feet of sanitary sewer lines. This sewer line service will allow the development of Cal-Mat, a natural resource recovery operation and industrial park, a San Bernardino general partnership hotel located immediately north of the end of the sewer extension and the Glen Helen Regional Park amphitheater located west of Cajon Boulevard. These businesses will bring long-term job opportunities to the residents of the surrounding area. The Cal-Mat project has a buildout of over 6,000 jobs, while the hotel will bring more than one hundred jobs, and Glen Helen Regional Park's project will include another one hundred jobs.

With respect to other future economic development activities involving the Economic Development Agency, we have already talked with the Regional Administrator and we intend to avail ourselves of an Industrial Incubator Facility process that will assist us in encouraging small, fledgling industries. Where appropriate, we will avail ourselves of revolving loans to assist the creation of the incubator concept itself and the fledgling industries.

Our experience with all of these projects demonstrates the EDA works best and most efficiently when decisions are made on the local level and there is in the process a recognition of the urgency associated with the requests for assistance. Therefore, in reauthorizing the legislation governing the Economic Development Administration we encourage you to simplify the procedures, streamline the review and increase the front end commitment, particularly for infrastructure improvement funding.

There is one other item of concern to us and we believe will be a growing concern to the many communities in America faced with base closures. Heretofore the attitude of the military services has been to convert those bases to civilian use at the highest monetary yield to the Department of Defense.

With our current market conditions, and the economy of our nation generally, it is simply not wise to look at these conversions as a money generator for the military followed, in some cases, by appeals to agencies such as the EDA for offsetting assistance. Instead, our nation will be better served if we look upon those facilities' potential for economic stimulation. EDA is assisting under the Sudden and Severe Impact program. I suggest they could also fill a valuable role in the direct negotiation over the public benefit transfer program to lessen the economic impact to those communities.

Thank you for this opportunity to offer my comments about the EDA. I am pleased to answer any questions you might have.

WILLIAM L. BOPF

Mr. William L. Bopf is the Executive Director of the Inland Valley Development Agency. He is responsible for the reuse and redevelopment of the non-aviation portion of Norton Air Force Base, which includes a project area of approximately 15,000 acres.

Mr. Bopf has over 30 years experience in city administration and has managed many prominent cities in California such as the City of Napa Valley and the City of Tustin. In addition to his public experience, he has been employed by the private sector for over 10 years. He was the sole proprietor of a real estate brokerage and consulting firm.

Mr. Bopf has a Bachelor of Arts degree from Michigan State University and a Master of Science degree from the University of Southern California. His scholastic honors include the State of Michigan Tuition Award and the Delta Upsilon Education Achievement Award.

Before accepting his current position with the IVDA, he was Vice President of Community Relations for Bedford Properties and served as a board member for the Riverside Building Industry Association (BIA).

Testimony of Carolyn J. Broyles
Heath City Auditor

before
Subcommittee on Economic Development
Chairman Bob Wise

July 20, 1993

Mr. Chairman and Committee members thank-you for providing me this opportunity to describe to you the tremendous impact the closing of the Newark-Heath Air Force Base will have on the City of Heath, Ohio.

It is unreasonable to believe that any community can lose their largest employer and not suffer devastating effects on their economy. This 70 acre base is physically located in the small town of Heath, population of 7,800 by night.

During daylight hours our population increases to around 30,000 due to the large number of retail businesses, consisting of a large mall and several strip centers located in Heath.

Our income tax is 1 1/2 % which provides us with 3.7 million dollars per year in revenue. Our total revenue is around 6.5 million. The last increase of 1/2 % was passed in 1988. We will lose 27.5% of our income tax revenue or about one million dollars, plus another \$118,000.00 in wastewater revenue when the base closes.

This is not the end of our losses, only the beginning. Our losses will continue to snowball and increase. Construction will be drastically reduced, meaning less collected for permits, tapping fees and potential property taxes.

Fewer residents means less will be collected for MVR fees. Housing vacancies will reduce rental income, water and wastewater revenues and property values. More unemployment means less spending, again impacting income tax and sales tax. The loss of business travelers to NAFS means losses to local motels, reducing Hotel/Motel taxes as well as income tax. The base has contracts with many local businesses. We estimate this to be another \$35,000.00 in lost revenue.

With fewer dollars in the budget, the following services will be effected:

1. Heath has a reputation of the finest street maintenance in the area. Loss of income will mean less general maintenance, paving, sealing and snow removal.
2. Heath has a small full-time fire department of six men. We had planned to add two more paramedic/firemen. Instead we may have to return to an all volunteer fire department. This would raise fire insurance rates for the

residents and businesses in the City. The base provided us with mutual aid in emergencies.

3. Heath's police department will have to deal not only with budget cuts, but also with crimes associated with the loss of jobs and families experiencing financial difficulties.

4. Heath now has a network of parks, including a swimming pool, ball fields, tennis and basketball courts and a jogging trail. These areas and programs may become luxuries we can no longer afford.

5. We have just completed a .6 million dollar upgrade of our wastewater facilities that was mandated by the EPA. The outstanding debt retirement stands at \$663,000.00 per year for the next twenty years. As per the current agreement with our lender, (Ohio Water Development Authority), rates would have to be increased to our residents and businesses to off set this loss.

6. Not so apparent would be the loss to our schools. Heath Schools has 139 students whose parents are employed at the base. Each student who leaves the district represents \$2900.00 in lost state aid. When the district cuts teachers our tax base is once again effected.

Not only Heath, but Newark as well as the entire county is expected to suffer far reaching and spiraling effects of the closing of this base. It means not only the loss of jobs and income, but the loss of families as well. The reduction of income, the consequential loss of services means longer response times for police, fire and medical emergencies, less maintenance on our roads that could affect safety, fewer recreational programs and facilities' for young and old.

The deductions to services combined with increasing fees/taxes, will make it difficult for Heath to attract new business and industry; just the thing that could save our economy.

I would like to close on a positive note, new business and industries will be needed in order to recover from the loss of NAFE. We need to keep equipment on the base to attract possible future tenants. We need expert help to market this facility.

Heath is a wonderful town, fifteen miles from an interstate, forty-five miles from an airport. We have great schools and room to grow. Our motto is the "City of Progress".

I believe that if we combine leadership from the entire effected area and receive support from both state and federal government we can continue to progress.

IMPACT OF THE CLOSING OF THE NAFB ON THE CITY OF HEATH'S
WATER AND WASTEWATER OPERATIONS

The NAFB has its own water supply and doesn't contribute to the Water Department. Wastewater from the base makes up about 8.2% of the total flow into the WWTP. If the Air Base was to leave today, the sewer bill for the residents would increase from \$3.05 to \$3.41/100 cubic feet and commercial/industrial would increase from \$3.15 to \$3.60/100 cubic feet. Total billing for the Air Base is about \$118,000 per year.

CONTINGENT SEWER RATES

	Proposed Bill	Kaiser Out	NAFB Out	Kaiser & NAFB Out
Min. Bill	\$2.28/Bill	\$2.28/Bill	\$2.28/Bill	\$2.28/Bill
O,M&R	1.50/100	1.83/100	1.65/100	\$2.04/100
Pretre't "	0.19/100	0.19/100	0.19/100	\$0.19/100
Debt	1.58/100	1.88/100	1.72/100	\$2.09/100
Capital	0.05/100	0.04/100	0.04/100	\$0.04/100
Totals "	\$3.32/100	\$3.94/100	\$3.60/100	\$4.36/100

Residential users would not be charged this fee, reducing their user charge by \$0.19/100 cu.ft.

DEMOGRAPHIC INFORMATION

CITY OF HEATH, OHIO
(LICKING COUNTY, OHIO)

ESTIMATED 1993 POPULATION

LICKING COUNTY	121,000
HEATH	7,500 (6.1%)

ESTIMATED HEATH POPULATION AGE DISTRIBUTION

AGE	TOTAL	% OF TOTAL
0 - 4	450	6.0
5 - 14	1250	16.6
15 - 59	4900	65.3
60 - 64	275	3.6
65 +	625	8.5

AVERAGE HOUSEHOLD INCOME LICKING COUNTY: \$33,150
AVERAGE HOUSEHOLD INCOME CITY OF HEATH: \$35,409

LICKING COUNTY INDUSTRIAL EMPLOYMENT

TOTAL INDUSTRIAL EMPLOYMENT:	10,566
HEATH INDUSTRIAL EMPLOYMENT:	3,590
NAFB INDUSTRIAL EMPLOYMENT:	1,920

18% OF ALL LICKING COUNTY INDUSTRIAL JOBS ARE LOCATED AT NAFB.

53% OF ALL HEATH INDUSTRIAL JOBS ARE LOCATED AT NAFB.

EMPLOYMENT TREND

YEAR	CIVILIAN LABOR FORCE	EMPLOYMENT	UNEMP.	UNEMP. RATE
1992	66,700	61,600	5100	7.7
1996	67,500	62,000	5500	8.1

Licking County Demographics 1992

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For more information contact: **The Newark Area Chamber of Commerce**
P.O. Box 702
Newark, Ohio 43058-0702
(614) 345-9757
Fax 345-5141

Population Projections Licking County 1980 - 2010

	Population	% Change From 1980	Percentage Distribution		
			Age 0-14	15-64	65+
1980 (100% count)	120,981		23.6%	66.2%	10.2%
1985 (100% count)	124,394	2.8%	22.4%	66.9%	10.7%
1990 (100% count)	128,300	5.7%	21.1%	67.4%	11.5%
1995 (Projected)	129,979	7.4%	20.2%	67.8%	12.0%
2000 (Projected)	132,154	9.2%	18.4%	69.3%	12.3%
2005 (Projected)	134,353	11.1%	17.1%	70.0%	12.9%
2010 (Projected)	136,765	13.0%	16.7%	69.2%	14.1%

Source: STFI - State Data Users Profile Series: Ohio 1990

Population Licking County Areas - 1992

	Population				
	1980 Census	1984 Estimate	1988 Estimate	1990 Census	% Change 1980-1990
Alexandria Village	489	480	550	468	-4.3%
Buckeye Lake Vil.	2,521	2,850	3,040	2,986	8.4%
Granville Village	3,851	3,800	3,810	6,000	55.8%
Iratiot Village	101	120	130	111	9.9%
Janover Village	926	1,010	1,030	830	-13.3%
Jarford Village	444	420	420	418	-5.9%
Lebron Village	2,035	2,190	2,370	2,076	2.0%
Leath City	6,969	7,500	7,580	7,231	3.8%
Madestown Village	3,158	3,270	3,330	3,237	2.5%
Markersville Village	626	580	520	563	-10.1%
Newark City	41,200	41,280	41,090	44,389	7.7%
Staskala Village	2,284	2,390	2,630	3,046	33.4%
St. Louisville Vil.	375	410	390	372	-8%
Utica Village (part)	2,221	2,360	---	1,980	10.9%
Licking County	120,981	124,000	126,500	128,300	6.0%

Source: STFI State Data Users Profile Series: Ohio 1990

Licking County Population By Townships - 1980 to 1990

Township	Population			
	1980	1984	1988	1990
Bennington	837	940	890	971
Bowling Green	1,052	1,040	1,130	1,292
Burlington	904	870	910	966
Eden	971	1,040	1,120	1,135
Etina	6,107	6,780	7,290	11,623
Fallsbury	653	650	770	739
Franklin	1,306	1,170	1,180	1,349
Granville	7,515	7,480	7,610	11,285
Hanover	2,501	2,630	2,680	4,299
Harrison	4,278	4,379	4,470	9,519
Hartford	1,080	1,050	1,070	1,976
Hopewell	961	990	1,020	2,067
Jersey	2,196	2,210	2,310	2,432
Liberty	1,300	1,270	1,330	1,470
Licking	4,128	4,210	4,290	6,518
Lima	4,343	4,500	4,530	8,806
McKean	1,197	1,160	1,090	1,357
Madison	2,758	2,870	2,960	6,518
Mary Ann	1,747	1,700	1,810	1,927
Monroe	5,057	5,200	5,290	7,065
Newark	3,179	3,240	3,180	2,496
Newton	3,309	3,530	3,390	5,812
Perry	1,128	1,280	1,440	1,202
St. Albans	1,946	1,960	2,070	3,804
Union	7,054	7,520	7,910	10,398
Washington	3,021	3,200	3,410	3,988
Total	70,528	72,869	75,210	107,212
Licking County	120,981	124,000	126,500	128,300
% of County Pop.	58%	59%	59%	84%

Source: U.S. Bureau of the Census

Licking County Population By Age Cohorts

Age Cohorts	1980 Census	1985 Estimate	1990 Census	1995 Forecast	2000 Forecast
0-14	28,526	27,919	26,929	26,206	24,288
15-19	12,135	10,492	10,169	9,294	10,187
20-24	10,487	10,002	8,868	8,698	8,659
25-34	16,647	19,753	19,773	18,409	16,130
35-44	15,186	18,453	21,145	22,258	22,640
45-54	12,663	12,984	14,702	17,953	20,890
55-64	11,025	11,474	11,208	11,567	13,132
65+	12,312	13,317	14,596	15,596	16,227
Totals	120,981	124,394	127,390	129,981	132,153

Percent of Population by Age Group Licking County

Age Cohorts	1980 Census	1985 Estimate	1990 Census	1995 Forecast	2000 Forecast
15-24	18.6%	16.5%	14.9%	13.8%	14.2%
25-34	15.4%	15.8%	15.5%	14.2%	12.2%
35-54	23.0%	25.2%	28.1%	30.9%	32.9%
55+	19.3%	19.9%	20.3%	20.9%	22.2%

Source: U.S. Bureau of the Census, Ohio Data Users Center

Heath Population by Age Cohorts 1990

Age	Male	Female	Total	% of Total
0 - 4	214	202	416	6.00
5 - 14	569	607	1,176	16.96
15 - 39	2,195	2,321	4,516	65.14
60 - 64	99	138	237	3.41
65 +	247	342	589	8.49
Total	3,324	3,609	6,933	

Source: U.S. Census
Information compiled by The Newark Area Chamber
of Commerce

Newark Population by Age Groups 1990

Age	Male	Female	Total	% of Total
0 - 4	1,567	1,475	3,042	7.4
5 - 9	1,567	1,459	3,026	7.3
10 - 14	1,509	1,434	2,943	7.1
15	295	323	618	1.5
16 - 17	708	704	1,412	3.4
18 - 19	666	729	1,395	3.4
20 - 24	1,930	2,097	4,027	9.8
25 - 44	5,213	5,461	10,674	26.0
45 - 54	1,895	2,132	4,027	9.8
55 - 59	1,051	1,186	2,237	5.4
60 - 64	894	1,102	1,996	4.8
65 +	2,116	3,687	5,803	14.1
Total	19,411	21,789	41,200	

Source: U.S. Census

Breakdown of Population - 1990 Census (Sex, Race/Ethnic) Licking County

Category	Total	Male	Female
Total	120,981	59,210	61,771
White	117,829	57,580	60,249
Black	1,985	1,014	971
Native Americans	244	130	114
Asian & Pacific	303	120	183
Remaining, not Hisp.	62	44	18
Hispanic, all races	558	322	236

Source: STFI State Data Center
Profile Series - Ohio 1990

Per Capita Income Licking County Areas

	1979 PCI	1987 PCI	% Change
Licking County	\$7,010	10,910	55.6%
Newark City	6,915	10,513	52.0%
Buckeye Lake	5,583	8,512	52.5%
Heath City	7,337	10,966	49.5%
Hebron	6,012	9,423	56.7%
Granville Village	5,554	9,784	76.1%
Johnstown	7,034	11,702	66.4%
Pataskala	7,707	12,097	57.0%
Utica	6,138	9,209	50.0%

Source: Ohio Data Users

*most recent data. 1990 Census report not yet available.

Household Incomes Licking County 1980-90

Area	HH Inc. 1980	HH Inc. 1990	Proj. 1995	% Increase 1980-90
Alexandria (\$)	21,000	34,545	36,324	64.5%
Granville	22,324	36,550	38,813	64.7%
Heath	20,805	33,209	35,409	59.6%
Hebron	16,223	26,738	28,102	64.8%
Johnstown	18,554	30,046	32,028	61.9%
Newark	15,901	26,183	28,151	64.7%
Pataskala	22,033	35,938	38,226	63.1%
Utica	16,223	26,492	28,150	63.3%
Average	19,132	31,212	33,150	63.1%

Source: 1990 CACI Inc. (c)

Note: Calculations made from zip codes rather than political boundaries.

Effective Buying Income Households Licking County

	1986	1987	1988	1989	1990
Total EBI (\$000)	1,504,182	1,560,259	1,626,986	1,745,289	1,592,515
Med. Hald EBI	25,870	26,447	27,360	29,036	26,843
% Halds by EBI					
\$10,000 - 19,999	22.1%	21.5%	23.7%	22.4%	21.2%
\$20,000 - 34,999	29.1%	28.5%	30.6%	29.6%	28.3%
\$35,000 - 49,999	19.5%	20.3%	17.2%	18.8%	20.0%
\$50,000 & OVER	12.9%	13.7%	9.9%	12.0%	14.6%
NEWARK CITY					
Total EBI (\$000)	495,801	511,734	531,806	574,157	530,502
Med. Hald EBI	21,309	21,830	22,557	23,945	22,131
% Halds by EBI					
\$10,000 - 19,999	25.4%	24.8%	26.9%	25.5%	24.5%
\$20,000 - 34,999	28.7%	28.4%	28.7%	28.8%	28.4%
\$35,000 - 49,999	14.6%	15.3%	12.6%	14.0%	15.3%
\$50,000 & OVER	9.8%	10.4%	7.7%	9.2%	10.9%

Source: Sales Marketing and Management Surveys of Buying Power

Note: Calculations for 1988 and 1989 Total EBI and Med. Hald EBI adjusted to reflect SM & M statistical changes; % Halds by EBI unadjusted.

**Effective Buying Income
Columbus MSA 1986-1990**

County	1986	1987	1988	1989	1990
Delaware	738,492	806,518	883,867	945,756	923,088
Fairfield	1,025,330	1,103,886	1,194,755	1,296,855	1,217,929
Franklin	11,519,101	12,371,493	13,308,292	14,399,013	13,648,842
Licking	1,504,182	1,560,259	1,636,986	1,745,289	1,892,515
Newark	495,801	511,734	531,886	574,157	594,502
Madison	310,942	327,317	369,596	390,971	390,559
Pickaway	470,034	492,034	517,385	549,495	516,765
Union	360,336	401,325	434,388	473,756	457,521
TOTAL	15,929,295	17,574,566	18,335,667	19,801,135	19,627,181

Source: Sales Marketing & Management

Note: 1988 and 1989 figures adjusted due to new factors in EBI calculation.

**1991 Payroll (In Thousand of Dollars Under Unemployment Compensation Law)
Columbus MSA**

County	Total Payroll			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Delaware	103,173	108,209	111,260	**
Fairfield	130,234	130,968	135,120	**
Franklin	3,170,980	3,215,191	3,193,426	**
Licking	204,558	212,790	213,267	**
Madison	43,001	44,203	44,187	**
Pickaway	73,487	78,688	77,724	**
Union	137,815	138,271	139,298	**
MSA	3,863,198	3,928,280	3,914,282	

Source: Ohio Bureau of Employment Services

** Not yet completed by OBES

**Average Weekly Earnings
Licking County**

Total (All Industries)	\$361.81
Agriculture	257.74
Mining	413.81
Construction	379.32
Manufacturing	543.02
Transportation & Utilities	494.79
Wholesale & Retail	207.89
Finance, Insurance & Real Estate	406.44
Services	301.71
State & Local Gov't	368.42

Source: OBES

Business Establishments
Licking County
By Sector 1982-87

	1982	1985	1987	Percent Change	
				1982-85	1985-87
TOTAL	1,923	2,277	2,370	18.4%	4.1%
Agriculture	24	31	31	29.1%	0.0%
Mining	55	54	49	-1.8%	-9.3%
Construction	184	229	259	24.5%	13.1%
Manufacturing	122	119	127	-2.5%	6.7%
Transportation & Utilities	81	91	86	12.3%	-5.5%
Wholesale Trade	125	136	145	8.8%	6.6%
Retail Trade	587	615	677	4.7%	10.1%
Finance, Insurance & Real Estate	169	184	205	8.9%	11.4%
Services	557	644	748	15.6%	16.1%
Non-classifiable	19	174	43		

Source: U.S. Census County Business Patterns

Employment and Payroll
Licking County Establishments
1985-87

	1985		1987	
	Payroll (\$000)	Employ	Payroll (\$000)	Employ
Total	575,730	32,000	594,906	32,906
Agriculture	1,573	106	1,597	105
Mining	10,647	598	8,211	387
Construction	20,557	1,133	24,807	1,342
Manufacturing	282,376	10,048	252,132	8,609
Transportation & Utilities	24,345	1,271	24,391	1,157
Wholesale	20,683	1,111	24,732	1,263
Retail	65,458	7,262	77,181	8,334
Finance, Ins. & R.E.	62,751	2,884	70,899	3,197
Services	83,978	7,287	110,219	8,443
Unclassified	3,361	308	810	69

Source: U.S. Census

Employment Trends 1986 - 3rd Q. 1989

Industry	1986	Employment		% Change
		1988	3Q 1989	
Total	37,582	39,776	41,547	10.5%
Construction	1,330	1,454	1,626	22.2%
Manufacturing	10,372	9,641	9,983	-3.8%
Durable Goods	7,687	6,839	---	
Nondurable Goods	2,694	2,802	---	
Trans. & Utilities	1,530	1,586	1,618	5.8%
Whole. & Retail	9,142	10,383	10,999	20.3%
Fin/Ins/Real Estate	2,250	2,512	2,354	4.6%
Services	6,973	7,907	8,659	24.2%
Government	5,086	5,329	5,297	4.1%

Source: Ohio Bureau of Employment Services, calculations by The Newark Area Chamber of Commerce

Licking County Industrial Employment
February 1992
(By Employment Levels)

Employer	Union	Feb. 1992
Newark Air Force Base	AFGE	1,920
Owens-Corning Fiberglas	IAMAW, GPPAW, IBE	1,411
Rockwell International	UAW-IBEW	960
Holophane	IBEW, AFGWU	450
Owens-Corning (Tech)		400
Walker Manufacturing	UAW	400
CommuniColor		350
Diebold	IUE	330
Croton Egg Farm		320
Kaiser Aluminum	USWA	300
Technical International		260
Dow Chemical - GRC		200
Anomatic Corporation		200
Morrow Macks, Inc.		200
Universal Veneer		170
Tamarack Farms Dairy	IBT	160
Alltel Ohio, Inc.	CWA	150
Resunoid Engineering		150
Comstar Plastics Inc.		150
General Electric		140
Dow Chemical - LRF		120
Packaging Corp. America	UPIU	110
The Advocate		100
Tectum, Inc.	UBCI	100
Dayton Precision Company		100
Greif Bros.	URCL, PWA	100
Safety Kleen		90
Caine Corp.	URCL, PWA	90
Bundy Corporation		90
Holophane (Pataskala)		80
Duplex Products		80
Caine Corp.	URCL, PWA	80
Miles Chemical		80
Four-M Corporation		70
Holophane (Uica)		70
Fiber-Lite Corp.		70
Quantum Chemical Corp.		60
Modern Welding		60
Process Bonding		60
Brown Distributing		50
Matesich Distributing		40
Newark Processing	USW	40
Pac-Tec, Inc.	AFLCIO-CLC	40
Koch Materials		40
Newark Electro-Plating		40
Newark Concrete		35
Label Graphix		30
Georgia-Pacific (Resin)		20

Source: The Newark Area Chamber of Commerce

**Breakdown of Labor Force - 1990 Census
(Sex, Race/Ethnic)**

Category	Total	White	Black	Native	Asian American	Hisp.
Labor Force	55,721	54,341	942	79	103	254
Employed	51,697	50,495	802	65	98	235
Full Time	39,766	38,869	604	47	81	163
Part Time	9,826	9,600	143	16	17	50
Unemploy. Rate						
16 - 19 yrs.	13.7	13.9	6.4	11.1		
20 - 24 yrs.	11.6	11.2	33.5			
25 yrs. & over	5.4	5.3	11.0	22.2	5.8	
Not in LF	34,477	33,601	509	70	113	168

Source: U.S. Department of Labor

**Breakdown of Labor Force - 1990 Census
(Occupation, Race/Ethnic)**

Category	Total	White	Black	Native American	Asian	Hisp.
Total	51,697	50,495	802	65	98	235
Executive & Mang.	4,472	4,377	56	1	9	
Professional	5,310	5,143	110		30	27
Technicians	1,808	1,747	43	14	4	
Sales	4,886	4,801	65	5		15
Admin. Support	8,148	7,987	106	11	25	19
Service	6,567	6,312	179	6	10	60
Farming, For.						
Fishing	1,210	1,200				10
Precision Prod.	7,962	7,864	35	11	9	23
Machine Oper.	5,601	5,444	116	5	4	32
Transportation	2,931	2,898	16	9		6
Handlers	2,802	2,722	56	3	7	14

Source: U.S. Department of Labor

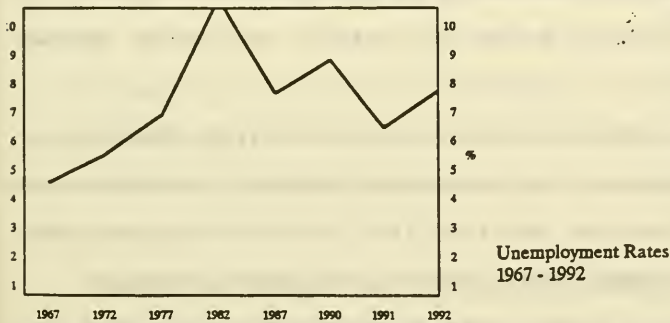
Licking County Employment 1967-1992

Year	Civilian Labor Force	Employment	Unemp.	Unemp. Rate
1967	40,340	38,501	1,839	4.6%
1968	41,188	39,499	1,689	4.1
1969	42,573	40,806	1,767	4.2
1970	42,717	39,982	2,735	6.4
1971	42,761	39,971	2,790	6.5
1972	43,457	41,048	2,409	5.5
1973	44,467	42,266	2,201	4.9
1974	45,619	43,203	2,416	5.3
1975	46,139	41,581	4,558	9.9
1976	47,191	42,531	4,660	9.9
1977	47,907	44,618	3,289	6.9
1978	50,178	47,404	2,774	5.5
1979	51,309	48,095	3,214	6.3
1980	53,076	48,800	4,276	8.1
1981	53,458	48,108	5,350	10.0
1982	53,335	47,074	6,261	11.7
1983*	64,200	57,500	6,700	10.5
1984	61,700	56,700	5,000	8.1
1985	63,400	58,800	4,600	7.2
1986	62,500	57,600	4,900	7.8
1987	64,100	59,300	4,800	7.7
1988	63,800	59,500	4,300	6.6
1989	65,600	61,200	4,300	6.6
1990	66,000	60,200	5,200	8.8
1991	67,300	63,000	4,300	6.4
1992**	66,700	61,600	5,100	7.7

* In 1983, OBES changed its method of calculating labor force and unemployment statistics.

** Through February 1992

Source: OBES



STATEMENT OF MR. ROBERT B. CATELL
PRESIDENT, BROOKLYN UNION GAS
BEFORE THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
TUESDAY, JULY 20, 1993
2167 RAYBURN H.O.B.

THANK YOU MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THIS SUBCOMMITTEE FOR THE OPPORTUNITY TO TESTIFY TODAY. I AM ROBERT B. CATELL, PRESIDENT & CEO OF THE BROOKLYN UNION GAS COMPANY. I AM HERE TODAY TO TALK ABOUT HOW IMPORTANT IT IS TO THE NYC BUSINESS COMMUNITY TO DEVELOP A VIABLE, PRODUCTIVE ALTERNATIVE USE FOR NAVAL STATION NEW YORK -- THE STATEN ISLAND HOMEPORT.

I WOULD LIKE TO TELL YOU A LITTLE BIT ABOUT THE BROOKLYN UNION GAS COMPANY. BROOKLYN UNION DISTRIBUTES NATURAL GAS TO 1.1 MILLION CUSTOMERS IN THE NEW YORK CITY BOROUGHES OF BROOKLYN, QUEENS AND STATEN ISLAND, AN AREA COMPRISING ABOUT FOUR MILLION PEOPLE. WE ARE ALSO ENGAGED IN THE DEVELOPMENT OF NEW GAS TECHNOLOGY, INCLUDING NATURAL GAS VEHICLES, GAS COOLING, AND GAS COGENERATION.

AS ONE OF AMERICA'S MOST INNOVATIVE UTILITIES, BROOKLYN UNION HAS LONG HAD A DEEP AND ABIDING COMMITMENT TO STRENGTHENING THE ECONOMIC BASE AND QUALITY OF LIFE IN OUR SERVICE AREA. OUR ECONOMIC DEVELOPMENT STAFF OFFERS A COMPREHENSIVE RANGE OF SERVICES TO LOCAL BUSINESSES, AND TO COMPANIES LOOKING TO EXPAND

OR RELOCATE TO THE NEW YORK CITY BOROUGHS OF BROOKLYN, QUEENS AND
STATEN ISLAND.

I HAVE BEEN PERSONALLY INVOLVED IN THESE EFFORTS THROUGH MY
WORK AS A MEMBER OF THE MAYOR'S MANAGEMENT ADVISORY COMMITTEE AS
WELL AS ITS LEVITT COMMITTEE WHICH LOOKED AT INITIATIVES FOR THE
OUTER BOROUGHS IN NEW YORK CITY. ADDITIONALLY, I SERVE ON BOARDS
OF THE NYC PARTNERSHIP AND NEW YORK STATE BUSINESS COUNCIL AND AM
THE FORMER CHAIR OF THE BROOKLYN CHAMBER OF COMMERCE AND THE
METROTECH BUSINESS IMPROVEMENT DISTRICT.

BROOKLYN UNION IS RECOGNIZED AS A LEADER IN THE ECONOMIC
DEVELOPMENT OF NEW YORK CITY, AND WORKS TO SPUR THE COMMERCIAL
REVITALIZATION OF LOCAL BUSINESS DISTRICTS. WE HAVE SPEARHEADED
A PROLIFIC BROWNSTONE-REVIVAL MOVEMENT THAT HAS HELPED STABILIZE
NEIGHBORHOODS IN OUR SERVICE AREA. OUR AREA DEVELOPMENT FUND
REVITALIZES COMMERCIAL AREAS AND HELPS DEVELOP AFFORDABLE
HOUSING.

IN ADDITION TO OUR ECONOMIC DEVELOPMENT EFFORTS, BROOKLYN
UNION WORKS CLOSELY WITH GOVERNMENTAL AGENCIES AND COMMUNITY
GROUPS TO PROMOTE EDUCATIONAL AND CULTURAL PROGRAMS IN OUR
SERVICE AREA.

BROOKLYN UNION WAS AMONG THE EARLIEST SUPPORTERS OF THE
DEVELOPMENT OF NAVAL STATION NEW YORK, AND WAS PROMINENT IN THE

BROAD-BASED EFFORT THAT UNITED THE COMMUNITY IN OPPOSING THE BASE'S CLOSING. WE ARE NOW COMMITTED TO FINDING ALTERNATIVE USES FOR THE HOMEPORT, AS AN EXPRESSION OF BROOKLYN UNION'S CONTINUED COMMITMENT TO WORK FOR THE ECONOMIC HEALTH OF NEW YORK CITY.

AS YOU MAY KNOW, CONGRESSWOMAN MOLINARI LED NEW YORK CITY'S VALIANT FIGHT TO KEEP THE HOMEPORT OPEN. WE CONTINUE TO BELIEVE IN THE MERITS OF OUR ARGUMENT FOR THE HOMEPORT'S CONTINUED OPERATION. UNFORTUNATELY, HOWEVER, OUR EFFORT DID NOT SUCCEED.

THE CLOSING OF THE BASE IS A DEVASTATING BLOW TO NEW YORK CITY'S STRUGGLING ECONOMY, CAUSING THE LOSS OF 4,000 JOBS AND \$375 MILLION IN ECONOMIC VALUE. I KNOW THAT MAYOR DAVID N. DINKINS, CONGRESSWOMAN SUSAN MOLINARI AND THE LOCAL ELECTED OFFICIALS ON STATEN ISLAND ALL ARE WORKING TO SOFTEN THIS IMPACT. WE ARE WORKING TO TAKE ADVANTAGE OF THE HOMEPORT'S CONSIDERABLE ASSETS IN ORDER TO PRODUCE DESPERATELY NEEDED JOBS THAT WILL HELP RESTORE NEW YORK CITY'S ECONOMIC HEALTH.

ONE OF THE IDEAS WE ARE EXPLORING IS AN EXCITING PROPOSAL TO MOVE THE COAST GUARD FROM ITS CURRENT OUTDATED AND ISOLATED FACILITY ON GOVERNORS ISLAND TO THE STATEN ISLAND HOMEPORT.

CONGRESSWOMAN MOLINARI HAS ALREADY MET WITH THE NAVY AND COAST GUARD PERSONNEL TO INITIATE THE APPROPRIATE STUDIES THAT NEED TO BE CONDUCTED. WE WOULD APPRECIATE THE ASSISTANCE OF THE

CHAIRMAN AND RANKING MEMBER OF THE FULL COMMITTEE IN MOVING THIS PROPOSAL FORWARD AT THE DEPARTMENT OF TRANSPORTATION. WE ARE RESPECTFULLY REQUESTING THIS SUBCOMMITTEE'S SUPPORT IN OUR EFFORT TO HAVE THE FEDERAL GOVERNMENT CEDE THE PROPERTY ON WHICH HOMEPORT AND GOVERNORS ISLAND ARE LOCATED TO NEW YORK CITY. THIS IS A CRITICAL STEP IF NEW YORK CITY IS TO RECOVER FROM THE LOSS OF NAVAL STATION NEW YORK.

WE BELIEVE THAT MOVING THE COAST GUARD TO STATEN ISLAND IS A WINNING FORMULA, WHICH WILL HAVE THE FOLLOWING RESULTS:

- * STATEN ISLAND WILL GET NEW TENANTS FOR NAVAL STATION NEW YORK THAT WILL, LIKE THE NAVY, BECOME AN INTEGRAL PART OF THE COMMUNITY.

- * THE COAST GUARD WILL GET A STATE-OF-THE-ART FACILITY IN A COMMUNITY THAT WILL WELCOME IT WITH OPEN ARMS.

- * THE NAVY, THE OFFICE OF ECONOMIC ADJUSTMENT, AND THE ECONOMIC DEVELOPMENT AGENCY WILL NOT HAVE TO WORRY ABOUT CONVERSION EFFORTS AT NAVAL STATION NEW YORK, AND WILL BE ABLE TO FOCUS ON OTHER BASES.

- * NEW YORK CITY COULD GAIN CONTROL OF THE PRIME REAL ESTATE ON GOVERNORS ISLAND.

THIS IS NOT THE ONLY VIABLE PROPOSAL BEING EXPLORED; WE WILL ALSO BE PURSUING OTHER ALTERNATIVES. FOR EXAMPLE, THE ARMY CORPS

OF ENGINEERS HAS ALREADY EXPRESSED INTEREST IN USING SOME OF THE OFFICE SPACE AT HOMEPORT, AND WILL BE MEETING WITH THE OFFICE OF ECONOMIC ADJUSTMENT NEXT WEEK TO START THE APPLICATION PROCESS FOR PLANNING FUNDS.

I THANK THE SUBCOMMITTEE FOR GIVING ME THE OPPORTUNITY TO TESTIFY TODAY. I LOOK FORWARD TO CONTINUING TO WORK WITH YOU, AND HOPE TO BE ABLE TO INVITE YOU TO THE CEREMONY ON THE DAY WE OPEN HOMEPORT FOR ITS NEW USE.

TESTIMONY
ON
DEFENSE CONVERSION AND TRANSITION

Presented by:

Marilyn Cobb Croach
Director of Operations
Defense Transition Services
Orlando, Florida

Before the
Public Works and Transportation Committee
Subcommittee on Economic Development
U. S. House of Representatives
Washington, D. C. 20515

July 20, 1993

Good morning, Mr. Chairman and distinguished members of the Subcommittee on Economic Development. I am Marilyn Cobb Croach, Director of Operations for Florida's Office of Defense Transition Services. Defense Transition Services was established in 1989 with funding from the Florida Legislature to provide transition assistance, services and information to the *TOTAL DEFENSE FAMILY IN TRANSITION*--individuals and family members affected by personnel reductions among active duty military members (separating or retiring), Department of Defense civilian and contractor employees, the National Guard and Reserve Forces. Our mission expanded in 1991 to include reuse and readjustment planning assistance to communities impacted by military installation realignment/closure. Earlier this year our mission expanded further to include initiatives related to defense industry conversion, economic development and reinvestment and community readjustment. Defense Transition Services is located at the University of Central Florida in Orlando, Florida.

I appreciate this opportunity to discuss some of Florida's initiatives related to defense industry conversion, economic reinvestment and transition programs. In the interest of time, I will confine myself to an abbreviated version of my written testimony, but would request that the full version with supporting documents be incorporated into the permanent record of the hearing. My remarks focus on:

- 1) significance of defense spending to Florida's economy;
- 2) assistance to impacted workers, communities and business/industry;
- 3) initiatives/partnerships for a competitive economy; and
- 4) strategies to capitalize on federal defense conversion resources.

1) SIGNIFICANCE OF DEFENSE SPENDING TO FLORIDA'S ECONOMY

Global competition, defense restructuring, weakness in real estate and financial industries and slower growth in the national economy have combined to make the decade of the 1990's a more difficult decade than the 1980's for Florida. The recent recession demonstrated the major economic challenges Florida faces due to its historically growth-reliant economy. Over-dependence on growth led to losses in Florida's huge service industry base, such as tourism and retail sales, as well as causing massive layoffs and an unemployment rate that exceeded the national average. Further, military cutbacks stand to dramatically challenge Florida's technology-rich defense industry, placing additional stress on a state whose average wage earner already takes home 12 percent less than workers nationwide.

Defense-related activity is Florida's *third*-largest sector of the state's economy, with almost \$11 billion in expenditures, employing 245,000 persons. About half of this workforce are defense contractor personnel and half are military service members and Department of Defense (DoD) civilian employees. The Department of Defense is an important funding source for university scientific research and development. Defense-related jobs represent a disproportionate number of the high-paying skilled work available in the state. *Fifty percent* of all high technology jobs

created in Florida are a direct result of defense-supply contracts. Due to the multiplier effect of such high-paying jobs, loss of these jobs will have a deadening effect on the rest of Florida's economy. Florida was one of the two hardest-hit states in the current BRAC process, with military installations statewide slated for realignment and closure.

Moreover, Florida is the *second* most popular destination of return for former military personnel and their families transitioning from active duty at military installations worldwide. Stiff competition for employment options will be sought among these new or returning Floridians, those already in our state seeking new employment due to layoffs related to the significant military installation realignment and closure, and those impacted by reductions or elimination of defense contracts.

2) ASSISTANCE TO IMPACTED WORKERS, COMMUNITIES AND BUSINESS AND INDUSTRY

To study the most effective route to a robust Florida technology industry with a skilled workforce, appropriate infrastructure and lessened dependence on defense spending, Governor Lawton Chiles appointed the *Florida Defense Reinvestment Task Force* in 1992. Representative Jim Bacchus served as the Task Force Chairman and Florida Secretary of Commerce Greg Farmer served as Vice Chairman. State and local leaders, contractor representatives and others were appointed to the Task Force. In our Final Report to the Governor, we addressed the following priorities in countering defense spending cuts in Florida:

- retraining and placing of affected workers;
- improving Florida's economic and technological competitiveness;
- assisting defense-related companies to diversify into commercially based products and markets; and
- assisting communities to plan for and deal with the economic impacts of base closures and the reduction of defense expenditures.

Florida was among the first states to establish Transition Assistance Programs (TAP) at Family Support and Family Service Centers to serve military members and family members in transition to civilian status. Florida's office of Defense Transition Services was the *nation's first* state-funded office to work hand-in-hand with DoD, DoL and DVA to provide the Transition Assistance Program. During the past two and one-half years, our office has served more than 3,000 defense families in transition. We advocate use of the G.I. Bill or other educational benefits to initiate or complete educational goals, licensing or certification. We encourage the development of transition blueprints based on research and analysis of projections for viable out-year employment opportunities and requirements for successful competition in those career fields.

Based on our experience, we believe that transition assistance, training and retraining components of readjustment programs funded by the Economic Development Administration

and other federal departments and agencies involved in revitalizing base-closure communities should continue throughout the base closure process, and should be closely aligned with viable out-year career opportunities. In other words, a viable career opportunity should exist for suitable employment upon successful completion of a federally funded training program. Making this a priority will encourage the development of education/industry/business/government partnerships and programs based on sound economic development strategies and viable career options. Emphasis in this area will bring to light the fact that little, if any, federal assistance is available for early intervention as defense-dependent firms decline and workers are given layoff notices.

Federal assistance should be allowed to flow upstream to help defense-dependent firms finance customized retraining programs for existing workers, as part of the firm's diversification initiatives. Also, workers, including specialized scientists, engineers and highly skilled technicians who helped to win the Cold War, may require additional training to move into commercial productions--yet the question of how to maintain these critical skills must be dealt with, in case future defense requirements make their need a priority. Financing human resource investments as part of defense diversification will pay large dividends and help enhance the nation's industrial base.

3) INITIATIVES AND PARTNERSHIPS FOR A COMPETITIVE ECONOMY

Also in 1992, faced with severe economic challenges along with severe fiscal constraints, our state established ENTERPRISE FLORIDA, a market-driven, public/private partnership that provides leadership and support to performance-based local, regional and state economic development organizations. The mission of Enterprise Florida is to "improve the quality of life for all Floridians by building a diversified and competitive economy characterized by better employment opportunities leading to higher wages." Governor Lawton Chiles is chairman of the 21-member board of directors, which includes 12 private industry and 9 public sector representatives. Strategic objectives have been framed which translate roughly into the creation of 200,000 new technology-driven jobs by 2005. In short, Enterprise Florida is our strategy for a competitive economy that will focus on attracting, retaining and growing high-value-added economic clusters based on strong economic foundations of skilled human resources, capital availability, accessible technology and a competitive tax and regulatory climate.

Earlier this year Governor Chiles established by Executive Order the *Florida Defense Conversion and Transition Commission* as an adjunct public/private partnership under Enterprise Florida. The Commission will carry out the recommendations of the Defense Reinvestment Task Force. The Commission will provide leadership and direction for a statewide response to the potential and actual economic dislocations throughout Florida caused by a declining defense budget. As an adjunct of the Commission, The *Florida Defense Conversion and Transition Clearinghouse* serves as a central point of contact to link community installation reuse planners with federal sources of assistance, provide local, state and region-specific information/data, and coordinate a state-wide readjustment initiative based on sound economic development initiatives.

4) CAPITALIZING ON FEDERAL DEFENSE CONVERSION RESOURCES

On July 2, 1993, President Clinton announced a major new revitalization program to speed the economic recovery of communities where military bases are slated to close. The Economic Development Administration (EDA) has \$98 million for the period FY94 through FY98 for base redevelopment activities, including business development. The EDA along with 22 other federal government agencies and departments will provide resources to communities, workers and firms adversely impacted by the declining defense budget.

During the current days of post-BRAC recommendations to the President and subsequent deliberations by the Congress, hard-hit communities are trying to determine how to skillfully engage with, coordinate, and successfully compete for federal assistance from the 23 federal agencies and departments. To coordinate the many disparate DoD points of contact and serve as a single "one-stop-shop" for reinvestment and conversion initiatives, Secretary of Defense Aspin established the Defense Reinvestment Assistance Team in the Office of the Undersecretary of Defense (Acquisition). It is our hope that this Team will continue beyond the current round of the Technology Reinvestment Project (TRP) and provide coordinated assistance to communities, workers and firms involved in defense industry conversion, economic reinvestment and transition program planning. This is particularly important from a state perspective, because the bulk of service delivery in transition assistance is delegated to the states.

When TRP was announced earlier this year, Florida was able, through the framework of our public-private partnership Enterprise Florida, to immediately engage business, industry and educational institutions in a coordinated, statewide initiative to maximize state capabilities and resources for the greatest return on investment while developing a competitive economy.

This is a new day for integrating economic development plans in defense industry conversion, economic reinvestment and transition program initiatives. In light of President Clinton's July 2 announcement of the bold new strategy for Revitalizing Base Closure Communities, a challenging leadership opportunity has presented itself for EDA. The Economic Development Administration, not merely as one of the 23 members of the President's Economic Adjustment Committee, but as *the designated primary agency* responding to defense adjustment impacts on communities, must use its leadership role to encourage economically sound revitalization plans. Federal collaboration and team work using a holistic approach to conversion and transition, based on sound economic development initiatives, should yield a more effective use of federal funding and a greater return on federal, state and local investments. For example, flexibility in selection criteria for federal funding can be the "make or break" for some localities. Only when we become able to look at the big picture of drawdown from the standpoint of opportunity--an opportunity to make this work to advantage--can we succeed in building a solid domestic economic base from which to successfully compete in the global marketplace. We are doing this in Florida. We look forward to working with you toward developing a sound economic future for our country.

Thank you for the opportunity to provide this testimony.

ENTERPRISE FLORIDA

Partnership for a Competitive Economy

WHAT IS ENTERPRISE FLORIDA?

Enterprise Florida is a market-driven, public/private partnership that provides leadership and support to performance-based local, regional and state economic development organizations that deliver resources and expertise to firms critical to its mission.

The mission of Enterprise Florida is to "improve the quality of life for all Floridians by building a diversified and competitive economy characterized by better employment opportunities leading to higher wages."

Governor Chiles is chairman of the 21-member board of directors which includes 12 private industry and a total of nine public sector representatives. Allen Lastinger, president and chief operations officer for Barnett Banks, serves as vice-chairman of the board.

WHY IS ENTERPRISE FLORIDA NEEDED?

The recent recession clearly demonstrates the major economic challenges Florida faces due to its historically growth-reliant economy. Over-dependence on growth led to losses in Florida's huge service industry base, such as tourism and retail, as well as causing massive layoffs and an unemployment rate that exceeded the national average.

Further, military cutbacks stand to dramatically challenge Florida's technology-rich defense industry, placing additional stress on a state whose average wage earner already takes home 12 percent less than workers nationwide.

WHAT WILL IT DO?

To create a positive business climate for Florida entrepreneurs through strategic direction and coordination of resources. Enterprise Florida is aggressively working on three key areas: increasing access to capital; creating a favorable environment for technology and innovation-driven firms; and developing a market-driven workforce training program.

The Board has established strategic objectives which are tied directly to its mission, and are measurable, aggressive, long-term, and focused on end-results. The strategic objectives are:

- Higher wages for all Floridians. To achieve annual growth in Florida's average earned income that is 10 percent greater than U.S. growth through 2005.
- More jobs with higher incomes. To increase Florida's share of higher income jobs in the United States to 4.6 percent by 2005 from 3.2 percent in 1990.
- More diversified employment base. To increase the proportion of higher income jobs in Florida's employment base to 25 percent by 2005 from 23 percent in 1990. These strategic objectives translate roughly into the creation of 200,000 new technology-driven jobs by 2005.

HOW WILL ENTERPRISE FLORIDA OPERATE?

Enterprise Florida is a non-profit public corporation run by a Chief Executive Officer (to be hired in Spring 1993), who reports to the board of directors.

It is comprised of affiliate organizations that are market-driven, client-oriented and focus on critical economic foundations — technology, job training and capital availability.

ENTERPRISE FLORIDA

Partnership for a Competitive Economy

AFFILIATE ORGANIZATIONS

Innovation Partnership. With its advanced research universities, Florida creates many innovative products, but has commercialized few. To pull this technology out of university and private labs and into the marketplace, the Innovation Partnership focuses on technology development, commercialization, technical assistance, technology transfer and extension services. The Innovation Partnership is chaired by Phil Frost, chairman and CEO of the IVAX Corporation in Miami.

Florida Training Partnership. Higher paying jobs require highly-skilled workers. Unfortunately, over the past few years Florida has not funded industry-driven job training programs to train workers for those positions, putting Florida at a distinct disadvantage when competing for new and expanding businesses. The Florida Training Partnership is working to create a customer-driven, non-bureaucratic program to train workers new and expanding industries require. The Florida Training Partnership is co-chaired by Lt. Governor Buddy MacKay and Education Commissioner Betty Castor.

Capital/Investment Board. Florida currently ranks 49th in availability of commercial and industrial loans and has received less than one-third of one percent of the total venture capital investment nationally over each of the past three years. The Enterprise Florida Capital Partnership is working to build financial markets to make capital available across the entire investment spectrum. Their efforts are focusing on increased venture capital; intermediate- and long-term fixed rate and near-equity financing for manufacturing firms; amending Florida statutes to permit SEC approved Small Company Offering Registrations (SCOR) in the public market; and expanding working capital with market-driven, performance-based provision of technical and management assistance. The Capital Partnership is chaired by Doug Freeman, chief corporate banking executive for Barnett Banks, Jacksonville.

HOW WILL ENTERPRISE FLORIDA BE FUNDED?

Enterprise Florida will be funded through public and private sector contributions. The board will aggressively pursue federal funding and other grants, corporate and industry donations, and other bequests.

3.3 ENTERPRISE FLORIDA DEFINES THE ENDS; AFFILIATES DEFINE THE MEANS

ENTERPRISE FLORIDA

The *mission* of Enterprise Florida is to improve the quality of life for all Floridians by building a diversified and competitive economy characterized by better employment opportunities leading to higher wages.

The *strategic objectives* of Enterprise Florida are:

- 1) Higher wages compared with the nation
- 2) More higher income jobs
- 3) A more diversified employment base

CAPITAL
PARTNERSHIP

Mission:

Objectives: Provide the financial "means" to achieve Enterprise Florida "ends" (objectives).

INNOVATION
PARTNERSHIP

Mission:

Objectives: Provide the technological "means" to achieve Enterprise Florida "ends" (objectives).

TRAINING
PARTNERSHIP

Mission:

Objectives: Provide the training "means" to achieve Enterprise Florida "ends" (objectives).

DEVELOPMENT
PARTNERSHIP

Mission:

Objectives: Provide the local and regional "means" to achieve Enterprise Florida "ends" (objectives).

2.1 THE ENTERPRISE FLORIDA MEMBERS

Private Sector Members

Mr. Allen Lasinger, Jr., President & COO
Barnett Banks, Inc.
Vice Chair of Enterprise Florida Board

Mr. Jim Aphorop, Chairman
Allanfile Gulf Communities

Mr. Hilario Canales, President
Spillis Candela & Partners, Inc.

Mr. Fred C. Donovan
Baskerville-Donovan Engineers

Mr. Buell G. Duncan, Chairman of the Board
Sun Banks, Inc.

Mr. Doug Freeman, Chief Corp Bank Exec
Barnett Banks, Inc.

Mr. Phil Frost, Chair, President & CEO
IVAX

Mr. Jeff Garguilo, President & CEO
N.T. Garguilo

Mr. James E. Gardner, President & CEO
ITT Community Development Corporation

- Member of Capital Partnership
- Member of Innovation Partnership

Public Sector Members

Honorable Lawton Chiles
Governor of Florida
Chair of Enterprise Florida Board

Honorable Buddy MacKay
Lieutenant Governor of Florida

Honorable Betty Castor, Commissioner
Department of Education

Dr. Charles B. Reed, Chancellor
State University System of Florida

Mr. Clark Maxwell, Jr., Executive Director
State Community College System

Mr. Greg Farmer, Secretary
Florida Department of Commerce

Ms. Shirley Gooding, Acting Secretary
Florida Dept of Labor & Employment Security

Honorable Patsy Ann Kunth
State Senator, District 16

Honorable Alzo J. Rekllick
State Representative, District 40

QUICK RESPONSE TRAINING PROGRAM

The Quick Response Training Program was developed to provide workforce training to business and industries that support the state's economic development goals, particularly high value-added businesses in Florida's Targeted Industrial Clusters or businesses that locate in and provide jobs in the state's distressed urban and rural areas. Not only will the program be used as an incentive to secure new value-added industries to Florida, it will also provide existing industries with the necessary training programs that will allow for expansion, diversification, or to help retain their current employment base.

BACKGROUND

Last year, funding for the only industrial incentive training programs in Florida were cut (Industry Services Training Program and Sunshine State Skills). Florida became one of the six states in the nation without an industrial training program. As training programs are a critical incentive when competing for new and expanding businesses, it was imperative that Florida establish an industrial training program to be able to compete nationally for new and expanding business and for the continued economic growth of the state.

LEGISLATIVE ELEMENTS AND IMPLICATIONS

Requests for training through the Quick Response Training Program may be produced through inquires from a specific business or industry, from a school district director of vocational education or community college occupational dean on behalf of a business or industry, or through official state economic development efforts.

Training programs will not duplicate, but may supplement those offered by vocational-technical schools, community colleges, and other public school programs and must be operated statewide to assist any area in becoming more competitive in industrial and economic development. The programs will provide training only for specialized entry-level skills requiring a learning time of 18 months or less.

Training programs will be implemented through grant agreements between the business or industry requesting training, the Department of Commerce and any district school board, community college, state agency or institution, county agency or institution, municipality or municipal agency, or any institution, that is qualified to provide the required training. The grant agreement between the three parties will include information pertaining to the identification of the facility, equipment, personnel, length of training, any special program requirements, and evaluation measures. The institution that best meets the needs of the particular training program will be selected to provide the training.

QUICK RESPONSE TRAINING PROGRAM

A Quick Response Advisory Committee, composed of the Director of the Division of Vocational, Adult and Community Education of the Department of Education; the Director of the Division of Community Colleges of the Department of Education; and the Director of the Division of Labor, and Employment Security, or their respective designees, and four private-sector members, will review training funded through the program as well as provide policy advice the Department of Commerce in the implementation of the program.

The Department of Commerce will administer the Quick Response Training Program in conjunction with the Department of Education. In addition to adopting rules for the administration of the program, the Department of Commerce will provide technical services and identify businesses that seek services through the program.

INNOVATION PARTNERSHIP

The Enterprise Florida Innovation Partnership was set up to foster the growth of high technology and other value-added industries by encouraging technology-transfer between university researchers and private industry, to improve the competitiveness of existing businesses through the expanded use of technological innovations.

BACKGROUND

For more than a decade, Florida has lagged behind the nation in earnings per worker, while the nation as a whole lags behind most other industrial countries — and the gap continues to widen. Large sums of money are invested in basic and applied research in the state's universities, but this research rarely ever reaches the production and market phase in Florida because, in addition to inadequate capital availability, no strong link exists between research and product development.

LEGISLATIVE ELEMENTS AND IMPLICATIONS

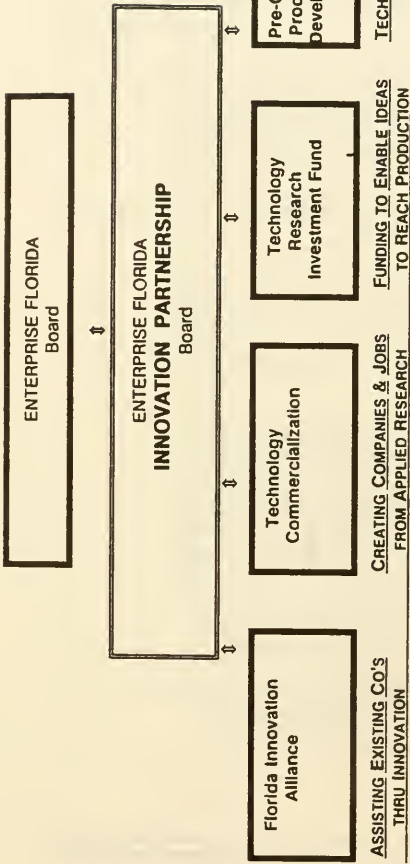
The Enterprise Florida Innovation Partnership is an affiliate of Enterprise Florida, Inc. The Partnership is a public nonprofit corporation which will be governed by a board of directors consisting of the Commissioner of Education, the Chancellor of the State University System, the executive director of the State Community College System, a member from the House and the Senate, and nine to eleven members from the public and private sectors who represent technology-based businesses and industrial interests throughout the state.

The Partnership's primary role is to formulate and coordinate the state's economic development policy regarding technology development and expansion. In concert with private enterprise, educational institutions, and other organizations, the Partnership will strive to increase the rate of technology application across manufacturing and other knowledge-based firms throughout the state; increase the amount of technology development occurring in Florida; and increase the rate at which technologies with potential commercial application are moved out of university, private, and public laboratories into the marketplace. To accomplish these actions, the Partnership is specifically tasked with creating the following:

- A technology applications service program, to be named the Florida Innovation Alliance, to provide small and medium-sized manufacturers access to critical managerial, technological, scientific, and financial expertise.
- A technology development financing and research investment fund, to be named the Florida Technology Research Investment Fund, to provide capital for technology development projects which have potential to generate investment-grade technologies of importance to the Florida economy.

INNOVATION PARTNERSHIP

- An information-gathering effort conducted by the Innovation Partnership in concert with the State University System regarding possible means to increase the rate at which technologies with potential commercial application are moved out of university, public and industry laboratories into the marketplace, resulting in technology commercialization programs in partnership with private enterprise and educational institutions. This is to be presented by December 1, 1993.



- Technology Assistance & Extension services
- Product, process, and management problem solving
- Direct to businesses
- Direct single-point access to technology information and expertise thru agents
- Technology licensing, commercialization and business startup services for universities and firms
- Identification of usable technologies
- Startup management & capital acquisition services
- Florida Small Business Innovation Grants & Loans: Support for federal SBIR grants winners for product commercialization.
- Creates continual stream of investment grade technology
- Will take royalty or equity positions in development projects
- Requires private sector co-investment
- Will invest based on market factors for market return rate
- Funded by change of usage of Applied Research Grant \$
- Florida Rapid Product Realization Initiative - Center for industry-directed generic applied research
- Targeted Opportunities Fund - small fund for matching federal grant & private partnership opportunities for technology jobs development. These may include incubator expansions, CRADA agreements, regional R&D centers. Fund administered by FI Dept. of Commerce.

CONCEPTUAL OUTLINE OF PROPOSED INNOVATION PARTNERSHIP PROGRAMS

CAPITAL DEVELOPMENT

Capital investment is essential to Florida's long term productivity growth. Two entities created to build access to capital in Florida are the Enterprise Florida Capital Partnership and the Florida Development Finance Corporation.

BACKGROUND

Florida now ranks 49th among the states in availability of commercial and industrial loans, meaning Florida businesses do not have access to working capital or short-term credit. When businesses cannot locally obtain the capital they need at a reasonable cost, they cannot grow or compete successfully in domestic and international markets. Reputable companies are by-passing Florida, and some are leaving Florida, because of difficulties in finding capital.

LEGISLATIVE ELEMENTS AND IMPLICATIONS

The Enterprise Florida Capital Partnership (EFCP) is a not-for-profit corporation that is specifically tasked with assisting in the formulation and coordination of the state's economic development policy regarding capital availability for the formation, growth and development of firms. EFCP is committed to providing leadership in the identification of areas of capital inadequacy. It will be governed by a eleven- to thirteen-member board comprised of a member of the House and the Senate, and top executives from Florida's major financial institutions, as well as manufacturing and economic development leaders. The EFCP is an affiliate of the public/private Enterprise Florida, Inc.

The second entity, the Florida Development Finance Corporation (FDFC), will focus its efforts on providing access to long term, fixed rate debt. FDFC, governed by a five-member board of directors, will act as a special development finance authority which will work in conjunction with public agencies and local governments through interlocal agreements.

The primary function of FDFC will be to serve as a FANNIE-MAE for Florida manufacturers and other small, creditworthy borrowers essential to the economic future of Florida. A partnership of the commercial banking industry and the State of Florida, FDFC will:

- Only offer financing services to borrowers of sound credit quality. FDFC will not be a lender of last resort. It will not be a credit allocation device. It will not be a competitor to or substitute for existing Florida financial institutions.
- Obtain superior loan terms for sound borrowers essential to Florida's economic future who might otherwise be unable to secure appropriate financing at all.
- Secure a very high bond rating (and thus competitive and effective financing for these borrowers) through the use of credit enhancements/guarantees.

State of Florida
Office of The Governor
Executive Order Number 93-118

(Florida Defense Conversion and Transition Commission)

WHEREAS, defense-related activity is Florida's third largest economic sector, and,
WHEREAS, fifty percent of all high technology jobs created in Florida are a direct result of defense-supply contracts, and,

WHEREAS, the federal government is in the midst of major post-Cold War cuts in the nation's defense industry, and,

WHEREAS, by 1997 the federal defense budget is projected to decline by more than 42 percent, in real terms, from 1985 levels, and,

WHEREAS, these federal cuts include not only a 30 percent reduction in military personnel, but also significant base closures and elimination of numerous defense contracts for goods and services, with employment losses in Florida of up to 55,000 by 1997, and,

WHEREAS, Florida does not have an integrated response for dealing with either the immediate short-term impacts or the long-term effects of the extensive reductions in the federal defense budget now taking place, and,

WHEREAS, without a unified, cooperative approach to address this situation Florida will experience significantly greater problems from losses in defense-related jobs and businesses, and,

WHEREAS, the defense conversion, reinvestment and transition activities of the state need to be developed and coordinated in order to protect and enhance Florida's long-term economic well-being and the well-being of her citizens.

NOW, THEREFORE, I, LAWTON CHILES, as Governor of Florida, pursuant to the constitution and laws of the State of Florida do hereby promulgate the following Executive Order effective immediately:

Section 1.

(a) The Florida Defense Conversion and Transition Commission is hereby created to raise awareness regarding federal conversion and transition issues, to provide a forum for concerned parties and to promote an innovative, coordinated statewide approach to Florida defense conversion and transition efforts.

(b) The mission of the Defense Commission is to provide leadership and direction for a statewide response to the potential and actual economic dislocations throughout Florida caused by: extensive reductions in federal defense expenditures and military personnel; cutbacks in defense contracts with private sector providers; and significant base closures . Further, it is intended to enable local, state and federal officials, affected private sector businesses, and other entities involved in defense conversion and transition to cooperatively address relevant defense-related issues from a broad statewide perspective.

Section 2.

(a) The Florida Defense Conversion and Transition Commission is created as an adjunct public/private partnership under Enterprise Florida. Enterprise Florida, the Department of Commerce, and the Department of Labor and Employment Security will

provide staff and support to the Commission.

(b) The Commission shall consist of:

1. The Chairperson of Enterprise Florida, or designee from the Board of Directors, and one representative from each of the Enterprise Florida affiliate organizations, selected by the Chairperson of the affiliate.
2. The Secretary of the Department of Commerce, the Secretary of the Department of Labor and Employment Security, the Executive Director of the Department of Veterans Affairs, the Commissioner of Education, the Chancellor of the Board of Regents, the Executive Director of the State Board of Community Colleges, the Adjutant General, and the Director of the Florida Office of State-Federal Relations, or their designees.
3. A member of the Florida Senate, appointed by the President of the Senate.
4. A member of the Florida House of Representatives, appointed by the Speaker of the House.
5. Two members of the Florida Delegation to the United States Congress, one from the House of Representatives and one from the Senate.
6. The Chairpersons, or their designees, of officially recognized Florida Community Base Closure Committees.
7. Up to ten (10) private sector members, representing prime defense contractors, defense sub-contractors, defense suppliers, and other businesses directly affected by base closures or other defense reductions.
8. One member appointed from a labor organization which represents

workers in the defense industry.

9. One representative from the U.S. military services, from candidates recommended by the Department of Defense, and the Director of the federal Veterans Affairs Regional Office in Florida, both to serve in a liaison capacity.

10. Representatives of communities which have been substantially affected by defense reductions, but which are not represented by officially recognized Community Base Closure Committees,

(b) Unless otherwise designated, all members are appointed by the Governor to serve at his pleasure. A vacancy on the Commission shall be filled for the remainder of the expired term. Appointed members may be removed by the Governor for cause. Absence from three consecutive meetings shall result in automatic removal.

Section 3.

(a) There shall be a Chairperson and a Vice Chairperson selected from among the membership. The Commission shall meet at the call of the Chairperson, or any two members, but in no case shall it meet less than twice a year.

(b) The Commission members shall serve without compensation. Travel and per diem may be provided for members of the Commission and invited experts or appointees if funds are available. Any funds shall be provided pursuant to section 112.061, Florida Statutes.

Section 4.

The Commission shall:

(1) Oversee the implementation of the major recommendations of the Florida Defense Reinvestment Task Force, ensuring a coordinated approach between all

levels of government and the private sector to: retain or place Department of Defense-supported personnel; improve Florida's economic and technological competitiveness; persuade defense companies to stay in or to consolidate to Florida; assist defense-related companies to diversify into other commercial-based endeavors; and assist communities to plan for and deal with the economic impact from the reduction of defense expenditures and base closures.

(2) Coordinate with and provide information and technical advice to Enterprise Florida and its affiliates on matters related to the defense industry and defense conversion, reinvestment and transition.

(3) Act in the interest of communities, industries, and workers on defense conversion and transition issues in Florida.

(4) Establish a clearinghouse to serve as a central point of contact and to provide conversion and transition information, services, and research to the Commission and to affected communities, companies and workers.

(5) Coordinate with existing state and local programs and with statewide service providers to direct resources to appropriate defense-related activities, avoid duplication and waste, and vigorously pursue relevant federal grants.

(6) Identify potential sources of funding for defense conversion and transition activities in Florida.

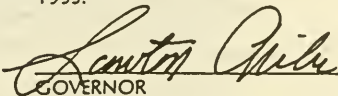
(7) Direct the provision of community outreach and technical assistance, including sponsorship of seminars and workshops.

(8) Act as an umbrella organization housing and overseeing statewide defense-related initiatives.

(9) Provide an annual report on Florida's conversion, reinvestment and transition issues and accomplishments.



IN TESTIMONY WHEREOF, I have hereunto set my hand and have caused the Great Seal of the State of Florida to be affixed at Tallahassee, the Capitol, this 13 day of April, 1993.


GOVERNOR

ATTEST:


SECRETARY OF STATE

The Florida Defense Conversion & Transition Commission

Mission

Governor Lawton Chiles issued an Executive Order creating the Florida Defense Conversion and Transition Commission to ensure that Florida communities, businesses and workers successfully overcome problems caused by the national cutbacks in defense spending. The Commission will help to ensure that Florida garners its fair share of federal dollars available to implement defense conversion, reinvestment and transition activities. The following provides more detail on the mission of the Commission.

- * Coordinate with existing state government programs/agencies, local governments, and statewide service providers in order to direct resources to appropriate defense-related activities, avoid duplication and waste, and vigorously pursue relevant federal grants.
- * Assess the consequences of defense drawdown and develop a plan of action for Florida's state effort, providing policy guidance for related initiatives.
- * Oversee the implementation of recommendations from the Governor's Defense Reinvestment Task Force through the Enterprise Florida affiliates for training, technology and capital.
- * Act as an umbrella organization housing/overseeing statewide defense-related initiatives and, where necessary, receive federal defense conversion and transition funding.
- * Assess the need for and identify incentives to assist defense-related companies. Increase awareness among decision makers on the potential economic impacts of the defense drawdown on the private sector and the need for countermeasures and incentives.
- * Identify state and federal programs to assist the dislocated worker, impacted companies and affected communities. Identify potential sources of funding to carry out defense conversion, transition and reinvestment activities at the state and local levels.
- * Establish a clearinghouse to serve as a central point of contact, disseminating conversion and transition information, services, and research to the Commission and to affected communities, companies and workers.
- * Coordinate with and provide information and technical advice to Enterprise Florida and its affiliates on matters related to the defense industry and defense conversion, reinvestment and transition.
- * Direct the provision of community outreach and technical assistance, including the sponsorship of seminars and workshops.
- * Provide an annual report on relevant defense issues and the Commission's accomplishments.

The Florida Defense Conversion and Transition Commission

Governor Lawton Chiles recently created, by Executive Order, the Florida Defense Conversion and Transition Commission.

1. Why did he establish this Commission?

The federal government is in the midst of major cuts in the nation's defense industry. Because the defense industry plays a major role in Florida, these cuts have the potential to significantly hurt Florida unless we take action. For example:

- Florida ranks fourth in total defense expenditures — nearly \$11 billion in FY 1991 — half of which is in defense contracts.
- Directly and indirectly, defense employs some 245,000 Floridians.

2. What is the background leading to the Commission concept?

Governor Chiles created the Florida Defense Reinvestment Task Force in May of 1992. Chaired by Congressman Jim Bacchus, the Task Force examined the best strategies for counteracting these defense spending cuts and issued recommendations addressing:

- 1) retraining and placement of affected workers
- 2) improving Florida's economic and technological competitiveness
- 3) assisting defense-related companies to diversify into commercially based products and markets
- 4) assisting communities to plan for and deal with the economic impacts of base closures and the reduction of defense expenditures

3. What is Commission and what will it do?

The Commission will oversee the implementation of the major recommendations made by the previous task force. It will ensure that Florida communities, businesses and workers successfully overcome the problems caused by the national cutbacks in defense spending. And, it will help to ensure that Florida gamers its fair share of all the federal dollars available to implement defense conversion, reinvestment and transition activities.

The members of the Commission — soon to be appointed by the Governor — include private sector defense industry representatives, members of Florida's Congressional Delegation and the Florida Legislature, representatives from potentially affected communities, as well as relevant state agencies.

4. What are the basic elements of the Commission's efforts?

There are three main arenas which the Commission will address. They include 1) the displaced worker — civilian and military, 2) our hard-hit communities, and 3) Florida's defense-related private industry.

The mission of the Commission is to:

- * Coordinate with existing state government programs/agencies, local governments, and statewide service providers in order to direct resources to appropriate defense-related activities, avoid duplication and waste, and vigorously pursue relevant federal grants.
- * Assess the consequences of defense drawdown and develop a plan of action for Florida's state effort, providing policy guidance for related initiatives.
- * Oversee the implementation of recommendations from the Governor's Defense Reinvestment Task Force through the Enterprise Florida affiliates for training, technology and capital.
- * Act as an umbrella organization housing/overseeing statewide defense-related initiatives and, where necessary, receive federal defense conversion and transition funding.
- * Assess the need for and identify incentives to assist defense-related companies. Increase awareness among decision makers on the potential economic impacts of the defense drawdown on the private sector and the need for countermeasures and incentives.
- * Identify state and federal programs to assist the dislocated worker, impacted companies and affected communities. Identify potential sources of funding to carry out defense conversion, transition and reinvestment activities at the state and local levels.
- * Establish a clearinghouse to serve as a central point of contact, disseminating conversion and transition information, services, and research to the Commission and to affected communities, companies and workers.
- * Coordinate with and provide information and technical advice to Enterprise Florida and its affiliates on matters related to the defense industry and defense conversion, reinvestment and transition.
- * Direct the provision of community outreach and technical assistance, including the sponsorship of seminars and workshops.
- * Provide an annual report on relevant defense issues and the Commission's accomplishments.

July 8, 1993



DEFENSE TRANSITION SERVICES

BACKGROUND

The 1989 Florida Legislature appropriated funding to establish Defense Transition Services at the University of Central Florida to provide transition assistance, services and information to the *TOTAL DEFENSE FAMILY IN TRANSITION*, particularly those affected by congressionally mandated personnel reductions among active duty military members and civilian employees, by the closure or realignment of military installations or by the reduction in defense related contracting.

MISSION STATEMENT

Defense Transition Services provides state-of-the-art information on transition options to include educational opportunities, traditional and non-traditional training, vocational education, certification, licensure, employment, child care, housing and other areas of interest to the *TOTAL DEFENSE FAMILY IN TRANSITION*. Transition services are available for active duty military (separating or retiring) members, Department of Defense (DoD) civilian and contractor employees, members of the National Guard and Reserve Forces and family members of the aforementioned affected by the "drawdown" of DoD.

OUR WORK WITH MILITARY FAMILIES

Defense Transition Services builds on the important, unique and vital contributions made by military family members to the defense of our nation. With the understanding that a member's departure from active duty will impact the entire family unit, we champion a "family oriented" approach to transition management. Our briefings assist the member and spouse as they identify "total family needs and goals" and develop their own unique "blueprint for a successful transition to civilian status" based on total family input.

BRIDGING THE GAP

Key to much of our success is that we provide assistance to military families before, during and after their departure from active duty as they relocate worldwide. The most often requested services are resume development/critique, mock interview sessions, professional presentation, corporate communication/ protocol, and research on business/ industry employment opportunities or educational options. Information and resources are located to help members and families answer such questions as:

1. *What do we want to do for the rest of our lives?*
2. *How can we build a transition plan that will respond to total family needs?*
3. *How does my training and experience in the military equip me to work in this field in the civilian market?*
4. *What additional training and education or experience do I need to pursue my new goals?*
5. *Will this career be viable in the future?*
6. *What geographic location will be best suited to meet my personal/ professional goals?*
7. *What actions should I take to stay competitive in my career field? Can I use my GI Bill to pursue this goal?*
8. *How will technology impact this career field?*

TRANSITION AND MORE

Defense Transition Services acts as a clearinghouse for defense transition information for agencies, communities, businesses and workers. Defense Transition Services provides additional community service outreach in the areas of economic development, industry conversion (from DoD contracting to commercially based contracting), and work force training options in response to the drawdown of the Department of Defense. Our track record includes work with military

installations and local communities affected by the decisions of the Defense Base Closure and Realignment Commission (BRAC). We advocate business/industry/education partnerships and innovative reinvestment programs and proactive diversification planning.

DEFENSE TRANSITION SERVICES—A TEAM PLAYER

Defense Transition Services seeks to complement, never duplicate or replace, existing programs that support the transition of the total defense family in transition. We work hand-in-hand with Department of Defense Transition Assistance Programs and the Army Career and Alumni Program providers at military installations throughout the world. We work closely with the Departments of Defense, Labor and Veterans' Affairs transition points of contact. We seek to help "bridge the gap" for members and families in transition by "linking" them with programs, options and service providers in civilian communities throughout our nation. Continuous and effective liaison with federal, state and local service provider networks has contributed to the development of this successful service and information oriented network.

FUNDING

Defense Transition Services is funded by a grant from the State of Florida. There is never a charge to any individual at any time for any transition assistance or information.

FOR ADDITIONAL INFORMATION

Visit, Write, Telephone or Fax
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329 Administration Building
Post Office Box 160012
Orlando, Florida 32816-0012
407/823-5874 Fax: 407/823-3447

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**TOWARD A HEALTHIER FLORIDA
TECHNOLOGY ECONOMY:**

**SURVIVING THE IMPACT OF
DEFENSE SPENDING REDUCTIONS**

FINAL REPORT
of the GOVERNOR'S
FLORIDA DEFENSE REINVESTMENT TASK FORCE

Executive Summary Version

February 15, 1993

Governor Lawton Chiles Defense Reinvestment Task Force

Chairman

Rep. Jim Bacchus
U.S. Congress, Florida, 11th District

Vice-Chairman

Greg Farmer
Secretary of Commerce, State of Florida

Private Sector Members

Robert Allen
Executive Director
Space Coast Development Commission, Titusville

Alex Burns
President, Life Sciences, Inc., St. Petersburg

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Robert Mandell
Chairman Orange County Expressway Authority
President Greater Construction Company, Orlando

Richard Manley
President, Vitro Services Corporation, Fort Walton Beach

Lawrence Mendelson
President and CEO, HEICO Corporation, Hollywood

Daniel J. Miller, Jr.
President, Florida AFL-CIO, Tallahassee

Admiral J. Bradford Mooney (ret)
Fmr President, Harbour Branch Oceanographic Inst.,
Former Chief of Naval Research, Fort Pierce

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McDonnell Douglas, Titusville

James C. Schaffer
Executive VP and COO
Computer Science Innovations, Palm Bay

John Slack
President & CEO, DBA Systems, Melbourne

Jerome Smith (or Mr. Herb Smetheram)
Director, Martin-Marietta Corporation, Orlando
(formerly Al Norton, Group President)

Marty Urta
South Florida District Vice President, AFL-CIO, Miami

Carl L. Vignali
Vice President & Group Executive, Space Systems
Group, Honeywell, Inc., Clearwater

Jeff Walker
Chairman, Small Disadvantaged Manufacturers Corp.
Hercules Defense Electronics Systems, Inc., Clearwater

 FLORIDA DEFENSE REINVESTMENT TASK FORCE - *Final Report*

Public Sector Members

Amell Bryant
 Chief, Bureau of Job Training, Florida Dept of Labor
 Representing Shirley Gooding, Secretary of Labor

Betty Castor
 Commissioner of Education

Ray Iannucci
 Exec. Director, High Technology & Industry Council
 Representing David Rush, Chairman, FHTIC

Randall Kelley
 Assistant Director, Florida Dept of Community Affairs
 Representing Linda Shelley, Secretary of Community
 Affairs

Delbie Kilmer
 Director of Florida Governor's Washington Office

Patsy Kurth
 Senator (Dist. 16 Palm Bay)
 Chair, Senate International Trade & Economic
 Development Comm.

Dr. Jeanne Diesen and Dr. Don Magruder
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Dr. William Shade
 Vice Chancellor, State University System
 Representing Chancellor Charles Reed

Task Force Staff

Dr. Kenneth D. Wagner
 AAAS/IEEE Congressional Science Fellow, Office of Rep. Jim Bacchus

Sam Wooten
 Policy Analyst, Office of the Secretary of Commerce, State of Florida

II. Acknowledgments

The Task Force would like to express its appreciation to the University of Central Florida and to UCF president John Hitt for hosting all three of its meetings. Unfortunately the original third meeting and first hearing of the Task Force, scheduled at the State Capitol in Tallahassee, had to be cancelled due to Hurricane Andrew and was eventually rescheduled in Orlando. Marilyn Cobb Croach and Joyce Mastriani were instrumental in organizing the meetings at UCF. The Orlando area was also an ideal central site for the task force members.

The Task Force would also like to thank all the hearing witnesses for their testimony. Many other individuals and organizations submitted written statements. The quality of their input and the clear commitment to Florida of all concerned reinforced and influenced many of the recommendations in this report.

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IV. Executive Summary

The State of Florida should take an active role in encouraging the conversion of components of Florida's defense industries into non-defense production and promoting growth in high technology industries. Reducing the reliance of Florida industry and employment on defense funding is an opportunity to expand the state's economic and technological competitiveness. The defense industry must be convinced to regard this shift to non-defense production as a permanent fundamental change to their operations.

In such a transformation, Florida's state and local governments must devote significant resources, including financial, to be effective partners. Successful programs may require substantial involvement at the state level, and, in some programs, receiving federal funds may require or be motivated by matching state funding. **Enterprise Florida**, the new state wide public-private partnership for economic development, can be the framework and delivery mechanism for these state programs.

The Florida Task Force's main areas of concern were:

- persuading companies to stay and grow in Florida
 - creating quality jobs
 - ensuring availability of skilled workers
- retraining and placement of DoD-supported personnel
- improving economic and technological competitiveness
 - expanding the manufacturing and technology base
 - strengthening the technology and financing infrastructures

The Task Force Report looks at nine Issues within three categories:

I. Defense Workers, Their Families, and Communities:

Issue 1: What transition assistance is needed for displaced workers and their families, how can that best be delivered?

Issue 2: How can displaced workers be integrated into the civilian work force and worker skills be upgraded?

Issue 3: How can the effects of military base reductions and closings be mitigated?

II. Company Growth and Diversification:

Issue 4: What are the useful mechanisms for technology transfer with Florida?

Issue 5: What assistance should be offered to defense companies entering commercial markets?

Issue 6: How can the team system production skills of defense contractors be leveraged?

III. Business Climate and Investment:

Issue 7: How can companies be persuaded to stay and grow in Florida?
Relocate to Florida?

Issue 8: How can small defense company growth be assisted?

Issue 9: How can trade by Florida defense companies be facilitated?

The primary recommendations of the Task Force are:

- Appoint a Special Assistant to the Governor for Defense Reinvestment
- Develop a master plan for the state technology infrastructure and promote its state and federal funding
- Expand state transition assistance & employment services with one-stop resource centers
- Designate a contact in Tallahassee reporting directly to the Governor to coordinate with the state and local community in planning for base closings or reductions
- Provide loan guarantees for expanding and diversify existing defense businesses and provide assistance with marketing in the commercial sector
- Create stay and grow incentives for technology companies
- Provide loans for plant and equipment modernization
- Develop critical technologies including new manufacturing technologies through Florida's technology transfer centers, universities & community colleges in industry partnerships
- Facilitate new technology company ventures and encourage entrepreneurship
- Provide state commercialization loan guarantees to complement federal SBIR awards
- Recapitalize the Applied Research Grants Program
- Encourage development of technology industry parks and incubators
- Expand trade assistance programs and establish offset credit pools
- Implement the findings of the Carnegie Commission Report *Science, Technology, and the States in America's 3rd Century*

V. Introduction

In the 1980's much of the manufacturing growth in Florida was in technology-related industries. More than half of the output of those industries was sold to the Department of Defense. **As the Defense budget is realigned, reductions in force and equipment will cause a shrinkage of the Department of Defense as a market** for Florida manufacturers and as producer of Florida jobs. Aggravating the situation are weaknesses in Florida's civilian infrastructure and educational systems. Technology companies are sparse in many regions of Florida--regions with high densities of companies tend to be focused on a few specialties and isolated from other expertise. Florida also ranks in the bottom quarter of the nation in numbers of student, and scientists and engineers.

Reducing the reliance of Florida industry on federal defense funding has no single solution that fits every company, defense worker and military service member. Weaning Florida industry from its defense orientation depends on innovative people and programs and the commitment and confidence of all involved. Technology transfer, diversification, high technology public works, spin-offs and dual-use technologies are all components of the solution. Success means new products and markets for domestic and international sales. The state and federal governments, in cooperation with local economic entities, must find creative, cost-effective ways to provide the support and infrastructure needed to allow these industry adjustments.

To study the most effective route to a robust Florida technology industry with a skilled work force, appropriate infrastructure and lessened dependence on defense funding, **Governor Lawton Chiles appointed the Florida Defense Reinvestment Task Force in June 1992**, choosing U.S. Rep. Jim Bacchus to serve as Chairman and Florida Secretary of Commerce Greg Farmer as Vice Chairman. The Task Force set out to meet this challenge in a series of meetings and hearings.

Guidelines developed by the Armed Services Committee of the U.S. House of Representatives for defense reinvestment plans were a model for the Task Force. Appropriate initiatives should:

- stimulate real economic growth and create jobs
- produce concrete, measurable results
- be market-oriented and private sector driven
- leverage available dollars
- use existing, successful programs if possible.

The Task Force recommendations focus on:

- applying reinvestment dollars effectively
- identifying the point of best usage
- partnership roles of private industry and federal, state and local governments.

At the federal level, appropriate solutions are complicated by the need to establish clear national security objectives and a robust defense industrial base. Within Florida solutions are complicated by geographic realities and political/bureaucratic complexities. The newly organized Enterprise Florida economic development Board may help alleviate the state complications.

FLORIDA DEFENSE REINVESTMENT TASK FORCE - *Final Report*

The Task Force objectives in Florida are:

- retraining and placement of DoD-supported personnel
- protection of the manufacturing and technology base
- creation of quality jobs and skilled workers
- improvement of economic and technological competitiveness
- improvement of the technology and financing infrastructures

The Florida Defense Reinvestment Task Force Recommendations in the discussion sections and the Implementation section affect both state and federal programs and the Enterprise Florida organizational structure. The proposals satisfy the performance criteria outlined by the House Armed Services Committee (enumerated in the Introduction section of this Report). Also considered is program flexibility and cost-effectiveness - responding to changing needs in an environment of limited governmental resources.

VI. Significance of Defense Spending to Florida's Economy and Its Economic Development

A. Fiscal Year 1991 Prime Contract Awards (in Thousands \$)

<u>Top Ten Counties</u>		<u>Rank</u>
Orange	1,127,810	1
Palm Beach	861,369	2
Brevard	673,783	3
Pinellas	541,563	4
Okaloosa	323,453	5
Duval	274,280	6
Dade	243,590	7
Hillsborough	224,451	8
Escambia	216,089	9
Volusia	153,631	10
Total All Counties	5,166,419	

B. Defense Spending and Employment

Department of Defense spending in Florida in fiscal year 1991 was nearly \$11 billion. Of this amount approximately half was disbursed in defense contracts (to prime contractors, subcontractors and vendors) and half to operate military bases and support service members. Florida is the sixth largest DoD supplier in the nation. Including direct and induced spending, **defense-related activity is the state's third largest economic sector**, employing more than 245,000 people (not including the national guard and reserve forces). About half of this work force are contractor personnel and half are military service members and Department of Defense civilian employees.

The Department of Defense is also a very important funding source for university scientific research and development in the state, spending almost \$26 million to support extramural contracts and grants to Florida universities and other non-profit institutions in 1990.¹ Total federal R&D funding to these institutions was \$291 million with an additional \$3.2 million to the state.

¹Federal Obligations for Research & Development, by geographic division, state agency, and performer: fiscal year 1990, National Science Foundation, Division of Science Research Studies.

FLORIDA DEFENSE REINVESTMENT TASK FORCE - Final Report

Projected Florida job losses in the defense industry itself range from 35,693 to 45,422 between 1991 and 1997.² The overall demand for employment has grown rapidly since Florida ranks as the second most preferred destination state for military retirees. This demand is further compounded by involuntarily separated military and DoD civilian personnel, cutbacks in military guard and reserve units and new Florida workers just entering the work force. Thus, not only intrastate defense jobs and industries be transformed (and displaced worker assistance be provided during the transition period), but many new Florida jobs must be created quickly to meet the demands of newly arriving residents.

Defense-related jobs represent a disproportionate number of the high-paying skilled work available in Florida. Fifty percent of all high technology jobs created in Florida are a direct result of defense-supply contracts. Due to the multiplier effect of such high-paying jobs, loss of those jobs will have a *decadening* effect on the rest of the economy, making Florida's escape from the recession slower and less certain.

With only eight counties accounting for 80% of the dollar value of defense contracts (in FY 91), the potential for heavy economic damage from defense cuts to several geographic areas of Florida is intensified. Rural North Florida and rapidly growing Central Florida are particularly vulnerable due to the high percentage of their manufacturing employment that is defense oriented.

A survey completed by the Florida High Technology and Industry Council in 1990 shows **the impact of defense cuts falls primarily on small military contractors.** The small contractors are the backbone of current prime military contractors and potential future suppliers in the commercial and government non-DoD product sectors.

In August 1992 statistics from the U.S. Department of Labor, Bureau of Labor Statistics, Florida ranked seventh in seasonally-adjusted unemployment rate nationwide. Other states such as New York, Texas, Ohio, Pennsylvania, and Virginia that receive significant DoD dollars had lower unemployment rates. Of the states where defense spending was high in 1991, only California and New Jersey had higher unemployment than Florida. **This level of unemployment is especially worrisome in our stagnant economy given the increasing demand for jobs expected from further defense downsizing over the next four years.**

C. Enterprise Florida

This year Florida, though affected seriously by the recession and Hurricane Andrew, has positioned itself to change its approach to economic development. Governor Chiles, the State Legislature, and the state's business community have joined to create a public-private partnership called **Enterprise Florida.**

Enterprise Florida is an effort to give the state an organizational platform that will allow fast, cost-effective, and measurable responses to changes in the economic climate. Its goal is strategic action coordination that will empower the private sector to generate high quality jobs.

²C.P. Schmidt and S. Kosiak, Potential Impact of Defense Spending Reductions on the Defense Industrial Labor Force by State, Defense Budget Project, Washington, DC, March 1992

FLORIDA DEFENSE REINVESTMENT TASK FORCE - *Final Report*

The emphasis will be on support and coordination of programs that:

- stimulate new business formation
- aid company innovation and expansion
- contribute to product or market redirection
- promote access to technology and innovative ideas
- help create high-quality jobs and
- train workers to fill those quality jobs.

Four Enterprise Florida Board sub-committees have been created to oversee implementation of economic development task areas: Capital Availability; Technology Innovation; Training; and Administration.

Enterprise's non-profit board structure, with its market-orientation and business acumen serves to make programs operating under its auspices effective and efficient. Its position as a focal point of both private and government effort makes the leveraging of available dollars a consistent part of any strategy³. Enterprise Florida is also accountable for dollars spent since the law mandates auditing its programs through continuous monitoring of their performance.

³ Harvard Business Review (March 1992, "Does America Need a Technology Policy?", by Lewis Branscomb) calls this *changing the funnel*. Enterprise Florida creates an organizational mechanism that is a changed funnel for dollars spent on economic development.

VII. Florida Defense Contractors Survey Results

Overview

The Task Force felt that not enough information was available concerning the dependency, strategic plans and needs of Florida's defense contractors, subcontractors, and major suppliers on defense funding and conversion. To get that information, the Defense Contractors Survey was designed by the Task Force. The Southern Technology Applications Center at the University of Florida created a large computerized cross-section of the Florida companies, sent out the survey, and tabulated the results.⁴

The Survey results indicate the breadth of the questions being considered by the Task Force, and show the interest among defense production companies for some types of assistance in dealing with the challenges they see in defense reductions.

Surveyed Companies

- 200 Florida Defense Contracting Companies Identified
- 55 Usable Responses Received (28% return)
 - 75% are manufacturing companies
 - 75% have prime contracts for defense-related work
 - 64% have subcontracts for defense-related work
 - 90% have defense-oriented production of 50% or more of total output

Respondents Report

- \$8.1 Billion in defense-related contract work in Florida firms
 - \$4.8 Billion in prime contracts
- Average 39% of their subcontracting to other Florida firms vs. out-of-state suppliers

⁴ Southern Technology Applications Center (STAC), College of Engineering, University of Florida, October 26, 1992. Full Survey Results available from the Task Force Staff. Copy of Survey in Appendix A1.

FLORIDA DEFENSE REINVESTMENT TASK FORCE - Final Report

- **Biggest challenges in converting to non-defense production or markets**
 1. No civilian markets for products (39%)
 2. Learning to market commercially (39%)
 3. Equipment too specialized (28%)
 4. Conversion costs prohibitive (22%)
 5. Foreign market expertise (20%)
 6. No difficulty (15%)
 7. Work force too specialized (13%)

- **DoD downsizing**
 - 65% report moderate or better potential to shift to non-defense production
 - 84% report intense strategic planning activity to cope

- **Types of Assistance Helpful for Adjustment**
 1. Finding markets for non-defense products (63%)
 2. Finding overseas markets (54%)
 3. Financing new equipment purchases (33%)
 4. Retraining workers (22%)
 5. Adaptation of production systems to new products (12%)

- **Interest in seminars on diversification (70%)**

- **Types of Information Preferred from Federal, State & Private Sources**
 1. Procurement opportunities (68%)
 2. Skills training assistance programs (32%)
 3. Supplier training or development programs (24%)
 4. Manufacturing production assistance programs (14%)
 5. Export sales opportunities (5%)

VIII. Issues and Recommendations

A. Summary

OVERVIEW

The Task Force recommends that the State Government should take an active role in assisting the conversion of components of Florida's defense industries into non-defense production and promoting growth in high technology industries. Reducing the reliance of Florida industry and employment on defense funding is an opportunity to expand the state's economic and technological competitiveness. It should also be recognized that defense spending will continue to play a vital role in Florida; in fact, defense spending on prime contracts to Florida companies grew \$287 million between 1990 and 1991.

The state and federal governments should assist and expedite the transformation of parts of the defense sector of Florida's economy to operate in globally competitive, market-driven industries. The defense industry must be convinced to regard this shift to non-defense production as a fundamental permanent change in their operations. Implementation of appropriate programs requires statutory changes at both the state and federal levels.

In such a transformation, the state and local governments must devote significant resources, including financial, to be effective partners. Successful programs may require substantial involvement at the state level, and, in some programs, receiving federal funds may require or be motivated by matching state funding.

The State of Florida should also:

- leverage its role as the nation's number one tourist economy
- participate in national technology infrastructure programs
- strengthen existing defense contractor programs
- support innovative and extensive technology education programs
- provide one stop resource centers for transition and retraining information and assistance
- provide loan guarantees for expanding existing businesses
- encourage and assist new entrepreneurial small business technology initiatives to promote diversity
- influence national defense reinvestment and science and technology policy
- assist business and academia in recognizing and applying for federal assistance

WHO AND WHAT

Participants to be served by defense reinvestment include: former Florida military personnel - uniformed and civilian; Florida defense contractor and subcontractor employees; and military retirees and separated service members from across the country. In addition the people of Florida will profit from the resulting economic benefit.

BIOSKETCH

Marilyn Cobb Croach is Director of Operations, Florida's Office of Defense Transition Services at the University of Central Florida in Orlando, Florida. Defense Transition Services was established with funding from the State of Florida in 1989 to provide transition assistance, services and information to *The Total Defense Family in Transition*, particularly to individuals and family members affected by the reduction in numbers of Department of Defense active duty, civilian and contractor personnel, by the closure or realignment of military installations or by the reduction in defense related contracting. The office provides defense conversion, reinvestment and transition information to communities, workers and business/industry throughout the state.

Marilyn holds a Baccalaureate Degree from the University of Alabama and a Master's Degree in business administration from Central Michigan University. She worked as an architectural designer for several years in private industry and later as a civilian with the Department of the Air Force. Prior to her work in Defense Transition Services, Marilyn served for four years in the Pentagon as Special Assistant (Legislative and Public Affairs) to the Assistant Secretary of Defense (Force Management and Personnel).

Assembly California Legislature

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ASSEMBLYWOMAN, SIXTEENTH DISTRICT

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TESTIMONY BEFORE THE ECONOMIC DEVELOPMENT SUBCOMMITTEE
OF THE HOUSE COMMITTEE ON PUBLIC WORKS AND
TRANSPORTATION, CONGRESSMAN BOB WISE, CHAIRMAN.

July 20, 1993

BY ASSEMBLYWOMAN BARBARA LEE
16TH A.D., CALIFORNIA.

Good morning Mr. Chairman and members of the Committee. I am Assemblywoman Barbara Lee, a member of the California State Legislature. I represent Oakland, Piedmont and Alameda - across the Bay from the city of San Francisco.

I am Chair of the Assembly's Defense Conversion Task Force. About one-quarter of the members of the Assembly are on the Task Force. Also, I serve as a member of the Assembly's Economic Prosperity Team, better known as ADEPT, and a member of the Legislature's CAL FED team which is responsible for acting as liaison between the Assembly, the Administration and Congress. Thank you for the opportunity to present testimony regarding the role of EDA in defense conversion efforts.

The United States has been faced with a series of disasters, many of which we see on television on a nightly basis: hurricanes in Florida, droughts and fires in California, and flooding on the Mississippi. Television shows us the devastation, the damage, and the losses. The human tragedy and heartbreak are obvious and compelling; we can see it on the faces of the people who are interviewed. Huge amounts of federal funds are expected, offered and desperately needed.

In California, as a result of the transition from the Cold War to a peacetime economy, we find that we don't need as many soldiers and we don't need as many high-tech weapons. These military cutbacks are a disaster for California. The devastation, the damage, and the losses are real. The personal tragedy and heartbreak are obvious and compelling, but the tragedy is difficult to put on television - the human drama is too widespread, too

diffuse. An empty building isn't news. An unemployed worker isn't a news story.

In the late 1980's defense expenditures peaked in California at \$63 billion. Expenditures are now \$50 billion per year and are expected to slide to \$33 billion per year by 1997. To put this in perspective, the amount of defense money which will not be spent in California will be about 75% of the total general fund expenditures of the state government. Expressed another way, the defense cutback is about 25 percent larger than all of the federal, state and local expenditures on public education in California - including k-12, community colleges, the State University, and the University of California. The amount of the reduction in spending is overwhelming.

There have been three rounds of base closures - 1988, 1991, and 1993. In the first two closures, California was clobbered with 50% more in job losses than the rest of the states combined. In the 1993 base closure decision, California suffered seven times as many job losses as the rest of the states combined.

California also has a large number of prime defense contractors and subcontractors. Our estimate is that these private companies will have 75% of the defense job losses in California - with base closures making up the remaining 25 percent. In other words, California will lose three times as many jobs from industry lay-offs than from the cataclysmic losses associated with base closure.

California used to have an unemployment rate that was lower than the rest of the nation. Ever since the defense cutbacks began, the state has had a higher unemployment rate. While other states have begun to rise out of the recession, California has not - with ever increasing defense cutbacks continuing to hammer the state.

Overall, California has lost 800,000 jobs since 1990 - we have lost more jobs than exist in some states. About one-fourth of the job losses are attributed to reductions in defense expenditures. If California were taking its fair share of defense cutbacks, it would be coming out of this recession. But we are carrying more than our share.

There are two parts of California that are bearing the brunt of the cutbacks - Los Angeles, with its defense contractors, and the Bay Area, with its naval facilities.

I would like to address the issue of why the rest of the nation should care about the impact of California defense cutbacks. The first reason is that a California in recession will drag down the economy of the entire country, which means that federal revenues will be reduced and that there will be less to go around. The second reason is a moral one. After the second world war,

the country helped its combat veterans with programs such as preference for jobs and the GI Bill. Historians will undoubtedly view the end of the Cold War as no less daunting. Today, we must once again assist those who have helped us achieve our geopolitical goals, but who are now displaced due to post-Cold War realities.

The human tragedy and heartbreak of defense job losses is obvious and compelling. It's not that much different than the effect of hurricanes in Florida or flooding on the Mississippi. All are real, but some are easier to put on television.

Let me say that the California Assembly views defense conversion and reinvestment as one of the vehicles for economic recovery and economic development. We must not miss this window of opportunity. I'd like to say it's my belief that EDA has been laying dormant for over a decade. Yet I am convinced that Secretary Brown has made this Department a priority within the Department of Commerce and we in California are delighted and committed to work with him in creating exciting and innovative job creation initiatives. We believe that with the right combination of federal, state and local assistance, we can replace lost jobs and create even more employment and business opportunities.

I would like to make the following points and recommendations regarding EDA's role in defense conversion.

First, the amount of EDA infrastructure money that is being made available to hard hit communities is trivial in comparison to the amount of the reduction. The amounts available for infrastructure should be increased substantially in the 1994 federal budget. For future budgets, a study should be done to estimate the cost of the infrastructure need to convert these military facilities to other useful purposes.

Second, the approval of proposed EDA projects needs to be speeded up. Currently it takes four to twelve months for approval.

Third, the federal government should establish a one-stop shop for defense conversion programs. The purpose of the one-stop shop would be to create a clearinghouse where communities could learn about defense conversion funding, approaches that other communities have tried, and what works and what doesn't. In California we are attempting to establish a one-stop for state programs and it would be wonderful to have a joint state-federal, one-stop shop.

Fourth - EDA should provide a revolving loan fund and financial assistance to those businesses which have relied on sales from military and defense contractor personnel. For example businesses such as restaurants, quick stops,

stores, bakeries etc. In Alameda, California could fold unless an overall economic development strategy includes them in the mix. These are solid businesses men and women whose entrepreneurial skills and knowledge should be nurtured by EDA as we convert the Alameda naval complexes from military to civilian use. New business ventures should be encouraged by providing access to venture capital, development of incubator space and technical assistance.

Fifth - Many people will be laid off much sooner than the proposed final closures of the bases. EDA should work with local communities to determine the job training, job creation efforts that must take place for immediate reemployment and relief.

Sixth - Funds should be transferred from agencies with partial responsibility for defense conversion to EDA so that maximum opportunity for coordination as related to a total economic development strategy can be accomplished. The transfer of \$80 million from the Department of Defense is such an example.

Seventh - The facilitation of the involvement of minority, women-owned and disabled veteran-owned businesses in job creation and economic revitalization must be a priority of EDA. The capacity for these firms to create jobs in impacted and urban communities is enormous if teaming arrangements and joint ventures with majority owned companies are required on each and every EDA project.

Eighth - Businesses should be encouraged to develop capacity in environmental and toxic waste clean-up. Job training for workers in environmentally related industries should develop the requisite skills not just for these jobs but for permanent jobs in our emerging industries. EDA could play a vital role in this effort.

In closing, I'd like to thank this subcommittee, Congressman Brown, and my Congressman, Ron Dellums and the entire California congressional delegation for placing California's agenda as it relates to defense reinvestment high on the list of national priorities. I must say that in the Legislature, my defense conversion task force is working in an unprecedented bipartisan fashion to coordinate our efforts. Also, we are charting new territory in working very closely with our congressional delegation on a daily basis to ensure that we are on the same page.

On behalf of the speaker of the California Assembly, Willie I. Brown, Jr., We look forward to our continuing work together and we stand ready to help you and Secretary Brown as we move forward to turn what could be the greatest disaster California has ever faced to the greatest economic development opportunity California and the rest of the nation can seize.

TESTIMONY OF
Lora Lee Martin
University of California, Santa Cruz
July 20, 1993

Mr. Chairman, Committee members, Ladies and Gentlemen:

As you consider re-authorization of the Economic Development Administration and particularly EDA's role with regard to defense conversion I want to thank you for this opportunity to share the perspective of a public entity that is attempting to participate in a public/private reuse strategy at Fort Ord. In this testimony I will give a brief overview of the perspective that the University of California, Santa Cruz, as a possible participant in the economic reinvestment at a base reuse effort, brings to this discussion, state the issues of reuse funding that have been a hurdle to our efforts, and provide brief recommendations for your consideration as you deliberate the question before you.

I am Lora Lee Martin, Director of Science Development for the University of California's Santa Cruz Campus (UC Santa Cruz). Since mid-1991, UC Santa Cruz has joined the regional communities of the Monterey Bay in exploring reuse options for the Fort Ord Military Reservation which sits 35 miles to our south. After much effort, the local communities, as currently represented by the Fort Ord Reuse Group (FORG), in partnership with agencies such as the University of California and the California State University system, have proposed an exciting and important reuse strategy for the base.

Building on the momentum of the Monterey Bay area developing into a national center for marine and environmental sciences, the regional reuse strategy proposes a California State University Campus of 20,000 students, focused on disciplines that will compliment the science and language regional strengths in education and research. Adjacent to this campus on the former military base, the University of California is pursuing the development of a Multi-Institutional Center for Education, Science, Technology and Policy. The ultimate success of this integrated model reuse strategy will depend on many issues including conveyance of the lands in a way that promotes economic redevelopment through partnerships of public and private entities and sufficient seed funding. My understanding is that the interest of this subcommittee today is the Economic Development

Administration's role in base reuse efforts at military installations across the country.

FUNDING ISSUES IMPACTING BASE REUSE EFFORTS

For two years the University of California, Santa Cruz has been working with the local communities to develop a plan for a multi-institutional center that will serve as the cornerstone for economic development efforts at Fort Ord. The University has expended an estimated \$250,000 of in-kind expenditures and cash outlays since our participation was solicited by then-Congressman Leon Panetta. The State of California is currently experiencing a severe recession which impacts on the ability of the University of California to meet its public education mandate. Despite this problem, in an effort to serve our community, we have joined the regional Fort Ord reuse effort.

The University of California, Santa Cruz understands that for the Economic Development Administration, as with the rest of the country, base conversion is a new challenge. We appreciate the efforts of EDA to undertake this unwieldy task. We are learning together how best to proceed and towards that end, I have been asked to highlight some of the issues that have hampered, continue to hamper, and at times severely threaten, the University of California's ability to be a partner in the Fort Ord reuse effort.

• FRAGMENTED FUNDING SOURCES.

When planning efforts began at Fort Ord initial funding of approximately \$200,000 was provided to the community from the Department of Defense's Office of Economic Adjustment (OEA). This funding, was sufficient to hire a base reuse coordinator, establish an office, and undertake initial planning. However, when the community was ready to move forward into a more detailed planning phase OEA was not prepared to go beyond the \$200,000 funding level. The communities surrounding Fort Ord estimated that \$4.8 million would be required to construct a comprehensive community base reuse plan; and submitted a grant application to OEA for that amount. This request exceeded OEA's willingness and stated ability to provide grant funding. After much discussion and effort, EDA was brought into the process to provide complimentary funding to OEA's promised \$1.2 million. Of specific note, was the inability of OEA to fund the economic/programmatic planning effort needed for UC

Santa Cruz's proposed center. During this time we were told of funds available through both EDA and the Department of Labor for retraining. We contend that it is difficult to justify the retraining of displaced defense workers until we know for what they will be retrained. The frustration and time that was spent in working through the OEA's inability to fund the UC Santa Cruz effort, and then the subsequent referral to EDA, nearly cost the participation of the University of California in the Fort Ord reuse process. This process began in July of 1992. To date, no funding has been received for the effort proposed by the University of California.

- **FUNDING SOURCES TOO NARROW AND INFLEXIBLE IN SCOPE.**

The planning that the University must undertake to make the proposed multi-institutional center a reality does not easily fit into the existing EDA funding guidelines. UC Santa Cruz is undertaking a long-term redevelopment effort that requires programmatic vision, planning, and coordination. Existing EDA funding sources are more traditional in scope encouraging development of jobs in a short, measurable time frame. In this age of new technologies, our country's investment of planning funds to produce strong competitive regional economies for the next century requires a non-traditional approach to both short and long-term planning needs by the EDA. Recognizing that economic development needs should be defined in the broadest terms (long-term economic growth requires long-term strategic planning), up-front funding by EDA for strategic planning efforts must be expedited and clearly recognized as an important priority of the funding process.

- **EXISTING FUNDING MECHANISMS, THROUGH REGIONAL OFFICES AND INTERMEDIARIES, SLOWS THE PROCESS.**

In the case of Fort Ord, the University of California has been identified by all of the impacted communities as a priority project in the base reuse effort. The center that the University was asked to plan can uniquely be done by no other regional entity. To obtain EDA funds for this effort the University has, as necessitated by the existing process, worked closely with the regional fiscal agency, the County of Monterey, to develop a description of the planning needs for the project. Despite the County's efforts to expedite this funding request, the existing process within EDA that requires project "sign-off" of EDA local personnel in the district office, the regional office, and in Washington, DC continues to result in significant funding delays. When the funds are finally granted to the county, the University will need to participate in a competitive

process to obtain the funds to move this project forward. This requirement for a competition is frustrating and costly. The county, at a time when they have many other important issues on their plate, must develop a Request for Proposal and conduct a competition. In response, the University must expend significant precious funds to respond to the Request for Proposal. Since the lands that are envisioned to be home to the new center will be conveyed to the University, no other entity's plans will be acceptable to the UC Santa Cruz. Despite EDA's effort to move funding to the region rapidly, the delay inherent in the existing multi-layered approval/management structure of EDA is a barrier to the potential success of this effort.

- **UNCERTAINTIES IN THE TIMING AND REQUIREMENTS OF THE EDA GRANT.**

It continues to be unclear when the pending EDA grant will be received by Monterey County, and thus, when the competitive bid can proceed. In addition, issues that affect the University's ability to keep the project expenditures moving forward, including the date that local match expenditures begin to count towards the grant and the actual amount of the required match, must still be resolved. These unknowns are severely hampering the University's ability to move forward on a rapid time-line, risking the valuable momentum that is developing around the proposed center, and potentially preventing the UC Santa Cruz campus from continuing with our reuse efforts.

- **LEVEL OF FUNDING**

Because defense conversion, now and in the foreseeable future, is expected to have a significant impact on the country's economy it is critical to make sure that the funding investment for planning and implementation be of a level significant enough to ensure ultimate success in the reuse effort. In the case of Fort Ord, the communities requested a total of \$4.8 million to accomplish all that they felt needed to be planned on a 28,000 acre site. OEA did not fully accommodate this initial request and EDA was asked to join as a grant funding provider. This coordination of agency funding was not proactive, but rather resulted from continued pressure being put upon OEA for resources. The mechanism for integrated, coordinated funding, if it exists, is not readily apparent to the user. Without coordinated effort by the funding agencies it is uncertain that the levels of funds provided will, in fact, reflect the true need while decreasing the possibilities of inter-agency funding "gaps" and

funding redundancies. In our case, funding infrastructure studies was something both OEA and EDA readily supported for the joint effort while the more far seeing conversion planning needs were not embraced by either of these agencies. It has taken many months to move to the place that EDA has invited an application for funding the planning activities being lead by the University of California. However, it still remains to be seen if the full planning needs of the regional effort will be met by OEA and EDA at a level that will ensure that the initial investment will pay-off through successful defense conversion redevelopment. Though it is clear that more funds need to be made available for defense conversion planning efforts, it is hard to determine if more money should be given to EDA or if, in fact, the issue is not equally one of better interagency coordination and integration of existing funding sources such as OEA, EDA, the Department of Labor (DOL), and the Small Business Administration (SBA).

RECOMMENDATIONS:

In the face of the challenges of base conversion, there are great economic opportunities before the country. As the representative of a public entity that is attempting to develop a public/private reuse strategy at Fort Ord, our recommendations for a more effective conversion effort include:

- 1) Develop a funding process that encompasses the total needs of base conversion efforts, from planning through implementation with an understanding of both short and long-term redevelopment efforts. Flexibility and broadening of the funding guidelines should be allowed to encourage the process to grow with our combined experiences.
- 2) Facilitate integrated conversion assistance efforts. Initiate this process with an interagency conversion planning summit and continue with regular, coordinated interagency meetings to review and revise the implementation of conversion programs from a broad, goal-oriented perspective.

- 3) Significantly increase the funding available for defense conversion redevelopment efforts, both in the planning and the implementation stages, through increased and focused funds at EDA and through integrated interagency funding mechanisms.
- 4) Expedite funding for the conversion effort of communities severely impacted by base closures. Eliminate the need for multi-layers of EDA to review and approve funding requests. Local EDA personnel should have more autonomy, authority and accountability.
- 5) Eliminate local match requirements of those communities most severely impacted. Local match requirements for communities affected by base closures should not be an impediment to the conversion efforts.
- 6) If local match is not eliminated, restructure the regulations to allow for a sliding scale of match requirements, both in total amount of match and the in-kind portion. Local match should also be able to include funds invested in the project prior to the formal start date of the EDA award.
- 7) Fund projects directly to expedite the reuse effort. When a entity is recognized as a priority of the local communities then the process of competitive bid is an unnecessary exercise that costs time and money. Sole source or co-grantee funding should be encouraged in every applicable situation.
- 8) The duration of the grants should be flexible to accommodate the unique challenges of base closure and the inherent difficulties of predicting the ultimate impact of the loss of military jobs to the regions. Grants should be encouraged to be spent in a 18 - 24 month cycle, but with flexibility to the needs of the unique circumstances of each reuse effort.

Mr. Chairman, in conclusion, the University of California, Santa Cruz urges that a sound and flexible process for economic redevelopment

efforts resulting from base conversion be set in motion. This process should be integrated and coordinated on a regular basis between agencies with overlapping jurisdictions to avoid funding "gaps" and to reduce redundancies and should be a process that evolves as we learn more about what will make base conversion a success. The current base conversion efforts are being undertaken within the constraints of inflexible rules and regulations. As you consider EDA's role in relation to conversion needs, it should be clear that a major focus, if not the entire focus, should be on this challenge of integrating conversion efforts. The country needs flexibility of resources and mechanisms to meet the challenges of the military downsizing activities. With integration of effort and with flexible tools to do the job efficiently, effectively and successfully we can expect to see exciting new opportunities arise from this time of change.

Thank you for your time. This concludes my testimony. I am pleased to answer any questions you may have.



COASTAL AREA DISTRICT DEVELOPMENT AUTHORITY

Business and Economic Development Financing

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Testimony of:

VERNON D. MARTIN

Executive Director

COASTAL AREA DISTRICT
DEVELOPMENT AUTHORITY

Brunswick, Georgia

and Member of the

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS
(NADO)

before the

SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION

in the

U.S. HOUSE OF REPRESENTATIVES

July 20, 1993

Washington, DC

STATEMENT OF VERNON MARTIN, EXECUTIVE DIRECTOR OF THE COASTAL AREA DISTRICT DEVELOPMENT AUTHORITY (BRUNSWICK, GEORGIA) AND MEMBER OF THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS (NADO) BEFORE THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT OF THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION, U.S. HOUSE OF REPRESENTATIVES, JULY 20, 1993.

Mr. Chairman and members of the Subcommittee, I am Vernon Martin, Executive Director of the Coastal Area District Development Authority, headquartered in Brunswick, Georgia. Our organization serves the entire coastal area of Georgia, representing eight counties and 26 cities, most of which is rural, and has a total population of approximately 450,000. I am also past president of the National Association of Development Organizations (NADO) and served for three years as the NADO Chairman of its Committee on Revolving Loan funds (RLFs). I am here today to express my support and that of our organizations' and NADO's, in urging your committee to recommend, support, and pursue the defederalization of funds which are administered by the many revolving loan funds across the country that have received financial assistance from EDA.

I would like to thank both you, Mr. Chairman, and the Ranking Minority Member, and give special thanks to Congressman Mac Collins, for inviting me to testify at today's hearing. I would also like to recognize Mr. Lawton Johnson who is the Loan Officer for CADDA, who is accompanying me here today. Mr. Johnson has had approximately 25 years of banking experience, all of which has been in rural areas of coastal and southeastern Georgia. I and many others in positions similar to mine are personally grateful to your committee's steadfast support for EDA and for your efforts over the last several years to re-authorize the agency. EDA is one of the federal government's most effective programs for comprehensive rural economic development, and I have personally witnessed the results of these programs in our rural region, which is one of Georgia's fastest growing areas.

I would like to give you a very brief background on our organization, CADDA, and then speak to you about the subject which I have been invited here today to address.

In 1976, coastal and southeast Georgia faced the loss of one of the nation's largest seafood processors that employed approximately 850 people, most of whom were minorities. This corporation also had plants in Brownsville, Texas and Nova Scotia, which jointly employed an additional 470 jobs, the majority of whom were also minorities. In order to save this company from liquidation, we were able to receive through EDA a Title IX grant of \$5 million which was converted into a loan and then used in part for the purchase of this company. In addition to this loan, an additional \$4 million loan by the parent corporation and a \$2 million equity injection by a frozen food company, made the purchase of this seafood processor possible for the employees, thus establishing an Employee Stock Ownership Plan (ESOP). As a result, the company and the employment were saved. I am pleased to inform you that this company today continues to be the nation's third largest seafood processor, and our loan is current.

As a result of this effort, we were able to establish the nation's first revolving loan program, and today it is still the largest. Since its creation, we have made over 122 loans through the revolving loan fund totaling approximately \$15 million, which has leveraged another \$16 million in bank participation that has created and/or retained approximately 3,400 jobs in our eight-county region. We also now offer loan programs through the Small Business Administration (SBA) and the Farmers

Home Administration (FmHA) which, to date, total approximately \$26 million in loan approvals, with a total job creation and retention of an additional 1,400 jobs. The total number of loans in our portfolio today is approximately 200, with a total value of approximately \$42 million. I am also pleased to tell you that our RLF current level of base capital is approximately \$8.3 million, which represents an increase of approximately \$2.5 million, or 44 percent over the original funding. Only approximately 5 percent of our loans have been written off since 1976. We are extremely proud of this record, which we think reflects good management and wise decisions on the part of our board of directors and loan review committee that consist of leading businessmen and bankers.

We attribute this success to the fact that the RLF, in the past, has been a flexible program that initially had a minimum amount of red tape, federal guidelines and regulation, and because we utilized bank participation. The original grant agreement of 1976, as revised, has provided our local board with the flexibility necessary to meet the needs of our communities and our region's businesses, and, until recently, was absent of many of the rules, regulations, and guidelines that we must now contend with. Our portfolio is varied and includes, but is not limited to, downtown revitalization loan pools, minority loan programs, loan guarantees for businesses affected by the Gulf War deployment, incentive financing for potential manufacturers interested in our region, and an automobile processing facility. As you can see by this success, our organization is very serious about economic development and is determined to improve the economic conditions in our rural communities.

As a result of this successful precedent in coastal Georgia and using Title IX dollars of the Public Works and Economic Development Act of 1965, as amended, EDA has been able to assist in the establishment of revolving loan funds (RLFs) in various location throughout the United States for the purpose of assisting in business and economic development by making capital available at reasonable rates and repayment terms in areas that financing would not otherwise be available. The funding through the RLFs has been used to leverage a substantial amount of private banking participation and loans that trigger a much greater injection of capital into the nation's economy. Unlike other federal grant-in-aid programs, the RLF program is a one-time infusion of money into the economy, but it continues to generate economic benefits in perpetuity due to its "revolving" nature. As principal and interest are repaid, the funds are again loaned and leveraged, thus giving an exponential expansion to the original federal investment. Most experts would agree that this approach is one of the most efficient ways in which the federal government could be involved in the stimulation of economic development.

When our RLF was created in 1976, of course, there were very few, if any, federal regulations that governed our operation other than the lending guidelines and operational procedures that we developed in cooperation with both the regional and national offices of EDA. In those days, we were able to operate with sufficient flexibility in structuring and making the kinds of loans that fit the needs of our region's economy, and were also compatible with both the business and participating bank's needs. As the years have passed, more and more regulations and red tape have been promulgated and we continue to see additional guidelines and requirements developed which, in many instances, are supposed to be retroactive to organizations like ours and many others who have been in business for 10-17 years. When our grant was made, I was told by EDA's Chief Counsel for Litigation that after a period of five years, we would be essentially released from the reporting requirements, as long as we maintained accountability by having a certified audit performed annually and submitted it to the regional office of EDA. Unfortunately, none of this has ever come to fruition, and we continue to

wrestle with the agency over whether or not additional regulations, which are passed on a regular basis, can be, in fact, applied retroactively to these RLFs who have been in business for many years.

I believe I can speak on behalf of the approximately 360 RLF operators nationwide in asking for you and your Committee's assistance to help save this valuable economic development tool from being rendered ineffective by taking the necessary congressional action to defederalize these RLF funds so that we can be removed from the constraints that are continuing to damage the program and dampen its effectiveness. These constraints strangle our operations with these burdensome and expensive administrative requirements. In fact, over half of the problems experienced by RLF operators throughout the nation stem directly from the perpetual nature of these RLF dollars. As you know, this Committee and the 102nd Congress, Second Session, in a report dated September 29, 1992, Page 32, directed EDA to implement a recommendation to require EDA to change their policy so as to encourage the most flexible and efficient use of these limited Title IX funds.

Mr. Chairman, as you know, an EDA report published June 20, 1991 sponsored by the agency and its Revolving Loan Fund Quality Action Team cited on Page 12 of that report the following recommendation: "EDA should publish a regulation declaring that once EDA grant funds have been utilized by the grantee to make loans to the initial round of borrowers, funds subsequently loaned from the RLF shall not be considered as being derived from federal funds." The Quality Action Team report also concluded, "The team, after much deliberation, was of the consensus that EDA's RLF program would be much improved if the funds in the hands of the grantee/RLF operator were considered non-federal in character after the initial round of loans have been made." Unfortunately, Mr. Chairman, since the Quality Action Team's report of 1991 and your full Committee's direction of September 1992, nothing has been done and no reason has been given as to why it cannot be done.

While EDA's Quality Action Team made several positive and meaningful recommendations which have helped to improve the program, this, the single most important item, has not been implemented. Unfortunately, prior to your Committee's directive and the Quality Action Team's report, additional administrative guidelines and manuals continue to be developed that seriously hamper the effectiveness of these programs. For example, in July of 1989, the Revolving Loan Fund Guidelines which were issued were ambiguously drafted and its specific purposes were difficult to understand. The directive was developed and issued without any input from any RLF operators or local bankers. Additionally, in the late 1980s, 13 CFR Chapter 3, Section 308.5, terminology was inserted that seemed to effect a change from the original purpose of a grant to a "trust" relationship. The implicit transformation of a previously issued federal grant to an administrative contract for a local agency to merely serve as an operator of the federal loan program would alter the very nature of our loan fund and other RLF operators. It seems to us that this should be a violation of the Grant Agreement, unless both parties, the grantor and the grantee, agree to these changes.

For example, recent guidelines that have been implemented by EDA and their new Administrative Manual place restrictions on the following: Limitations as a percent of administrative expense; credit restrictions requiring written information on the need for the loan; minimum leverage ratios; determination of private and non-public funds; capital base requirement; and interest rate limitations. These new guidelines also require that specific laws be included in a separate loan agreement, not the bank's. This, obviously, will create additional and unnecessary paperwork and will require a separate note referencing our loan agreement which would differ from the bank's loan agreement. Banks simply are not going to participate under these conditions. I urge the Subcommittee to direct EDA to

solicit comments from RLF operators, bankers and appropriate entities in the future prior to issuing regulations.

Let me give you an example of how our existing loans are structured. We participate on a pro rate basis with the bank, meaning that we share the collateral and funding equally with the bank, which streamlines the cost and cuts out the duplication of servicing requirements. It also improves the loan's credit quality and at the same time reduces bank risk and encourages bank participation. Because banks are lending experts, we use all the banks' documents, eliminating additional paperwork. Unfortunately, based on EDA's new guidelines, our participation will be limited to one-third of the loan on participation loans while, at the same time, increasing the need for paperwork and servicing costs. This, obviously, weakens the collateral position of the RLF and increases cost for services to the small business.

An example of some of the requirements listed in the new RLF Standard Terms and Conditions (March 15, 1993), Page 5, Section D, "RLF requirements for recipients and borrowers." The recipient must agree to incorporate applicable federal requirements described herein in the loan agreement to ensure borrower's compliance. They include, but are not limited to:

1. Annual certification plan modification;
2. Relocation;
3. Civil rights;
4. Environmental requirements;
5. Clean Air Act;
6. Federal Water Pollution Control Act;
7. Coastal Zone Management Act;
8. Executive Order 1988 Flood Plan Management;
9. Executive Order 1990 Protection of Wetlands;
10. Endangered Species Act of 1973;
11. Safe Drinking Water Act;
12. Wild and Scenic Rivers Act;
13. Resource Conservation and Recovery Act;
14. Comprehensive environmental response;
15. Compensation and Liability Act;
16. National Historic Preservation Act;
17. Coastal Barrier Resource Act;
18. State and Local Environmental Review Requirements;
19. Earthquake Hazard Reduction Act of 1977;
20. Flood Hazard Insurance;
21. Davis Bacon;
22. Contract Work Hour Safety Standards; and
23. Access for Handicapped.

As it stands now, we are required to address all of those subjects in our loan agreement and require the borrower to sign those documents. Why can't we just instead use the bank's loan agreement? Can you imagine how difficult it will be to get banks to continue to participate with RLFs as they have in the past with these additional documentation requirements? In my and many other RLF operators' opinion, the banks will not. In addition to these requirements, EDA is now requiring

environmental indemnification to past, current and future projects from the small business, the bank, and the RLF.

Ladies and gentlemen, most of the RLF loans, not only at CADDA but throughout the country, are small business loans in the amount of \$5,000 to \$50,000 in areas such as minority programs, downtown revitalization pool, etc. Additionally, just to meet the requirements of the Davis Bacon Act, normally increases the cost of a project in a rural area by at least 30 percent. How can we expect small businesses to afford the cost of using this program when the amount of paperwork, administrative requirements, legal mandates, etc., continue to increase? Doesn't it make more sense to allow the local RLF composed of the board of directors and bankers in the area to make decisions on how the loan should be structured and what guidelines are needed? It appears as though the new RLF guidelines are designed for Fortune 500 companies or other companies who have tremendous administrative resources and legal capacity that can afford to comply with all these regulations and lending guidelines. Shouldn't we focus and target our efforts on the major job creator -- the nation's small businesses which generally create 80-85 percent of the jobs annually? We would like to urge your help and support in eliminating these federal restrictions, including action to defederalize these monies so that we may more effectively deliver our resources to qualified, small rural businesses that are in need of our and the bank's help. If this is not done, I believe that you can be assured that this valuable RLF program will be rendered ineffective.

As you may know, some opponents of defederalization believe that RLF funds must continue to be categorized as federal in order to maintain accountability. Please remember that RLF operators are required to comply with OMB Circulars A87, A10 and A122 which dictate the manner in which these programs are administered and the way the funds are spent. Defederalization will not eliminate those or other reporting requirements. We support the need for certified annual audits that are done by qualified CPAs that also requires loan verification. For example, our organization has had a full certified audit annually since 1976; it is annually presented to our board of directors by the CPA; and is sent to each federal agency with which we do business. It is difficult to understand why EDA has resisted this action so strongly when other federal agencies such as FmHA has had for several years a standard defederalization policy in their Intermediary Relending Program. FmHA guidelines and regulations specifically state that once those dollars are loaned, the repayments are not considered federal dollars. Additionally, SBA projects are not required to comply with the Davis Bacon Act simply because small businesses cannot afford it.

For the last 10 years, Mr. Chairman, many others and myself have worked diligently to get EDA to defederalize our funds, as promised. However, the trend is toward more rules, more restrictions, and more paperwork which hampers the delivery purpose and intent of the program, and decreases the effectiveness and attractiveness of these RLFs.

In conclusion, I would like to again express my sincere appreciation to you, Mr. Chairman, to the Ranking Minority Member, Ms. Molinari, and to Congressman Collins, for your invitation asking us to appear today. This is a very serious matter and we would like to urge your Subcommittee's action on this crucial problem to see that quick action is taken to defederalize RLF funds after the initial round of loans. We stand ready to work with you and your Committee's staff in any way we can. I know that NADO and the nation's RLF operators are very much in support of this effort and are anxious to work with you to save our program. I will be happy to respond to any questions that you may have.

TESTIMONY
ON
DEFENSE CONVERSION

Presented by:

Ron R. Radford
Deputy Plant Manager
Westinghouse Electro-Optical Systems - Orlando
Orlando, Florida

before the

Subcommittee on Economic
Development of the Committee on
Public Works and Transportation

July 20, 1993

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To <i>Helen Webster</i>	From <i>Ron Radford</i>	
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Chairman Wese, members of the Committee:

I am Ron Radford, Deputy Plant Manager for Westinghouse Electro-Optical Systems - Orlando (WES-O) in Orlando, Florida. I appreciate the opportunity to speak to you today about our experience with defense conversion.

WES-O was established in 1986 as a growth business in Electro-Optics and designated as the Westinghouse Center of Excellence for Electro-Optics research, development and production.

Our primary products have been infrared imaging systems for conducting night military operations comparable to those you saw employed by our forces in Desert Storm. The WES-O 70,000 square foot engineering and manufacturing facility was completed in 1990, specifically configured for development and production of the Combined Function Forward Looking Infrared (FLIR) and optical windows for the U. S. Navy A-12 attack aircraft. It is a high technology facility with a temperature and humidity controlled factory, clean rooms allowing no more than 1,000 parts/million contaminants, specialized environmental test equipment, engineering laboratories and a one of a kind diamond turning machine for polishing the large optical windows for the A-12.

The A-12 FLIR was a state-of-the-art system uniquely providing both infrared imaging and Search and Track functions. Also, the A-12 windows required state-of-the-art optical coatings. These were high performance, sophisticated systems representing hundreds of millions of dollars of business well into the next decade. As you know, the A-12 program was cancelled in January 1991 and the U. S. Air Force F-16 Close Air Support program for which we had another major FLIR system in development was also cancelled.

Since these programs represented the majority of our business at WES-O, we had to take concerted diversification efforts to protect our major investment in WES-O and save as many jobs as possible. We were in production of our medium performance systems for the U. S. Coast Guard in support of its drug interdiction mission, as well as Air Force and Army applications; however, we needed a smaller, lower cost FLIR with more commercial potential to rebuild our business. Therefore, we acquired the MICRO-FLIR® product line from Kollmorgen Corporation.

This product line provides us with a FLIR camera with good performance, weighing approximately 10 pounds that can be sold at less than \$100K. It is used by the U. S. Navy in the DDG-51 but its modular and compact design allows us to adapt it for many uses, both military and commercial in the U. S. and internationally. These uses cover the spectrum from airborne surveillance and fire control to shipboard fire control, law enforcement, fire rescue and security. We are currently in production for the U. S. Navy and several international customers.

Another initiative we have taken to further strengthen sales of the MICRO-FLIR® is that we are investing in a privately financed partnership with Bell Helicopter through a newly formed company named Bogan Aerotech to market internationally the Huey II, a

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low cost, Bell certified upgrade to the approximately five thousand Vietnam era Huey helicopters currently operating around the world. This upgrade to the Huey improves its flying performance and provides it a capability to operate at night for missions around the world including border surveillance, search and rescue, law enforcement, fire suppression and agriculture. We have flight demonstrated the Huey II prototype here in the U. S. and we have received positive interest from the Army National Guard, State Department and the Border Patrol. The Huey II has recently completed demonstrations in Germany, Spain, Greece, and at the Paris Air Show. We have also received good responses in Europe, especially from the German Border Police and Spanish Police. The market in the Pacific Rim is promising and potential for applications in Latin America to support drug interdiction is good, especially with continued strong U. S. support.

These are some of the company financed initiatives we have taken to diversify from primarily U. S. military business. We are submitting a proposal to ARPA to obtain federal funding to support our effort to develop new low cost infrared camera technology for increased commercial as well as military applications. We have formed and are leading a Central Florida Electro-Optical Technology Alliance with the University of Central Florida Center for Research in Electro-Optics and Lasers (CREOL), Valencia Community College in Orlando, and two small optics companies, Optomechanik from Melbourne, Florida and Virgo Optics in Port Richey to jointly develop this low cost infrared technology. The team is working closely together to submit a winning proposal. The Alliance is also submitting a deployment proposal to ARPA to provide the capability in Central Florida to manufacture low cost optics which directly supports our development proposal. Government funding of these proposals will support our objectives to strengthen Central Florida as the Center of Excellence for Electro-Optics and improve our competitiveness worldwide.

Our alliance has worked these proposals in conjunction with the Florida Advanced Manufacturing Technology Consortium. Also, we have worked closely with the State Department of Commerce and we have received a commitment of support for these proposals from the State of Florida and Enterprise Florida, a newly formed public/private partnership with the mission of building a diversified and competitive economy in Florida.

Our efforts in defense conversion have identified some lessons learned for your consideration. In general, for us to retain military business but be competitive commercially, defense acquisition needs to accelerate the reforms that are underway, that is, use streamlined performance specifications versus detailed process specifications dictating how to build products, implement process control rather than inspecting and testing in quality, rely on self-governance versus government audits, truly emphasize best total value versus price competition, plan and budget for quality in design rather than waivers and deviations or engineering changes in production, and focus on life cycle cost versus acquisition cost. Only with these type changes can we use the same processes and procedures for defense and commercial work. Otherwise, only one customer can be served or two separate systems established which in the long run will not be competitive.

With respect to the current Technology Reinvestment Project (TRP), my view is that a

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lot of good work has been accomplished by the government team to successfully carry out the program. However, we in industry have encountered some problems. First, my assessment is that the ground rules restrict what should be proposed. I believe some good candidates for defense conversion will not be submitted since they don't fit the ground rules. For example, Westinghouse is not submitting a proposal to develop a color light source for printers (edge emitter) for which we own the patents and uses thin film technology we developed for the A-12. We believe this device could help the U. S. recapture a good part of the multi-billion dollar printer, facsimile and the upcoming digital color photography market. Similarly, a small laser manufacturer in Central Florida with several unique ideas is not submitting proposals in response to the TRP because they don't fit the ground rules.

In another example, we can apply our MICRO-FLIR® defense technology to airport fire rescue trucks today and meet an immediate need to allow them to be more successful in saving lives at night and bad weather. The MICRO-FLIR® has been demonstrated by the FAA to provide the necessary performance; however, the cost needs to be lower. Westinghouse is prepared to jointly finance with the government the needed adaptations and factory production changes needed to achieve the required cost goal; however this project also doesn't fit the TRP rules.

Another concern is that the amount of resources being expended to compete for the TRP funds compared to the ultimate return is too high. That is, a lot of effort is being expended in understanding the program and preparing proposals, yet the amount of dollars are relatively small for industry nationwide.

Therefore, I would recommend the following improvements in the defense conversion process: make it less restrictive, simplify it and give the states and private industry more latitude in pursuing this objective to enhance economic development and job creation.

In summary, we have taken company financed initiatives in defense conversion which are achieving results. Also, we are participating in the federally funded conversion program. A positive result I have observed to date is our alliances in Florida have promoted closer relationships among industry, the Universities and the state government which are beneficial for everyone. I am hopeful as the conversion process moves forward and improvements in the implementation are made that the benefits will grow.

Mr. Chairman, again thank you for the opportunity to address this committee and I look forward to your questions.

STATEMENT OF RANDY STARBUCK

THE ECONOMIC DEVELOPMENT ADMINISTRATION AND INVESTMENT IN THE CITY OF NAPA CALIFORNIA

THE NAPA RIVER RESTORATION PROJECT

A Report to the Economic Development Subcommittee
House Public Works and Transportation Committee

Executive Summary

Respected urban planner Mr. William H. Whyte said upon a recent visit to Napa:

"What has struck me is the wonderful sense of place you have. This is a real honest to god place...I do not know any place that I've ever seen that is so consistently pleasant."

The City of Napa, California, located 65 miles north of San Francisco within the First Congressional District, is a dynamic community set within the World Famous Napa Valley Wine Region. Yet, despite its association with the wine industry, Napa is a community facing economic uncertainty. Despite the renowned reputation of the wine industry in Napa Valley, Napa is a distinct working class contrast to the "elegant" wine country image. Although the wine industry exists in the valley, its benefits are hardly noticeable in Napa.

Because of this, Napa is a community in search of an identity. For many years, Napa's have turned towards the Napa River as the potential source of that identity. With examples such as San Antonio, Texas to study, Napa has conducted numerous planning efforts for the eventual restoration of the Napa River waterfront. A map of the Napa River course through the community is included as Attachment # 1. Today, the identity long sought by Napa is taking shape in the form of an extensive commercial restoration project. Covering almost six miles of the river's length through the City, the restoration project will incorporate commercial, residential, recreational, and environmental areas creating a true "river oriented community". The River Restoration Project promises to yield not only economic prosperity, but also provide a means to protect local agricultural resources by redirecting development pressures away from prime agricultural areas around Napa. The River Restoration Project also provides a means to create significant number of new jobs and needed economic activity in the wake of the Mare Island Naval Shipyard closure.

Significant private sector interest has already occurred in the project area. Most notably in the interest of vintner Robert Mondavi who, through the Board of Directors for the Center for Wine, Food and the Arts is working to acquire land to build a cultural center along the Napa River in Downtown Napa. The Center will be the catalyst for the long awaited restoration program.

The River Restoration Project is critical to the future of Napa. As the community's unemployment level rises, and the closure of Mare Island Naval Shipyard becomes more certain, the River Restoration Project has taken on a new urgency. Central to the Project is the development of a Napa River flood control project through the Army Corps of Engineers. Flood control is the most significant and costly public works project along the Napa River. As the Corps' work moves forwards, developer interest has increased. The Corps is working cooperatively with the community to finalize design and begin construction as soon as possible.

Besides flood control, there are several other impediments remain along the river which limit its economic potential. Poor infrastructure and traffic circulation systems; contaminated properties, a legacy of Napa's industrial past along the river; solid waste disposal issues; and badly need sewage treatment plant improvements are other issues impacting economic potential along the river and the community as a whole. These issues must also be addressed in order to create an attractive economic environment for private investment.

When Napa was notified by the U.S. Department of Commerce--Economic Development Administration (EDA) that the City qualified as a federal redevelopment area, it was clear that an opportunity had presented itself. EDA's Title I program funds offer Napa the significant tool needed to leverage private sector investment in the river area. EDA's Title I program offers the financial means to address many of the significant infrastructure problems along the Napa River. For a relatively small investment, the federal government can participate in a community restoration effort not often seen in this country. The River Restoration Project could not come at a better time with the California recession entering its third year, and with the pending closure of Mare Island. The River Restoration Project offers hope of renewal, new employment opportunities and economic prosperity. The determination regarding Napa's eligibility for EDA funds is proof again that the time for the River project is NOW. EDA has a vital role to play in this River Restoration effort. Napa is counting on EDA and its funding to make this a reality.

Background--The City of Napa and its Economy

The basic demographic features of the City of Napa population are detailed on Attachment # 2. The City of Napa has an estimated

population of just under 64,000, up from 50,879 in 1980 and 61,842 in 1990. Nearly 16 percent of the population is of hispanic origin, comprising the single largest ethnic group. The community is primarily working class with over 88 percent of the nearly 30,000 person work force employed in non-professional/managerial occupations, such as the service industry. Although the largest community in the Napa Valley wine region, the local Napa economy benefits little from the wine industry directly. Most wine oriented agriculture and tourism activity occurs in the unincorporated areas of Napa County and upvalley communities of Yountville , St. Helena and Calistoga.

Major employers in Napa include very few wine oriented companies. Napa is home though to firms such as Apple Computer (125 FT employees); Dey Labs, a pharmaceutical concern (275 FT employees); and Napa Pipe, a manufacturer of steel pipe (310 FT employees). In addition, 1,000 Napa residents are employed at the soon to be closed Mare island Naval Shipyard.

Tourism is the second largest industry in Napa County after the wine industry. Both the Napa Valley Conference and Visitors Bureau (CVB) and the County Tourism Advisory commission estimate that 4 to 5 million tourist visit the Napa Valley annually. That number is expected to grow to 8 million by the end of the decade. The CVB estimates that in 1991, over \$321 million in travel expenditures occurred in Napa Valley. The 1991 payroll for tourism in the valley was \$68 million with total tourism based employment (hotels, spa's, winery tasting rooms, etc.) was just over 5,000 (See Attachment #3). Over 86 percent of those who visit the valley though stay less than one night. Thus while over 40 percent of the 2,000 hotel rooms in Napa County are in the City of Napa, much of the economic impact associated with tourism continues to go to the wineries in Upvalley communities. A recent study of hotel occupancy by R & H Hospitality found that the City of Napa was near the bottom in transient occupancy tax revenues for valley lodging facilities.

Factors Impacting Economic Growth

Napa has several unique factors which have limited and even curtailed economic prosperity. The most significant problem is the flooding along the Napa River. The Napa river runs the length of the valley and empties into the San Pablo/San Francisco Bay. As the flood situation in the nation's heartland dominates the news, Napa residents recall the devastation brought on the 1986 flood. While only a 56 year event, the 86 flood caused over \$100 million in damages over its three day duration, claimed four lives, and carved a path through the economic heart of the community that remains today. In reviewing the Attachment #1 map, one can readily see the size of the floodplain problem in Napa. The floodplain cover nearly 3,000 parcels in the City and an area in excess of 3 square miles. Many prime development parcels remain vacant or

occupied by abandoned structures to this day. Nowhere is this more evident than in Downtown Napa where building occupancies approach nearly 25 percent and prime development properties at the entrance to downtown remain vacant or under utilized due to potential river flooding.

Napa's own traffic circulation system, and water and sewer delivery systems, are showing their age and need significant upgrading to handle even meet existing demands. The sewage treatment plant for the community must be upgraded at an estimated cost of over \$60 million. Thus, as new projects are developed, be they residential or commercial/industrial, significant additional costs for infrastructure repairs/upgrades must be borne by the developments. Often times, these requirements have resulted in making important projects which could create jobs, provide affordable housing, and boost the local business climate economically impossible, even during the economic boom period of the 1980's.

The California recession has brought severe job loses to Napa County and the City. Napa's unemployment rate is now over 9 percent, up from only 6 percent just three years ago. Real estate prices have plummeted further impacting local government revenues. Retail sales in Napa have steadily fallen from a 14 percent increase in 1989 to only 1 percent increase last year. This is compared with over 4 percent growth in retail sales in both the County and the State in 1992. As retail sales fall, sales tax revenues to local governments fall.

Finally, there is the closure of Mare island Naval Shipyard in Vallejo. SEDCORP, the Solano County Economic Development Corp recently completed a study of the impacts of closing Mare Island. A copy of that report is included as Attachment # 4. The study identified 1,100 of the current 6,600 civilian employment reside in Napa County, 1,000 of which in the City of Napa. These Napa County employees represent an annual payroll of over \$45 million. A copy of the study is included in this report. The study further examines the secondary impacts of these jobs through use of a Department of Defense accepted multiplier of 2.5765. Through use of the multiplier, estimated total economic impact is put at 3,300 jobs lost in Napa County and over \$116 million in economic impact removed. These are significant economic impacts which will further deepen the local effects of the recession.

However, against this backdrop of economic uncertainty, the River Restoration Project offers the opportunity to respond to the challenges of the future.

The Role of the Economic Development Administration and the Napa River Restoration Project

In response to the aforementioned economic issues, the City of Napa has set economic development and tourism as its top priority for

the future. In 1992, the City participated in an community based master planning discussion regarding the expanded use of the 31 acre Napa Valley Exposition site (EXPO) in downtown Napa. The master planning effort has lead to a tremendous community interest in the reuse of that property for a variety of tourism oriented uses.

Further stimulating Napa's economic development efforts was the EDA's notice that, due to high unemployment, Napa was "pre-qualified" as a federal redevelopment area under Section 401 (a) (8) of the Public Works and Economic Development Act of 1965. On April 6, 1993 the City Council adopted Resolution # 93-085 requesting designation from EDA as a federal redevelopment area. Soon thereafter, work began on the required Overall Economic Development Plan (OEDP). On June 20, 1993, the City Council established the first city-wide economic development program in Napa's history. Full time staff was assigned and development of an economic development policy statement and programs. Napa is pursuing well managed and sound economic development opportunities which produce long term economic benefits and create quality permanent full time jobs.

This new economic development effort has lead to new partnerships with other local entities, such as the Napa Valley EXPO. Forged during the EXPO master plan effort, the City and EXPO have been working together on reviving the River Restoration Project. As a result of this and other extraordinary partnership involving Napa County, the Arts community, and river environmentalist, a remarkable project opportunity has come forth. One which could literally remake Napa through the River Restoration Project.

Center for Wine, Food & the Arts

As previously stated, an indepth master planning effort was conducted in 1992 regarding the future of the EXPO, a 31 acre property in downtown Napa. Home to the annual Town & Country Fair, the EXPO Board was seeking community input regarding year round uses for the EXPO, which would complement the annual Fair events. The EXPO master plan was completed in an astonishing four month period. Over 70 community leaders, representatives from the City of Napa, Napa County, business, education, cultural organizations, and private citizens meet consistently to forge a unique cooperative master plan concept (See Attachment #5). A variety of development goals were identified for the EXPO site, most notably a cultural center focused on wine and the arts which would serve to draw a larger portion of Napa valley tourists to the downtown riverfront area. Thus, a "THERE" would be created and serve as a focal point for river restoration efforts.

At the close of this process, the City and the EXPO were approached by vintner Robert Mondavi regarding a proposed Center for Wine, Food & the Arts (the Center). The Center's Board of Directors was

seeking a 30+ acre site for a 70,000 s.f Cultural and Research Center, an amphitheater for performing arts, a conference center and five star executive level hotel site somewhere within the Napa Valley. The Center will consist of research facilities regarding food and wine, exhibit halls, and demonstration vineyards. The Center will be a world renowned home for research into such issues as nutrition for the aging, diet studies in developing countries, and symposiums on a wide variety of health and nutrition related issues. The Center would have a working partnership with the University of California-Davis regarding its research programs. The performing arts center will become the showcase for cultural arts and art education in Northern California, featuring both local and international talent. Conference and hotel facilities would be necessary to accommodate visitors and guest of the Center. Estimated annual attendance is conservatively put at 500,000.

The EXPO master planning effort had paid off! The community had already agreed upon a concept similar to that proposed by Mr. Mondavi, and a possible site. A recent study of hotel demographics indicated a strong need for an executive style hotel in the valley. The cultural arts community applauded the performing arts facility as fulfilling a need in terms of establishing a true arts community in Napa. With its location in the downtown, along the Napa River, the Center would be that would catalyst for the river restoration effort discussed for so many years.

Making the deal happen was the next step. Over the last twelve months, a truly extraordinary partnership has occurred in Napa. The City of Napa, Napa County, and the State of California have come together around the Center to "make the deal happen". The State, owner of the EXPO site has pledged and provided preliminary engineering analysis of the EXPO site relative to flood control and building location issues. Funding for certain site improvement needs on the EXPO property are currently being discussed. The Army Corps of Engineers has taken a dramatic and sensitive turn towards river design as a result of the Center's interest in a downtown river site. The design for the flood control project will be sensitive to the River Restoration Project through a sensitive design efforts. A new approach to solving problems is in the works. And that has been rewarded. The Center Board is today closing negotiations for purchase of property adjacent to the EXPO for purposes of citing the Center and its additional uses on both properties. This project has the scale and potential to literally remake the community.

The EDA has a vital role to play in the Center project and the entire river restoration effort. The commercial potential to be realized from the restoration effort will result in literally one to two thousand new jobs being created. The new development potential in the floodplain has been put at over 700,000 s.f. (exclusive of the Center) for commercial and 350,000 s.f for industrial. The Center along with the performing arts facility,

hotel, and supporting commercial development, is estimated to create up to 600 new jobs alone. Most of these jobs will be in the service and professional categories and accessible to unemployed and underemployed persons, as well as those impacted by the Mare Island closure. While flood control is the basic element that opens the door to river restoration, basic infrastructure and locally sponsor design amenities (river trails, recreational elements, design standards for new development) will create the economic climate for private sector investment. EDA's Title I funds will assist in providing planning and infrastructure work needed to go beyond the flood control project to make economic development within the River Restoration area a viable commercial venture. The use of Title I funds for the Center and River Restoration Project will create permanent new jobs in Napa.

Planning monies and technical assistance are key to laying a good foundation for the River Restoration Project. As the City prepares its OEDP for EDA Title I, the River Restoration Project and the Mondavi Center will be the primary focus. Upon certification of the OEDP, the City will be applying for planning dollars to help fund development of a specific plan for the restoration area and Center/EXPO site. The specific plan will address the land use, traffic circulation, utility delivery, economic impact, and environmental issues of the river restoration project. planning area to be covered is between 200 and 300 acres in size, and include the long dormant central downtown area of Napa. The future success of the project in terms of jobs created and overall economic impact is predicated upon a solid well conceived planning effort.

Title I funding for basic infrastructure needs is an import resource to assist in meeting these costly items which will hinder the River Restoration Project. Traffic circulation systems within the restoration area are confusing and substandard in many key areas, especially when the Mondavi Center impacts are taken into account. The major arterial streets leading to the restoration area and the Center will need to be realigned and widened. The realignment of Soscol, the main north/south street leading from Hwy 29 may cost as much as \$8 to \$10 million. Water and sewer capacity in the river area is questionable and oversizing is anticipated, especially relative to the hotel segment.

As the River Restoration Project moves forward, these basic infrastructure needs must be addressed. The City and the Center will be looking to the EDA for assistance both in planning and technical advice, and public infrastructure matching funds. EDA's Title 1 program is a critical financial tool for this project.

Defense Closure Program--Title IX and the Napa River restoration Project

As stated earlier, the impacts of Mare Island's closure on Napa are

very significant. Napa cannot respond alone to losses of that magnitude. Outside assistance and coordination of efforts with other impacted communities will be necessary. The City of Napa, Napa County as well as the Solano County communities of Fairfield, Suisun City, Vacaville and Vallejo, are all looking towards Washington not only for financial assistance, but sound economic planning advice regarding the future of their communities. EDA is the most obvious choice to fill that role on Washington's behalf. EDA's valuable experience in using its Title IX monies to address needs in distressed communities makes it the logical choice for working with cities suffering through base closures. The Mare Island impacted communities are not looking for bailouts, but assistance in planning, then developing long term solutions which will make their towns stronger economically than when the bases were open. EDA Title IX funds are he means to accomplish that task. Planning monies, when coupled with Title I public works monies, EDA offers what may be the most effective source of federal dollars for creating replacement jobs, retaining and attracting new businesses, in the wake of the Mare Island closure.

Given the severe economic dislocation caused by the loss of the base, it is Napa's position that Washington should provide as wide a range of assistance efforts as possible. EDA fills a valuable role and must be retained. Without EDA's Title I and IX programs, communities such as Napa will be left literally with nothing in the way true economic development resources on a broad base level to respond to the coming economic crisis of a base closing.

The Mondavi Center project, and the entire River Restoration Project will be a major economic force in offsetting the losses in Mare Island economic impacts. The River Restoration Project and the Center's will create jobs opportunities for those impacted by Mare Island cuts across several categories. For example, the food research aspect of the Center will spawn interest in additional research and development programs as a result of said research. Opportunities for located facilities for development of new nutritional advances to feed the world could be located in Napa. These facilities will require skilled employees, who, with proper retraining can be former participants in the Mare Island economy. Development of a "food research community" is entirely possible, and the job creation possibilities are enormous. Napa already has a large industrial park in place. With only 40 percent of its land occupied, there is ample room for new food research facilities to be constructed without governmental investment in an industrial park site. The catalyst in the Mondavi Center.

The entrepreneurial spirit of the Mondavi Center has the potential for spilling over into base closing projects. Mare Island is a base with impacts spread over three counties in the Bay Area. An unprecedented level of cooperation, creativity, and progressive thinking will be necessary in order to develop and carry out a reuse plan that benefits all concerned. The example of that

cooperation is the Mondavi Center. By participating in Napa's efforts through Title I and Title IX, the federal government, through EDA will have a first hand look at a unique partnership effort involving City, County and State agencies along with local business and other important community segments. The dynamic planning and vision, along with creative problem solving occurring around the Center is a valuable classroom for the future in how to work cooperatively in new ways to bring about positive change.

Summary and Closing

The City of Napa is entering an important time in its history. Never before have so many issues regarding its future all been before the community at one time. From its new general plan to the economic development program to the OEDP, to Flood control to the Mondavi Cultural Center, all of these issues will have major impact on the future of Napa for the next 50 years. Despite the negative impacts of the recession and closure of Mare Island, Napa is a community with a bright future due primarily to the River Restoration project and its showpiece, the Center for Wine, Food & the Arts. In terms of jobs and economic impact, the River Restoration Project, along with the Center will revitalize and redevelop the Napa economy. EDA must play a vital role in assisting the community in creating that future. Title I and IX programs are critical to Napa's ability to respond to the economic uncertainties, both today's and tomorrow's. The Center has educated Napa in the art of working together, of laying aside personal goals for broader community benefits. Our hope is that Washington too will see the benefits of joining in a truly cooperative effort too respond in force to the needs of the Mare island community and the region through continues and expanded funding of EDA.

Referenced Attachments:

Attachment #1	City of Napa map depicting flood plain
Attachment #2	City of Napa demographic tables
Attachment #3	Napa Valley Tourism Information
Attachment #4	SEDCORP Mare Island Impact study
Attachment #5	EXPO Master Planning documents

Additional Information

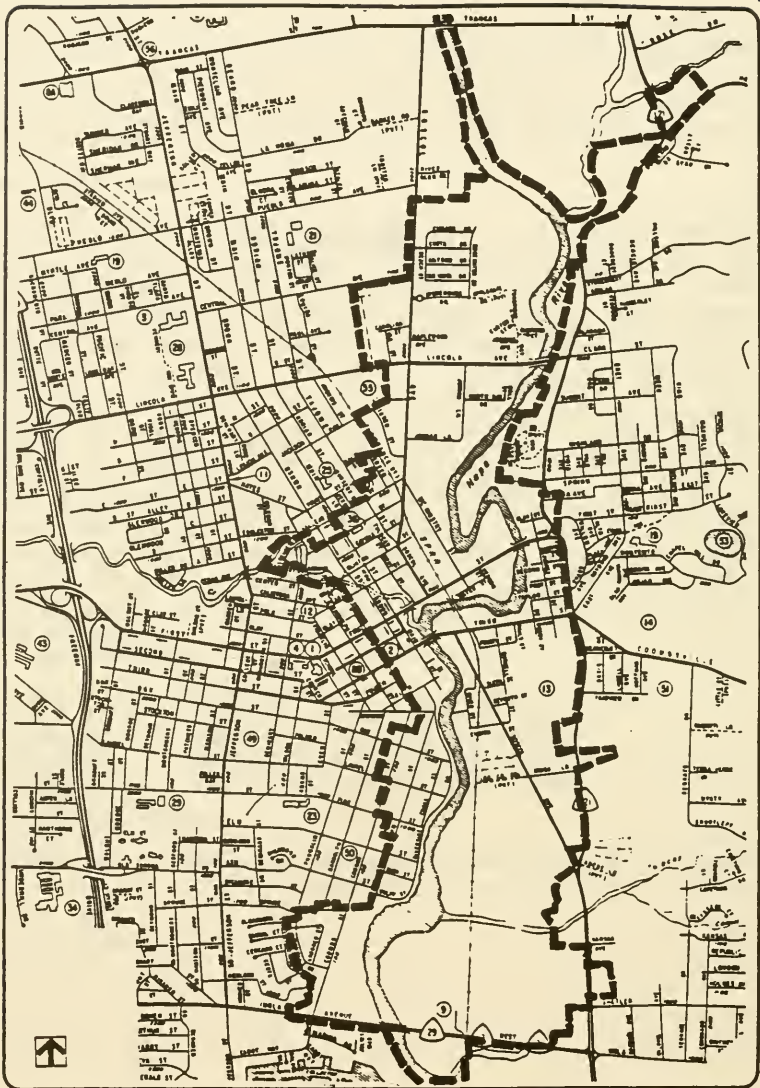
Attachment #6	Draft White Paper-"The Rebirth of a California City" Discussion of Center for Wine, Food & the Arts
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ATTACHMENT # 1



Map of [illegible] [illegible]



Flood Evacuation Area
City of Napa, California

ATTACHMENT # 2

Table
 City of Napa
 Demographic Information

POPULATION AND HOUSEHOLD DATA

Population		Growth Rate
1980	50,879	N/A
1990	61,842	21.55%
1992 (Estimated)	64,400	4.14%
Median Household Income		
1980	\$18,888	
1990	29,996	58.81%

Source: Census Data

Table

City of Napa

Demographic Information

EDUCATION CHARACTERISTICS

Years of Education -- 1980 Census data
Persons 25 years and older

	31,342	Percentage of Total	Bracket Percentages
Elementary	3,426	10.93%	
High School 1 - 3 years	3,855	12.30%	
High School Graduate	11,482	36.63%	59.87%
Some College and Technical School	7,730	24.66%	84.53%
College Graduate	2,519	8.04%	92.57%
More than 5 years College	2,330	7.43%	

Source: Census Data -- 1980

AVERAGE HOUSEHOLD INCOME (IN CONSTANT 1985 DOLLARS)

Subregional Area	1980	1985	1990	1995	2000
Calistoga [Ⓢ]	33,035	35,400	36,100	38,100	41,900
Napa [Ⓢ]	31,529	33,200	35,200	36,900	38,500
St. Helena [Ⓢ]	27,937	30,000	31,500	34,000	35,100
Yountville [Ⓢ]	25,186	26,600	27,500	28,400	29,200
American Canyon [Ⓢ]	32,252	33,300	33,500	33,800	34,500
Remainder	40,684	43,500	43,400	45,200	46,600
Napa County-Wide Average	33,167	35,000	36,200	37,900	39,400

[Ⓢ] City [Ⓢ] City Sphere of Influence [Ⓢ] Urban Service Area [Ⓢ] Other Subregions

A variety of attractive financing programs are available in the Napa Valley. The City and County of Napa provide both taxable and non-taxable Industrial Development Bonds, financing from \$250,000 to \$10,000,000, that allows corporations to raise funds from land, buildings and capital improvements. Through the State, guaranteed loans are available up to \$350,000 – 90% guaranteed. Community Development Block Grant funds can be accessed for low interest long-term loans up to \$600,000.

The Small Business Administration also offers funds for established businesses that meet their criteria. S.B.A. 502 and 504 programs provide up to \$750,000 for land, building and related development costs. Program 7A provides funding for capital and inventory needs. Information on these programs is available at the Napa City/County Development Corporation located at 100 Coombs Street, Napa, CA 94559, (707) 253-3212.

CITY: Industrial Development Bonds – up to \$10,000,000.

COUNTY: Assessment District Financing, Industrial Development Bonds, ESAC Bonds – up to \$10,000,000.

STATE: Community Block Grant Program – up to \$600,000.
State guaranteed loans – \$300,000.

Bond Assessment Rating – A

[Ⓢ] Source: ABAG 1987

[Ⓢ]

DRAFT

Overall Economic Development Program (OEDP) Data

JOBS, BY SECTOR

Shaded figures from ABAG, others from census.

	City					RUL					County				
	1970	1980	1990	2010	2020	1970	1980	1990	2010	2020	1970	1980	1990	2010	2020
	Total	13,724	23,295	29,601								28,756	35,907	48,610	77,250
Agriculture/Mining	266	480	1,419								1,170	3,139	3,920	4,170	
Construction	768	1,490	2,369								1,724	1,600	3,370	6,020	
Manufacturing	3,049	4,040	4,006								5,523	4,475	6,290	10,970	
Transp/Comm/Util	896	1,475	1,765								1,785	1,500	1,520	1,660	
Wholesale Trade	319	686	766								603	691	1,840	4,060	
Retail Trade	2,370	4,443	5,319								4,635	6,112	5,900	17,360	
F.I.R.E.	479	1,333	1,882								991	1,470	1,720	2,940	
Services	4,689	8,015	10,462								10,523	15,710	20,640	33,270	
Government	888	1,333	1,613								1,802	1,960	2,130	2,550	



Growth Trends by Industry

Overall, during the seven-year period covered by this report, Napa County should experience moderate job growth. In 1990, despite the national recession, the county continued to maintain a strong position, but our preliminary data indicate that a loss of jobs occurred in 1991. Currently, a slow recovery appears to be underway, and we expect local job growth to resume, albeit at a much slower pace than was exhibited in the 1980s. A total of 6,000 new jobs are expected in the 1990 - 97 projection period, with the rate of growth averaging about 2.0 percent per year. By comparison, the county's nonfarm jobs rise averaged 5.5 percent a year between 1983 and 1990.

Almost 40 percent of the new jobs will come from employers in the service industries. Tourism will stimulate significant job increases in hotels and other lodging places as well as in country clubs and recreation services. Some existing hotels and country clubs are expanding and new ones are planned, including a four-star luxury hotel with a golf course, which will begin operation in the last part of the forecast period. Health care and business services, continuing long-term trends, will also be among the strongest growing.

Tourism will also spur many of the new jobs in the retail trade industries. Eating and drinking places, which employ more than a third of the retail trade workforce in Napa County, will be responsible for 40 percent of the new retail jobs expected over the 1990 - 97 period. The completion of a large retail project in the city of Napa in the latter part of the outlook period will provide a substantial boost to retail payrolls. General merchandise and food stores will also create new employment opportunities, as will the remainder of the retail trade division.

Nonagricultural Job Growth by Industry Division*
1990 - 1997

Services	2,300
Retail Trade	1,500
Manufacturing	700
Mining & Construction	500
Finance, Insurance & Real Estate	400
Government**	300
Transportation & Public Utilities	200
Wholesale Trade	100

* Employment is by place of work and does not include persons involved in labor-management trade disputes.

** Includes all civilian government employees regardless of activity in which engaged.

Source: EDD Annual Planning Information, June 1992

	1980	1990	1995	2000
Employed Residents	43,197	52,683	54,600	63,200
Total Jobs	35,907	48,610	52,480	60,890

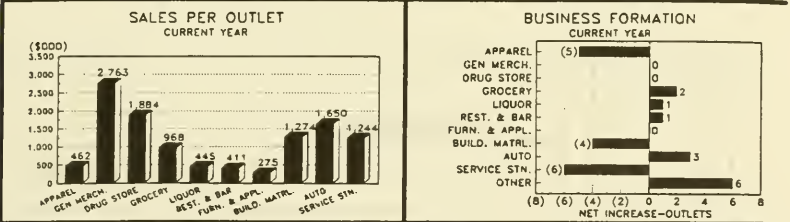
Source: Recession Update, ABAG Projections 1992

NAPA CITY (NAPA)

SALES/OUTLET REPORT & RANKIN

PERFORMANCE RANK	GROWTH PERSISTENCE	RELATIVE STRENGTH	SALES RANK	PER CAPITA SALES RANK	% STATEWIDE SALES	PER CAPITA INCOME RANK	POPULATIO GROWTH
3	47.2%	1.12	97	182	0.244%	8	2.72%

NEW OUTLETS RANK	OUTLETS RANK	% STATEWIDE OUTLETS	PER OUTLET SALES RANK	POPULATION RANK	MEDIAN AGE	HOUSEHOLD SIZE	POPULATIO DENSITY
294	91	0.217%	127	88	36.4	2.58	144



RETAIL SALES (\$000)	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	GROWTH RATE
APPAREL STORES	8,272	8,320	8,188	8,417	10,005	12,191	14,804	17,408	19,388	20,318	23,900	18.2%
GEN. MERCHANDISE STORES	44,432	44,881	47,377	47,397	49,341	51,879	50,401	54,209	58,376	55,288	57,800	2.3%
DRUG STORES	11,778	12,500	14,221	17,728	18,338	18,544	18,284	20,544	20,884	20,719	21,900	2.5%
GROCERY STORES	28,842	32,838	37,328	38,005	38,344	38,758	38,288	43,264	45,788	53,230	58,400	8.8%
LIQUOR STORES	1,915	1,833	1,378	1,289	2,431	3,467	6,150	3,768	3,737	3,559	3,900	7.9%
RESTAURANTS & BARS	27,893	28,528	32,891	33,789	37,190	38,801	41,883	44,875	54,389	55,917	61,400	8.9%
HOME FURN. & APPLIANCES	10,027	11,504	13,106	14,109	15,140	15,835	18,912	15,888	18,705	15,700	18,800	0.7%
BUILDING MATRL./FARM IMPL.	14,729	18,787	23,477	27,884	33,189	33,239	39,810	42,331	50,403	50,974	53,300	8.0%
AUTO DEALERS & SUPPLIES	38,977	44,334	52,613	58,120	67,908	82,893	86,483	78,829	81,815	72,801	74,400	1.3%
SERVICE STATIONS	32,842	31,471	36,819	40,269	31,088	33,193	33,382	36,010	38,598	37,317	39,900	3.7%
OTHER RETAIL STORES	22,940	24,862	28,980	30,309	54,483	37,223	41,068	49,979	47,388	45,153	48,200	5.8%
RETAIL SALES TOTAL	241,647	260,740	297,474	318,298	337,508	347,355	388,385	408,881	435,097	430,782	455,700	5.0%

RETAIL OUTLETS	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	GROWTH RATE
APPAREL STORES	48	44	41	47	48	47	52	52	49	44	43	-0.9%
GEN. MERCHANDISE STORES	24	21	21	21	23	23	22	20	20	20	20	-2.8%
DRUG STORES	11	10	10	12	11	11	11	11	11	11	11	0.0%
GROCERY STORES	53	51	54	53	53	51	47	40	33	55	58	0.7%
LIQUOR STORES	7	7	5	5	8	10	10	8	7	8	8	0.0%
RESTAURANTS & BARS	104	103	111	112	119	121	128	131	133	158	139	2.7%
HOME FURN. & APPLIANCES	82	83	38	57	57	59	81	56	37	57	57	0.0%
BUILDING MATRL./FARM IMPL.	39	38	43	42	45	41	45	43	44	40	40	-2.3%
AUTO DEALERS & SUPPLIES	41	40	42	48	50	48	47	44	41	44	45	-2.5%
SERVICE STATIONS	52	50	47	43	44	59	39	38	36	50	29	-7.4%
OTHER RETAIL STORES	137	135	149	159	172	198	210	222	219	222	223	6.2%
RETAIL OUTLETS TOTAL	578	583	379	597	628	648	873	874	869	867	893	1.2%

CITY TREND DATA	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
POPULATION	52,500	52,900	53,600	55,000	55,200	56,300	57,000	57,900	59,520	63,000	64,400

Summary: The Performance Rank of 3, measuring sales growth in the most recent year, is average. Over the past ten years, the city's Growth Persistence Index (47.2%) has been average, while the five year Relative Strength Ratio of 1.12 has been above the statewide norm of 1.0. In total sales, the city's rank is 97, while the city's Per Capita Sales rank is 182. Population Growth has averaged 2.72% per year over the past five years, compared to a statewide avg. of 2.56%, while area purchasing power is high (Per Capita Income Rank=8). Per Outlet Sales Rank is 127, representing avg. sales per outlet of \$645,820. Net increase in the number

of outlets has been negative in the most recent year (New Outlets Rank=294). From 1986 to 1991, retail outlets have grown at an annual rate of 1.2%, while retail sales have grown 5.0% annually. County demographic data show a below average Household Size, with a Median Age of the area's population much older than the state norm. In the past five years, the fastest growing retail sectors, in terms of sales, have been apparel stores, and building materials outlets. NOTE: Growth rates in far right column are annual for period 1986-91. Sales & Outlet data for 1992 are forecasts, and subject to future adjustment.

ATTACHMENT # 3



May 10, 1993

Contact: Gary A. Sterling
(707) 226-7459

May, National Tourism Month

For Immediate Release

TOURISM IN NAPA VALLEY CONTRIBUTES \$321 MILLION TO AMERICA'S \$350 BILLION TRAVEL AND TOURISM PIE.

NAPA, CA. -- No matter how you slice it, it's not accidental that travel and tourism in the United States has generated almost \$350 billion in federal, state and local tax dollars annually. And it's not accidental that this round-the-clock industry employs 5.9 million Americans, producing an annual payroll of \$91 billion nationwide, according to a recent report by the Travel and Tourism Government Affairs Council.

"Travel and tourism is the largest industry in the world and, in terms of employment, is second only to health services in the United States," says Richard J. Newman, president and CEO of the International Association of Convention and Visitor Bureaus (IACVB). "Because the industry is so diverse, on a global basis it is misperceived to be the 11th rather than the top industrial contributor to the world economy. Based on this misperception, it's no wonder the economic impact from this 'invisible industry' is so vastly underrated."

(more)

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Napa, CA 94559

Phone: (707) 226-7459

Fax: (707) 255-2066

-add on 1-

National Tourism Month
May 10, 1993

At the heart of this vital industry are thousands of behind-the-scene professionals at local convention and visitor bureaus who not only orchestrate the marketing and sales efforts that book conventions, sports events and tradeshow into areas, but also work to build their individual communities as appealing destinations for the traveling public.

"In Napa Valley, travel and tourism accounted for \$321,794,000 in revenues last year," says Gary Sterling, Executive Director of the Napa Valley Conference and Visitors Bureau.

"The intention of the upcoming informational program marking the 10th anniversary of National Tourism Month is to strengthen public awareness of the importance and vitality of travel and tourism to our community", adds Sterling. "Travel and tourism is an indispensable part of Napa Valley's economic development package and should be recognized for its significant impact on our society." Themed, Tourism in Napa Valley... It's not accidental, the informational campaign will appear during May - National Tourism Month 1993.

###



CALIFORNIA 1991

NAPA COUNTY TRAVEL IMPACTS BY TYPE OF BUSINESS

	Travel Expenditures (\$000)	Payroll (\$000)	Employment (Jobs)
Accommodations	67,684	16,954	1,401
Eating, Drinking	72,961	18,534	1,935
Food Stores	13,034	1,560	86
Air Transportation	5,830	1,776	24
Ground Transport	63,683	9,194	532
Recreation	39,778	11,872	543
Retail Sales	58,093	7,092	496
Travel Arrangement	732	991	61
TOTAL	321,794	67,972	5,078

GAS/jd

* Source: California Trade and Commerce Agency

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ATTACHMENT # 4

THE ECONOMIC IMPACT OF MARE ISLAND SHIPYARD

SEDCORP



Commissioned by SEDCORP

*Compiled by Cheryl M. Busch
Graduate School of Management
University of California, Davis*

September 18, 1992

ACKNOWLEDGEMENTS

This project has been completed under the direction of the Solano Economic Development Corporation (SEDCORP). I would like to thank all of the people who I interviewed or provided information for this report. A list of those contributors is included at the end of this report. (Note: I have not included the names of any vendors of Mare Island Naval Shipyard since many of them wished to remain anonymous for competitive reasons.)

My sincere appreciation to the staff of SEDCORP, Norman Repanich, Jean Krack, Nita Grimes, Narcisa Untal and Matt Algieri for their continuous support and assistance during this project.

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EXECUTIVE SUMMARY

During the past four years Mare Island Naval Shipyard has decreased the number of its civilian employees by approximately 34%, due to defense spending cutbacks. According to Congressional Representatives Barbara Boxer-D and Vic Fazio-D, the naval shipyard has contracts guaranteed through the end of the century. Additionally, Admiral Bruce DeMars, director of Naval Nuclear Propulsion, stated, "Under the current plan, submarine overhaul and refueling work remains relatively heavy through the 1990's, then takes a sharp turn downward".¹ Thus, the level of employment should remain stable until the turn of the century. But, many people are doubtful that Mare Island will survive.

One alternative for the Department of Defense is to make a "clean sweep" of a geographical area. In other words, all naval institutions such as Skaggs Island (closed), Naval Public Works Center Oakland, Alameda Naval Air Station, and Mare Island, in the Bay Area would be closed under this policy.

However, another alternative is that the shipyard may become a "satellite" yard.² This plan would establish a "hub" on each coast where planning, design, accounting and procurement activities would be handled. The satellite yards would perform construction, repair and maintenance work. If this scenario were to occur, Mare Island would lose some employees, but not as many as if there were a full shutdown.

The figures that follow pertain only to the civilian employees of the shipyard and thus the economic impact of Mare Island as a whole will be somewhat higher if all civilian and military personnel are accounted for.

The following outlines the significance of Mare Island Naval Shipyard for Solano County during 1992:

<u>Overall Economic Impact:</u>		\$517,411,993
<u>Payroll:</u>		\$185,997,745
<u>Employment:</u>	Direct -	4,863 jobs
	Indirect -	5,290 jobs

¹ Daily Republic, 8/31/92.

² Vallejo Times-Herald, 2/16/92.

Civilian employment at the naval base also affects education, housing and sales tax revenues in the county. These issues have been briefly considered in this paper, but a more in-depth study must be undertaken to learn the "true" overall economic and social impacts of Mare Island.

If Mare Island were to close, the short-term effects would be significant as the previous figures illustrate. Whether Mare Island closes completely or becomes a satellite yard, Solano County must diversify its economic base to lessen the short-term effects and to survive in the long run.

INTRODUCTION

HISTORY

The three and a half by one mile segment of land known as Mare Island had been called "Isla Plana" by the first settlers of the region. However, its name was changed by Mariano Guadalupe Vallejo, Mexican Commander of Northern California. Legend has it that a white mare owned by Vallejo fell off a raft while being ferried across the Carquinez Straits and swam ashore the island. Vallejo renamed the island "Isla de la Yegua" or Mare Island.³

In 1851, Commodore John Drake Sloat recommended Mare Island as the site for the nation's first Pacific naval installation and a year later the Federal Government purchased Mare Island for \$83,410. Commander Farragut then arrived in 1854 to establish the naval shipyard at Mare Island.

Mare Island, one of eight naval shipyards in the nation, claims many ship building firsts. In 1859, the first naval vessel (SAGINAW) constructed on the West Coast was launched from Mare Island. This shipyard also constructed the first electrically powered vessel (USS JUPITER) and the first ship converted from coal to oil (USS WYOMING).

During World War II, Mare Island Shipyard grew into one the largest ship construction and repair facilities in the world, with over 40,000 employees.⁴ During the war years 391 vessels were constructed and 1,227 repaired or overhauled on the naval base.

In 1958, the first nuclear submarine (SARGO) was built on Mare Island and the last submarine was finished in 1972. Today, the mission of the naval base is to modernize, refuel and overhaul the U.S. Navy's fast attack nuclear submarines.

CURRENT ISSUES

With the close of the Cold War with the Soviet Union/Eastern Europe and our own budget constraints, defense spending in the United States has and will continue to decrease. Defense spending reductions have significantly effected California, which has received major funding since World War II. However, during the past twenty years, California's economy has diversified and defense spending accounts for a smaller share than it did during the 1960's. This smaller share implies that current defense cutbacks will have a smaller impact

³ Public Affairs Office of Mare Island, *Welcome to Mare Island*, p.2.

⁴ Lou Burgelin, interview, 7/16/92

than cutbacks during the late 1960's. Nevertheless, these reductions will significantly affect firms and communities that rely heavily on defense spending.

In the long term, a smaller defense budget would have a positive impact on the economy of California. However, local economies may experience significant short-term impacts resulting from base closures, but over a ten to fifteen year period, these closures present opportunities to diversify the local economy. The short-term impacts would be lost sales to small businesses, direct and indirect losses in employment and income, depressed housing markets and disruptions in local school populations.⁵

A 10% cut in the Navy's budget will trim the Navy's 550 ships and submarines currently in service to 420 by 1995.⁶ Thus, there are fewer ships and submarines for the shipyard to repair. Additionally, ships built recently have been designed to require less maintenance and thus there is less repair and overhaul work for Mare Island. Consequently, Mare Island Naval Shipyard has downsized from 10,000 to approximately 6,600 workers during the past four years. Exhibit 1 shows the decrease for Solano and Napa counties from 1990 to 1992.⁷ This display shows that approximately 2,000 workers lost their jobs in Solano County and another 400 in Napa County. Additionally, Exhibit 2 shows the payroll of Solano County has decreased 26%, from \$249 million to \$184 million over the same period. Overall, two RIF's (reduction in force) during the past three years reduced total civilian employees by nearly 3,000. Additionally, another 300 military positions and 450 civilians contractors will be lost when the Naval Electronics Systems, Engineering Center relocates to San Diego in 1995.⁸

CIVILIAN AND MILITARY EMPLOYMENT

Mare Island is much more than a naval maintenance and repair facility. There are more than 30 additional military commands, with approximately 1000 civilian employees and 1,700 military personnel on Mare Island. However, the shipyard has the largest number of employees, approximately 6,600 civilians and 190 military personnel. Exhibit 3 shows the

⁵ Commission on State Finance, *Defense Spending in the 1990's: Impact on California*, p. 43.

⁶ The Sun, 4/10/91.

⁷ Demographic information provided by George Stewart, 7/7/92.

⁸ The Vacaville Reporter, 5/22/91.

EXHIBIT 1

Mare Island Shipyard Employees for Solano County (1990-1992)

CITY	1990	1991	1992
<i>Benicia</i>	392	307	284
<i>Fairfield</i>	1,172	876	803
<i>Suisun City</i>	504	356	368
<i>Vacaville</i>	1,022	835	786
<i>Vallejo</i>	<u>3,835</u>	<u>2,701</u>	<u>2,573</u>
TOTAL	6,925	5,075	4,814
<i>Napa County</i>	1,450	1,125	1,074

Source: Mare Island Naval Shipyard.

EXHIBIT 2

Mare Island Shipyard Payroll for Solano County (1990-1992)

CITY	1990	1991	1992
<i>Benicia</i>	\$15,055,850	\$11,791,189	\$11,474,321
<i>Fairfield</i>	\$41,493,007	\$31,013,544	\$30,515,110
<i>Suisun City</i>	\$18,057,347	\$12,754,791	\$13,937,251
<i>Vacaville</i>	\$38,805,136	\$31,704,784	\$31,800,003
<i>Vallejo</i>	<u>\$135,099,996</u>	<u>\$95,400,034</u>	<u>\$96,344,845</u>
TOTAL	\$248,511,336	\$182,664,342	\$184,071,530
<i>Napa County</i>	\$56,623,066	\$43,931,684	\$44,811,792

Source: Mare Island Naval Shipyard.

breakdown for military and civilian employees for some of the larger military commands on the base.⁹

The number of military personnel living on the base or in the community varies from approximately 1,700 to 3,800, depending upon the number of ships or submarines in for repair.¹⁰ "Transients" are those military individuals who are temporarily on Mare Island while their ship is being repaired. In this report the economic impact of the permanent and "transient" military personnel will not be considered. Most of these people live, shop, eat, receive medical care, golf, see movies, etc on the base. Therefore, most of their money does not impact the outside community. However, it is safe to assume there is a notable amount of money that is spent in the surrounding communities for those items that can not be purchased on the base, such as, automobiles.

Exhibit 3 shows that there are approximately 7,600 civilian employees on Mare Island, and the vast majority work for the shipyard. The salary and contract figures that are mentioned in the remainder of the report are only for the civilian employees of Mare Island Naval Shipyard, and the overall economic impact will be based on these figures. Therefore, it should be noted that the total economic impact of the base as a whole would be somewhat larger than the figures in this report.

Exhibit 4 shows the current number of employees for the shipyard,¹¹ the employed residents of each city, and the total jobs in various cities of Solano County.¹² Solano County is known as a "bedroom community" since a large number of residents commute out during the day. This fact is demonstrated in this exhibit since the total jobs in each city is less than the employed residents. This exhibit also shows that Mare Island Naval Shipyard accounts for approximately 2% of the workforce in most cities of the county, but almost 5% in Vallejo.

Larger Commands on Mare Island

The Mare Island Naval Shipyard's primary mission is the overhaul and repair of fast attack submarines. The shipyard employs engineers and the skilled trades necessary to accomplish this mission. The shipyard has a well known four year apprentice program, in which an unskilled worker is given thorough training in a specific skilled trade.

⁹ Demographic information provided by Bruce Christensen, 7/8/92.

¹⁰ Bruce Christensen, interview, 7/8/92.

¹¹ *Ibid.*

¹² Association of Bay Area Governments, *Projections 92*, 7/92.

EXHIBIT 3**Largest Mare Island Commands (April 1992)**

<u>COMMAND</u>	<u>Military</u>	<u>Civilian</u>	<u>Total</u>
Naval Shipyard	191	6,621	6,812
Combat Tech Schools Command	540	19	559
Marine Corps Security Force Battalion	427	5	432
Naval Electronics Center	8	292	300
Naval Security Group, Skaggs Island	212	40	252
Shipyards MWR	0	240	240
Navy Exchange	1	170	171
Submarine Devel. Group One	134	0	134
Explosive Ordnance Disposal Nine	117	0	117
Medical Clinic	48	39	87
Special Boat Unit Eleven	76	0	76
Mare Island Federal Credit Union	0	69	69
Personnel Support Detachment	<u>41</u>	<u>28</u>	<u>69</u>
TOTAL	1,795	7,523	9,318

Source: Mare Island Naval Shipyard.

EXHIBIT 4**Residents, Employees and Jobs**

<u>CITY</u>	<u>MI EE'S</u>	<u>RESIDENT EE'S</u>	<u>% OF WORKFORCE</u>	<u>TOTAL JOBS</u>
<i>Benicia</i>	284	14,896	1.9%	10,870
<i>Fairfield</i>	803	39,891	2.0%	39,810
<i>Suisun City</i>	368	10,301	3.6%	3,720
<i>Vacaville</i>	786	33,151	2.4%	17,140
<i>Vallejo</i>	2,573	52,151	4.9%	41,900
<i>Napa County</i>	1,074	54,943	2.0%	48,610

Source: Mare Island Naval Shipyard, Association of Bay Area Governments

The Marine Corps Security Force Battalion provides administrative control for more than 2200 Marines assigned to duty in the Pacific. The Battalion has approximately 450 civilian employees.

The Naval Electronics Systems, Engineering Center provides electronics material support for systems and equipment for the Space and Naval Warfare Systems Command. This command employs a large number of civilians and has multi-million dollar contracts with several firms in the county.

The Combat Systems Technical Schools Command trains officers and enlisted personnel in the latest surface missile systems and electronic systems applicable to combat ships of the Navy. This command has approximately 540 military personnel and 20 civilians.¹³

WORKFORCE

The majority of the workforce on Mare Island is composed of the trades, such as electricians, machinists, pipefitters, welders, etc. as shown is Exhibit 5.¹⁴ Administrative support (17%) and engineers (11%) comprise the next largest groups of employees. Most of the civilian workforce at the shipyard are long time employees and thus, there is very little turnover. In fact, there are many instances of families that have two or three generations of Mare Island employees.¹⁵

Exhibit 6 outlines the unemployment rates for Napa, Solano and Sonoma counties and California as a whole.¹⁶ The unemployment rates have increased for all areas in California as a result of the recent recession. As shown, the unemployment rate for Solano county is higher than its neighboring counties, and closely parallels the rate for California as a whole.

As mentioned previously, Solano County is known as a "bedroom community", since a large segment of its workforce commutes out of the county to work. In fact, there are more workers than jobs. It was estimated that there were 154,000 jobs and 120,320 workers in the county, for a surplus of 1.28. It is projected that the number of jobs in Solano County will

¹³ Public Affairs Office of Mare Island, *Welcome to Mare Island*, p. 22-27.

¹⁴ Mare Island Public Affairs, 5/92.

¹⁵ Lou Burgelin, interview, 7/16/92.

¹⁶ Employment Development Department, Reports 400C.

EXHIBIT 5

Mare Island Naval Shipyard Workforce (May 1992)

Engineers	710
Planners/Estimators	292
Logistics	334
Administrative Support	1,152
Semi-Skilled Labor	319
Technicians	557
Trades	2,880
Apprentices	383

Source: Mare Island Public Affairs

Distribution of Workforce

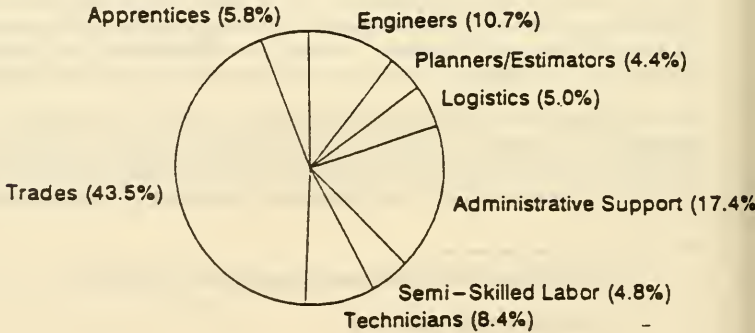


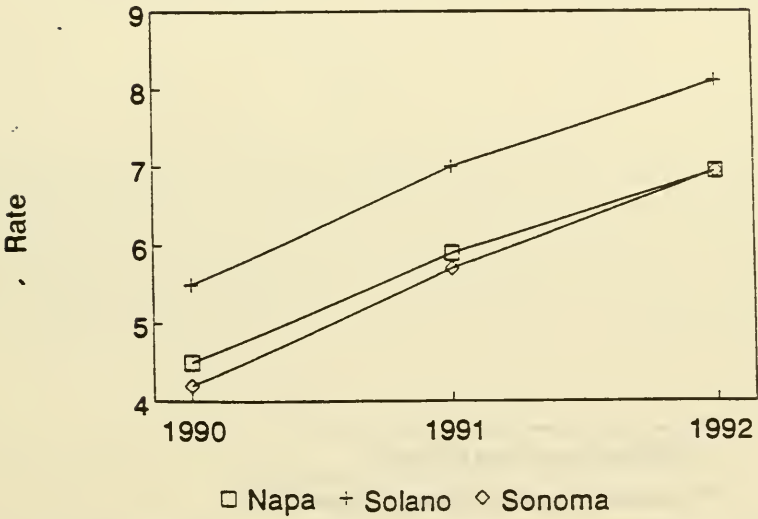
EXHIBIT 6

UNEMPLOYMENT RATE

	<u>1990</u>	<u>1991</u>	<u>1992</u>
California	5.6	7.5	8.66
<i>Napa</i>	4.5	5.9	6.94
<i>Solano</i>	5.5	7	8.1
<i>Sonoma</i>	4.2	5.7	6.94

Source: Employment Development Department
 1992 - rate based on first 5 months

Unemployment Rates



increase dramatically before the end of the century, but population will out pace jobs and the surplus of workers to jobs will increase to 1.32.¹⁷

Additionally, it is projected that business segments such as services, finance, insurance and retail trade will grow the most in the near future.¹⁸ Thus, if Mare Island were to downsize, a large segment of the engineers, technicians, and trades workers would be unable to find work in Solano county. This coupled with the high unemployment rate in Solano county, would cause resident workers to commute to neighboring counties, or move out of the area if offered different jobs by the Federal Government.

¹⁷ SEDCORP, Solano County Cost Survey.

¹⁸ Association of Bay Area Governments, *Projections 92*, 7/92.

ECONOMIC IMPACT

PAYROLL

As mentioned previously, the data for the following graphs and figures pertains to Mare Island Naval Shipyard employees only, and does not include payroll for other civilians or military personnel on the base.

Exhibit 7 shows the distribution of payroll (FY 1992) for Contra Costa, Napa, Solano, and Sonoma counties. Solano County has approximately 4,860 residents who are employed at the shipyard and thus, the largest payroll of \$186 million.

The shipyard is the largest employer in Solano County. Exhibit 8 shows the number of employees and the corresponding payroll for the largest cities of Solano County. Forty nine shipyard employees reside in the cities of Rio Vista, Dixon and Elmira (Other) with an estimated annual payroll of \$2 million. Vallejo has the largest number of Mare Island Shipyard employees with 2,573 and an annual payroll of \$96 million.¹⁹

Overall, Mare Island Shipyard contributes approximately 5.3% of the total payroll to Solano county and 3.6% to Napa county. (Percentages for Contra Costa and Sonoma are insignificant). However, for the city of Vallejo that percentage increases to approximately 8%.²⁰ However, this percentage is not an accurate reflection of the importance of Mare Island, since spending by the base increases income and jobs in the county.

VENDORS

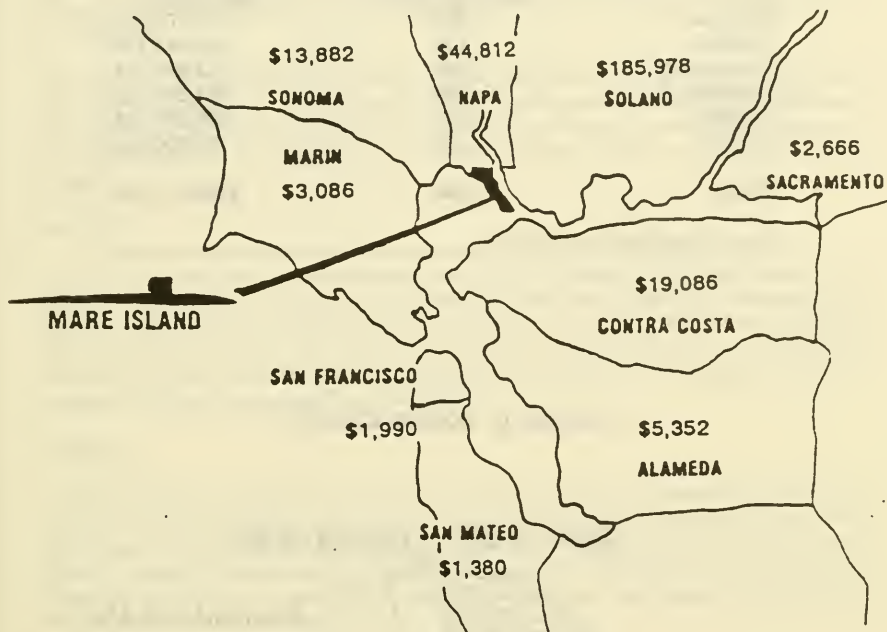
Over 200 different vendors in Solano County supply Mare Island with a variety of materials and services, such as, electronic parts, stationery, uniform and linen service, marine supplies, computer maintenance, sporting goods, etc. Nearly all of the vendors that work with the naval base are awarded contracts through the bid process. That is, each supplier states its price and then the lowest bidder typically is awarded the business. Thus, contracts with the naval base will vary from year to year for each local business. In response to the uncertainty involved in the bid process, most businesses in the county have tried to diversify their customer base.

¹⁹ Demographic Information provided by George Stewart, 7/7/92.

²⁰ Association of Bay Area Governments: Estimated Total Payroll = Mean Household Salary x # of Households.

EXHIBIT 7

DISTRIBUTION OF PAYROLL THROUGHOUT THE BAY AREA (000's)



Source: Mare Island Naval Shipyard, May 1992.

EXHIBIT 8

SOLANO COUNTY SHIPYARD EMPLOYEES AND PAYROLL

<u>City</u>	<u>Employees (5/92)</u>	<u>Payroll(5/92)</u>
<i>Benicia</i>	284	\$11,474,321
<i>Fairfield</i>	803	\$30,515,110
<i>Suisun City</i>	368	\$13,937,251
<i>Vacaville</i>	786	\$31,800,003
<i>Vallejo</i>	2,573	\$96,344,845
<i>Other</i>	<u>49</u>	<u>\$1,906,215</u>
Total	4,863	\$185,977,745

Source: Mare Island Naval Shipyard

Payroll in Solano County

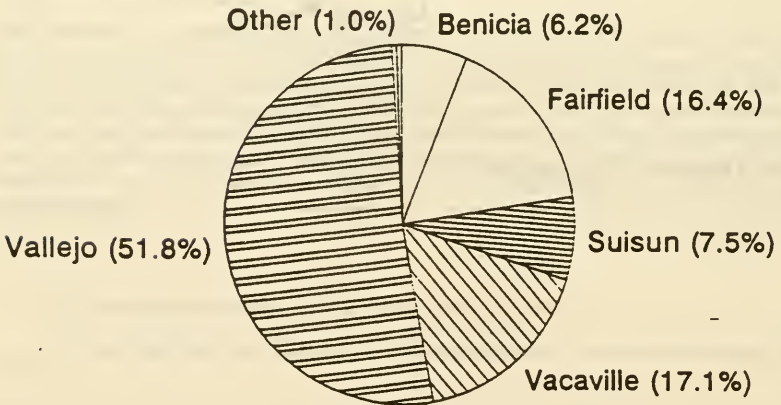


Exhibit 9 shows that approximately \$1.6 million in contracts were awarded to Solano County and \$0.3 million dollars to Napa County. Of this aggregate amount, 70% or approximately \$1.1 million was distributed in the city of Vallejo.²¹ Additionally, at least \$26.1 million dollars were spent for design, construction and support of facilities on Mare Island during fiscal year 1992. (It was estimated that 50% of this money was spent in Solano county, however the exact distribution is unknown.)²² Exhibit 10 shows the breakdown for these dollars. Thus, Mare Island Shipyard spent at least \$15 million in Solano County for service and supplies.

The following is the result of an informal survey performed to gauge the impact of Mare Island on local business. Overall, most local businesses seemed to have a well diversified customer base, and thus the naval base was not a significant segment of their business. However, businesses in Vallejo depend on the naval shipyard more than suppliers in outlying areas.

Benicia

Of the vendors surveyed, one mentioned that the recent downsizing of Mare Island Naval Shipyard has significantly reduced its business, and Mare Island currently contributes only 10% of their revenue. Another vendor, with approximately \$65,000 of business with the naval base stated that only 2% of his business depends on Mare Island. Another vendor, with 24 employees, mentioned that Mare Island is one of their largest customers, and their business is definitely impacted by the shipyard.

Fairfield

Of the suppliers surveyed, two mentioned that Mare Island only contributes 1-2% of their business. One new business mentioned that Mare Island contributes approximately 10% of its income, but they expect that percentage to grow considerably during the next few years. Another vendor, whose owner previously worked for Mare Island, stated that the Mare Island business was very important this year and stated a personal opinion, "Mare Island is very important to the community".

Suisun City

Both businesses surveyed in Suisun stated that Mare Island is a very important customer. One business, Solano Work Services, has 135 disabled "clients", of which at least 35 work at Mare Island. These disabled individuals work at the commissary, perform ground

²¹ Information provided by Bruce Christensen, 7/9/92.

²² *Ibid.*

EXHIBIT 9

CONTRACTS (FY 1992)

<u>SOLANO COUNTY</u>	<u>CONTRACTS</u>
<i>Benicia</i>	\$207,340
<i>Fairfield</i>	\$178,938
<i>Suisun City</i>	\$59,210
<i>Vacaville</i>	\$29,827
<i>Vallejo</i>	<u>\$1,075,040</u>
TOTAL	\$1,550,355
NAPA COUNTY	\$303,000

Source: Mare Island Naval Shipyard

Distribution of Vendor Contracts

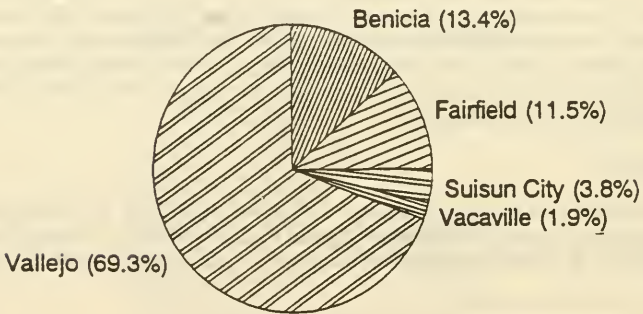


EXHIBIT 10**MARE ISLAND CONSTRUCTION PROJECTS (millions)**

<u>DESCRIPTION</u>	<u>FY 1992</u>	<u>FY 1991</u>	<u>FY 1990</u>
Design	\$1.2	\$1.9	\$1.1
Facilities Support	\$8.5	\$9.1	\$9.7
Construction	<u>\$16.4</u>	<u>\$14.0</u>	<u>\$13.6</u>
TOTAL	\$26.1	\$25.0	\$24.4

Source: Mare Island Naval Shipyard

maintenance and custodial jobs on the base. The Associate Executive Director, stated "Solano Work Services would probably not be in existence without Mare Island".²³

Vacaville

Businesses in Vacaville all stated that Mare Island was not a significant segment of their business. All mentioned that the business on Mare Island was done by the bid process, and some years the base was more important than other years.

Vallejo

The survey of the vendors in Vallejo indicated that businesses in Vallejo are significantly affected by Mare Island Shipyard.

(Pacifica Services, Westinghouse, Eldyne and RCI all have multi-year contracts with the Naval Electronics Center worth more than \$185 million. This command employs 300 civilians and an additional 450 civilian contractors.²⁴ These figures, although very significant, are not included in this report since the Naval Electronics Center is not affiliated with the Shipyard. Therefore, the overall impact of Mare Island is greater than shown in this report.)

OVERALL ECONOMIC IMPACT

"Economic impact" is a very vague term that has a different meaning for different groups of people. For example, laymen believe the economic impact to a community to be the actual budget information, that is, the number of employees, payroll statistics, and contract figures. For instance, a newspaper may state that the economic impact would be "450 jobs and \$185 million of payroll".

Economists view "economic impact" quite differently. An increase/decrease of consumer expenditures, private investment or government purchases will induce changes in one or both of the other segments. For instance, when a worker is paid, he spends that money in the community, which in turn generates more income and jobs. The result is a change that is greater/less than the original investment. This is known as the multiplier effect.

²³ Tim Winks, interview, 7/27/92.

²⁴ Vallejo Times-Herald, 4/27/91.

The two types of multipliers that will be discussed in this paper are the employment and income multipliers. The income multiplier is based on the idea that money spent in the community will be "recycled" through the economy and create additional income. The employment multiplier is based on the idea that spending in the economy will induce employment in three different ways.

Employment Multiplier

First, jobs will be created as a direct result of governmental spending. For instance, if the Federal Government votes to have Mare Island build another submarine, additional workers must be hired for design, construction, etc.

Next, employment is created "indirectly". Indirect employment is simply the jobs that are required to support the direct employees. Continuing with the example, to build a new submarine Mare Island must purchase additional goods and services from the surrounding area. The increased purchasing will cause the suppliers to hire additional workers.

Lastly, additional employment results from the spending done by the direct and indirect employees. These employees will spend their paychecks for housing, food, entertainment, etc. This spending will generate additional income in the community, thus creating more jobs. This process will continue until the demand for goods and services equals the supply. It should be noted that the change in employment will not occur instantaneously. It may take several years for the employment multiplier to be realized. Thus, the change in employment should only be used as a estimate of future jobs.

For this paper, the employment multiplier is 28.5 jobs per each \$1 million dollars spent.²⁵ Other types of governmental spending, such as education and health services have a larger multiplier. For instance, the multiplier used for educational expenditures is 33.2 jobs per \$1 million.²⁶ The Department of Defense spends a large amount of money on sophisticated weaponry and electronic equipment and thus the "defense" employment multiplier is smaller than the "education" employment multiplier.

Income Multiplier

When direct and indirect employees are paid, they use their income to purchase goods and services, thus generating income and jobs in the community. These dollars are then re-spent, thus creating more jobs and income. The income multiplier is a measure of this re-spending process.

²⁵ Economic Impact of Military Spending, p. 13.

²⁶ Speech by Robert H. Smiley, *UC Davis Connection*, 6/26/92.

The "strength" of the multiplier is dependent upon "leakage". Leakage is that amount of income that does not get spent in the local economy. The primary sources of leakage are purchases made outside the region, savings and taxes. For this paper the income multiplier will be 2.5765.²⁷ By applying this multiplier to the payroll and the contractual spending in the county the potential economic impact can be determined.

As given previously for Solano County:

Income Multiplier:

Payroll	\$185,977,745
Vendor Contracts	\$1,552,681
Construction	\$13,005,000 ²⁸
Service Contracts	<u>\$284,288</u>
Total	\$200,819,714
Income Multiplier	x <u>2.5765</u>
Overall Economic Impact	\$517,411,993

<u>Jobs Multiplier</u>	200,819,714 x (28.5/1,000,000)
Overall Jobs Impact	5,723 jobs

The economic impact for Napa County is as follows:

Income Multiplier:

Payroll	\$44,811,792
Vendor Contracts	<u>\$303,000</u>
Total	\$45,114,792
Income Multiplier	x <u>2.5765</u>
Overall Economic Impact	\$116,238,262

²⁷ Reference Guide on the Economic Impacts of the Closure of Mather Air Force Base (Department of Defense), p. 4.

²⁸ Bruce Christensen, interview, 7/9/92.

Jobs Multiplier 116,238,262 x (28.5/1,000,000)

Overall Jobs Impact 3,313

Exhibit 11 shows the economic impact for the cities of Solano County based only on payroll, vendor contracts and service contracts (the construction contracts are not broken out by city). Therefore, these numbers probably understate the overall economic impact to each city. By comparing the number of jobs with the number of employees at Mare Island, it should be noted that each job at the shipyard generates at least one job in each community.

EXHIBIT 11**Estimated Economic Impact to Cities of Solano County**

<u>City</u>	<u>Income</u>	<u>Employment</u>
<i>Benicia</i>	\$30,097,800	333
<i>Fairfield</i>	\$79,083,215	875
<i>Suisun City</i>	\$36,061,882	399
<i>Vacaville</i>	\$82,009,557	907
<i>Vallejo</i>	\$251,002,334	2,776

OTHER IMPACTS

SALES TAX

Exhibit 12 shows the total retail sales and the retail sales tax that flows to the cities in Solano county and Napa County. Sales tax that flows back to cities can be estimated as 1% of total retail sales.²⁹ (Note: The figures in the columns labeled TAX/CAPITA AND MI CONT refer to the amount of tax paid per person and the contribution from Mare Island Shipyard employees. The figures in these columns were calculated using the assumption that all shipyard employees and their families only shop in the city where they reside. This assumption was made since it is impossible to track shopping habits of individuals.)

Additionally, Fairfield recorded the highest retail sales in the county, \$742 million. Per capita, Fairfield residents paid the most in sales tax, while Suisun City residents paid the least. As can be expected, Mare Island employees contribute the most sales tax to the city of Vallejo, approximately \$152,536. As an aggregate amount, Mare Island employees contributed approximately \$376,970 to Solano County during the calendar year of 1991.

Although these figures are only vague estimates, it should be noted that Mare Island Shipyard employees significantly affect the sales tax revenues that cities in Solano County receive.

EDUCATION

Solano Community College performs basic training in sciences, math, drafting, etc. for the different trades on Mare Island. At one time there were as many as 800 students in the program, but at the present time there are only 55 individuals. The program is "housed" in Mare Island facilities and currently has one instructor. Currently, the State of California funds the program with \$3,800 per student based on unit attendance.³⁰

On the island is a public elementary school with approximately 550 students from military families. The state funds this school with \$3,000 per student, which is approximately \$1,650,000. Additionally, the Federal Government funds this school with \$450,000 to \$600,000.³¹ Obviously, if Mare Island were to close completely, this school would cease to

²⁹ Bob Rossi, interview, 8/3/92.

³⁰ Virginia Holten, interview, 8/14/92.

³¹ Patricia Speers, 7/22/92.

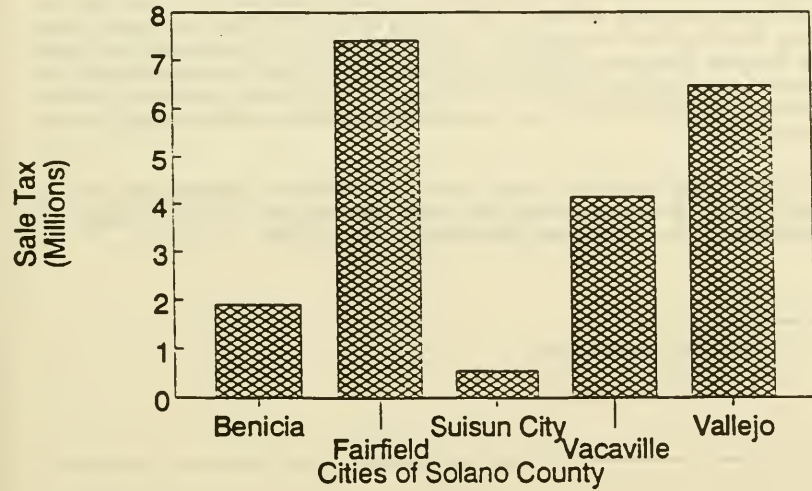
EXHIBIT 12

TAXABLE SALES AND SALES TAX

CITY	RETAIL SALES	SALES TAX	TAX/CAPITA	MI CONT.
<i>Benicia</i>	\$190,642,000	\$1,906,420	\$78.15	\$22,195
<i>Fairfield</i>	\$741,778,000	\$7,417,780	\$96.12	\$77,183
<i>Suisun City</i>	\$55,182,000	\$551,820	\$24.02	\$8,839
<i>Vacaville</i>	\$414,639,000	\$4,146,390	\$63.96	\$50,272
<i>Vallejo</i>	\$647,195,000	\$6,471,950	\$59.28	\$152,536
TOTAL	\$2,532,219,000	\$25,322,190	\$77.52	\$376,970
NAPA COUNTY	\$983,320,000	\$9,833,200	\$88.78	\$95,345

Source: State Board of Equalization

Distribution of Sales Tax



exist, but this would not affect civilian children, who attend schools elsewhere in the county.

Mare Island does not keep detailed records on the number of civilians with dependents, specifically school age children. Thus, it would be impossible to estimate the impact of educational spending on the various school districts in the county.

UTILITIES

The Pacific Gas and Electric Company supplies Mare Island with only a small amount of electricity. They provide what the Naval Base requires above their contracted amount with the Western Area Power Authority, according to Roberta Bradley, Division Manager, Silverado Division of PG&E.

Though Mare Island is not a significant user of electricity, they are a significant consumer of natural gas that is supplied by PG&E.³² In fact, Mare Island is the second largest consumer of natural gas in the Vallejo/Benicia area. This is due to the large fixed usage of gas on the naval base. Thus, Mare Island has a significant impact on PG&E by its usage of natural gas.

HOUSING

Nearly all of the enlisted military personnel live on Mare Island, and thus do not affect the overall housing market in the county. The housing market for civilians has changed during the past few years, but the change has not been the result of downsizing at Mare Island Naval Shipyard. Foreclosures have increased, but this is probably due to the recession, and not the downsizing of Mare Island.³³ Joye Mannel of the Solano Association of Realtors agrees that Vallejo has not been hurt that much by the downsizing of Mare Island, but more by the recession.

In its mid-year rent survey for Solano County, The Wiseman Company noted that the vacancy rates in Benicia and Vallejo fell during the past year. Benicia's vacancy rate dropped from 3.1% to 1.25%, and Vallejo's from 2.3% to 1.95%.

³² Joe Castillo, interview, 7/8/92.

³³ David Tipp, interview, 8/4/92.

APPENDICES

Appendix A: Mare Island Naval Shipyard Salaries (1990 -1992).

January 13, 1990

SOLANO COUNTY

<u>#_OF_EMPLOYEES</u>	<u>SALARIES</u>	<u>CITY</u>
392	15,055,849.76	- BENICIA
1172	41,493,007.48	- FAIRFIELD
504	18,057,347.28	- SUISUN
1022	38,805,135.60	- VACAVILLE
3835	135,099,994.50	- VALLEJO

NAPA COUNTY

1450	56,623,065.50	- NAPA
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February 22, 1991

SOLANO COUNTY

<u># OF EMPLOYEES</u>	<u>SALARIES</u>	<u>CITY</u>
307	11,791,188.60	BENICIA
876	31,013,543.72	FAIRFIELD
356	12,754,791.20	SUISUN
835	31,704,783.60	VACAVILLE
2701	95,400,034.39	VALLEJO

NAPA COUNTY

1125	43,931,684.40	NAPA
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Handwritten note:
 395,000

Appendix A: (Cont)

ZIPCODE REPORT BY COUNTIES

Unidentified Zipcodes			15	530046.00
Agara	OU		18	575507.00
Aurora	CO		1	31304.00
Belfair	WA		1	38105.00
Bremerton	WA		1	32593.00
Columbus	OR		1	30049.00
Eldon	MO		1	35339.20
Eugene	OR		1	40376.00
Gardenville	KY		1	27372.80
Garner	NC		1	36549.00
Honolulu	HI		1	31114.00
Lewiston	ID		1	37900.00
Montesano	WA		1	22956.00
San Antonio	TX		1	26074.00
TOTAL FOR			30	902080.00
Alameda	CA	ALAMEDA	21	812998.20
Albany	CA	ALAMEDA	3	147044.00
Berkeley	CA	ALAMEDA	18	728004.40
Dublin	CA	ALAMEDA	2	82944.00
Emeryville	CA	ALAMEDA	5	204314.20
Fremont	CA	ALAMEDA	5	196000.20
Hayward	CA	ALAMEDA	10	368943.00
Oakland	CA	ALAMEDA	61	2350961.00
Piedmont	CA	ALAMEDA	2	93568.00
Pleasanton	CA	ALAMEDA	3	107078.40
San Leandro	CA	ALAMEDA	4	150256.00
San Lorenzo	CA	ALAMEDA	1	64876.00
TOTAL FOR	ALAMEDA		135	5352069.40
Pioneer	CA	AMADOR	1	37814.40
TOTAL FOR	AMADOR		1	37814.40
Stonyford	CA	COLUSA	1	50351.00
TOTAL FOR	COLUSA		1	50351.00
Alamo	CA	CONTRA COSTA	2	122855.00
Antioch	CA	CONTRA COSTA	42	1552071.60
Byron	CA	CONTRA COSTA	1	51760.00
Clayton	CA	CONTEA COSTA	3	161119.20
Concord	CA	CONTEA COSTA	73	3047007.80
Crockett	CA	CONTEA COSTA	14	830815.80
Danville	CA	CONTRA COSTA	4	212027.60
El Cerrito	CA	CONTRA COSTA	11	547405.80
El Sobrante	CA	CONTRA COSTA	25	825123.40
Hercules	CA	CONTRA COSTA	24	1000553.20
Vallejo	CA	CONTRA COSTA	2	194254.00

City	State	County	Population	Value
Moraga	CA	CONTRA COSTA	5	143358.40
Oakley	CA	CONTRA COSTA	7	236681.40
Orinda	CA	CONTRA COSTA	4	199715.40
Pinole	CA	CONTRA COSTA	22	869402.60
Pittsburg	CA	CONTRA COSTA	43	1587443.40
Pleasant Hill	CA	CONTRA COSTA	22	1028614.40
Port Costa	CA	CONTRA COSTA	1	44357.00
Richmond	CA	CONTRA COSTA	33	1110740.60
Rodeo	CA	CONTRA COSTA	16	608942.40
San Pablo	CA	CONTRA COSTA	51	1919201.20
San Ramon	CA	CONTRA COSTA	1	36549.60
Walnut Creek	CA	CONTRA COSTA	17	056600.20
TOTAL FOR		CONTRA COSTA	170	19086063.80
Crescent City	CA	DEL NORTE	1	35172.80
TOTAL FOR		DEL NORTE	1	35172.80
Shirley Springs	CA	EL DORADO	1	40955.20
TOTAL FOR		EL DORADO	1	40955.20
Clearlake	CA	LAKE	2	66766.00
Clearlake Park	CA	LAKE	1	32593.60
Cobb	CA	LAKE	1	29494.40
Kelseyville	CA	LAKE	1	46051.20
Lower Lake	CA	LAKE	2	70426.80
Middletown	CA	LAKE	2	57023.00
TOTAL FOR		LAKE	9	307359.00
Westwood	CA	LASSEN	1	33605.00
TOTAL FOR		LASSEN	1	33605.00
Canyon Country	CA	LOS ANGELES	1	26270.40
TOTAL FOR		LOS ANGELES	1	26270.40
Belvedere Tiburon	CA	MARIN	1	41445.00
Corte Madera	CA	MARIN	2	101877.60
Fairfax	CA	MARIN	1	50361.00
Larkspur	CA	MARIN	1	35172.80
Mill Valley	CA	MARIN	6	303815.00
Novato	CA	MARIN	49	1891954.20
San Anselmo	CA	MARIN	4	188978.60
San Rafael	CA	MARIN	10	472092.14
TOTAL FOR		MARIN	74	3082669.84

Gualala	CA	MENDOCINO	1	53159.00	
	TOTAL FOR	MENDOCINO	:	1	53159.00
Seaside	CA	MONTEREY	1	35172.80	
	TOTAL FOR	MONTEREY	:	1	35172.80
Angwin	CA	NAPA	2	85452.40	
Callistoga	CA	NAPA	7	293155.20	
Napa	CA	NAPA	1043	43529935.80	
Oakville	CA	NAPA	1	58753.00	
Pope Valley	CA	NAPA	1	38105.80	
Saint Helena	CA	NAPA	10	400385.00	
Yountville	CA	NAPA	10	397004.80	
	TOTAL FOR	NAPA	:	1074	44811791.60
North San Juan	CA	NEVADA	1	35339.20	
	TOTAL FOR	NEVADA	:	1	35339.20
Newcastle	CA	PLACER	1	40335.00	
Rocklin	CA	PLACER	1	36519.00	
Roseville	CA	PLACER	4	147801.00	
	TOTAL FOR	PLACER	:	6	226655.00
Carmichael	CA	SACRAMENTO	1	36646.60	
Citrus Heights	CA	SACRAMENTO	5	215574.00	
Elk Grove	CA	SACRAMENTO	1	45524.00	
Fair Oaks	CA	SACRAMENTO	4	161827.00	
Herald	CA	SACRAMENTO	1	44824.00	
North Highlands	CA	SACRAMENTO	2	93902.00	
Orangevale	CA	SACRAMENTO	1	37352.00	
Rancho Cordova	CA	SACRAMENTO	1	35339.20	
Rio Linda	CA	SACRAMENTO	3	111746.80	
Sacramento	CA	SACRAMENTO	62	1663687.85	
	TOTAL FOR	SACRAMENTO	:	71	2666225.15
San Diego	CA	SAN DIEGO	4	193613.00	
Santee	CA	SAN DIEGO	1	30629.80	
	TOTAL FOR	SAN DIEGO	:	5	224242.80
San Francisco	CA	SAN FRANCISCO	50	1989753.80	
	TOTAL FOR	SAN FRANCISCO	:	50	1989753.80

Losi	CA	SAN JOAQUIN	1	23000.00
Stockton	CA	SAN JOAQUIN	1	42619.20
TOTAL FOR		SAN JOAQUIN	2	66274.20
Belmont	CA	SAN MATEO	1	36649.60
Brisbane	CA	SAN MATEO	1	38105.60
Burlingame	CA	SAN MATEO	2	99350.00
Daly City	CA	SAN MATEO	13	481282.20
Half Moon Bay	CA	SAN MATEO	1	50361.00
Pacificia	CA	SAN MATEO	3	129209.60
Redwood City	CA	SAN MATEO	1	54557.00
San Bruno	CA	SAN MATEO	4	151393.80
San Mateo	CA	SAN MATEO	3	101516.00
South San Francisco	CA	SAN MATEO	7	237765.60
TOTAL FOR		SAN MATEO	36	1380210.40
Santa Maria	CA	SANTA BARBARA	1	35172.60
TOTAL FOR		SANTA BARBARA	1	35172.80
Morgan Hill	CA	SANTA CLARA	1	33945.60
Mountain View	CA	SANTA CLARA	1	54557.00
Palo Alto	CA	SANTA CLARA	2	83064.00
San Jose	CA	SANTA CLARA	3	105389.60
Santa Clara	CA	SANTA CLARA	1	26042.00
TOTAL FOR		SANTA CLARA	8	305892.20
Watmore	CA	SEASTA	1	35339.20
TOTAL FOR		SEASTA	1	35339.20
Bericia	CA	SOLANO	7284	11474321.20
Dixon	CA	SOLANO	738	1515167.14
Elmira	CA	SOLANO	77	239729.40
Fairfield	CA	SOLANO	7603	30915109.80
Rio Vista	CA	SOLANO	74	151319.40
Suisun City	CA	SOLANO	7368	13937251.00
vacaville	CA	SOLANO	725	31800003.30
Vallejo	CA	SOLANO	2573	86344845.24
TOTAL FOR		SOLANO	4883	180044340.48

Geysers Hot Springs	CA	SONOMA	6	297408.60	
Cazadero	CA	SONOMA	1	36649.60	
Cotati	CA	SONOMA	1	36649.60	
El Verano	CA	SONOMA	4	247776.60	
Forestville	CA	SONOMA	5	172467.40	
Geyserville	CA	SONOMA	1	35339.20	
Glen Ellen	CA	SONOMA	13	575362.60	
Graton	CA	SONOMA	1	24128.00	
Guerneville	CA	SONOMA	1	38875.20	
Healdsburg	CA	SONOMA	2	62212.80	
Kenwood	CA	SONOMA	3	130081.80	
Monte Rio	CA	SONOMA	1	41071.00	
Yennigrove	CA	SONOMA	4	190418.80	
Petaluma	CA	SONOMA	93	3814070.00	
Rohnert Park	CA	SONOMA	28	1072851.64	
Santa Rosa	CA	SONOMA	55	2242251.40	
Sebastopol	CA	SONOMA	16	665713.20	
Sonoma	CA	SONOMA	100	4125694.20	
Vineburg	CA	SONOMA	1	29782.60	
Windsor	CA	SONOMA	1	32344.00	
TOTAL FOR		SONOMA	:	339	13881899.54

Oakdale	CA	STANISLAUS	1	36649.60	
TOTAL FOR		STANISLAUS	:	1	36649.60

Sutter	CA	SUTTER	1	46166.00	
TOTAL FOR		SUTTER	:	1	46166.00

Corning	CA	TEHAMA	3	103417.60	
TOTAL FOR		TEHAMA	:	3	103417.60

Groveland	CA	TUOLUMNE	1	44357.00	
TOTAL FOR		TUOLUMNE	:	1	44357.00

Davis	CA	YOLO	5	195269.80	
Eparte	CA	YOLO	1	53156.00	
Grinda	CA	YOLO	1	36646.60	
West Sacramento	CA	YOLO	1	50361.00	
Winters	CA	YOLO	21	872092.80	
Woodland	CA	YOLO	12	420148.20	
TOTAL FOR		YOLO	:	41	1631682.40

Marysville	CA	YUBA	1	34028.80	
TOTAL FOR		YUBA	:	1	34028.80

Appendix B: Vendor Contracts for Mare Island Shipyard (Solano County 1992).

CITY	SUPPLIER	PIIN-COUNT	SUPPLIER \$	
Benicia	BEARING ENGINEERING CO	18	2280.60	
	BENICIA APPLIANCE SERVICE INC	3	1090.88	
	BENICIA FRAME CO	1	297.70	
	BFI SERVICES GROUP INC	2	3477.00	
	CALGON VESTAL	2	1741.15	
	CALIFORNIA SIGN SUPPLIES	1	.00	
	CAPITOL GLASS CO	1	740.91	
	COCA COLA BOTTLING CO	1	187.00	
	CONAM NUCLEAR INC	2	250.01	
	COOPERHEAT INC	3	26700.74	
	DELTA BEARING & SUPPLY INC	36	16829.71	
	EDUCATIONAL ENCOUNTERS	1	75.00	
	INSTRUMENT SERVICE CO	1	192.85	
	LODESTAR ELEVATOR CO INC	2	1030.00	
	MC JUNKIN CORP	17	46200.60	
	METL-SAW SYSTEMS INC	1	45.60	
	MOBILE RADIO ENGINEERS	2	315.20	
	PROTOSTAR COMPUTER TECHNOLOGT	7	4714.75	
	REPUBLIC SUPPLY CO OF CALIFORNIA	22	14631.44	
	RYNO COMPUTER SYSTEMS	20	88383.50	
	S & S TOOLS	3	2896.67	
	SPECIALTY PRODUCTS & INSULATION	20	42982.56	
	STEVES FLOOR COVERING	1	746.00	
	VAN THOMAS FRAMES	1	72.00	
	WALL TO WALL BOOKS	1	186.15	
	WHITewater SPAS	1	72.00	
	CITY TOTAL =	256140.00		
	Dixon	NEIL WEST INC	1	125.55
		JACK B KELLEY INC	1	1401.10
	CITY TOTAL =	1526.00		
	Fairfield	A - BIKE CO	2	447.36
		AT & T PHONE CENTER	3	1139.92
		B DALTON BOOKSELLER	2	87.70
BEARWOOD DOOR		1	.00	
BUILDER'S EMPORIUM		1	539.40	
C E CONOVER & CO INC		3	2214.80	
CENTRAL WHOLESALE ELEC DIST		3	13660.00	
CHARVOI'DIV OF CANTEL INDUS		1	1354.49	
COPELAND SPORTS		3	325.49	
D A DESIGN & ENGINEERING		1	19209.00	
DALLIEL SUPPLY CO		3	159.76	
DON'S HOBBIES		1	50.00	
DONS TV		4	3150.00	
EAGLE EYE ENGRAVING		1	1000.00	
ECONOMIC PRESS INC THE		2	70.20	
FAIRPRENE INDUS PRODUCTS CO INC		2	2253.36	
INTEGRATED COMPUTER PRODUCTS		4	1450.60	
INTERMEC MEDIA PRODUCTS		1	193.44	
KING COMPUTER CONSULTING		1	1244.00	
KING COMPUTERS CONSULTANTS		7	47711.00	

CITY	SUPPLIER	PIIN-COUNT	SUPPLIER \$	
Fairfield	KINGS OFFICE SUPPLIES INC	3	316.18	
	MARK ANTHONYS CONNECTING POINT	2	1395.00	
	MARROW WILLIAM & CO INC	1	383.88	
	NORCAL ELECTRIC SUPPLY CO	31	27491.80	
	NORDIC COMPUTERS	2	34.00	
	PARTY RENTALS	1	536.25	
	R & R GLASS CO	1	.00	
	RAMOS OIL CO INC	5	5634.10	
	RED WING SHOE & REPAIR	1	118.00	
	SEARS ROEBUCK & CO	5	527.33	
	SLAKEY BROTHERS	2	292.30	
	SOFTWARE ETC INC	1	218.61	
	SOLANO CONCRETE CO INC	4	4711.00	
	TAYLOR MADE OFFICE SYSTEMS	1	350.00	
	THE ECONOMICS PRESS INC	1	20.90	
	THE GOOD GUYS	22	17799.73	
	TOYS-R-US	1	109.93	
	UNOCAL CHEMICAL DIV	2	1462.55	
	VALANTINE COMPUTER REPAIR CO	1	250.00	
	VALENTINE COMPUTER REPAIR	1	11010.00	
	WALDENBOOKS	5	1961.83	
	WESPAC INDUSTRIES	19	26470.14	
	WILLIAM MORROW & CO INC	1	493.50	
	WORK WORLD	1	101.15	
	CITY TOTAL -	197948.00		
	Rio Vista	OILWELL MATERIALS & HARDWARE CO	1	2367.00
	CITY TOTAL -	2367.00		
	Suisun City	SOLANO COLLEGE BOOKSTORE	1	255.50
		SOLANO WORKSHOP SERVICES	4	54386.50
	CITY TOTAL -	54642.00		
Vacaville	AIRCO ARD	1	255.30	
	APEX FORKLIFT REPAIR	1	.00	
	CITY ELECTRIC SUPPLY	1	158.75	
	DECORATIQUE	2	1055.70	
	DICK LEWIS FORD	2	559.56	
	DON RUCH-MAC TOOLS INC	2	81.00	
	FEDERATED AUTO PARTS	1	.00	
	IRON OAK CORP	1	129.95	
	LIQUID CARBONIC	9	11352.50	
	PACIFIC PIPELINE SURVEY	5	18638.50	
	PARADISE TOP SOIL	5	1360.00	
	PARKS SPORTS CENTER	10	7637.70	
	R C SPORTS	1	69.95	
	VACAVILLE MUSIC & TV	1	999.90	
	WESLOS R V CENTER INC	7	8102.21	
CITY TOTAL -	50401.00			
Vallejo	A-1 CERAMIC TILES	2	10346.58	

CITY	SUPPLIER	PIIN-COUNT	SUPPLIER \$
Vallejo	AB COM'A BETTER COMMUNICATION CO	1	195.00
	ACE HARDWARE OF VALLEJO INC	49	29074.35
	ACE WESTERN	3	503.74
	ADVENTURE STORE	2	365.50
	AFFORDABLE WINDOWCOVERINGS INC	1	334.05
	ALL BAY MILL & LUMBER CO	7	33752.30
	ALOMA SAW & MOWER INC	9	1082.98
	AMCOM COMPUTER SOLUTIONS	1	12000.00
	ATHLETIC X PRESS	5	1694.41
	AUTHORIZED BICYCLE SHOP	22	27218.76
	AUTOMOTIVE PARTS HEADQUARTERS	3	482.22
	AVERY GREENE MOTORS	2	1174.68
	AWARDS BY ANTHONY	5	17329.80
	BARBARA & EUGENE BECK	3	245.00
	BARBER CHEVROLET-BUICK	1	100.00
	BARBER DEALER GROUP	2	91.54
	BARBER SIGN CO INC	6	732.50
	BASICALLY SPEAKING	1	466.25
	BAY AUTOMOTIVE COLLISION REPAIR	1	1641.50
	BAYSHORE MATERIALS INC	1	559.30
	BENCIA VALLEJO HUMANE SOCIETY	1	900.00
	BIG 4 RENTS INC	4	15726.00
	BIG 5 SPORTING GOODS	4	1272.15
	BIG O TIRE NO 12	1	.00
	BOB'S TOW SERVICE	2	2000.00
	BORGES & MAHONEY INC	3	3008.82
	BRINKMAN'S MARINE INC	5	2338.54
	BROADWAY AQUARIUM	2	401.55
	BUTTS ELECTRONICS	1	108.00
	CALIFORNIA GLASS OF VALLEJO INC	23	18516.02
	CARQUINEE OFFICE EQUIPMENT	2	241.50
	CEMCO	1	651.00
	CHEVEL DEEPKE	1	150.00
	CINE CAMERA SHOP	10	2997.46
	COLOR TILE SUPERMART	17	9415.13
	COMFLORLD	6	857.80
	CONSUMER MUSIC	2	7532.00
	COSTCO	3	934.39
	COURTESY SHEET METAL INC	1	3180.00
	CUSTOM TRUCK TOPPERS	3	2046.00
	DAISY FRESH DRY CLEANING CENTERS	1	275.00
	DEAN DECKER	1	25.00
	DEBORAH PATTERSON	1	.00
	DEE'S STATIONERY	2	939.23
	DICK'S CAMPER & TRAILER SALES	6	143.40
	DISCOUNT TOOLS	1	879.00
	DIVERSIFIED WATER SYS/CULLIGAN	6	25564.60
	DOMINO COMPUTER	1	1128.00
	DORINDA HIGNIGHT	1	.00
	DOUGLAS SLATER DC	2	1750.00
	ED PIERCE APPLIANCE CO	3	7480.00
	EDITH TAVALERO	1	4800.00
	EDNA RODRIGUEZ	1	.00
	ELECTRIC SUP OF SALINAS/VALLEJO	199	313071.25
	F & M COMSERVE	3	3658.80

CITY	SUPPLIER	PIIM-COUNT	SUPPLIER \$
Vallejo	FABRIC OUTLET	1	22.35
	FOLTZ AND ASSOCIATES	2	49200.00
	FOSTER LUMBER YARD INC	60	45056.35
	FRYS / SAVEMART 226	2	32.58
	FULLER FLOORS	3	5615.18
	GOLDEN STATE LUMBER INC	1	279.20
	H & R ENTERPRISES	1	375.00
	HAL'S APPLIANCES	2	55.50
	HANCOCK FABRICS	5	3110.92
	HAYES SUPPLY CO	10	10109.01
	HERGUTH LABORATORIES INC	1	7943.50
	HWA CHA YOUNG	10	1250.00
	IRWIN'S AUTO PARTS	2	126.60
	JACQUIE BROLLIAR	1	.00
	JIM BOUNDS TV	2	1614.00
	JOE'S CHEVRON	13	391.50
	K-MART DISCOUNT STORES	4	203.91
	KELLY-MOORE PAINT CO INC	9	2104.61
	KTI MFG	5	2152.30
	LAWSON PRODUCTS INC	12	1487.70
	LEVA WELSH	2	450.00
	LIPSEY'S MUFFLER & TIRE SERVICE	3	1507.73
	LONGS DRUG STORE #111	3	115.32
	LYNN LEFAIVE	1	.00
	M & N TOBACCO CO	3	1337.12
	M & J AUTO UPHOLSTERING	1	.00
	MAR-COM RADIO COMMUNICATIONS	1	690.00
	MARGARET ROBBINS	2	730.00
	MARIN GAS PRODUCTS INC	39	49940.64
	MARTIN DISTRIBUTION CO	13	7888.43
	MARY SUDS LAUNDRY	5	949E.04
	MATCO TOOLS	1	728.56
	MCDONALD'S GLASS & MIRROR	6	2140.27
	MID CITY NURSERY INC	3	3072.75
	MIDAS MUFFLER	2	716.03
	MINI-MAN CAR WASH	1	.00
	MIRABELLA SIGNS	1	120.00
	MONTGOMERY AUTO PARTS INC	21	3777.99
	NATIONAL AUTO PARTS CO	33	11846.57
	NATIONAL GLASS CO	2	279.00
	NATIONAL SANITARY CO	3	3336.00
	NAVAJO RUG CO INC	1	175.00
	NAVY RESSE SYS NAVY XCHG 120-130	3	135.12
	NDT ELECTRONICS	1	900.00
	NEWCOME & SONS	31	49535.29
	NIEMANS PRINTING & OFC SUPPLIES	35	11684.12
	NORTH BAY OFFICIALS ASSOCIATION	1	7800.00
	NORTH BAY PLASTICS	1	840.00
	O'CONNOR LUMBER COMPANY	21	19490.64
	OLYMPIC MUFFLER SERVICE	1	.00
	ONE STOP	2	937.32
	ORBIT ELECTRONICS CONCEPTS	1	3652.00
	ORCHARD SUPPLY	25	2925.06
	P & M TROPHY SHOP	1	264.00
	PAT AUTO BODY & FRAME	1	200.00

CITY	SUPPLIER	PIIN-COUNT	SUPPLIER \$
Vallejo	PAYLESS DRUGS	2	67.38
	PEOPLES ICE & FUEL SERVICE INC	25	1721.85
	PETROCHEM INSULATION INC	2	2600.80
	PIP PRINTING	1	51.60
	PROFESSIONAL TELEPHONE SYS	1	800.00
	QUINLAN'S TIRE SERVICE INC	1	12.88
	R & J HONDA-YAMAHA	4	2298.00
	R & S ERECTION OF VALLEJO	5	1192.00
	R S M PRODUCTIONS	2	583.92
	R-LAD ENTERPRISES INC	1	225.00
	RADIO SHACK	16	1366.57
	RADIO SHACK COMPUTER CENTER	1	107.35
	RADIO SHACK DIV OF TANDY CORP	21	1231.15
	RENCO'S FLOOR COVERING INC	15	20515.53
	REVA HEATH	16	3989.00
	ROBIN L HARTMAN	2	130.00
	ROB DAVIS PLUMBING & HEATING CO	4	411.64
	RYLANDER JIM	7	2215.00
	S & D BATTERIES	4	2765.00
	SCUBA-CAL USA	7	2831.45
	SEAHORSE SCUBA CTR INC	1	125.00
	SHELLEYANN PICARIELLO	1	240.00
	SHERWIN-WILLIAMS CO	22	15417.01
	SOLANO COPYING CENTER	1	487.50
	SPEEDY SIGN A RAMA	13	4980.60
	STANDARD BRANDS PAINT CO	5	1686.47
	STANDRIDGE ENTERPRISES	10	4092.98
	STAR SHIRT ENTERPRISE	1	84.00
	STEREO SHOWCASE	11	5285.50
	STEVE'S DISCOUNT TOOLS	5	2585.30
	SULLIVAN FLOOR COVERING	1	.00
	TARGET STORES	2	52.58
	THE CURTAIN SHOP	1	246.50
	TINT SYSTEMS	1	249.10
	TODD UNIFORM	1	2000.00
	TRACY NYLANO	1	145.00
	TRAILER CITY SALES CO	1	52.20
	TR: CITY FENCE CO INC	2	1752.54
	VALLEJO & BENICIA NEWS SERVICE	1	162.00
	VALLEJO BLDG MTL/DIV OF SAYR IND	14	5858.19
	VALLEJO CHAMBER OF COMMERCE	2	225.00
	VALLEJO CITY FLORAL CO	1	150.00
	VALLEJO ELECTRIC MOTOR SHOP INC	14	7450.21
	VALLEJO FIRE EXTINGUISHER SVC	13	3998.43
	VALLEJO FRAME & ART	3	1207.00
	VALLEJO MARINE	9	7804.60
	VALLEJO OFFICE FURNITURE	1	223.00
	VALLEJO SHEETMETAL & HEATING INC	7	2897.23
	VALLEJO STATIONERS	214	156184.48
	VALLEJO TIMES-HERALD	5	1125.00
	VALLEJO TYPEWRITER CO	10	3962.60
	VALLEJO U-HAUL	5	200.30
	VICTORY STORES INC	1	95.53
	W E S COPIER & COMPUTERS INC	1	378.49
	WEAR-EVER DESIGN & MFG INC	10	13986.16

CITY	SUPPLIER	PIIN-COUNT	SUPPLIER \$
Vallejo	WECO INDUSTRIES	1	101.00
	WESTERN CHRISTIAN BOOKSTORE	7	1496.65
	WESTERN VACUUM DISTRIBUTORS	2	289.45
	WETMORE SWIMMING POOL CO	2	59.43
	WHEELER PRINTING INC	3	325.00
	WILSON CORNEILIUS FORD	5	221.20
	WINDOW DRESSING	4	4529.37
	YACHT MASTERS	2	2850.00
	YARDBIRDS OF CALIFORNIA	5	820.81
	YACKIT/VALLEJO	65	21864.46

CITY TOTAL = 1224564.00

TOTAL PIIN COUNT = 1876
 GRAND TOTAL VALUE = 1787590.00

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Appendix C: Service Contracts with Mare Island Naval Shipyard (1992).CONTRACTS TOTALING OVER \$100,000

Polymetrics	Sunnyvale	
Erickson Environmental	Benicia	\$184,288
Patent Scaffolding	San Francisco	
Lehigh Safety Shoes	Sunnyvale	
Nicolet Analytic Inst.	Fremont	
Airco Supply	San Leandro	
Unisys	Benicia	\$100,000 *
Baker Tanks	Pittsburg	
Motorola	Sacramento	
Mobile Modular Mgt.	San Lorenzo	

* conservative estimate

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ATTACHMENT # 5

MASTER PLANNING COMMITTEE

MISSION STATEMENT:

The mission of the Master Planning Committee is to define, promote and coordinate the future of the Napa Valley Exposition through courses of action designed to enhance the image and attractiveness of Napa to its residents and guests; to create at the Napa Valley Exposition a microcosm of Napa Valley activities and cultural riches for the enjoyment of its residents and guests alike; and to have the City of Napa and the Napa Valley Exposition serve as the gateway to the Napa Valley.

THE FINAL PLAN SHOULD ADDRESS THE FOLLOWING SUGGESTIONS:

The Napa Valley Exposition will:

1. Serve as headquarters of and annually produce the Napa Town and Country Fair.

Amphitheatre, Wine Center, Enology Center,
Culinary Center, Animal Pavilion, Parking Facility*

2. Showcase the importance of local agriculture, especially emphasizing the cultivation and processing of grapes into wine.

*Wine Center, Enology Center, Culinary Center,
Animal Pavilion*

3. Reflect and enhance the quality of life and a sense of the community in the Napa Valley.

Amphitheatre, Conference Facility, Enology Center,
Historical Village, Picnic Area, Bike Rentals,*

4. Serve the local residents.

Amphitheatre, Conference Facility, Enology Center,
Wine Center, Reception Center, Culinary Center,
Historical Village, Animal Pavilion, Picnic Area,
Bike Rentals, Park and Ride, Parking Facility*

5. Be open as a year round facility.

Amphitheatre, Conference Facility, Enology Center,
Wine Center, Reception Center, Culinary Center,
Historical Village, Animal Pavilion, Picnic Area,
Bike Rentals, Park and Ride, Parking Facility*

6. Serve as a gathering point for the Napa Valley.

*Enology Center, Wine Center, Reception Center,
Conference Facility, Culinary Center, Parking
Facility*

7. Serve as a gateway and reception center for guests of Napa Valley.

*Reception Center, Enology Center, Wine Center,
Parking Facility*

8. Provide the unique opportunity to educate and entertain the community and its guests.

Amphitheatre, Enology Center, Wine Center,
Culinary Center, Livestock Pavilion, Conference
Facility*

9. Continue to provide and encourage a diversity of cultural activities.

Amphitheatre, Conference Facility, Animal
Pavilion*

10. Tie in the history of the Napa Valley and the River.

Historical Village, Enology Center

11. Assure any future development of the Napa Valley Exposition will be financially self-sustaining.

Amphitheatre, Conference Facility, Wine Center,
Culinary Center, Animal Pavilion*

12. Serve to compliment and enhance Napa's revitalization effort through the integration of design access and event planning.

Amphitheatre, Conference Facility, Reception
Center, Enology Center, Wine Center, Culinary
Center, Historical Village, Park and Ride, Parking
Facility*

13. To provide a focal point for the Exposition of Napa Valley Wine, Food and the Arts.

*Enology Center, Wine Center, Culinary Center,
Amphitheatre*, Reception Center*

** Amphitheatre or other Performing Arts Facility*

PROPOSED USES - NAPA VALLEY EXPOSITION

The Napa Valley Exposition is currently under consideration by the Board of Directors of the Napa Valley Cultural Center as the future site of the Center (aka: The Mondavi Plan).

If and/or when this project becomes a reality, the Napa Valley Exposition will join in the partnership with the Napa Valley Cultural Center in realizing the dreams and plans of changing the now present "functional" facility into a showplace which will serve the community and world as a first class Cultural Center!

The following proposed uses for the facility will be primary features of the Cultural Center:

- Conference Center
- Enology Center
- Culinary and Wine Center
- Reception Center
- Performance/Art Center

The Master Planning Committee at its January 13th meeting discussed the proposed uses of the Napa Valley Exposition. Discussion included ideas which could be immediately implemented, long term plans, and the possibility of the partnership between the Napa Valley Exposition and the Napa Cultural Valley Center.

ENOLOGY CENTER:

The Master Planning Committee has proposed the Enology Center as its most important, doable 1993 project for the Napa Valley Exposition.

The Napa Valley Exposition has an existing building (Champagne Hall), which is used only at fairtime. The building could be converted relatively inexpensively into an Enology Center, with the assistance of the UC Cooperative Extension Agency, UC Davis, and the Napa Valley Vintners and Growers Associations.

The grounds currently contains a newly planted organic vineyard as a starting point to this project. Ideas for the center include winery exhibits, wine growing history and a Wine Hall of Fame.

The Enology Center should be visually stimulating and serve as a "first step" for people going on a tour of the up valley wineries. A portion of the center could serve as an educational tool for the local college.

CONFERENCE CENTER:

The Exposition is currently serving as the unofficial conference facility for downtown Napa. The local hotels do not have the facilities to accommodate large shows and meetings. The group discussed possible ways to entice more shows to the area by working closely with the Visitors and Conference Bureau.

As the plans for expansion continue, the group expressed the importance of including a nearby hotel in the plans, including suggested sites. This could stimulate greater trade show use by the fair and improve the economic growth of downtown Napa.

The ultimate plan in regards to the Napa Valley Exposition and a Conference Center would be to facelift the current structures and/or build one large building for the conference center.

This proposed use is important to the continued financial success of the Napa Valley Exposition, and is in its long term plans to improve the facility.

BIKE RENTALS:

One of the "quick fix" ideas for the Napa Valley Exposition is to serve as a site for bike rentals. With the importance of the tourism industry and the location of downtown Napa, the tie in of an existing site bike rentals is a natural.

The Exposition has begun discussing this idea with a local bike shop for the spring and summer months.

LIVESTOCK PAVILION:

The Exposition currently has a livestock pavilion which has hosted barn dances, fundraising events and auctions. With very few modifications, this area on the grounds could increase revenue and serve as a new area for the community to rent.

One idea as a new use included using the site as a possible teen center. Another possible use is the area being utilized as an area for the teens of Napa to use this area as a location to work on their cars. The fair could work in conjunction with the school districts and the rent could be sponsored by the local car dealerships. Great P.R. for the school, the kids and the fair!

HISTORICAL VILLAGE:

The Napa Valley Exposition sees this as a joint project between the City of Napa Redevelopment Agency. Projects like this are expensive, however when completed, could be used to house a variety of groups and services, including visitor information and historical societies.

Specific properties and ideas adjacent to the Exposition were discussed by the group, including the Noyes Lumber Yard and the Holmes Building.

The Napa Fire Department is looking for a permanent home for the Fire Museum. Both properties were discussed by the group as possible sites. The importance of redeveloping both properties was discussed, including the issues of the negative impact the buildings have on our visitors and on our residents, and the historical value of the buildings.

The Noyes Lumber site has two buildings of particular importance, and questions arose on where to move the buildings (if at all). The group recognized the importance of the buildings, their historical value and the impact moving and/or restoring the buildings would be to Napa, the Exposition and the enhancement of the entire area.

PERFORMANCE CENTER:

The Exposition is discussing with a promoter the idea of housing an outdoor theater group (under tent) on the fairgrounds. This would be new to the Napa Valley and may serve a need in the community as of yet untapped.

The existing Grandstand Arena is currently being used for rodeos, horse shows and hispanic rodeos and concerts. With the addition of a sound barrier, this market could be expanded. The sound barrier needs to be constructed for the benefit of its neighbors if we wish to expand this lucrative market. Possible solutions (easy and inexpensive) discussed included utilizing earth being disposed by the city and other construction projects locally. This could save money for all parties!

PICNIC AREA:

The Plaza Stage is used for picnics and other outdoor events. We are currently speaking with hispanic promoters who wish to hold Sunday picnics in this area.

The group discussed the need to promote the Plaza Stage and the Wine Garden as ideal outdoor wedding areas. The Exposition is seen as a reception site and with no physical changes but better promotion, we could increase outdoor activities.

Another idea discussed was work with local delis and markets and promote "Picnics To Go"! The fair has lots of picnic tables, trees and would be a great place for people to picnic. This would be seen as a service to the community.

PARK AND RIDE/PARKING FACILITY:

The group discussed the idea of developing the Silverado Parking Lot (currently grass), and paving it, thus making it useable as a park and ride site or as a parking facility. This would increase parking for other events as well as assisting with the parking and traffic problems of the city.

Mayor Solomon discussed the city has requested a \$300,000 grant from Congestive Management Funding and a portion of that money could be utilized towards this project.

RECEPTION CENTER, CULINARY CENTER and WINE CENTER:

The Napa Valley Exposition is currently meeting with the Board of Directors of the Napa Valley Cultural Center.

If and/or when the Cultural Center and the Napa Valley Exposition join in partnership, the Wine Center, Culinary Center and the Reception Center would all be considered for this site.

OTHER IDEAS:

Other ideas discussed by the Master Planning Committee included the possibility of moving the Napa Visitors and Conference Bureau to the Exposition (this could stimulate other features discussed, including picnics and bike rental) and serving as a site for hot air balloons.

ATTACHMENT # 6

The Rebirth of a California City:

A world-class NapaValley cultural center marries the 'Fair of the future', a revitalized city, and the magic of a river in a unique public/private partnership that will be a model for successful and sensitive economic development for the 21st Century

Introduction:

On May 17, Robert Mondavi and the board of the proposed Center for Wine, Food and the Arts joined several dozen movers and shakers from the State, from the City and County of Napa, and from the famous wine valley's private sector for a floating meeting on the Napa River. It was a gathering that may well be remembered as the 'River Summit'. For the event was a powerful statement of support for the siting of the major international cultural center on property that sweeps from a scenic piece of land on the river's twisting Oxbow across the river to embrace the State-owned fairgrounds, Napa Valley Exposition, with the Expo as the likely owner of the entire site. As the flotilla of three small barges cruised the river, there were glimpses of the past -- sightings of a Wappo Indian fishing on the bank, a rancharo calling his greetings in Spanish from the old Steamer Wharf, the City's first settler Nathan Coombs waving from the Oxbow. But what the travelers were glimpsing, also, was Napa's future. A future that answers everyone's agenda.

The Center -- with its exciting, socially-involved educational and

research programs; its world-class performance and visual arts; its demonstration vineyards, seminars, and global computer network -- will become the wine industry's welcoming face to the world, a celebration of the human, civilizing quality-of-life that is Napa Valley's compelling trademark.

For the County and City of Napa, the Center will be the trigger for a dynamic transformation of downtown Napa and its long-neglected river, as well as the key to solving some of Napa Valley's most urgent issues for the 21st Century -- economic and population growth, jobs, tourism, transportation, and protection of agricultural land, open space, and the natural resource of the river (one of only *three* surviving navigable rivers in California). The Center is seen as the flagship reinforcing the City's role as the Valley's civic, cultural, commercial and population hub. For both County and City, the Center has already set a fire under the flood control project, so vital to riverfront development, yet mired in conflict and delay for more than a decade. In an unprecedented new climate of conciliation between the Corps of Engineers's plans and the community's will to achieve an enlightened flood control project, the Corps is accelerating the project.

For the State, the Center is a spectacular opportunity to demonstrate its creative and entrepreneurial capacity to build a prospering California for the new century -- to create urban economic growth while nurturing California's vital agricultural industry. Through the strengthening and redefining of the great American country fair, it puts the State at the cutting edge of the central themes of the '90s: private/public partnerships, and the rebuilding of America's sense of community.

For the federal government, the rejuvenation of a California city, with a great world-class cultural center and a superb free-flowing river as its base, offers an extraordinary and unique opportunity to help create a national model for innovative solutions to the pivotal social, economic, and infrastructural challenges to America's communities for the '90s and the next century.

Forged aboard the barges during two hours of river touring, picnicking, and discussion was the unique and creative partnership that will be required to make it all happen, an unprecedented alliance between

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not only the State and the Center board, but between groups that have too often in the past competed and obstructed bold and creative visions for downtown Napa -- City and County, the Corps of Engineers and environmentalists, developers and the guardians of Napa's historical legacy, up and down valley, urban and agricultural interests.

Since May 17, the will to make the Center and the larger dream a reality has been galvanized into an aggressive course of action.

What follows is a concise description of the Expo's proposed 'marriage partner', as well as a summary of the project's goals and impacts.

What is The Center for Wine, Food and the Arts?

Encircled on three sides by the Napa River at its widest and most scenic and spilling across the river to the Expo grounds, the Center will be a unique institution for America and the world. As it opens its doors, it will become the world's center for the study and celebration of wine, food and the arts. Hoping to host 300,000 people a year, it will be an international destination for the general public as well as for wine-and-food experts and professionals. A stunning 70,000 square foot assemblage of buildings and vineyards, its architecture and landscaping, its programs and events, will reflect the aura of excellence and excitement Napa Valley wines generate throughout the world.

The Center will consist of exhibit halls, research facilities, demonstration vineyards, a convention center, and an outdoor amphitheater. Restaurants will be incorporated, and an elegant five-star hotel will be built adjacent to the Center, housing seminar guests and visiting chefs and scholars.

Incorporated into the Center as full partners will be: the University of California, Davis, with its towering reputation in agricultural and winemaking research, and the American Institute of Wine and Food (AIWF), an international institution which conducts societally-important programs of research, publishing, and seminars.

: Protects the precious agricultural resource. By focusing tourism in the City of Napa, where it is appropriate, the industry's precious vineyards are protected from damage by tourist inundation, with its clogging and pollution. From Napa, tourists can travel to the wineries by shuttle bus, train, and other less-intrusive modes of transportation.

: Protects the beauty of the valley. By becoming a magnet for a revitalized downtown, luring people back to the city to live, the Center's site also protects the hills and open space which are a major part of Napa Valley's appeal from the sprawling growth that threatens Napa Valley.

: By reinforcing downtown Napa as the valley's civic/cultural center and home of the arts -- home, also, of the restored historic Opera House, of a proposed opera conservatory, of galleries, of the annual sensationallly-popular symphony 'pops' concert on the river, and, perhaps, of the planned new Museum -- wine's natural and festive association with the arts is reinforced.

: During these years when wine-drinking is under seige from many sectors, the Center, in its downtown riverfront site, provides a powerful opportunity to educate the public to the responsible, civilized and healthful style of wine drinking Napa Valley exemplifies, and to wine-on-the-dinner-table as a powerful catalyst for strengthening family life and recovering the lost sense of community America so hungers for. The friendly human scale, Victorian charm, and down-home 'feel' of downtown Napa also sets the Center, and thus wine, in a non-elitist, accessible context. As Andre Tchelistcheff has said, "When we get so caught up in the pretentious *tasting* of wine, we forget the simple *joy* of wine, with friends and food, at table." Downtown Napa's historic pioneer flavor, rooted to the river that was its lifeline, its banks still carrying the ghosts of the small frame hotels where Italian vineyard workers played bocce ball, is an environment that supports the simple and traditional *joy* of wine.

How the City of Napa Benefits from the Center

: In a word, *hugely*. Giving the City the compelling 'destination' it has long needed but lacked, the Center becomes the catalyst and magnet

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for job creation (many hundreds of jobs), for revenues, for more private sector investment and commercial development, for people returning and breathing life back into downtown -- returning to shop, to live, to enjoy the lively life along the river, to stroll and bike the leafy river trail that will thread through town, to go to plays and musical performances, to lectures and art shows at the Center.

: It sets the style, tone, and standards for future urban riverfront development which will swiftly come once the Center commitment has been made. There is probably no 'anchor tenant' in the world who will bring higher, more sensitive standards of design and operation than the Mondavi-inspired Center. The first commercial riverfront restoration has already begun: plans for the historic Hatt Building have passed the State's historic architectural review; Tannery Row is converting its old industrial buildings to artist's studios, creating a flourishing 'village of the arts' at the south end of the urban riverfront. Many other extraordinary river sites are available, and considerable investment/development is being integrated into the new Master Plan for the larger downtown riverfront district (beyond the boundaries of the master plan being created for the Center district).

: It triggers the long-overdue restoration of the river, Napa's tarnished gem, making it again the vibrant heart of the city, while restoring the river to ecological health (wetlands, native plants, etc.) in undeveloped stretches within the City's boundaries. And it spurs resolution of the flood control project, which has been a contentious and divisive issue for decades. Already, a river tour/meeting on the river with key Corps personnel and Congressman Dan Hamburg has led to an unprecedented spirit of cooperation between community and Corps, and to high priority 'go' status for the project. The hope is now held high that an environmentally responsible and aesthetically acceptable flood control project can be achieved.

: It triggers infrastructure improvements: a new 'gateway' highway into the central downtown area; a new transportation hub which will interconnect buses, train, river ferries, cars, and pedestrian river trails; expanded recreational facilities.

: It confirms the city as the cultural center of the valley, giving

: Protects the precious agricultural resource. By focusing tourism in the City of Napa, where it is appropriate, the industry's precious vineyards are protected from damage by tourist inundation, with its clogging and pollution. From Napa, tourists can travel to the wineries by shuttle bus, train, and other less-intrusive modes of transportation.

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: During these years when wine-drinking is under seige from many sectors, the Center, in its downtown riverfront site, provides a powerful opportunity to educate the public to the responsible, civilized and healthful style of wine drinking Napa Valley exemplifies, and to wine-on-the-dinner-table as a powerful catalyst for strengthening family life and recovering the lost sense of community America so hungers for. The friendly human scale, Victorian charm, and down-home 'feel' of downtown Napa also sets the Center, and thus wine, in a non-elitist, accessible context. As Andre Tchelistcheff has said, "When we get so caught up in the pretentious *tasting* of wine, we forget the simple *joy* of wine, with friends and food, at table." Downtown Napa's historic pioneer flavor, rooted to the river that was its lifeline, its banks still carrying the ghosts of the small frame hotels where Italian vineyard workers played bocce ball, is an environment that supports the simple and traditional *joy* of wine.

How the City of Napa Benefits from the Center

: In a word, *hugely*. Giving the City the compelling 'destination' it has long needed but lacked, the Center becomes the catalyst and magnet

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for job creation (many hundreds of jobs), for revenues, for more private sector investment and commercial development, for people returning and breathing life back into downtown -- returning to shop, to live, to enjoy the lively life along the river, to stroll and bike the leafy river trail that will thread through town, to go to plays and musical performances, to lectures and art shows at the Center.

: It sets the style, tone, and standards for future urban riverfront development which will swiftly come once the Center commitment has been made. There is probably no 'anchor tenant' in the world who will bring higher, more sensitive standards of design and operation than the Mondavi-inspired Center. The first commercial riverfront restoration has already begun: plans for the historic Hatt Building have passed the State's historic architectural review; Tannery Row is converting its old industrial buildings to artist's studios, creating a flourishing 'village of the arts' at the south end of the urban riverfront. Many other extraordinary river sites are available, and considerable investment/development is being integrated into the new Master Plan for the larger downtown riverfront district (beyond the boundaries of the master plan being created for the Center district).

: It triggers the long-overdue restoration of the river, Napa's tarnished gem, making it again the vibrant heart of the city, while restoring the river to ecological health (wetlands, native plants, etc.) in undeveloped stretches within the City's boundaries. And it spurs resolution of the flood control project, which has been a contentious and divisive issue for decades. Already, a river tour/meeting on the river with key Corps personnel and Congressman Dan Hamburg has led to an unprecedented spirit of cooperation between community and Corps, and to high priority 'go' status for the project. The hope is now held high that an environmentally responsible and aesthetically acceptable flood control project can be achieved.

: It triggers infrastructure improvements: a new 'gateway' highway into the central downtown area; a new transportation hub which will interconnect buses, train, river ferries, cars, and pedestrian river trails; expanded recreational facilities.

: It confirms the city as the cultural center of the valley, giving

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 Valley residents as well as tourists a focus for enjoying Napa Valley's burgeoning arts. The concentration of cultural facilities in the city helps enormously to make it a 'destination'.

How the County and Entire Napa Valley Benefit from the Center in Downtown Napa:

: It heals the long cultural rift between up and down valley, and unites us. What we've lost as we turned away from the river is the memory that Napa was once a big wine town, too. On the river, Uncle Sam Wine Cellars and the Migliavacca Wine Co. shipped their wine out on the steamboat Zinfandel. The Center in the downtown Expo/Oxbow site would represent a reuniting with that lost side of Napa.

: Its spurs solutions to the major valley-wide and regional challenges for the '90s and 21st Century: transportation, tourist management, population growth, economic prosperity and job creation, and protection of ag and open space. One of the strongest benefits to the County's economy could be the expansion of food-related industries in the corporate parks in the south valley -- natural spin-offs from the Center's research.

: It forges cooperative alliances between all the groups, public and private, that have often worked at cross purposes in the past. The very *prospect* of the Center locating on Napa's riverfront has already sparked unprecedented alliances and galvanized the will of all the disparate players to support the Center project and make it a reality. This collaborative spirit has been at its most visible in the several 'patio barge' tours of the Napa River staged to introduce the people who must move and shake this project to the magic and the potential of the river, one of California's three surviving navigable rivers -- an irreplaceable treasure.

How the State Benefits by the Center in Downtown Napa:

: With the Center located, at least partially, on State-owned Expo land, the Expo becomes a pioneer -- and a national model -- for the 'Fair of the Future', a fair which expands out from its traditional quilts-and-canned-tomatoes to embrace new uses which, like the Center, reinforce in

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progressive and innovative ways the Fair's focus on agriculture and community. Napa's town fair has an inclusive 'common touch' which will marry well with the Center's stylish international tone; with incorporation of the Center, we create a fair that is both elegant *and* accessible.

: The Center project lets the State of California seize leadership in creating public/private partnerships (the buzzword of the '90s), and to seize leadership, too, in finding innovative and profitable ways to redefine the Fair. A profitable fair contributes importantly to Napa's economic stability. Fairs, as places of sociable gathering and trading, have thousands of years of history; for many centuries, they have been a fundamental tool of culture and community. They still are, but they must find ways to prosper in today's increasingly urban world. The Center gives the State's challenged Fairs an opportunity to revitalize and preserve a beloved and vital community tradition.

: The Center is a natural marriage with UC Davis, the State's distinguished center for agricultural education and research. The Center is a model for new ways of supporting and improving agriculture, California's premier industry.

The Federal Government's Interest in the Center Project:

In so many ways, the Center meets the criteria of the nation's agenda for America's cities and communities for the '90s and for the 21st Century -- from rebuilding infrastructure to rebuilding a sense of community, from successful conversion from a defense economy to supporting arts and education. Some of the major dimensions of the Center/Napa River project Congress may well support with funding are:

: **Flood control**, with final planning for Napa's project at last underway. When construction begins, then local contractors will be hired for the six to seven year construction period.

: **Transportation**, as Napa creates an environmentally-sensitive transportation system and hub where river ferries, trains, shuttle buses, automobiles, the new 'gateway' highway system, and the bike-and-pedestrian river trails converge.

: **Job creation**, especially critical in the Napa region because of defense plant closings and a phylloxera-hit wine industry facing

ravaging capital costs and a slowing market

: **Human services and education.** The Center's prime emphasis is on education. Also, its research into nutrition and diet of ageing and inner-city families, for example, may be opportunities for federal support.

What Steps Need to be Taken to Make the Center a Reality?

1: The first step must be a **firm commitment from the Center Board of directors** to begin the project on the First Street property.

2: The second step is **acquisition of the land**, which can be accomplished in several different ways. The Center Board, the City, and the Expo should meet with qualified certified accountants to determine the most advantageous method of land purchase for the Center. As this report is written, negotiations are well-advanced with the owner of the two parcels which constitute the First Street/Oxbow property, Joe Vallerga. It appears that the Center and Mr. Vallerga are close to agreement on selling price. Substantial upfront cash may be required to obtain an option on the property, and all three parties -- the Center, the Expo, and the City -- may agree that they should make a united offer to share this option payment, an act that carries a positive message of shared commitment to the project. The sources of those cash funds is now being vigorously explored.

The following scenarios for the next step (after the option payment), acquisition of the property before the end of the option period, are under consideration:

: Robert Mondavi, representing the Center Board of Directors, can purchase the property outright with either cash or stocks from his Robert Mondavi Winery stock portfolio. Robert Mondavi could then gift the property to the 25th District Agricultural Association, the Napa Valley Exposition. He could write off this gift to the state as a charitable contribution, thus tax-deductible, and the land would become part of the fair, thus making it available for California Fairs Financing bonding, construction oversight, and partnerships with the city in a joint venture Joint Powers Authority relationship. (CFFA is currently a Joint Powers

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Authority within the State system, set up to oversee all construction projects on California fairs).

: The Expo could work with the Department of Real Estate Development and Design to trade available state lands to Joe Vallerga for his property. The 11 acres necessary for the Center project would immediately be evaluated by the Department of Real Estate Development and Design, the purchase price would be agreed upon by the appraisers at the State, and a deal put together trading one piece of land for another.

This process is somewhat time consuming and complicated, but has been done.

: The City of Napa, which owns considerable highly desirable downtown Napa property, could trade available land with Joe Vallerga and the City could own the property on which the Center will be located.

Master Planning is the Key to Success:

Master planning the entire downtown Napa area, with creation of a specific project district by the Redevelopment and Economic Development Agency, is absolutely requisite to ensure that the Center, the Napa River, and the adjacent areas are protected from inferior and inappropriate development in flanking properties. The project planning process will begin as soon as selection of the site is formally announced by the Center's site selection committee. Once the site is selected, a concept plan for the project will be developed. This concept plan will cover an area much greater in size than that needed for the Center, approximately 100-200 acres. This is being done for two reasons. First, the project will generate considerable investment potential in terms of surrounding properties. In order to insure proper development of those lands, a designated "development area", providing special land use and design controls, will be necessary in order to protect the Center from inappropriate development impacts.

The second reason for a larger planning area is to properly site desirable amenities supportive of the Center, particularly a five-star hotel, conference facility, and the Center's performing arts element, to ensure a

thoughtful, integrated, and financially-viable planned development. The concept plan should take 60 to 90 days to develop.

Once the concept plan is developed, it will be packaged, along with the Center's development plan, into a Request for Qualifications (RFQ) packet to solicit the involvement of a master developer. While the Center will be developed by the Center's Board, the hotel and support development activities, as well as the final development plan, will require the expertise of an experienced, well-financed master developer. It is anticipated that the selection of a developer will take 90+ days, depending on the level of interest in the development community (expected to be high).

Once the master developer is selected, development of a final development plan/master plan can commence. It is anticipated that, even with the master plan development and adoption, construction of the Center could begin within three years of the selection of the site. The construction period for the Center is contingent upon the final design (which has not been developed to this date) and obtaining the required approvals.

The Center will be a collaborative partner in the project's planning and design. Its high standards of excellence and aesthetics will be influential in shaping all aspects of the Center's and the contiguous district's development; those standards must be built in to all aspects of planning, from flood control to building design.

Guidelines: In that regard, design and policy guidelines are being formulated which will apply, now, to the special development district and, later, to all urban riverfront development. The guidelines will be implemented by a Napa River Advisory Commission soon to be created jointly by City and County, a body which will provide a vital 'cocoon' of protection to the Center and oversight to the entire urban riverfront which will guarantee that the magnificent potential and natural qualities of Napa's urban riverfront cannot be compromised by tacky expediency.

Where Does the Funding Come From?

Development of the funding mechanisms for the final construction of

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the Center can be done through Center fundraising efforts, tax increment financing on property owned by the City or State, and by direct private-sector development involvement through disposition and development agreements.

Economic Impacts of the Center Project

There are several ways to measure the economic impact of this project. Each of the methods is very detailed in its analysis and requires more discussion space than permitted here. As part of the master planning process, a specific economic impact analysis will be conducted by a market research firm skilled in tourism-based analysis (such as Economics Research Associates). A preliminary analysis of economic impacts is currently being conducted by City of Napa staff. This analysis assumes the following estimated overall configuration. The elements below represent staff's estimate of new development deriving directly from the Center's construction. Additional development within the 100-200 acre development area is also anticipated, but not reflected here:

	<u>Square Footage</u>
Center for Wine, Food & the Arts	70,000
Conference Center	100,000
Hotel	150,000*
Commercial Retail	40,000
Professional Office	150,000
Parking areas	250,000**
EXPO facilities	1,000,000
Riverfront recreation elements	150,000
Open space/Vineyards	<u>130,000</u>
TOTAL	2,040,000

* Assumes multiple story development (3 stories of 50,000 s.f.)

** Only first floor space is reflected. A multiple story facility is anticipated.

Note: There could also be a limited amount of medium-density urban 'cluster' housing within the special development district.

Job creation could be one of the major economic boons in an era of recession and adjustment to military base closings in California (Mare Island is on Napa's doorstep). The Project is conservatively expected to create up to 600 new jobs within the immediate project area. This is based on the following rough projections, which are subject to change as the project concept and master development plan are finalized:

Estimated Employment Levels:

Center for Wine, Food & the Arts	25
Conference Center	35
Hotel	150*
Support commercial	<u>250-350</u>
Estimated Employment	460-560

* Assumes an on-site restaurant

In addition to job creation within the master plan area, the Center project has the potential for creating several thousand additional "indirect" employment opportunities within the larger riverfront development district and the City's corporate parks to the south.

During an approximately fifteen to twenty year development period, many hundreds of construction jobs would be created for construction of buildings, flood control, recreation facilities, and transportation infrastructure.

A major source of jobs could be a food research and manufacturing industry spawned by the Center's research in the areas of wine and food. Most of this research work is currently being performed by private companies. Through the Center's efforts to serve as a central "library" or research center for these efforts, it is very possible that these companies could be persuaded to establish permanent research facilities in Napa's ample corporate and R&D parks. As these facilities are created, they will provide additional job opportunities for Napa residents and add a strong new dimension to the overall economy. Just as Stanford University

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spawned Silicon Valley, the Center could spawn a dynamic food industry in Napa Valley. It is a healthy bellwether that the Center's board chairman and his partners have recently established an exciting small specialty food manufacturing company in south Napa.

In sum, we are describing here -- in the revitalization of Napa's urban heart and free-flowing river, with a great 'destination project' as its catalyst and flagship -- nothing short of a blueprint for bold and innovative development for California's communities through and beyond the Year 2000. The Center for Wine, Food and the Arts is central to this visionary yet realistic dream. And a river runs through it.

Prepared by: Randy Starbuck, City of Napa Redevelopment and Economic
Development Coordinator
Dorothy Lind, Manager, Napa Valley Exposition
Moirá Johnston Block, author, community leader

JAMES A. BARCIA
5TH DISTRICT, MICHIGAN

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Congress of the United States
House of Representatives
Washington, DC 20515-2205

COMMITTEE ON PUBLIC WORKS
AND TRANSPORTATION
SUBCOMMITTEES
ECONOMIC DEVELOPMENT
INVESTIGATIONS AND OVERSIGHT
WATER RESOURCES
COMMITTEE ON SCIENCE,
SPACE, AND TECHNOLOGY
SUBCOMMITTEES
SCIENCE
SPACE

Opening Statement of
Honorable James A. Barcia
Hearing of the Economic Development Subcommittee
July 20, 1993

MR. CHAIRMAN, I realize that time is short this morning, but I do want to make a brief statement for the record. I plan to join you and several of our colleagues from the Committee on the floor today to fight for the existence of the Economic Development Administration. The past two administrations have attempted to eliminate this agency, which I know you join me in contending, is in perfect position to assist distressed communities with general economic development activities. EDA should also be a natural to assist communities in adjusting to such long term economic adjustments as a base closure, such as we are here today to discuss.

Constituents in Iosco County, in my 5th District of Michigan, have been working with EDA to get assistance for a water delivery system since December of last year. The region has been absolutely devastated by the closure of this base. This project will assist the region in making infrastructure improvements to attract companies into the recently closed Wurtsmith Air Force Base. While it would seem to me that regional economic development officials have done everything that EDA has asked of them, the grant application, as of last week, had not progressed past the Chicago regional office. I am disappointed with this lack of progress, and merely want to state for the record that I intend to continue to work with EDA to move this process along, and would appreciate the assistance of the Subcommittee and you MR. CHAIRMAN in doing so.

That will conclude my statement, MR. CHAIRMAN. I appreciate your indulgence and ask unanimous consent that my letter to the Administrator of the EDA regarding this situation be included in the record as part of these proceedings.

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Congress of the United States
House of Representatives
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15 July 1993

COMMITTEE ON PUBLIC WORKS
AND TRANSPORTATION

SUBCOMMITTEES
ECONOMIC DEVELOPMENT
INVESTIGATIONS AND OVERSIGHT
WATER RESOURCES

COMMITTEE ON SCIENCE,
SPACE, AND TECHNOLOGY

SUBCOMMITTEES
SCIENCE
SPACE

Hon. Wilbur Hawkins
Acting Assistant Secretary
of Commerce for Economic Development
Herbert Hoover Building, Rm 7800-B
U.S. Department of Commerce
Washington, D.C. 20230

Dear Mr. Secretary:

Currently under consideration by the Economic Development Administration (EDA), is a grant submitted by Iosco County, Michigan. This grant is requested under Title IX, Sudden and Severe Economic Distress, in accordance with the closure of Wurtsmith Air Force Base. The grant was received by EDA on 7 December 1992 (Locator Number N-MI-0360).

The project and activities that are to be carried out with these funds, are crucial to the base conversion and economic readjustment now facing this area. During this process, the grant applicants have been more than willing to help the EDA with any information or other materials needed for consideration and approval of this funding. For example, the applicants were willing to travel to the Chicago regional offices of EDA, and brief the grant evaluators on any issue surrounding the proposal. Additionally, when a problem arose concerning an environmental question, the applicants went so far as to get a joint letter from the governor and attorney general to clarify the issue.

Even though my office has been told that the grant would be forwarded to the EDA Washington office, it is my understanding that it is languishing in Chicago. Knowing the importance the Administration has placed on base conversion efforts, I believe the consideration of this proposal needs to be expedited.

The grant applicants had hoped to begin using these funds in late summer. The weather conditions in this area of mid-Michigan preclude construction work past early October. The need to provide water distribution and sewage treatment to the former Wurtsmith Air Force Base is critical to the economic plan.

The local economic development authorities have done an exceptional job of attracting industrial and service reusers to the facility. These efforts will come to a screeching halt if water and sewage facilities are not established to accommodate additional reusers.

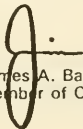
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Knowing that the grant proposal has further reviews to undergo here in Washington, it is crucial that the proposal be brought here for final review and approval. The people of Iosco County, Michigan deserve nothing less than EDA's best effort. Please feel free to contact me if there is anything that I can do to facilitate your review of this proposal. The livelihood of a great many of my neighbors in the 5th District depend upon your efforts. If your staff has any need for further information please have them call my Legislative Director, Paul A. DeGiusti.

Respectfully,

A handwritten signature in black ink, appearing to read 'James A. Barcia', with a horizontal line extending from the end of the signature.

James A. Barcia
Member of Congress

pdg

cc: Cong. Robert E. Wise, Jr.
Chairman, Subcommittee on Economic Development
Committee on Public Works and Transportation

BILL BAKER

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WEDNESDAY & FRIDAY

Congress of the United States
House of Representatives

July 20, 1993

COMMITTEE ON PUBLIC WORKS
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SUBCOMMITTEES

ECONOMIC DEVELOPMENT
INVESTIGATIONS AND OVERSIGHT
SURFACE TRANSPORTATION

COMMITTEE ON SCIENCE,
SPACE, AND TECHNOLOGY

SUBCOMMITTEE

ENERGY

REPUBLICAN RESEARCH COMMITTEE
HEALTH CARE TASK FORCE
VICE CHAIRMAN

OPENING STATEMENT BY REP. BILL BAKER
BEFORE THE SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
HEARING ON THE EDA REAUTHORIZATION

Thank you, Mr. Chairman. I applaud you for scheduling this hearing regarding the reauthorization of the Economic Development Administration, especially as it impacts the need for an effective defense conversion to adjust to the base closings around the nation.

As a representative from the 10th District of California, serving the East Bay Counties of Alameda and Contra Costa, I know the severe financial dislocations brought about by the base closures. Although there have been no base closings in my congressional district, many of my constituents will be hit hard by the defense down-sizing.

In California overall, it is estimated that at least 31,747 jobs will be lost as a direct result of the base closures. With an already recessionary economy in our state, these base closures come at a bad time. Too many families have already experienced the hardship of unemployment as defense contractors have been down-sizing. Too many children know the pain of picking up and moving out of the state with their families in pursuit of other jobs. Too many parents have seen their financial savings evaporate as they struggle to make ends meet.

This is a difficult time for us, and we must pull together to use our creative energies to find a way through these closings. I'm glad that we can take this opportunity to hear directly from today's witnesses about the very real needs of affected communities. It is my hope that we can pull together to do all we can for America's displaced workers, and for America's future.

Thank you, Mr. Chairman.

DIANNE FEINSTEIN
CALIFORNIA

COMMITTEE ON APPROPRIATIONS
COMMITTEE ON THE JUDICIARY
COMMITTEE ON RULES AND ADMINISTRATION

United States Senate

WASHINGTON, DC 20510-0504

July 20, 1993

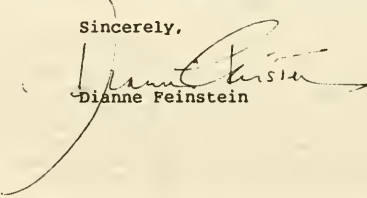
The Honorable Robert E. Wise, Jr.
United States House of Representatives
Washington, D.C. 20515

Dear Bob:

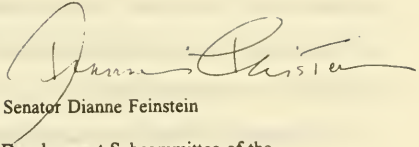
Thank you for inviting me to testify before your subcommittee today on the Economic Development Administration's reauthorization. Unfortunately, I am not able to attend because of a Judiciary Committee conflict. This morning is also the beginning of the Ginsburg nomination.

With your approval, I would like to submit a statement for the record. The EDA's role in defense conversion, particularly in California, is critical. I applaud you for exploring this issue. Please contact me if I can be of any assistance.

Sincerely,



Dianne Feinstein



Statement by U.S. Senator Dianne Feinstein
Submitted to the Economic Development Subcommittee of the
Committee on Public Works and Transportation

July 20, 1993

Thank you for inviting me Mr. Chairman. I welcome this opportunity to discuss the importance of the Economic Development Administration (EDA) to California, especially in view of the recent actions of the Base Closure and Realignment Commission and continuing defense cuts. The EDA has taken on an increasingly important role as reductions in the defense budget escalate and more military bases are closed. According to an Office of Technology Assistance report (OTA), the EDA's Sudden and Severe Economic Dislocation (Title IX) program is the main federal source of financial help to communities affected by defense cuts. The EDA can help a community implement either its own plan, or a plan from the Defense Department's Office of Economic Adjustment (OEA), for community economic adjustment and development.

The OEA and EDA have a history of working together to help communities faced with economic disruption due to changes in defense activities. The OEA traditionally has helped a community organize and develop a plan for economic conversion. The EDA then steps in and helps the community implement that plan. Last year's Defense Authorization enabled the OEA to begin implementing its plans, but this mission does not fit the role of the Defense Department and should not be

performed by one of its agencies. Therefore, it appears that the EDA will remain the main federal agency responsible for implementing economic development plans for adversely affected defense communities.

The demand for EDA's services is increasing at a tremendous rate. The 30 major bases that were just announced for closure and realignment will need help now to prepare. The communities that are being devastated by the decline of the defense industry are also in need. The most recent action by the Base Closure and Realignment Commission called for the closure or realignment of seven major bases in California and the resulting loss of 70,000 direct and indirect jobs. It is critical that EDA receive new support so that it can better serve those communities and people that will desperately need it in the months and years ahead.

The EDA has historically been slow and inflexible in its grant process. However, the Clinton Administration has indicated its desire to revitalize the EDA and streamline its grant process. Given the tremendous need of many communities for immediate defense conversion assistance, I believe that the following actions should be taken.

First, EDA funding for defense conversion should be increased. The \$33 million called for in FY '94 will not be enough given the increased demand for EDA assistance. The bases that were slated to be closed and realigned by the Base Closure and Realignment Commission in 1988 and 1991 are being closed and realigned now, and in the next year 20 or more of them will need assistance implementing development plans. These bases will each need improvements costing several million

dollars apiece. Moreover, those bases that are to be closed by the 1993 round should be encouraged to seek planning and implementation assistance now, so that economic development may take place in a timely manner. With seven major bases being closed or realigned in California alone, and approximately 30 major bases being closed or realigned nationwide, the shortfall in EDA funding becomes apparent. In addition, there are several communities that have been devastated by the decline of the defense industry and will need economic development assistance. OTA reports that about 140 communities are heavily defense dependent. Many of these communities will become economically distressed as defense spending decreases, and could seek assistance from the EDA. The \$130 million that has been transferred to the EDA should run out at the end of this calendar year. The \$33 million that the Administration has requested for the EDA for this next fiscal year will clearly be inadequate given the increase in demand for EDA assistance that will occur in 1994.

Second, the required match of 25% from the local community should be lowered or eliminated. Communities in crisis will have trouble meeting the required match, and as a result, the match has become an obstacle to communities that desperately need EDA assistance. The greater the need, the more difficult it is for a community to meet the required match.

Third, the EDA must be streamlined. The grant process must be simplified and the time required for awarding grants must be slashed. One way to cut the time frame would be to change the current process where grants are reviewed in the regional EDA offices and then passed to the central office for another review. Economic conversion

and development plans that are approved by the OEA should be subject to only one comprehensive, but swift review within EDA.

Fourth, the EDA should be given the authority to fund infrastructure improvements on military bases before they are closed and transferred to communities. Currently, the EDA may not fund the improvements until the community has received the property from the federal government. Because federal facilities are often not up to civilian standards, this restriction on EDA delays a community's use of the bases that have been turned over to the local community, thus seriously hindering economic development.

Fifth, it is especially important in this time of tight budgets that the EDA and all federal agencies spend their scarce resources as efficiently as possible. I introduced legislation, S. 1056, that would ensure that defense conversion funds are allocated efficiently by targeting those funds to those communities most in need. If the EDA and other agencies target defense conversion funds on a formula basis, communities would know how much money to expect and thus be able to plan effectively. Currently there is no guarantee of support for these communities and no indication of what level of support they should expect. A formula allocation would allow federal defense conversion funds to be used effectively and efficiently.

Finally, the EDA should be located in those areas most in need. Along these lines, the EDA should establish a regional office in the state of California. It's bitterly ironic that the state most affected by base closures and defense cutbacks does not have an EDA regional office; currently defense conversion projects in California are

managed from the Denver Regional Office. A regional office in California would enable the EDA to be more effective in the state suffering the most from base closures and defense cuts.

TESTIMONY OF CONGRESSMAN MARTIN FROST
SUBMITTED TO THE PUBLIC WORKS SUBCOMMITTEE
ON ECONOMIC DEVELOPMENT

July 20, 1993

I appreciate the opportunity to submit testimony to the Economic Development Subcommittee. I strongly support reauthorization of the Department of Commerce's Economic Development Agency (EDA), and would like to first comment on EDA's role in defense conversion, and later address EDA's University Center Program.

With the decline in defense spending and the closing of military facilities around the country, defense conversion has taken on added importance. I have been concerned for some time now about the impact of reductions in defense spending on our nations' defense firms, defense workers and communities. Last year, at the request of House Majority Leader Gephardt, I chaired the House task force that developed the defense conversion legislation that was added to the defense authorization act passed by Congress. This defense conversion legislation provided \$1.5 billion for communities, businesses and workers hard hit by military base closings and defense industry cut-backs for FY 1993.

President Bill Clinton has now released this money and made the defense conversion legislation the basis for a new \$20 billion plan to be implemented over the next four years.

When our task force was considering conversion proposals, a consistent theme was the importance of making assistance available to defense-dependent communities so that they can plan effective responses to the loss of defense dollars and develop strategies for such activities as converting military facilities for other uses and helping local business diversify into non-defense activities.

It is clear that EDA will play a significant role in carrying out defense conversion activities. I applaud the President for his recent decision to transfer another \$80 million to EDA earlier this year. EDA's role will be particularly important in helping communities adjust to the closing of bases and other military facilities that in many cases represent the economic lifeblood for the locality.

As you know, we have just begun another round of base closings, and communities throughout the nation will be affected as more facilities shut down. In my own area, the Dallas Naval Air Station has been proposed for closure. The City of Grand Prairie, part of which I represent, has enjoyed considerable economic benefits from the base's presence. Now, since Dallas NAS will close, Grand Prairie will need the type of assistance that will be provided by EDA, and I will be working closely with Grand Prairie city officials to help them tap into these valuable

resources.

Making money available to EDA is just the first step, however. We have to make certain that the delivery of assistance to impacted communities is timely. The application process must be speeded up, and those communities most desperately in need of help must receive priority attention.

This subcommittee will play a vital role in our defense conversion efforts. I commend you for holding this hearing today, and encourage you to monitor closely the on-going conversion activities at EDA. These programs must work, and we have to do everything we can to ensure their success for the sake of the economic future of communities around the nation.

I'd now like to say a few words about EDA's University Program and my support for the expansion of this program.

As you are aware, grants of some \$124,000 annually are available to universities from the Economic Development Administration under its University Center program to provide low cost, job-generating, economic development assistance to local governments, nonprofits and firms. Once awarded, the grants are typically renewable.

The basic mission of each University Center is to assist in the economic development of distressed areas by mobilizing their own and other resources.

The EDA University Center program is unique because it stands as the primary bridge between critical technologies and expertise of American colleges and universities, and the towns

and businesses which benefit from the application of these economic development-related resources. The EDA University Centers are leaders and innovators in fostering economic development which retains and creates jobs.

However, in the past, funds have been appropriated only for existing programs and the funds for FY 1993 were also restricted in this manner.

I'd like to briefly talk about the Institute of Urban Studies, which is housed within the School of Urban and Public Affairs (SUPA) at the University of Texas at Arlington (UTA), in my congressional district. The Institute is very interested in applying for a University Center, yet as I mentioned earlier, funds have been restricted to existing programs.

The Institute at UTA was created by the Texas Legislature in 1967 with a mission of research, service and education in the urban setting. To fulfill its research mission, the Institute identifies, studies and develops proposals for problems facing urban Texas.

The Institute is located in the middle of the Dallas/Fort Worth area, an area which has been hard hit by lay-offs, especially defense layoffs. A number of defense contractors have laid off large number of employees, and economic development activities are extremely critical for this area. As referenced earlier, EDA will be playing an important role in defense conversion activities which will help defense companies and workers who are hit by the loss of defense contracts.

The Institute makes available extensive training and consultative expertise of its faculty, staff and students to public officials and local communities, many of which otherwise could not afford such services.

In past years, UTA has submitted proposals to the Regional EDA office in Austin. According to the Austin office, UTA's proposal to their office was ranked at the top of new university center applicants for that region. Unfortunately, because monies were not available for new programs, UTA was not allowed to compete for funds.

Currently, SUPA at UTA annually serves approximately 1000 local officials through training, conferences, and service activities. A University Center grant would enhance the economic development training and technical assistance already provided.

In closing, I believe that EDA could serve as a strong stimulus for economic growth for communities, and I encourage the subcommittee to examine EDA's University Center Programs and support the expansion of new programs.

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COMMITTEE ON APPROPRIATIONS
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CONGRESSIONAL WORKING GROUP
ON CHINA, CHAIR

July 28, 1993

Robert E. Wise, Jr.
Chairman
Subcommittee on Economic Development
B376 Rayburn
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for this opportunity to address the Subcommittee during this important hearing on the reauthorization of the Economic Development Administration (EDA).

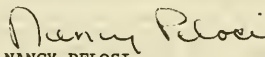
A large share of the revenue and jobs lost due to base closings are from California, where we are currently in an economic crisis. Successful defense conversion is extremely important to ensure that California's future is a prosperous one. The functions of the Economic Development Administration are essential to successful defense conversion.

I am concerned that the current structure of the EDA is not adequate to meet the needs of California and particularly the needs of Northern California where base closings have had a dramatic economic impact. For this reason Members of the Northern California delegation support a Western Regional EDA office in the San Francisco Bay Area.

Please include my statement, which is attached, in the hearing record for July 20, 1993.

Thank you for conducting this important hearing. I look forward to working with you on these issues.

Sincerely,



NANCY PELOSI
Member of Congress

NP:cwv

Statement of Congresswoman Nancy Pelosi
before the
Public Works and Transportation
Subcommittee on Economic Development
July 20, 1993

Thank you for conducting a hearing on the reauthorization of the Economic Development Administration (EDA). As a representative of San Francisco, California, I have a strong interest in seeing that the functions of this agency are properly funded and executed.

The Economic Development Administration has been a key element of plans to develop depressed areas across the country. Considering the economic climate of the past few years, there are areas in need of development assistance that the EDA can provide.

The state of California faces a considerable challenge in working to recover from a deep recession. The conversion of recently closed bases to civilian purposes and will help us to meet this challenge and the civilian side of government has a considerable burden to share in the conversion process. For these reasons I support full funding of the EDA. During consideration of the reauthorization of the EDA, I would also like the Subcommittee to consider a proposal to establish a Western Regional Office of the EDA in the San Francisco Bay Area.

The Economic Development Administration is the lead federal agency for funding the implementation of base reuse plans that are so important to the efforts of a local community to benefit from a base closing. The needs of California and the San Francisco Bay Area are unique and I am concerned about the ability of the EDA to address these needs under its current structure. At present, there are only three EDA officials stationed in California, and defense conversion projects are managed from the Denver Regional Office. The Defense Base Closure and Realignment Commission recently recommended for closure the majority of military bases in California and almost all of the remaining San Francisco Bay Area military installations currently in operation.

Due to this large number of base closures in California and the Bay Area in particular, I believe that it is crucial to the defense adjustment process that an EDA Western Regional Office be centrally located in the San Francisco Bay Area.

The State of California is more severely impacted than any other state. California will lose over 33,000 jobs, a number which represents over 85% of the jobs lost nationally from this round of base closings. The state economy is already reeling from earlier base closings, unemployment higher than the national average and a period of slow growth.

The San Francisco Bay Area is more heavily impacted by this round of base closures than any other area of California. 80% of the jobs lost in California are from the Bay Area. The 1993 round of base closings will result in the loss of over \$700 million in payrolls, \$200 million in contracts and over 26,000 jobs.

Adequate support for and efficient implementation of defense conversion plans is essential to the efforts of affected communities to reduce the negative economic impact of base closings, especially in California.

As part of my written testimony, I have included a letter that I sent to Secretary of Commerce Brown along with my Congressional Colleagues from the San Francisco Bay Area, requesting that he establish a Western Regional Office of the EDA in the Bay Area. The signatures on this letter are evidence of the strong support for this proposal among California Members of both the House and Senate.

Thank you, Mr. Chairman, for the opportunity to testify before the Subcommittee and for your consideration of this proposal. I look forward to working with you on this matter in the future.

Congress of the United States
Washington, DC 20515

May 6, 1993

The Honorable Ronald H. Brown
Department of Commerce
14th and Constitution Avenue
Washington, D.C. 20230

Dear Secretary Brown,

As Members of Congress representing the San Francisco Bay Area, we are writing to request your assistance, as the Secretary of Commerce and the Clinton Administration's liaison for economic development in California, to establish a Western Regional Office of the Economic Development Administration (EDA) in California.

The recent base closure recommendations by Secretary of Defense Les Aspin target the majority of military bases in the State of California and include all of the remaining San Francisco Bay Area military installations currently in operation.

While many of the affected communities have made compelling arguments challenging the Defense Department's decision to close particular bases and are awaiting the Base Realignment and Closure Commission's final recommendations, we believe it is critical to prepare for the possibility that military facilities will close in California and for the economic impact from those closures. In fact, we fear the worst combination of events could occur: military facilities will close without justification from a military and taxpayer perspective, and insufficient preparation will be made to help the affected communities adjust to the closures.

The State of California has suffered economic losses from base closures that far outdistance the impacts on other states. The cumulative result of base closures since 1988 is a net loss of over 80,000 jobs in California, almost 50% of the net jobs lost nationally from base closures.

The most recent list of base closure recommendations will contribute substantially to a state economy that is already reeling from previous base closures and a stalled economy. The impact is particularly devastating at the local level, where the Bay Area will absorb a disproportionate share of job loss. The drastic effect on the Bay Area is illustrated by the following data:

May 6, 1993

Page Two

- the cumulative effect of base closings since 1988 results in the net loss of 41,999 jobs;
- this represents over 30% of the total jobs lost nationally from 1993 recommended closings;
- projected unemployment figures in Bay Area counties that are most strongly affected by base closings could range from 9.7% to as high as 23.1% (current figures are higher than the national average; figures obtained from the Governor of California's Office of Planning and Research)
- \$1.155 billion in payrolls is removed from the economy;
- \$361 million in local business contracts and procurements is lost.

Adequate support from defense conversion programs and efficient implementation of these programs is essential for California's affected communities to avoid economic devastation.

The Commerce Department's Economic Development Administration (EDA) is the lead federal agency for funding the implementation of base reuse plans. There are currently only three EDA officials stationed in California, and defense conversion projects are managed from the Denver Regional Office. Due to the number of base closures in California and the Bay Area in particular, we believe that it is crucial to the defense adjustment process that an EDA Western Regional Office be centrally located in the San Francisco Bay Area.

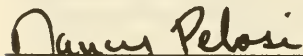
As the Secretary of Commerce, it is within the jurisdiction of your office to ensure that the EDA is able to effectively provide defense adjustment assistance. As the Administration's coordinator for economic development in California, it is within your authority to ensure that the distribution of government resources adequately addresses the needs of California. The establishment of an EDA Western Regional Office in the San Francisco Bay Area would fulfill both of these needs.

May 6, 1993

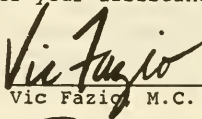
Page Three

The future of all of our affected communities depends upon successful defense conversion and adjustment programs. It is especially critical for California and the Bay Area where the impacts have been unbalanced.

We hope you will give our request your favorable consideration. We would welcome the opportunity to discuss our request with you at a convenient time. Thank you for your assistance in this matter.



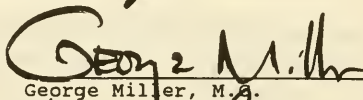
Nancy Pelosi, M.C.



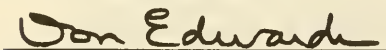
Vic Fazio, M.C.



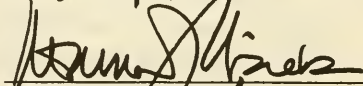
Ronald V. Dellums, M.C.



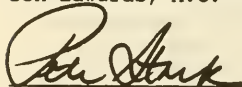
George Miller, M.C.



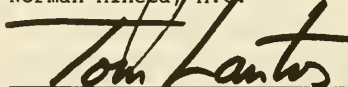
Don Edwards, M.C.



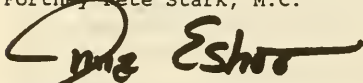
Norman Mineta, M.C.



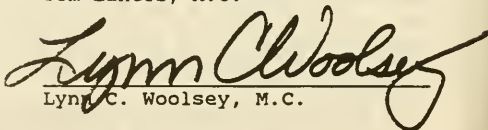
Fortney Pete Stark, M.C.



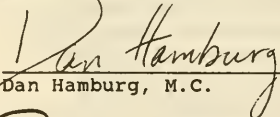
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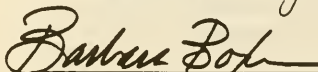
Anna G. Eshoo, M.C.



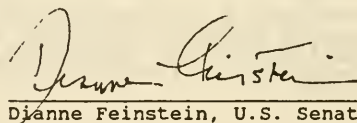
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Dan Hamburg, M.C.



Barbara Boxer, U.S. Senator



Dianne Feinstein, U.S. Senator

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