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**Economic Development Administration Oversight:
Issues Relevant to Reauthorization**

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Infrastructure

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Introduction

Chairman Cardin, Ranking Member Isakson and distinguished Members of this subcommittee, good morning. My name is David W. Edgerley, Secretary of the Maryland Department of Business and Economic Development (DBED). On behalf of Governor Martin O'Malley, I appreciate the subcommittee's invitation to offer my perspective on the U.S. Department of Commerce's Economic Development Administration and issues relevant to reauthorization. I welcome the opportunity to share with you what EDA assistance has meant for Maryland's distressed communities and regional economies.

As the Subcommittee is aware, the current authorization of the EDA is set to expire September 30, 2008. I am here today to strongly urge the Senate's approval for not only reauthorization of this critical federal program but for increased funding. The State of Maryland, Department of Business and Economic Development and Local Economic Development Districts support the Economic Development Administration (EDA) Reauthorization Act of 2008 which proposes to extend the authorization for appropriations under the Public Works and Economic Development Act through fiscal year 2013.

As you have heard and will hear from witnesses today, there are a multitude of projects that would not have happened without EDA funding. And as a result of this available funding, some of the nation's and Maryland's most distressed communities have experienced private sector investment, job creation and enhanced economic vitality.

As Secretary of DBED, I am charged with implementing Governor O'Malley's vision for a strong One Maryland economy where all jurisdictions – urban, suburban and rural, wealthy and economically distressed – reach their full potential. This means having an understanding of the entire state economy, appreciating regional strengths and unique qualities and recognizing the barriers and challenges to economic prosperity. From mountainous Western Maryland, to Baltimore City to the far flung reaches of the tranquil Eastern Shore, EDA has contributed significantly to the local, regional and state economy.

I would like to take this opportunity to share with you my experience with EDA funded initiatives and projects, from two very different perspectives. As DBED's Secretary, I would like to bring you a statewide perspective on how EDA has helped shape regional economies through strategic investments. And, as the former Director for the Allegany County, Maryland Office of Economic Development in the 1980s and early 1990s and a practitioner of local economic development for 30 years, I have experienced first-hand the importance of the EDA in working to attract new business investment in a significantly distressed region of Western MD.

Maryland's Economy in Transition

The Maryland economy has transformed itself significantly during the past 20 years. The 1990s was a decade of decline, change and revival, with Maryland's economic performance among the worst in the nation in the first half of the decade. The state made a dramatic turnaround in the late 1990s, a resurgence partially due to the emergence of more integrated, fast-paced, competitive and efficient New Economy industries including life sciences, information technology, and aerospace and defense.

Today, Maryland has a diverse, knowledge-based economy with a strong focus on technology and one of the best workforces in the country. We have tremendous resources in federal labs/research facilities and institutions of higher education. In the past few years, Maryland has also become a noted biotechnology area, and is front and center in the mapping of the human genome and commercial applications spinning out of this research. Maryland now ranks 2nd in the nation in the Milken Institute State Technology and Science Index, which measures a state's ability to foster and sustain a technology sector. According to the report, Maryland was able to jump ahead of other states because of our increased focus on attracting businesses and generating new projects that link research institutions with industry to produce the most advanced products.

Using most measures of economic stability, Maryland is very well off. Maryland has one of the lowest poverty rates in the nation (8.3%), unemployment rates consistently below the national average, and the highest median household income in the country (\$68,080). Yet there are areas of the State that are not as well off as the burgeoning corridor of the Capital region, Central and Southern Maryland.

- The Appalachian Region of Maryland has historically had one of the slowest growth rates of the State. For many years this area saw a decline in population, and periods of high unemployment caused by the closure of manufacturing facilities in the 1980s. The "Mountain Maryland" counties, Allegany and Garrett, have incomes that are less than 80 percent of the national median household income. Poverty rates in those counties are at or above the national poverty rate of 13%.

- Baltimore City, our largest city with a population of 637,445, and also a traditional manufacturing city, has the highest unemployment rate (7.3%) and the highest poverty rate (20%) in the State.
- And on the Eastern Shore, there are many rural communities that are seeing poverty increase as the resource-based economies of the past suffer. Somerset County, the state's southernmost county and a major seafood processor and poultry producer, has a current unemployment rate of 6.6% and Dorchester County's unemployment rate is 6.1% for July 2008.

A key strategy to alleviating these areas with significant unemployment and underemployment has been the targeting of State resources in the pursuit of Governor O'Malley's "One Maryland" strategy. We do this through programs such as State Enterprise Zones and the One Maryland Tax Credit program. We have 28 enterprise zones located throughout the state including ten in Western Maryland, eight on the Eastern Shore and one in Baltimore City. Seven of Maryland's 24 jurisdictions qualify for the One Maryland program which offers significant tax credits for new capital investments and job creation.

The Mountain Maryland Experience

In the early 1990s, the unemployment rate rose as high as 13% in Allegany and Garrett County and 9% in Washington County. Today, the region's unemployment rate averages 5.3%. Much of the economic growth this region has experienced over the last decade and a half is due in large part to timely investments from EDA. The primary conduit for receiving these funds is the Tri-County Council for Western Maryland, Inc. (TCCWMD). TCCWMD operates as an Economic Development Administration Development District and serves as the regional planning agency for Western Maryland under guidelines set forth by EDA. The District covers Allegany, Garrett, and Washington counties located in the western most part of the State. TCCWMD was formed in 1971 and has continually grown and adapted to offer new services. The Council also serves as a conduit to federal financing programs including the Appalachian Regional Commission and the Economic Development Administration.

The Tri-County Council of Western Maryland has been working for over three decades to stimulate economic growth and create permanent employment in Western Maryland. In response to the closing of Kelly-Springfield Tire Company and the Ft. Ritchie Military Base, the Council sought funds from EDA to provide opportunities for business expansion and start-up, targeting the many displaced employees.

Because of the extensive history in manufacturing and the presence of several colleges and universities in the region, the workforce remains strong. Companies entering the area that pay a living wage generally are impressed with the quality workforce and the sizable number of applicants they receive. The workforce of the Western Maryland area is largely characterized as being dedicated, hard-working and skilled in traditional manufacturing. Employees and their families have worked life-long at plants, mills, and large corporations and are used to shift work. They do not, as a rule, relocate for a minimal increase in salary. Unfortunately, the skills and requirements of the workforce are changing. The workforce needs to become more technologically competent. To a certain degree, the Western Maryland workforce lags behind in the skills needed for the new workforce, largely due to geographic isolation and the lack of

educational capabilities and opportunities. Contributing to this isolation is the “digital divide” or lack of telecommunications infrastructure.

Revolving Loan Fund

EDA funds helped seed and establish a Revolving Loan Fund in 1980. The Tri-County Council has been providing gap financing for new and expanding businesses for more than two decades in an effort to stimulate economic growth and create permanent employment in Western Maryland. Since 1980, the Council has disbursed more than 180 loans to businesses in the Tri-County region totaling over \$10 million. The majority of the loans support fixed assets in either a commercial or industrial setting. These loans have resulted in more than 2,100 new jobs and the retention of more than 1,600 jobs (source: Tri-County Council Economic Impact Study, 2005). To compliment and enhance the reach of the Revolving Loan Fund, in 2004, the Maryland Department of Business and Economic Development (DBED) awarded the council a grant to establish the Business Enterprise Loan Fund to be used in conjunction with the Council’s traditional financing tools. The DBED funding is an example of how state and federal funds are leveraged to provide working capital for small and emerging businesses.

EDA helped fund first business parks/incubators

Allegany County built seven business parks to bring high quality jobs to the County. Over ten percent of the County’s employment is now located in those parks. Six of the parks were made possible by EDA funding. New projects include the Allegany Business Center at Frostburg State University, a technology-based business park located on university land and offering the resources of Frostburg State and the University System of Maryland. Also just completed is the Barton Business Park for Advanced Manufacturing, located south of Cumberland and adjacent to the Robert C. Byrd Institute for Advanced Manufacturing.

Regional Planning – Addressing the Digital Divide

As an Economic Development District as defined by EDA , the Tri County Council of Western Maryland has continuously updated regional planning documents that make the region eligible for federal funding. In recent years, the Council has worked with Maryland’s Technology Development Corporation (TEDCO) to complete a “Demand Aggregation Study” in Western Maryland. This study assesses the existing telecommunications infrastructure in the region. The study illustrated that many areas were underserved, and thus uncompetitive with urban areas in the State. The final report identified findings illustrating that enough demand existed in Western Maryland for private telecommunications firms to invest in upgrades of existing infrastructure. While high speed internet access is available in many parts of Western Maryland, it is not cost effective for companies that are technology driven to invest here as costs for these services still are not competitive with urban areas of the State. One of the largest upgrades needed in the areas was a local Point of Presence (POP) that would limit fees charged for the distance data needs to travel.

Western Maryland now has the lowest unemployment rate in its history, and families and individuals have the opportunity to work and live in the area. This region can attribute much of its improved economic standing to assistance it received through EDA funded public works projects and planning grants to the Tri County Council of Western Maryland.

What EDA Means for Maryland

EDA has been a key resource for Maryland's investments in economic development projects. Since FY2003, EDA Approved investments in the State of Maryland totaled over \$13 million and helped created 2,615 jobs and leveraged \$241 million in private sector investment.

EDA is the only federal agency focused solely on private sector job growth and sustainability and serves as a vital resource for distressed communities striving to improve their local economies through a bottoms-up economic development strategy. In addition to the Tri County Council of Western Maryland, the Baltimore City Office of Planning is also an EDD organization. These organizations receive annual grants for Comprehensive Economic Development (CED) plans that identify noteworthy public infrastructure, economic development/job creation, and workforce development projects.

In recent years, two regional planning councils on Maryland's Eastern Shore have applied for EDD designation and are pending approval. The Mid-Shore Regional Planning Council and the Lower Shore Regional Planning Council, established in 2002, have provided much needed guidance, coordination and strategic planning for a region transitioning its economy. These EDDs develop comprehensive plans that identify opportunities for growth and redevelopment for the State's most distressed regions.

As Secretary for Business and Economic Development, I am pleased to work in partnership with these jurisdictions and the EDDs to identify opportunities where State economic development funds can help leverage federal EDA funds for worthwhile job creation projects.

As funding for Maryland's capital and economic development projects is challenged because of fiscal constraints, the State is ever more dependent on EDA funding to make these initiatives a reality.

Notable projects and initiatives include:

DORCHESTER TECHNOLOGY PARK

In 1999, with most of the existing industrial sites full and all lots in the Chesapeake Industrial Park developed, Dorchester County decided it was necessary to develop a new Park. The Department subsequently approved a \$1.75 million loan to the Maryland Economic Development Corporation (MEDCO) for the Dorchester Technology Park Project. DBED funds are intended to be used for land acquisition and some infrastructure development on the 113 acre parcel. The Project is expected to create a high quality and strategically located Park to promote economic growth with the creation of higher paying jobs.

The project budget revised as of January 2008, indicates there will be additional funding from EDA for \$2,257,500 and from the U.S. Department of Agriculture for \$2 million for infrastructure.

EASTERN SHORE OF MARYLAND REGIONAL FIBER OPTIC BACKBONE

The Maryland Broadband Cooperative, Inc. is overseeing the deployment of a fiber optic backbone to bridge the Maryland's digital divide. High speed internet access has been readily available in the Baltimore-Washington corridor. However, areas such as Maryland's Eastern Shore and Western Maryland have not benefited from this infrastructure. Unfortunately, private sector providers in the State have not viewed providing this service to Maryland's rural regions as profitable. As such, a nonprofit cooperative was founded to ensure areas previously neglected by private sector providers would enjoy the benefits of high speed connectivity to the Internet. In 2006, Maryland's General Assembly adopted legislation mandating state funding to support this initiative for three consecutive fiscal years. The Cooperative has received EDA funding enabling the connection from Maryland's lower Eastern Shore bordering Virginia to the Upper Shore and across the Bay Bridge to connect with Maryland's western shore. Bringing high speed/broad band connectivity to the Eastern Shore will allow businesses to take advantage of opportunities to grow and expand their business operations and put them on a level playing field with other businesses in Maryland.

EAST BALTIMORE DEVELOPMENT INC.

East Baltimore is a new model for urban revitalization happening in Baltimore. The once-blighted East Baltimore community is being transformed into a thriving community as part of a \$1.8 billion public private partnership. Created in 2003, East Baltimore Development Inc. (EBDI) is a nonprofit partnership of private and public entities that is undertaking the redevelopment of 88 acres. EBDI of Baltimore was chosen as a finalist for EDA's Excellence in Economic Development Award in the category of Excellence in Urban or Suburban Economic Development. EBDI was recognized for its Responsible Community and Economic Development Initiative, which addresses the physical, human and economic conditions of a neighborhood in a comprehensive plan for revitalization. This initiative has successfully ensured the maximum benefit for the residents moving out of the neighborhood into new communities and offering them the opportunity to return to the New East Side, with economic and racial diversity, higher home values and lower crime. DBED and EDA have been partners in this effort, with DBED providing \$4 million and EDA providing \$2 million in funding for the development of a Life Science and Biotechnology Park in East Baltimore. When fully completed, the state will have invested upwards of \$120 million in this project.

ALLEGANY BUSINESS CENTER AT FROSTBURG STATE UNIVERSITY

The Allegany Business Center is a technology park specifically developed for the purpose of attracting high-end research, development, and/or production companies that would benefit, directly or indirectly, from facilities available at Frostburg State University. Allegany County, in partnership with Frostburg State University (FSU), will continue to explore ways to market the Allegany Business Center to a Biotech or other advanced technology enterprise. Possible initiatives include linking the research opportunities with FSU and/or Community Colleges; and supporting construction of a multi-tenant spec building, which could be custom fit-out to accommodate a Biotech or other advanced technology enterprise with the potential direct linkage to FSU and/or Community Colleges.

Looking to the future and Reauthorization

As the Senate deliberates the future of EDA we in Maryland ask that the following critical issues be considered and adopted:

- **EDA helps create higher-skill, higher-wage jobs:** Between EDA's 2004 reauthorization and the end of this year, the agency will have helped America's rural and urban communities create over 350,000 higher-skill, higher-wage jobs at an average cost of \$2,500 per job.
- **EDA supports a critical nationwide network of Economic Development Districts (EDDs) and University Centers:** EDA's network of 375 EDDs helps to guide the economic development planning process for America's economically distressed communities. EDA's network of University Centers assists in making the vast resources of universities available to economic development communities.

In Maryland, Morgan State University, Towson University, and University of Maryland Eastern Shore are the three university centers providing multi jurisdiction and statewide technical assistance s to advance the economic health of Maryland's regional communities. Since FY2003, these university centers have received \$1.254 million and used the funding to provide technical assistance on a multi city/region basis to businesses.

As mentioned earlier in the testimony, Maryland has two EDDS – Tri County Council of Western Maryland (serving Maryland's Western jurisdictions of Washington, Allegany and Garrett Counties) and the Baltimore City Office of Planning (serving Baltimore City) and two entities pending EDD designation – Mid Shore Regional Planning Council (serving the three mid Eastern Shore Counties of Maryland – Caroline, Talbot and Dorchester) and the Lower Shore Regional Planning Council (serving Somerset, Wicomico and Worcester). Ultimately Maryland will have four EDDs preparing annual comprehensive economic development plans that will lay the framework for economic development and public works initiatives for Maryland's distressed regions.

- **EDA spends taxpayer dollars wisely:** EDA targets its investments to partner with the private sector to create higher-skill, higher-wage jobs. On average, every dollar in taxpayer money that EDA has invested since 2002 has attracted \$31 in private sector investment.

Additionally, Maryland believes the following projects/initiatives should continue receiving EDA support for a statewide project that will link Maryland's Eastern Shore with Western Maryland:

High Speed Broadband Telecommunication Service

The Tri County Council of Western Maryland in partnership with the Mid Shore and Lower Shore Regional Planning Councils hope to extend the success of the Rural Broadband Cooperative's laying of high speed fiber to Mountain Maryland. As the building of a high speed network on Maryland's Eastern Shore comes to a conclusion, businesses in Western Maryland are hoping to extend the high speed network to Mountain Maryland. The Tri County Council of

Western Maryland has identified this in their annual CEDS and hopes to secure EDA funding to assist with this project.

Historically, rural Maryland has lagged the rest of the state in deployment and use of high speed broadband telecommunications infrastructure. The result has been slower economic development, higher telecom costs and inferior services available to businesses, education and residents. Local activities have made progress including Allconet2, SAILOR MD Library network, USDA Oakland Grant, but much remains to be done. Private sector telecom providers need to justify investment in rural Maryland to fully deploy broadband at competitive rates to all users.

Current telecommunications service providers, such as Verizon, are able to provide DSL and cable service to households and small businesses that have low bandwidth requirements. The projects underway in Allegany & Garrett Counties will offer broadband capabilities that are robust enough to attract broadband dependant employers, as well as support local public agencies and educational institutions. Garrett County is utilizing fiber and Allegany County's Allconet2 project is utilizing wireless technology. Allconet2 will build a wireless telecommunications system based on state-of-the-art proven technologies to deliver high-speed Internet connections to businesses and other users in central and western Allegany County and adjoining areas. All private sector customer contacts will be through private partners, either local Internet Service Providers or other private signal carriers as may be required. The goal is to provide affordable, reliable services ranging from basic broadband to clear channel DS3 connections.

In order to continue these efforts, the Maryland Department of Business and Economic Development urges the Committee to not only hold the line on reductions to EDA but to increase the appropriation from \$250 million to \$400 million as advocated by the Economic Development Coalition.

Maryland's ranking among technology leading states must be sustained and enhanced, not only in the Baltimore-Washington corridor but in those areas outside the corridor that do not traditionally benefit from the economic impacts of technology firm presence. It is a priority of Governor O'Malley that these traditionally manufacturing dependent and resource-based industry dependent regions fully experience the economic growth that a transition to new economy businesses can bring.

For both Western Maryland and the Eastern Shore, pipeline projects include the development of technology incubators to attract new economy firms. Additionally, completion of Maryland's Rural Broadband Initiative - bringing high speed data access to rural regions is key to technology business attraction. In order to achieve this, Maryland needs the continued support of EDA and its planning and project funding.

I would like to thank the Chairman and members of the Subcommittee for their time and consideration and respectfully ask for your full support for not only reauthorization of this critical federal program but for increased funding

I'm happy to take any questions you may have. Thank you.